# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**WASHINGTON, D.C. 20549**

# FORM 10-K

☒ **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended March 31, 2010 or**

☐ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from to**

**Commission file number: 001-32253**

# ENERSYS
**(Exact name of registrant as specified in its charter)**

| **Delaware** | **23-3058564** |
|---|---|
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |

**2366 Bernville Road**
**Reading, Pennsylvania 19605**
**(Address of principal executive offices) (Zip Code)**

**Registrant's telephone number, including area code: 610-208-1991**

**Securities registered pursuant to Section 12(b) of the Act:**

| **Title of each class** | **Name of each exchange on which registered** |
|---|---|
| **Common Stock, $0.01 par value per share** | **New York Stock Exchange** |

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☒ YES ☐ NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ YES ☒ NO

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 ☐ 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 (Section 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 ☐ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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 definitions of "large accelerated filer," " accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

| | |
|---|---|
| Large accelerated filer ☒ | Accelerated filer ☐ |
| Non-accelerated filer ☐ | Smaller reporting company ☐ |

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ☐ YES ☒ NO

State the aggregate market value of the voting and non-voting common equity held by non-affiliates at September 27, 2009: $969,960,813 (1) (based upon its closing transaction price on the New York Stock Exchange on September 25, 2009).

(1) For this purpose only, "non-affiliates" excludes directors and executive officers.

**Common stock outstanding at May 27, 2010:** **49,046,585 Shares of Common Stock**

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive Proxy Statement for its Annual Meeting of Stockholders to be held on July 23, 2010, are incorporated by reference in Part III of this Annual Report.

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 (the “Reform Act”) provides a safe harbor for forward-looking statements made by or on behalf of EnerSys. EnerSys and its representatives may, from time to time, make written or verbal forward-looking statements, including statements contained in the Company’s filings with the Securities and Exchange Commission and its reports to stockholders. Generally, the inclusion of the words “anticipates,” “believe,” “expect,” “future,” “intend,” “estimate,” “anticipate,” “will,” “plans,” or the negative of such terms and similar expressions identify statements that constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and that are intended to come within the safe harbor protection provided by those sections. All statements addressing operating performance, events, or developments that EnerSys expects or anticipates will occur in the future, including statements relating to sales growth, earnings or earnings per share growth, and market share, as well as statements expressing optimism or pessimism about future operating results, are forward-looking statements within the meaning of the Reform Act. The forward-looking statements are and will be based on management’s then-current beliefs and assumptions regarding future events and operating performance and on information currently available to management, and are applicable only as of the dates of such statements.

Forward-looking statements involve risks, uncertainties and assumptions. Although we do not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy. Actual results may differ materially from those expressed in these forward-looking statements due to a number of uncertainties and risks, including the risks described in this Annual Report on Form 10-K and other unforeseen risks. You should not put undue reliance on any forward-looking statements. These statements speak only as of the date of this Annual Report on Form 10-K, even if subsequently made available by us on our website or otherwise, and we undertake no obligation to update or revise these statements to reflect events or circumstances occurring after the date of this Annual Report on Form 10-K.

Our actual results may differ materially from those contemplated by the forward-looking statements for a number of reasons, including the following factors:

- general cyclical patterns of the industries in which our customers operate;
- the extent to which we cannot control our fixed and variable costs;
- the raw material in our products may experience significant fluctuations in market price and availability;
- certain raw materials constitute hazardous materials that may give rise to costly environmental and safety claims;
- legislation regarding the restriction of the use of certain hazardous substances in our products;
- risks involved in foreign operations such as disruption of markets, changes in import and export laws, currency restrictions and currency exchange rate fluctuations;
- our ability to raise our selling prices to our customers when our product costs increase;
- the extent to which we are able to efficiently utilize our global manufacturing facilities and optimize their capacity;
- general economic conditions in the markets in which we operate;
- competitiveness of the battery markets throughout the world;
- our timely development of competitive new products and product enhancements in a changing environment and the acceptance of such products and product enhancements by customers;
- our ability to adequately protect our proprietary intellectual property, technology and brand names;

- unanticipated litigation and regulatory proceedings to which we might be subject;
- our ability to implement our cost reduction initiatives successfully and improve our profitability;
- unanticipated quality problems associated with our products;
- our ability to implement business strategies, including our acquisition strategy, and restructuring plans;
- our acquisition strategy may not be successful in locating advantageous targets;
- our ability to successfully integrate any assets, liabilities, customers, systems and management personnel we acquire into our operations and our ability to realize related revenue synergies and cost savings within expected time frames;
- our debt and debt service requirements which may restrict our operational and financial flexibility, as well as imposing unfavorable interest and financing costs;
- our ability to maintain our existing credit facilities or obtain satisfactory new credit facilities;
- adverse changes in our short- and long-term debt levels under our credit facilities;
- our exposure to fluctuations in interest rates on our variable-rate debt;
- our ability to attract and retain qualified personnel;
- our ability to maintain good relations with labor unions;
- credit risk associated with our customers, including risk of insolvency and bankruptcy;
- our ability to successfully recover in the event of a disaster affecting our infrastructure; and
- terrorist acts or acts of war, whether in the United States or abroad, could cause damage or disruption to our operations, our suppliers, channels to market or customers, or could cause costs to increase, or create political or economic instability.

This list of factors that may affect future performance is illustrative, but by no means exhaustive. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty.

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**EnerSys**
**Annual Report on Form 10-K**
**For the Fiscal Year Ended March 31, 2010**

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## PART I

### ITEM 1. *BUSINESS*

### OVERVIEW

EnerSys (the “Company,” “we,” or “us”) is the world’s largest manufacturer, marketer and distributor of industrial batteries. We also manufacture, market and distribute related products such as chargers, power equipment and battery accessories, and we provide related after-market and customer-support services for industrial batteries. We market and sell our products globally to over 10,000 customers in more than 100 countries through a network of distributors, independent representatives and our internal sales force.

We have two primary industrial battery product lines: reserve power products and motive power products. Net sales classifications by product line are as follows:

- **Reserve power products** are used for backup power for the continuous operation of critical applications in telecommunications systems, uninterruptible power systems, or UPS, applications for computer and computer-controlled systems, and other specialty power applications, including security systems, for premium starting, lighting and ignition applications, in switchgear and electrical control systems used in electric utilities and energy pipelines, and in commercial aircraft and military aircraft, submarines, ships and tactical vehicles.
- **Motive power products** are used to provide power for manufacturing, warehousing and other material handling equipment, primarily electric industrial forklift trucks, mining equipment, and for diesel locomotive starting, rail car lighting and rail signaling equipment.

We operate and manage our business in three geographic regions of the world—Americas, Europe and Asia, as described below. Our business is highly decentralized with manufacturing locations throughout the world. More than half of our manufacturing capacity is located outside of the United States, and approximately 60% of our net sales were generated outside of the United States. Under the criteria of the Financial Accounting Standards Board (“FASB”) guidance, the Company has three reportable business segments based on geographic regions, defined as follows:

- **Americas**, which includes North and South America, with our segment headquarters in Reading, Pennsylvania, USA,
- **Europe**, which includes Europe, the Middle East and Africa, with our segment headquarters in Zurich, Switzerland, and
- **Asia**, which includes Asia, Australia and Oceania, with our segment headquarters in Singapore.

Additionally, see Note 1 to the Consolidated Financial Statements for information on segment reporting and Note 24 for revenue by country, revenues by key product lines and other required disclosures.

### Fiscal Year Reporting

In this Annual Report on Form 10-K, when we refer to our fiscal years, we say “fiscal” and the year number, as in “fiscal 2010”, which refers to our fiscal year ended March 31, 2010. The Company reports interim financial information for 13-week periods, except for the first quarter, which always begins on April 1, and the fourth quarter, which always ends on March 31. The four fiscal quarters in 2010 ended on June 28, 2009, September 27, 2009, December 27, 2009, and March 31, 2010, respectively. The four fiscal quarters in 2009 ended on June 29, 2008, September 28, 2008, December 28, 2008, and March 31, 2009, respectively.

### History

EnerSys and its predecessor companies have been manufacturers of industrial batteries for over 100 years. Morgan Stanley Capital Partners teamed with the management of Yuasa, Inc. in late 2000 to acquire from Yuasa

Corporation (Japan) its reserve power and motive power battery businesses in North and South America. We were incorporated in October 2000 for the purpose of completing the Yuasa, Inc. acquisition. On January 1, 2001, we changed our name from Yuasa, Inc. to EnerSys to reflect our focus on the energy systems nature of our businesses.

Today, our reserve power batteries are marketed and sold principally under the *PowerSafe*, *DataSafe*, *EcoSafe*, *Hawker*, *Genesis*, *Odyssey*, *Varta*, *Oerlikon Battery* and *Cyclon* brands. Our motive power batteries are marketed and sold principally under the *Hawker*, *EnerSys Ironclad*, *General Battery*, *Fiamm Motive Power*, *Douglas* and *Express* brands. We also manufacture and sell related DC power products including chargers, electronic power equipment and a wide variety of battery accessories. Our battery products span a broad range of sizes, configurations and electrical capacities, enabling us to meet a wide variety of customer applications.

In August 2004, EnerSys completed an initial public offering (the "IPO"). The Company's Registration Statement (SEC File No. 333-115553) for its IPO was declared effective by the Securities and Exchange Commission (the "SEC") on July 26, 2004. The Company's common stock commenced trading on the New York Stock Exchange on July 30, 2004, under the trading symbol "ENS."

*We have expanded our product offerings and services globally through internal growth and acquisitions.*

During March 2002, we acquired the reserve power and motive power business of the Energy Storage Group of Invensys plc. ("ESG"). In June 2005, we acquired the motive power battery business of FIAMM, S.p.A. ("FIAMM"), which complements our European motive power business. During fiscal 2006 and 2007, we made a number of smaller acquisitions, including a producer of specialty nickel-based batteries based in Germany; a producer of lithium power sources, primarily for aerospace and defense applications, located in the United States; a lead-acid battery business in Switzerland; and a manufacturing facility in China. During fiscal 2008, we acquired an approximate 97% interest in Energia AD, an industrial battery producer, now known as EnerSys AD ("Energia"), in Bulgaria.

During fiscal 2010, the Company made several acquisitions, the most significant of which was the acquisition of the industrial battery businesses of the Swiss company Accu Holding AG, which included the acquisition of the stock of OEB Traction Batteries and the operating assets and liabilities of Oerlikon Stationery Batteries and its Swedish sales subsidiary (all collectively referred to as "Oerlikon"). These acquisitions and the investment provide the Company with an additional range of well respected and designed products for use in high integrity applications in telecommunications, utilities, rail, material handling and mining, and other sectors.

**Liquidity and Capital Resources**

Our financial position is strong and we have substantial liquidity with approximately $201 million of available cash and short-term investments. In addition to cash flows from operating activities, we had available committed and uncommitted credit lines of approximately $247 million at March 31, 2010 and $265 million at March 31, 2009 to cover short-term liquidity requirements. On a long-term basis, our senior secured revolving credit facility is committed through June 2013 as long as we continue to comply with its covenants and conditions.

During the first quarter of fiscal 2009, we refinanced the majority of our debt with a new $350 million senior secured credit facility and the issuance of $172.5 million of senior unsecured 3.375% Convertible Notes due 2038, unless earlier converted, redeemed or repurchased. This refinancing was completed during favorable debt market conditions and significantly enhanced our liquidity, extended our debt maturities and lowered our cash interest costs.

(See *Liquidity and Capital Resources* in Item 7 *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS* and Notes 8 and 11 in *Notes to Consolidated Financial Statements* in Item 8).

**Restructuring Plans**

In connection with the acquisition of Oerlikon in fiscal 2010, we commenced restructuring activities to integrate Oerlikon into our European operations. The accounting for the Oerlikon acquisition also resulted in the recognition of a bargain purchase gain of $2.9 million.

During February and May 2009, we also announced a plan to restructure our European and American operations, which will eliminate approximately 515 employees upon completion across our operations. These actions are primarily in Europe, the most significant of which was the closure of our leased Italian manufacturing facility and the opening of a new Italian distribution center, both occurring in 2010 to continue to provide responsive service to our customers in that market. We estimate that the total charges for these actions will amount to approximately $33.0 million, which includes cash expenses of approximately $24.0 million, primarily for employee severance-related payments, and a non-cash charge of approximately $9.0 million, primarily for impairment of fixed assets. Through March 31, 2010, we have expensed $31.5 million for these restructuring programs.

Following the May 2007 acquisition of approximately a 97% interest in Energia, we announced our commitment to restructure certain operations primarily to facilitate the integration of Energia into the Company's worldwide operations. This restructuring program is near completion and we have incurred a total charge of $17 million, which included cash expenses of approximately $12.5 million, primarily for employee severance-related payments, and a non-cash charge of approximately $4.5 million, primarily for impairment of fixed assets.

(See *Cost Savings Initiatives-Restructuring* in Item 7 *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS* and Note 20 of Notes to Consolidated Financial Statements in Item 8).

**Segments**

The Company operates in three business segments: (1) Americas, which includes North and South America (2) Europe, which includes Europe, the Middle East and Africa, and (3) Asia, which includes Asia, Australia and Oceania. Each business segment operates predominantly in one industry, the industrial battery industry, and our products are organized under two major product lines, reserve power products and motive power products. Financial information about our business segments is included in Note 24 of Notes to Consolidated Financial Statements in Item 8.

**Our Customers**

We serve over 10,000 customers in over 100 countries, on a direct basis or through our distributors. We are not overly dependent on any particular end market. Our customer base is highly diverse and no single customer accounts for more than 5% of our revenues.

**Product Lines**

Our reserve power customers consist of regional customers as well as global customers. These customers are in diverse markets including telecom, UPS, electric utilities, security systems, emergency lighting and premium starting, lighting and ignition applications. In addition, we sell our aerospace and defense products in numerous countries, including the governments of the U.S., Germany and the U.K. and to major defense and aviation original equipment manufacturers ("OEMs").

Our motive power products are sold to a large, diversified customer base. These customers include material handling equipment dealers, OEMs and end users of such equipment. End users include manufacturers, distributors, warehouse operators, retailers, airports, mine operators and railroads.

### Distribution and Services

We distribute, sell and service reserve power products globally through a combination of company-owned offices, independent manufacturers' representatives and distributors managed by our regional sales managers. With our global manufacturing locations and regional warehouses, we believe we are well positioned to meet our customers' delivery and servicing requirements. We have targeted our approach to meet local market conditions, which we believe provides the best possible service for our regional customers and our global accounts.

We distribute, sell and service our motive power products throughout the world, principally through company-owned sales and service facilities, as well as through independent manufacturers' representatives. We believe we are one of the only battery manufacturers in the motive power battery industry that operates a primarily company-owned service network. This company-owned network allows us to offer high-quality service, including preventative maintenance programs and customer support. Our warehouses and service locations enable us to respond quickly to customers in the markets we serve. We believe that the extensive industry experience of our sales organization results in strong long-term customer relationships.

### Manufacturing and Raw Materials

We manufacture and assemble reserve power and motive power batteries and related products at manufacturing facilities located in the Americas, Europe and Asia. With a view toward projected demand, we strive to optimize and balance capacity at our battery manufacturing facilities located throughout the world, while simultaneously minimizing our product cost. By taking a global view of our manufacturing requirements and capacity, we are better able to anticipate potential capacity bottlenecks and equipment and capital funding needs.

The primary raw materials used to manufacture our products include lead, plastics, steel and copper. We purchase lead from a number of leading suppliers throughout the world. Because lead is traded on the world's commodity markets and its price fluctuates daily, we periodically enter into hedging arrangements for a portion of our projected requirements to reduce the volatility of our costs.

### Competition

The industrial battery market is highly competitive both among competitors who manufacture and sell industrial batteries and among customers who purchase industrial batteries. Our competitors range from development stage companies to major domestic and international corporations. We also compete with other energy storage technologies. We compete primarily on the basis of reputation, product quality, reliability of service, delivery and price. We believe that our products and services are competitively priced.

Europe

We believe we have the largest market share in the European industrial battery market. We compete principally with Exide Technologies in the reserve and motive products markets; FIAMM, NorthStar, SAFT as well as Chinese producers in the reserve products market; and Hoppecke in the motive products market.

Americas

We believe we have the largest market share for the Americas industrial battery market. We compete principally with Exide Technologies and East Penn Manufacturing in the reserve and motive products markets; C&D Technologies Inc., NorthStar, SAFT and EaglePicher (OM Group) in the reserve products market; and Crown Battery Manufacturing Co. in the motive products market.

Asia

We have a small share of the fragmented Asian industrial battery market. We compete principally with GS Yuasa in the reserve and motive products markets; Coslight, Narada and China Shoto in the reserve products market; and JSB and Shinkobe in the motive products market.

**Warranties**

Warranties for our products vary geographically and by product type and are competitive with other suppliers of these types of products. Generally, our reserve power product warranties range from one to twenty years and our motive power product warranties range from one to seven-years. The length of our warranties is sometimes extended to reflect varied regional characteristics and competitive influences. In some cases, our warranty period may include a pro rata period, which is typically based around the design life of the product and the application served. Our warranties generally cover defects in workmanship and materials and are limited to specific usage parameters.

**Intellectual Property**

We have numerous patents and patent licenses in the United States and other jurisdictions but do not consider any one patent to be material to our business. From time to time, we apply for patents on new inventions and designs, but we believe that the growth of our business will depend primarily upon the quality of our products and our relationships with our customers, rather than the extent of our patent protection.

Although other manufacturers may possess certain thin-plate pure-lead technology (“TPPL”), we believe we are the only manufacturer of products using TPPL technology in the reserve and motive power markets. Some aspects of this technology may be patented in the future. In any event, we believe that a significant capital investment would be required by any party desiring to produce products using TPPL technology for these markets.

We own or possess exclusive and non-exclusive licenses and other rights to use a number of trademarks in various jurisdictions. We have obtained registrations for many of these trademarks in the United States and other jurisdictions. Our various trademark registrations currently have durations of approximately 10 to 20 years, varying by mark and jurisdiction of registration and may be renewable. We endeavor to keep all of our material registrations current. We believe that many such rights and licenses are important to our business by helping to develop strong brand-name recognition in the marketplace. Some of the significant (registered and unregistered) trademarks that we use include: *Aquafree*, *Armasafe plus*, *Combitrac*, *Compact Power*, *Cyclon*, *DataSafe*, *Deserthog*, *Douglas Battery*, *Douglas Legacy*, *EcoSafe*, *Electrona*, *Energia*, *Energy Plus*, *EnerSys Ironclad*, *Envirolink*, *Eon Technology*, *Express*, *FIAMM Motive Power*, *General Battery*, *Genesis*, *Hawker*, *HUP*, *LifeGuard*, *LifePlus*, *Life Speed*, *Loadhog*, *Odyssey*, *Oerlikon Battery*, *Oldham*, *PowerGuard*, *PowerLease*, *Powerline*, *PowerPlus*, *PowerSafe*, *Rackline*, *Redion*, *Smarthog*, *Superhog*, *Supersafe*, *Varta*, *Waterless* and *Workhog.*

**Seasonality**

Our business generally does not experience significant quarterly fluctuations in net sales as a result of weather or other trends that can be directly linked to seasonality patterns. However, our second fiscal quarter normally experiences moderate reductions in net sales compared to our first fiscal quarter for that year, due to summer manufacturing shutdowns of our customers and holidays primarily in North America and Western Europe. Our fourth fiscal quarter normally experiences the highest sales of any fiscal quarter within a given year. Many reserve power telecommunications customers tend to perform extensive service and engage in higher battery replacement and maintenance activities in the first calendar quarter of a year, which is our fourth fiscal quarter. In addition, many of our largest industrial customers are on a calendar year basis and many tend to also purchase their durable goods more heavily in our fourth fiscal quarter than within any other fiscal quarter.

However, global economic conditions had a significant impact on our sales in the past two years. After increasing modestly in the first fiscal quarter of 2009 over the last fiscal quarter of 2008, worldwide sales declined sequentially by 11.0%, 12.5% and 14.7% in the second, third and fourth fiscal quarters of 2009, respectively. After decreasing by 13.5% in the first fiscal quarter of 2010 from the last fiscal quarter of 2009, worldwide sales increased sequentially by 8.0%, 14.7% and 7.0% in the second, third and fourth fiscal quarters of 2010, respectively, as global economic activity improved.

**Product and Process Development**

Our product and process development efforts are focused on the creation and optimization of new battery products using existing technologies, which, in certain cases, differentiate our stored energy solutions from that of our competition. We allocate our resources to the following key areas:

- the design and development of new products;
- optimizing and expanding our existing product offering;
- waste and scrap reduction;
- production efficiency and utilization;
- capacity expansion without additional facilities; and
- quality attribute maximization.

**Employees**

At March 31, 2010, we had approximately 7,800 employees. Of these employees, approximately 2,870, almost all of whom work in our European facilities, were covered by collective bargaining agreements. The average term of these agreements is two years, with the longest term being three years. These agreements expire over the period from calendar years 2010 to 2012.

We consider our employee relations to be good. Historically, we have not experienced any significant labor unrest or disruption of production.

**Environmental Matters**

In the manufacture of our products throughout the world, we process, store, dispose of and otherwise use large amounts of hazardous materials, especially lead and acid. As a result, we are subject to extensive and changing environmental, health and safety laws and regulations governing, among other things: the generation, handling, storage, use, transportation and disposal of hazardous materials; emissions or discharges of hazardous materials into the ground, air or water; and the health and safety of our employees. In addition, we are required to comply with the regulation issued from the European Economic Union called Registration, Evaluation, Authorization and Restriction of Chemicals or “REACH,” that entered into force on June 1, 2007. Under the regulation, companies which manufacture or import more than one ton of a chemical substance per year will be required to register it in a central database administered by the new European Chemicals Agency. REACH will require a registration, over a period of 11 years, of some 30,000 chemical substances. Compliance with these laws and regulations results in ongoing costs. Failure to comply with these laws and regulations, or to obtain or comply with required environmental permits, could result in fines, criminal charges or other sanctions by regulators. From time to time, we have had instances of alleged or actual noncompliance that have resulted in the imposition of fines, penalties and required corrective actions. Our ongoing compliance with environmental, health and safety laws, regulations and permits could require us to incur significant expenses, limit our ability to modify or expand our facilities or continue production and require us to install additional pollution control equipment and make other capital improvements. In addition, private parties, including current or former employees, could bring personal injury or other claims against us due to the presence of, or their exposure to, hazardous substances used, stored, transported or disposed of by us or contained in our products.

Certain environmental laws assess liability on owners or operators of real property for the cost of investigation, removal or remediation of hazardous substances at their current or former properties or at properties at which they have disposed of hazardous substances. These laws may also assess costs to repair damage to natural resources. We may be responsible for remediating damage to our properties that was caused by former owners. Soil and groundwater contamination has occurred at some of our current and former properties and may occur or be discovered at other properties in the future. In addition, we have been and may, in the future be liable to contribute to the cleanup of locations owned or operated by other persons to which we or our predecessor companies have sent wastes for disposal, pursuant to federal and other environmental laws. Under these laws, the owner or operator of contaminated properties and companies that generated, disposed of or arranged for the disposal of wastes sent to a contaminated disposal facility can be held jointly and severally liable for the investigation and cleanup of such properties, regardless of fault.

***Sumter, South Carolina***

We currently are responsible for certain environmental obligations at our former battery facility in Sumter, South Carolina. This battery facility was closed in 2001 and is separate from our current metal fabrication facility in Sumter. We are subject to ongoing storm water inspection requirements under a 2000 Consent Order based on suspected lead contamination. There may be other unidentified contaminants in the soil or groundwater that also predate our ownership of this facility. We have established a reserve for this facility. As of March 31, 2010, the reserves related to this facility totaled approximately $3.7 million. Based on current information, we believe this reserve is adequate to satisfy our environmental liabilities at this facility.

***Manchester, England***

In the first fiscal quarter of 2009, the Company sold its Manchester, England manufacturing facility. The new owners assumed the related environmental obligations and, accordingly, we removed the approximate $6.6 million of environmental reserves associated with this location.

***Environmental and safety certifications***

Eleven of our facilities in the United States, Europe and Asia are certified to ISO 14001 standards. ISO 14001 is a globally recognized, voluntary program that focuses on the implementation, maintenance and continual improvement of an environmental management system and the improvement of environmental performance. Two facilities in Europe are certified to OHSAS 18001 standards.

**Quality Systems**

We utilize a global strategy for quality management systems, policies and procedures, the basis of which is the ISO 9001:2000 standard, which is a worldwide recognized quality standard. We believe in the principles of this standard and reinforce this by requiring mandatory compliance for all manufacturing, sales and service locations that are registered to the ISO 9001 standard. This strategy enables us to provide effective products and services to meet our customers' needs.

**Available Information**

We file annual, quarterly and current reports, proxy statements and other information with the SEC. These filings are available to the public on the Internet at the SEC's website at *http://www.sec.gov*. You may also read and copy any document we file with the SEC at the SEC's public reference room, located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room.

Our Internet address is *http://www.enersys.com*. We make available free of charge on *http://www.enersys.com* our annual, quarterly and current reports, and amendments to those reports, as soon as reasonably practical after we electronically file such material with, or furnish it to, the SEC.

**ITEM 1A. *RISK FACTORS***

The following risks and uncertainties, as well as others described in this Annual Report on Form 10-K, could materially and adversely affect our business, our results of operations and financial conditions and could cause actual results to differ materially from our expectations and projections. Stockholders are cautioned that these and other factors, including those beyond our control, may affect future performance and cause actual results to differ from those which may, from time to time, be anticipated. There may be additional risks that are not presently material or known. See "Cautionary Note Regarding Forward-Looking Statements." All forward-looking statements made by us or on our behalf are qualified by the risks described below.

*We operate in an extremely competitive industry and are subject to continual pricing pressure.*

We compete with a number of major international manufacturers and distributors, as well as a large number of smaller, regional competitors. Due to excess capacity in some sectors of our industry, consolidation among industrial battery purchasers and the financial difficulties being experienced by several of our competitors, we have been subjected to continual and significant pricing pressures. We anticipate heightened competitive pricing pressure as Chinese and other foreign producers are able to employ labor at significantly lower costs than producers in the U.S. and Western Europe, expand their export capacity and increase their marketing presence in our major U.S. and European markets. Several of our competitors have strong technical, marketing, sales, manufacturing, distribution and other resources, as well as significant name recognition, established positions in the market and long-standing relationships with OEMs and other customers. In addition, certain of our competitors own lead smelting facilities which, during periods of lead cost increases or price volatility, may provide a competitive pricing advantage and reduce their exposure to volatile raw material costs. Our ability to maintain and improve our operating margins has depended, and continues to depend, on our ability to control and reduce our costs. We cannot assure you that we will be able to continue to reduce our operating expenses, to raise or maintain our prices or increase our unit volume, in order to maintain or improve our operating results.

*The current uncertainty in global economic conditions could negatively affect the Company's operating results.*

Our operating results are directly affected by the general global economic conditions of the industries in which our major customer groups operate. Our business segments are highly dependent on the economic and market conditions in each of the geographic areas in which we operate. Our products are heavily dependent on the end markets that we serve and our operating results will vary by geographic segment, depending on the economic environment in these markets. Sales of our motive power products, for example, depend significantly on demand for new electric industrial forklift trucks, which in turn depends on end-user demand for additional motive capacity in their distribution and manufacturing facilities. The uncertainty in global economic conditions varies by geographic segment, and can result in substantial volatility in global credit markets. These conditions affect our business by reducing prices that our customers may be able or willing to pay for our products or by reducing the demand for our products, which could in turn negatively impact our sales and earnings generation and result in a material adverse effect on our business, cash flow, results of operations and financial position.

*Risk of forced conversion of Convertible Notes*

Under the terms of our senior unsecured 3.375% Convertible Notes, a holder of Convertible Notes may require the Company to repurchase some or all of the holder's Convertible Notes for cash upon the occurrence of a fundamental change as defined in the indenture and on each of June 1, 2015, 2018, 2023, 2028 and 2033 at a price equal to 100% of the accreted principal amount of the Convertible Notes being repurchased, plus accrued and unpaid interest, if any, in each case. As of March 31, 2010, the Company has $172.5 million of Convertible Notes outstanding.

The Company expects to have the available liquidity, and it is the Company's current intent to settle the principal amount of any such conversions in cash, and any additional optional conversions in cash, shares of EnerSys common stock or a combination of cash and shares. The Convertible Notes will mature on June 1, 2038, unless earlier converted, redeemed or repurchased by the Company.

*Reliance on third party relationships and derivative agreements could adversely affect the Company's business.*

We depend on third parties, including suppliers, distributors, lead toll operators, freight forwarders, insurance brokers, commodity brokers, major financial institutions and other third party service providers, for key aspects of our business including the provision of derivative contracts to manage risks of: a) lead cost volatility, b) foreign currency exposures and c) interest rate volatility on a portion of our long-term floating-rate debt. Failure of these third parties to meet their contractual, regulatory and other obligations to the Company or the development of factors that materially disrupt our relationships with these third parties could expose us to the risks of high lead costs, unfavorable foreign currency rates and higher interest expenses, which could have a material adverse effect on our business.

*Our raw materials costs are volatile and expose us to significant movements in our product costs.*

Lead is our most significant raw material and is used along with significant amounts of plastics, steel, copper and other materials in our manufacturing processes. We estimate that raw material costs account for over half of our cost of goods sold. The costs of these raw materials, particularly lead, are volatile and beyond our control.

Volatile raw material costs can significantly affect our operating results and make period-to-period comparisons extremely difficult. We cannot assure you that we will be able to hedge the costs of our raw material requirements at a reasonable level or pass on to our customers the increased costs of our raw materials.

*Our operations expose us to the risk of material environmental, health and safety liabilities, costs, and litigation.*

In the manufacture of our products throughout the world, we process, store, dispose of and otherwise use large amounts of hazardous materials, especially lead and acid. As a result, we are subject to extensive and changing environmental, health and safety laws and regulations governing, among other things: the generation, handling, storage, use, transportation and disposal of hazardous materials; remediation of polluted ground or water; emissions or discharges of hazardous materials into the ground, air or water; and the health and safety of our employees. Compliance with these laws and regulations results in ongoing costs. Failure to comply with these laws or regulations, or to obtain or comply with required environmental permits, could result in fines, criminal charges or other sanctions by regulators. From time to time we have had instances of alleged or actual noncompliance that have resulted in the imposition of fines, penalties and required corrective actions. Our ongoing compliance with environmental, health and safety laws, regulations and permits could require us to incur significant expenses, limit our ability to modify or expand our facilities or continue production and require us to install additional pollution control equipment and make other capital improvements. In addition, private parties, including current or former employees, could bring personal injury or other claims against us due to the presence of, or exposure to, hazardous substances used, stored or disposed of by us or contained in our products.

Certain environmental laws assess liability on owners or operators of real property for the cost of investigation, removal or remediation of hazardous substances at their current or former properties or at properties at which they have disposed of hazardous substances. These laws may also assess costs to repair damage to natural resources. We may be responsible for remediating damage to our properties that was caused by former owners. Soil and groundwater contamination has occurred at some of our current and former properties and may occur or be discovered at other properties in the future. We are currently investigating and monitoring soil and groundwater contamination at several of our properties, in most cases as required by regulatory permitting processes. We may be required to conduct these operations at other properties in the future. In

addition, we have been and in the future may be liable to contribute to the cleanup of locations owned or operated by other persons to which we or our predecessor companies have sent wastes for disposal, pursuant to federal and other environmental laws. Under these laws, the owner or operator of contaminated properties and companies that generated, disposed of or arranged for the disposal of wastes sent to a contaminated disposal facility can be held jointly and severally liable for the investigation and cleanup of such properties, regardless of fault.

We cannot assure you that we have been or at all times will be in compliance with environmental laws and regulations or that we will not be required to expend significant funds to comply with, or discharge liabilities arising under, environmental laws, regulations and permits, or that we will not be exposed to material environmental, health or safety litigation.

*Legislation regarding the restriction of the use of certain hazardous substances in electrical and electronic equipment.*

The European Union has directed that new electrical and electronic equipment not contain certain hazardous substances, including lead and cadmium. Because battery accessories and chargers are subject to this directive, our compliance with the directive directly impacts our manufacturing of these products and could cause certain of our existing inventory to be obsolete. In addition, certain other jurisdictions outside the European Union have implemented, or plan to implement, similar restrictions with various compliance dates. We cannot assure you that we will meet all restrictions by each of the required dates. Inventory obsolescence and our failure to comply could each have an adverse effect on our financial results.

*We are exposed to exchange rate risks, and our net income and financial condition may suffer due to currency translations.*

We invoice foreign sales and service transactions in local currencies and translate net sales using actual exchange rates during the period. We translate our non-U.S. assets and liabilities into U.S. dollars using current exchange rates as of the balance sheet date. Because a significant portion of our revenues and expenses are denominated in foreign currencies, changes in exchange rates between the U.S. dollar and foreign currencies, primarily the euro, British pound and Polish zloty, may adversely affect our revenue, cost of revenue and operating margins. For example, foreign currency depreciation against the U.S. dollar will reduce the value of our foreign revenues and operating earnings as well as reduce our net investment in foreign subsidiaries. Approximately 60% of net sales were generated outside of the United States.

Most of the risk of fluctuating foreign currencies is in our Europe segment, which comprised approximately 50% of our net sales during the last two fiscal years. The euro is the dominant currency in our European operations.

The translation impact from currency fluctuations on net sales and operating earnings in Americas and Asia segments are not significant, as a substantial majority of these net sales and operating earnings are in U.S. dollars or foreign currencies that have been closely correlated to the U.S. dollar.

Foreign currency depreciation will make it more expensive for our non-U.S. subsidiaries to purchase certain of our raw material commodities that are priced globally in U.S. dollars, while the related revenue will decrease when translated to U.S. dollars. Significant movements in foreign exchange rates can have a material impact on our results of operations and financial condition. We periodically engage in hedging of our foreign currency exposures, but cannot assure you that we can successfully hedge all of our foreign currency exposures or do so at a reasonable cost.

We manufacture and assemble our products primarily in Bulgaria, China, the Czech Republic, France, Germany, Mexico, Poland, the United Kingdom and the United States. Approximately 60% of our sales and expenses are translated in foreign currencies. Our sales revenue, production costs, profit margins and competitive position are affected by the strength of the currencies in countries where we manufacture or purchase goods relative to the strength of the currencies in countries where our products are sold. Additionally, as we report our

financial statements in the U.S. dollar, our financial results are affected by the strength of the currencies in countries where we have operations relative to the strength of the U.S. dollar. The principal foreign currencies in which we conduct business are the euro, British pound, Polish zloty, Chinese renminbi and Mexican peso.

We quantify and monitor our global foreign currency exposures. Our largest foreign currency exposure is from the purchase and conversion of U.S. dollar based lead costs into local currencies in Europe. Additionally, we have currency exposures from intercompany financing and trade transactions. On a selective basis we will enter into foreign currency forward contracts and option contracts to reduce the impact from the volatility of currency movements. Based primarily on statistical currency correlations on our current exposures for fiscal 2010, we are confident that the pretax effect on annual earnings due to changes in the principal currencies in which we conduct our business would not be in excess of approximately $10 million in more than one year out of twenty years. The fiscal 2009 gains exceeded the normal statistical range. The settlement or translation of intercompany financing and trading balances during a period of unusually high volatility of foreign currency exchange rates in fiscal 2009, resulted in a gain of $11.6 million from foreign currency transactions as compared to a loss of $3.0 million in fiscal 2010. We have taken steps that we believe will mitigate the impact of these foreign currency rate fluctuations and such fluctuations were minimized in the fiscal 2010; however, we cannot be certain that foreign currency fluctuations of the size recognized in fiscal 2009 will not occur in the future.

*Our international operations may be adversely affected by actions taken by foreign governments or other forces or events over which we may have no control.*

We currently have significant manufacturing and/or distribution facilities outside of the United States, including in the United Kingdom, France, Germany, China, Mexico, Poland, the Czech Republic, Spain, Italy, Bulgaria, Australia, Belgium and Switzerland. We may face political instability and economic uncertainty, cultural and religious differences and difficult labor relations in our foreign operations. We also may face barriers in the form of long-standing relationships between potential customers and their existing suppliers, national policies favoring domestic manufacturers and protective regulations including exchange controls, restrictions on foreign investment or the repatriation of profits or invested capital, changes in export or import restrictions and changes in the tax system or rate of taxation in countries where we do business. We cannot assure you that we will be able to successfully develop and expand our international operations and sales or that we will be able to overcome the significant obstacles and risks of our international operations.

*Our failure to introduce new products and product enhancements and broad market acceptance of new technologies introduced by our competitors could adversely affect our business.*

Many new energy storage technologies have been introduced over the past several years. For certain important and growing markets, such as aerospace and defense, lithium-based battery technologies have large and growing market share. Our ability to achieve significant and sustained penetration of key developing markets, including aerospace & defense, will depend upon our success in developing or acquiring these and other technologies, either independently, through joint ventures or through acquisitions. If we fail to develop or acquire, and manufacture and sell, products that satisfy our customers' demands, or we fail to respond effectively to new product announcements by our competitors by quickly introducing competitive products, then market acceptance of our products could be reduced and our business could be adversely affected. We cannot assure you that our lead-acid products will remain competitive with products based on new technologies.

*We may not be able to adequately protect our proprietary intellectual property and technology.*

We rely on a combination of copyright, trademark, patent and trade secret laws, non-disclosure agreements and other confidentiality procedures and contractual provisions to establish, protect and maintain our proprietary intellectual property and technology and other confidential information. Certain of these technologies, especially TPPL technology, are important to our business and are not protected by patents. Despite our efforts to protect our proprietary intellectual property and technology and other confidential information, unauthorized parties may attempt to copy or otherwise obtain and use our intellectual property and proprietary technologies.

*Relocation of our customers' operations could adversely affect our business.*

The trend by a number of our North American and Western European customers to move manufacturing operations and expand their businesses into Asia and other low labor-cost markets may have an adverse impact on our business. As our customers in traditional manufacturing-based industries seek to move their manufacturing operations to lower-cost territories, there is a risk that these customers will source their energy storage products from competitors located in those territories and will cease or reduce the purchase of products from our manufacturing plants. We cannot assure you that we will be able to compete effectively with manufacturing operations of energy storage products in those territories, whether by establishing or expanding our manufacturing operations in those lower-cost territories or acquiring existing manufacturers.

*We may fail to implement our cost reduction initiatives successfully and improve our profitability.*

We must continue to implement cost reduction initiatives to achieve additional cost savings in future periods. We cannot assure you that we will be able to achieve all of the cost savings that we expect to realize from current or future initiatives. In particular, we may be unable to implement one or more of our initiatives successfully or we may experience unexpected cost increases that offset the savings that we achieve. Given the continued competitive pricing pressures experienced in our industry, our failure to realize cost savings would adversely affect our results of operations.

*Quality problems with our products could harm our reputation and erode our competitive position.*

The success of our business will depend upon the quality of our products and our relationships with customers. In the event that our products fail to meet our customers' standards, our reputation could be harmed, which would adversely affect our marketing and sales efforts. We cannot assure you that our customers will not experience quality problems with our products.

*We offer our products under a variety of brand names, the protection of which is important to our reputation for quality in the consumer marketplace.*

We rely upon a combination of trademark, licensing and contractual covenants to establish and protect the brand names of our products. We have registered many of our trademarks in the U.S. Patent and Trademark Office and in other countries. In many market segments, our reputation is closely related to our brand names. Monitoring unauthorized use of our brand names is difficult, and we cannot be certain that the steps we have taken will prevent their unauthorized use, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the U.S. We cannot assure you that our brand names will not be misappropriated or utilized without our consent or that such actions will not have a material adverse effect on our reputation and on our results of operations.

*We may fail to implement our plans to make acquisitions or successfully integrate them into our operations.*

As part of our business strategy, we have grown, and plan to continue growing, by acquiring other product lines, technologies or facilities that complement or expand our existing business. There is significant competition for acquisition targets in the industrial battery industry. We may not be able to identify suitable acquisition candidates or negotiate attractive terms. In addition, we may have difficulty obtaining the financing necessary to complete transactions we pursue. In that regard, our credit facilities restrict the amount of additional indebtedness that we may incur to finance acquisitions and place other restrictions on our ability to make acquisitions. Exceeding any of these restrictions would require the consent of our lenders. We may be unable to successfully integrate any assets, liabilities, customers, systems and management personnel we acquire into our operations and we may not be able to realize related revenue synergies and cost savings within expected time frames. Our failure to execute our acquisition strategy could have a material adverse effect on our business. We cannot assure you that our acquisition strategy will be successful or that we will be able to successfully integrate acquisitions we do make.

*Any acquisitions that we complete may dilute stockholder ownership interests in EnerSys, may have adverse effects on our financial condition and results of operations and may cause unanticipated liabilities.*

Future acquisitions may involve the issuance of our equity securities as payment, in part or in full, for the businesses or assets acquired. Any future issuances of equity securities would dilute stockholder ownership interests. In addition, future acquisitions might not increase, and may even decrease our earnings or earnings per share and the benefits derived by us from an acquisition might not outweigh or might not exceed the dilutive effect of the acquisition. We also may incur additional debt or suffer adverse tax and accounting consequences in connection with any future acquisitions.

*The failure of critical computer systems could seriously affect our sales and operations.*

We operate a number of critical computer systems throughout our business that can fail for a variety of reasons. If such a failure were to occur, then we may not be able to sufficiently recover from the failure in time to avoid the loss of data or any adverse impact on certain of our operations that are dependent on such systems. This could result in lost sales and the inefficient operation of our facilities for the duration of such a failure.

*Our ability to maintain adequate credit facilities.*

Our ability to continue our ongoing business operations and fund future growth depends on our ability to maintain adequate credit facilities and to comply with the financial and other covenants in such credit facilities or to secure alternative sources of financing. However, such credit facilities or alternate financing may not be available or, if available, may not be on terms favorable to us.

*Our significant indebtedness could adversely affect our financial condition.*

As of March 31, 2010, we had $350.5 million of total consolidated debt (including capital lease obligations). This level of debt could:

- increase our vulnerability to adverse general economic and industry conditions, including interest rate fluctuations, because a portion of our borrowings bear, and will continue to bear, interest at floating rates;
- require us to dedicate a substantial portion of our cash flow from operations to debt service payments, which would reduce the availability of our cash to fund working capital, capital expenditures or other general corporate purposes, including acquisitions;
- limit our flexibility in planning for, or reacting to, changes in our business and industry;
- restrict our ability to introduce new products or new technologies or exploit business opportunities;
- place us at a disadvantage compared with competitors that have proportionately less debt;
- limit our ability to borrow additional funds in the future, if we need them, due to financial and restrictive covenants in our debt agreements; and
- have a material adverse effect on us if we fail to comply with the financial and restrictive covenants in our debt agreements.

This list of factors that may affect future performance includes all material factors of which we are aware. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty.

## ITEM 1B. *UNRESOLVED STAFF COMMENTS*

Not applicable.

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**ITEM 2.** ***PROPERTIES***

Set forth below is certain information, as of March 31, 2010, with respect to our principal properties. The primary function of the listed facilities is manufacturing of industrial batteries, unless otherwise noted.

| Location | Products Produced/Function | Size (sq. feet utilized) | Owned/Leased |
|---|---|---|---|
| ***Americas:*** | | | |
| Reading, PA | Worldwide and Americas Headquarters | 109,000 | Owned |
| Warrensburg, MO | Industrial Batteries | 490,000 | Owned |
| Richmond, KY | Industrial Batteries and Distribution | 372,500 | Owned/Leased |
| Hays, KS | Industrial Batteries | 351,000 | Owned |
| Monterrey, Mexico | Industrial Batteries | 181,000 | Owned |
| Tijuana, Mexico | Industrial Batteries | 156,000 | Owned |
| Ooltewah, TN | Industrial Batteries | 100,750 | Owned |
| Allentown, PA | Distribution Center | 80,000 | Leased |
| Sumter, SC | Distribution Center | 70,000 | Owned |
| Cleveland, OH | Industrial Battery Chargers | 66,000 | Owned |
| Sumter, SC | Metal Fabrication | 52,000 | Owned |
| Horsham, PA | Industrial Batteries | 51,400 | Leased |
| Chino, CA | Distribution Center | 47,400 | Leased |
| Monterrey, Mexico | Metal Fabrication | 44,800 | Leased |
| Dallas, TX | Distribution Center | 40,000 | Leased |
| Washington, PA | Distribution Center | 37,800 | Leased |
| Santa Fe Springs, CA | Distribution Center | 35,000 | Leased |
| Brampton, Canada | Distribution Center | 30,400 | Leased |
| Burr Ridge, IL | Distribution Center | 25,500 | Leased |
| Norcross, GA | Distribution Center | 23,600 | Leased |
| Somerset, NJ | Distribution Center | 23,000 | Leased |
| Kansas City, MO | Distribution Center | 19,700 | Leased |
| Union City, CA | Distribution Center | 17,400 | Leased |
| Warrington, PA | Distribution Center | 15,000 | Leased |
| Warwick, RI | Design Center | 4,000 | Leased |
| ***Europe:*** | | | |
| Zurich, Switzerland | Europe Headquarters | 2,500 | Leased |
| Arras, France | Industrial Batteries and Battery Chargers | 486,000 | Owned |
| Targovishte, Bulgaria | Industrial Batteries | 483,000 | Owned |
| Newport, Wales | Industrial Batteries | 233,000 | Owned |
| Bielsko-Biala, Poland | Industrial Batteries | 220,000 | Owned |
| Hagen, Germany | Industrial Batteries | 185,000 | Owned |
| Hostimice, Czech Republic | Metal Fabrication and Distribution | 85,310 | Owned |
| Herstal, Belgium | Distribution Center | 58,700 | Leased |
| Zwickau, Germany | Industrial Batteries | 57,000 | Leased |
| Zamudio, Spain | Industrial Battery Assembly and Distribution | 55,000 | Owned |
| Gambellara, Italy | Distribution Center | 54,000 | Leased |
| Manchester, England | Distribution Center | 42,600 | Leased |
| Tunis, Tunisia | Industrial Batteries | 23,000 | Leased |
| Budapest, Hungary | Industrial Batteries | 12,000 | Leased |
| ***Asia:*** | | | |
| Singapore | Asia Headquarters | 3,200 | Leased |
| Shenzhen, China | Industrial Batteries | 176,000 | Leased |
| Jiangsu, China | Industrial Batteries | 160,000 | Owned |
| Shantou, China | Industrial Batteries | 92,000 | Owned |
| Sydney, Australia | Industrial Battery Assembly and Distribution | 13,000 | Leased |

## ITEM 3. *LEGAL PROCEEDINGS*

From time to time, we are involved in litigation incidental to the conduct of our business. We do not expect that any of this litigation, individually or in the aggregate, will have a material adverse effect on our financial condition, results of operations or cash flow.

## ITEM 4. *REMOVED AND RESERVED*

# PART II

## ITEM 5. *MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES*

### Market Information

The Company's common stock has been listed on the New York Stock Exchange under the symbol "ENS" since it began trading on July 30, 2004. Prior to that time, there had been no public market for our common stock. The following table sets forth, on a per share basis for the periods presented, the range of high, low and closing prices of the Company's common stock.

| Quarter Ended | High Price | Low Price | Closing Price |
|---|---|---|---|
| June 28, 2009 | $ 19.36 | $ 12.80 | $ 18.83 |
| September 27, 2009 | 22.85 | 16.38 | 21.72 |
| December 27, 2009 | 24.27 | 21.28 | 22.18 |
| March 31, 2010 | 24.99 | 19.49 | 24.66 |
| June 29, 2008 | $ 37.14 | $ 22.54 | $ 33.02 |
| September 28, 2008 | 34.23 | 18.30 | 19.69 |
| December 28, 2008 | 19.71 | 5.96 | 10.58 |
| March 31, 2009 | 13.47 | 8.74 | 12.12 |

### Holders of Record

As of May 26, 2010, there were approximately 286 record holders of common stock of the Company. Because many of such shares are held by brokers and other institutions on behalf of stockholders, the Company is unable to estimate the total number of stockholders represented by these record holders.

### Dividends

We have never paid or declared any cash dividends on our common stock, and we have certain restrictions from doing so by our senior secured credit facility. We currently intend to retain any earnings for future growth and, therefore, do not expect to pay any cash dividends in the foreseeable future.

### Recent Sales of Unregistered Securities

During the three fiscal years ended March 31, 2010, we did not issue any unregistered securities.

**Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

The following table summarizes the number of common shares we purchased during the fourth fiscal quarter of 2010 from participants in our equity incentive plans. As provided by such plans, vested options outstanding may be exercised through surrender to the Company of option shares or vested options outstanding under the plans to satisfy the applicable aggregate exercise price (and any withholding tax) required to be paid upon such exercise.

**Purchases of Equity Securities**

| Period | (a) Total number of shares (or units) purchased | (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 be purchased under the plans or programs |
|---|---|---|---|---|
| December 28, 2009- January 24, 2010 | 16,094 | $ 21.87 | — | — |
| January 25, 2010-Febuary 21, 2010 | — | — | — | — |
| February 22, 2010-March 31, 2010 | 60,034 | 24.36 | — | — |
| Total | 76,128 | $ 23.84 | — | — |

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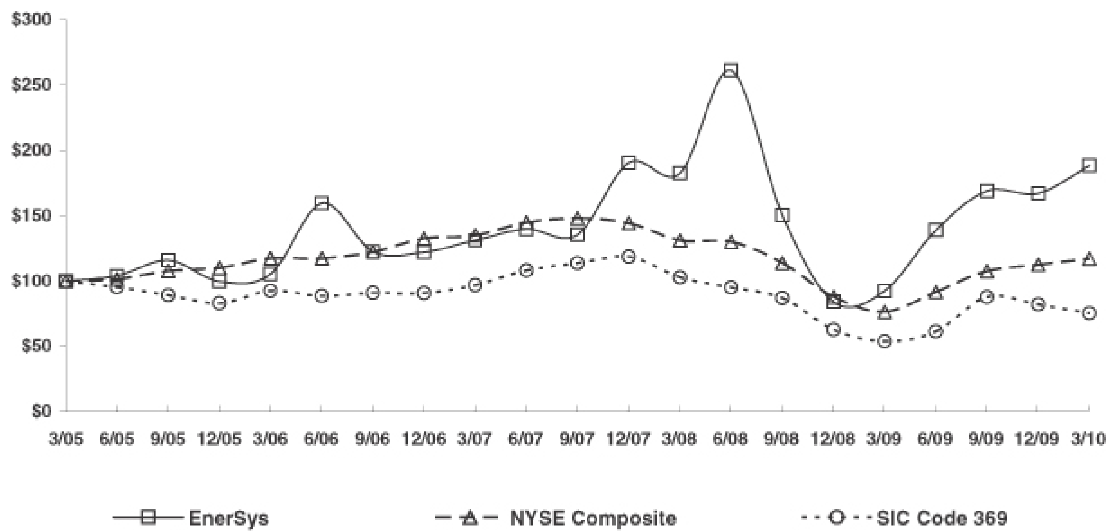
**STOCK PERFORMANCE GRAPH**

The following graph compares the changes in cumulative total returns on EnerSys' common stock with the changes in cumulative total returns of the New York Stock Exchange Composite Index, a broad equity market index, and the total return on a selected peer group index. The peer group selected is based on the standard industrial classification codes ("SIC Codes") established by the U.S. government. The index chosen was "Miscellaneous Electrical Equipment and Suppliers" and comprises all publically traded companies having the same three-digit SIC Code (369) as EnerSys. The constituent companies are: A123 Systems Inc., Active Power Inc., Advanced Battery Technologies Inc., C & D Technologies Inc., Chatsworth Data Solutions Inc., China BAK Battery Inc., Composite Technology Corp., Cymer Inc., DAM Holdings Inc., Eclips Energy Technologies Inc., Electro Energy Inc., Ener1 Inc., Energenx Inc., Energizer Holdings Inc., Enerlume Energy Management Corp., Exide Technologies, Greatbatch Inc., Hoku Scientific Inc., Hydrogen Corp., Li-Ion Motors Corp., Lithium Technology Corp., Manhattan Scientifics Inc., Millenium Cell Inc., Motorcar Parts of America, Oak Ridge Micro Energy Inc., Powersafe Technology Inc., Rofin-Sinar Technologies Inc., Satcon Technology Corp., Save the World Air Inc., Spectrum Brands Inc., Standard Motor Products, Inc., TNR Technical Inc., Turbine Truck Engines Inc., Ultralife Batteries Inc. and Valence Technology Inc. The peer group data points are weighted by market capitalization of the constituent companies.

The graph was prepared assuming that $100 was invested in EnerSys' common stock, the New York Stock Exchange Composite Index and the peer group (duly updated for changes) on March 31, 2005.




* $100 invested on 3/31/05 in stock or index, including reinvestment of dividends.

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**ITEM 6.** ***SELECTED FINANCIAL DATA***

The following tables set forth certain selected consolidated financial and operating data. The selected consolidated financial data presented below for the fiscal years ended March 31, 2010, 2009 and 2008, and as of March 31, 2010 and 2009, are derived from our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The selected consolidated financial data presented below for the years ended March 31, 2007 and 2006, and as of March 31, 2008, 2007 and 2006, are derived from our audited consolidated financial statements not included in this Annual Report on Form 10-K. This information should be read in conjunction with the consolidated financial statements and the related notes thereto, and Management's Discussion and Analysis of Results of Operations and Financial Condition, each included elsewhere, herein.

| | Fiscal Year Ended March 31, (In thousands, except per share data) | | | | |
|---|---|---|---|---|---|
| | 2010[1] | 2009[1] | 2008 | 2007 | 2006 |
| **Consolidated Statements of Income:** | | | | | |
| Net sales | $ 1,579,385 | $ 1,972,867 | $ 2,026,640 | $ 1,504,474 | $ 1,283,265 |
| Cost of goods sold | 1,218,481 | 1,559,433 | 1,644,753 | 1,193,266 | 1,006,467 |
| Gross profit | 360,904 | 413,434 | 381,887 | 311,208 | 276,798 |
| Operating expenses | 235,597 | 256,507 | 249,350 | 221,102 | 199,900 |
| Bargain purchase gain | (2,919) | — | — | — | — |
| Gain on sale of facilities | — | (11,308) | — | — | — |
| Restructuring and other charges | 13,929 | 22,424 | 13,191 | — | 8,553 |
| Legal proceedings charge (settlement income) | — | 3,366 | — | (3,753) | — |
| Operating earnings | 114,297 | 142,445 | 119,346 | 93,859 | 68,345 |
| Interest expense | 22,658 | 26,733 | 28,917 | 27,733 | 24,900 |
| Charges related to refinancing | — | 5,209 | — | — | — |
| Other (income) expense, net | 4,384 | (8,597) | 4,234 | 3,024 | (1,358) |
| Earnings before income taxes | 87,255 | 119,100 | 86,195 | 63,102 | 44,803 |
| Income tax expense | 24,951 | 37,170 | 26,499 | 17,892 | 14,077 |
| Net earnings | $ 62,304 | $ 81,930 | $ 59,696 | $ 45,210 | $ 30,726 |
| Net earnings per share | | | | | |
| Basic | $ 1.29 | $ 1.68 | $ 1.25 | $ 0.97 | $ 0.66 |
| Diluted | 1.28 | 1.66 | 1.22 | 0.95 | 0.66 |
| Weighted average shares outstanding | | | | | |
| Basic | 48,122,207 | 48,824,434 | 47,645,225 | 46,539,638 | 46,226,582 |
| Diluted | 48,834,095 | 49,420,303 | 48,644,450 | 47,546,240 | 46,788,363 |

| | Fiscal Year Ended March 31, (In thousands) | | | | |
|---|---|---|---|---|---|
| | 2010 | 2009 | 2008 | 2007 | 2006 |
| **Consolidated cash flow data:** | | | | | |
| Net cash provided by operating activities | $ 136,602 | $ 219,437 | $ 4,018 | $ 72,424 | $ 42,872 |
| Net cash used in investing activities | (77,244) | (46,810) | (62,150) | (49,052) | (76,876) |
| Net cash (used in) provided by financing activities | (24,472) | (23,196) | 39,558 | (1,323) | 27,905 |
| Other operating data: | | | | | |
| Capital expenditures | 45,111 | 57,143 | 45,037 | 42,355 | 39,665 |

| | As of March 31, | | | | |
|---|---|---|---|---|---|
| | 2010 | 2009[(1)] | 2008 | 2007 | 2006 |
| | | | (In thousands) | | |
| **Consolidated balance sheet data:** | | | | | |
| Cash and cash equivalents | $ 201,042 | $ 163,161 | $ 20,620 | $ 37,785 | $ 15,217 |
| Working capital | 475,768 | 429,769 | 389,480 | 276,252 | 211,434 |
| Total assets | 1,652,010 | 1,492,851 | 1,710,790 | 1,409,013 | 1,263,948 |
| Total debt, including capital leases | 350,486 | 375,656 | 426,754 | 402,311 | 402,490 |
| Total EnerSys stockholders' equity | 779,897 | 670,151 | 691,543 | 542,099 | 445,188 |

*(1)* In the first fiscal quarter of 2010, we adopted the new accounting for convertible notes as required by the FASB guidance, effective retrospectively to the first fiscal quarter of 2009, for the initial issuance of Convertible Notes in May 2008. The adoption resulted in a restatement of fiscal 2009 net earnings of approximately $2.7 million ($4.3 million pre-tax) and an initial reclass of debt to Paid in Capital of approximately $46.3 million. Additionally, the rules adoption resulted in a comparable decrease in net earnings related to non-cash interest of approximately $3.4 million ($5.4 million pre-tax) in fiscal 2010.

## ITEM 7. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

*The following discussion and analysis of our results of operations and financial condition for the fiscal years ended March 31, 2010, 2009, and 2008, should be read in conjunction with our audited consolidated financial statements and the notes to those statements included in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K. Our discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, opinions, expectations, anticipations and intentions and beliefs. Actual results and the timing of events could differ materially from those anticipated in those forward-looking statements as a result of a number of factors. See "Cautionary Note Regarding Forward-Looking Statements," "Business" and "Risk Factors," sections elsewhere in this Annual Report on Form 10-K. In the following discussion and analysis of results of operations and financial condition, certain financial measures may be considered "non-GAAP financial measures" under Securities and Exchange Commission rules. These rules require supplemental explanation and reconciliation, which is provided in this Annual Report on Form 10-K.*

*EnerSys' management uses the non-GAAP measures, EBITDA and Adjusted EBITDA, in their computation of compliance with loan covenants. These measures, as used by EnerSys, adjust net earnings determined in accordance with GAAP for interest, taxes, depreciation and amortization, and certain charges or credits as permitted by our credit agreements, that were recorded during the periods presented.*

*EnerSys' management uses the non-GAAP measures, Primary Working Capital and Primary Working Capital Percentage (see definition in "Overview" below) along with capital expenditures, in their evaluation of business segment cash flow and financial position performance.*

*These non-GAAP disclosures have limitations as analytical tools, should not be viewed as a substitute for cash flow or operating earnings determined in accordance with GAAP, and should not be considered in isolation or as a substitute for analysis of the Company's results as reported under GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies. This supplemental presentation should not be construed as an inference that the Company's future results will be unaffected by similar adjustments to operating earnings determined in accordance with GAAP.*

**Overview**

We are the world’s largest manufacturer, marketer and distributor of industrial batteries. We also manufacture, market and distribute related products such as chargers, power equipment and battery accessories, and we provide related after-market and customer-support services for industrial batteries. We market and sell our products globally to over 10,000 customers in more than 100 countries through a network of distributors, independent representatives and our internal sales force.

We have two primary industrial battery product lines: reserve power products and motive power products. Net sales classifications by product line are as follows:

- **Reserve power products** are used for backup power for the continuous operation of critical applications in telecommunications systems, UPS, applications for computer and computer-controlled systems, and other specialty power applications, including security systems, for premium starting, lighting and ignition applications, in switchgear and electrical control systems used in electric utilities and energy pipelines, and in commercial aircraft and military aircraft, submarines, ships and tactical vehicles.
- **Motive power products** are used to provide power for manufacturing, warehousing and other material handling equipment, primarily electric industrial forklift trucks, mining equipment, and for diesel locomotive starting, rail car lighting and rail signaling equipment.

We previously reported two business segments consisting of reserve power and motive power products. The FASB guidance defines that a segment for reporting purposes, is based on the financial performance measures that are regularly reviewed by the chief operating decision maker to assess segment performance and to make decisions about a public entity’s allocation of resources. Recent consideration of this guidance and changes made to our management structure, have led us to decide to report our segment results based upon our three geographic regions. Additionally, FASB guidance mandates a single basis of segmentation and therefore we will no longer report our operating earnings by both geographic regions and product lines. We will, however, continue to provide revenue information for our reserve power and motive power product lines, consistent with FASB guidance.

We operate and manage our business in three geographic regions of the world— Americas, Europe and Asia, as described below. Our business is highly decentralized with manufacturing locations throughout the world. More than half of our manufacturing capacity is located outside of the United States, and approximately 60% of our net sales are generated outside of the United States. Under the criteria of the FASB guidance, the Company has three reportable business segments based on geographic regions, defined as follows:

- **Americas**, which includes North and South America, with our segment headquarters in Reading, Pennsylvania, USA:
- **Europe**, which includes Europe, the Middle East and Africa, with our segment headquarters in Zurich, Switzerland; and
- **Asia**, which includes Asia, Australia and Oceania, with our segment headquarters in Singapore.

Additionally, see Note 24 to the Consolidated Financial Statements for revenue by country, revenues by key product lines and other required disclosures.

We evaluate business segment performance based primarily upon operating earnings, exclusive of highlighted items. All corporate and centrally incurred regional costs are allocated to the business segments based principally on net sales. We evaluate business segment cash flow and financial position performance based primarily upon capital expenditures and primary working capital levels. “Primary working capital” for this purpose is trade accounts receivable, plus inventories, minus trade accounts payable and the resulting net amount is divided by the trailing three month net sales (annualized) for the respective business segment or reporting

location, to derive a "primary working capital percentage." Although we monitor the three elements of primary working capital (receivables, inventory and payables), our primary focus is on the total amount and percentage due to the significant impact it has on cash flow and, as a result, our level of debt.

Our management structure and financial reporting systems, and associated internal controls and procedures, are all consistent with our two business product lines and three geographic regions in which we operate.

Our financial results are largely driven by the following factors:

- general cyclical patterns of the industries in which our customers operate;
- changes in our market share in the product line markets and business segments where we operate;
- changes in our selling prices and, in periods when our product costs increase, our ability to raise our selling prices to pass such cost increases through to our customers;
- the extent to which we are able to efficiently utilize our global manufacturing facilities and optimize their capacity;
- the extent to which we can control our fixed and variable costs, including those for our raw materials, manufacturing and distribution and operating activities;
- changes in our levels of debt and changes in the variable interest rates under our credit facilities; and
- the size and number of acquisitions and our ability to achieve their intended benefits.

**Current Market Conditions**

***Economic Climate***

Market conditions in our industry were generally strong in fiscal 2008 and through the first fiscal quarter of 2009. Global economic activity declined sharply after that and our revenue reached a recent low point in the first quarter of fiscal 2010. Since then, economic activity has improved and our quarterly revenue has increased along with global increases in industrial production and capital spending. As explained below, we have taken numerous steps to restructure our manufacturing base and administrative operations to reduce our costs. Our capital structure has improved over the last two fiscal years and we believe we have the capital available to meet our business needs and to continue to remain aggressive in pursuing further acquisition opportunities.

***Volatility of Commodities***

Volatility of commodity costs and foreign currency exchange rates and customer demand have caused large swings in our production costs. In addition, if the economy improves in future periods, our commodity costs may be subject to inflationary cost increases. The cost of lead, our principal raw material, has fluctuated widely during recent years. Our estimated change in lead cost due to fluctuations in price was a decrease of approximately $87 million in fiscal 2010 from fiscal 2009. Our estimated incremental lead cost due to increases in average lead prices in fiscal 2009 over fiscal 2008 was approximately $15 million.

***Customer Pricing***

We have been subjected to pricing pressures over the past several years. We anticipate continuing competitive pricing pressure as Chinese and other foreign producers expand their export capacity and increase their marketing presence in our major United States and European markets. Additionally, in our current environment, economic pressures have weakened customer demand and increased customer credit risks in both our ability to extend customer credit as well as the ability of our customers to meet their commitments.

Our selling prices have changed substantially during the last several years to reflect the cost of commodities. During fiscal 2009, as a result of reductions in the cost of lead, our average selling prices began to decline as

measured on a sequential quarterly basis. During fiscal 2010, our selling prices began to increase to reflect rising commodity prices. Approximately 35% of our revenue is currently subject to agreements that adjust pricing to a market-based index for lead.

***Cost Savings Initiatives-Restructuring***

To minimize the impacts discussed above, we took actions to further rationalize our production facilities and move capacity to lower cost facilities, as more fully explained below.

We anticipate different demand volatility in each of the business segments for our products and services, influenced by the geographical economic conditions in each segment, and have taken numerous steps to address this volatility. We view this as a time for us to continue to further consolidate operations and undertake additional restructuring of our business. Cost savings programs remain a continuous element of our business strategy and are directed primarily at further reductions in plant manufacturing, raw materials costs and our operating expenses. Examples of such cost savings initiatives include our fiscal 2008 European restructuring programs, primarily related to the Energia acquisition, and the fiscal 2009 restructuring program, primarily related to closing our Italian manufacturing operation. In fiscal 2009, we initiated restructuring programs in the Americas and Europe, and, in fiscal 2010, we began the restructuring programs primarily related to the Oerlikon acquisition in Europe. Our operating results reflect most of the benefits of those actions with the remainder to be experienced in future periods. We believe that these restructuring actions will have a favorable pre-tax earnings impact of $36 million when fully implemented by the end of fiscal 2011.

***Liquidity and Capital Resources***

The worldwide volatility in the economic climate had been a major concern in the past two years. However, we started actions at the beginning of fiscal 2009 that positioned us well to weather the current economic downturn. In May 2008, we completed the sale of $172.5 million aggregate principal amount of senior unsecured 3.375% Convertible Notes due 2038, and used the net proceeds of $168.2 million to repay a portion of its existing senior secured Term Loan B. The senior unsecured Convertible Notes are potentially convertible, at the option of the holders, into shares of our common stock. It is our current intent to settle the principal amount of any conversions in cash, and any additional conversion consideration in cash, shares of EnerSys common stock or a combination of cash and shares. The notes will mature on June 1, 2038, unless earlier converted, redeemed or repurchased. As explained, however, in "*Critical Accounting Policies and Estimates*," our adoption of FASB guidance on accounting for convertible debt instruments that may be settled in cash upon conversion, was effective in the first fiscal quarter of 2010, and was applied on a retrospective basis. The adoption of the guidance increased interest expense for fiscal 2009, retroactively, by a non-cash charge of approximately $4 million, increased fiscal 2010 by approximately $5 million, and is expected to increase to $8 million by fiscal 2015.

Also, immediately following the closing of the $172.5 million senior unsecured Convertible Notes Issue, we commenced refinancing the outstanding combined balance of the senior secured Term Loan B and our existing Revolver of approximately $300 million, with a new $350 million senior secured credit facility comprising a $225 million Term A Loan and a new $125 million Revolver. These actions, along with solid operating performance during fiscal 2009, provided us with the opportunity to repurchase 1.8 million shares of our outstanding common stock at a cost of approximately $19.8 million, which we expect will improve our future earnings per share performance.

Our combined cash flow from operations was approximately $356 million during fiscal 2009 and 2010. During that time we invested $102 million in capital expenditures and in fiscal 2010 we invested $33 million in new business opportunities.

As a result of the above actions, at March 31, 2010, our financial position is strong and we have substantial liquidity with approximately $201 million of available cash and short-term investments, approximately $131 million

of undrawn, committed credit lines, and over $116 million of uncommitted credit lines. We believe that we have the financial resources and the capital available to remain active in pursuing further investment and acquisition opportunities.

**Our Corporate History**

There have been several key stages in the development of our business, which explain to a significant degree our results of operations over the past several years.

We were formed in late 2000 by Morgan Stanley Capital Partners (currently Metalmark Capital) and the management of Yuasa, Inc. to acquire the reserve power and motive power battery business of Yuasa Corporation (Japan) in North and South America. Our results of operations for the past eight fiscal years have been significantly affected by our acquisition of the reserve power and motive power business of ESG on March 22, 2002 and several smaller acquisitions, including three in fiscal 2010.

Our successful integration of ESG provided global scale in both the reserve and motive power markets. The ESG acquisition also provided us with a further opportunity to reduce costs and improve operating efficiency that, among other initiatives, led to closing underutilized manufacturing plants, distribution facilities, sales offices and eliminating other redundant costs, including staff.

In August 2004, EnerSys completed an IPO, and our common stock commenced trading on the New York Stock Exchange on July 30, 2004, under the trading symbol “ENS.”

**Critical Accounting Policies and Estimates**

Our significant accounting policies are described in Notes to Consolidated Financial Statements in Item 8. In preparing our financial statements, management is required to make estimates and assumptions that, among other things, affect the reported amounts of assets, liabilities, sales and expense. These estimates and assumptions are most significant where they involve levels of subjectivity and judgment necessary to account for highly uncertain matters or matters susceptible to change, and where they can have a material impact on our financial condition and operating performance. We discuss below the more significant estimates and related assumptions used in the preparation of our consolidated financial statements. If actual results were to differ materially from the estimates made, the reported results could be materially affected.

*Revenue Recognition*

We recognize revenue when the earnings process is complete. This occurs when we ship in accordance with terms of the underlying agreement, title transfers, collectibility is reasonably assured and pricing is fixed and determinable. Shipment terms to our battery product customers are primarily shipping point or destination and do not differ significantly between our business segments of the world. Accordingly revenue is recognized when title is transferred to the customer. Amounts invoiced to customers for shipping and handling are classified as revenue. Taxes on revenue producing transactions are not included in net sales.

We recognize revenue from the service of reserve power and motive power products when the respective services are performed.

Management believes that the accounting estimates related to revenue recognition are critical accounting estimates because they require reasonable assurance of collection of revenue proceeds and completion of all performance obligations. Also, revenues are recorded net of provisions for sales discounts and returns, which are established at the time of sale. These estimates are based on our past experience.

*Asset Impairment Determinations*

According to the FASB guidance on the accounting for goodwill and other intangible assets, goodwill is not amortized. We test for the impairment of our goodwill and trade names at least annually and whenever events or circumstances occur indicating that a possible impairment has been incurred. We utilize financial projections of our business segments, certain cash flow measures, as well as our market capitalization in the determination of the fair value of these assets.

With respect to our other long-lived assets other than goodwill and indefinite lived intangible assets, we are required to test for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable. We apply the FASB guidance on the accounting for the impairment or disposal of long-lived assets, in order to determine whether or not an asset was impaired. This standard requires an impairment analysis when indicators of impairment are present. If such indicators are present, the standard indicates that if the sum of the future expected cash flows from the asset, undiscounted and without interest charges, is less than the carrying value, an asset impairment must be recognized in the financial statements. The amount of the impairment is the difference between the fair value of the asset and the carrying value of the asset.

In making future cash flow analyses of goodwill and other long-lived assets, we make assumptions relating to the following:

- The intended use of assets and the expected future cash flows resulting directly from such use;
- Industry specific economic conditions;
- Competitor activities and regulatory initiatives; and
- Client and customer preferences and patterns.

We believe that an accounting estimate relating to asset impairment is a critical accounting estimate because the assumptions underlying future cash flow estimates are subject to change from time to time and the recognition of an impairment could have a significant impact on our financial statements.

*Litigation and Claims*

From time to time the Company has been or may be a party to various legal actions and investigations including, among others, employment matters, compliance with government regulations, federal and state employment laws, including wage and hour laws, contractual disputes and other matters, including matters arising in the ordinary course of business. These claims may be brought by, among others, the government, customers, suppliers and employees. Management considers the measurement of litigation reserves as a critical accounting estimate because of the significant uncertainty in some cases relating to the outcome of potential claims or litigation and the difficulty of predicting the likelihood and range of potential liability involved, coupled with the material impact on our results of operations that could result from litigation or other claims. In determining legal reserves, management considers, among other issues:

- Interpretation of contractual rights and obligations;
- The status of government regulatory initiatives, interpretations and investigations;
- The status of settlement negotiations;
- Prior experience with similar types of claims;
- Whether there is available insurance coverage; and
- Advice of outside counsel.

*Environmental Loss Contingencies*

Accruals for environmental loss contingencies (i.e., environmental reserves) are recorded when it is probable that a liability has been incurred and the amount can reasonably be estimated. Management views the measurement of environmental reserves as a critical accounting estimate because of the considerable uncertainty surrounding estimation, including the need to forecast well into the future. From time to time we may be involved in legal proceedings under federal, state and local, as well as international environmental laws in connection with our operations and companies that we have acquired. The estimation of environmental reserves is based on the evaluation of currently available information, prior experience in the remediation of contaminated sites and assumptions with respect to government regulations and enforcement activity, changes in remediation technology and practices, and financial obligations and credit worthiness of other responsible parties and insurers.

*Warranty*

We record a warranty reserve for possible claims against our product warranties, which generally run for a period of one to twenty years for our reserve power batteries and for a period of one to seven years for our motive power batteries. The assessment of the adequacy of the reserve includes a review of open claims and historical experience.

Management believes that the accounting estimate related to the warranty reserve is a critical accounting estimate because the underlying assumptions used for the reserve can change from time to time and warranty claims could potentially have a material impact on our results of operations.

*Allowance for Doubtful Accounts*

We encounter risks associated with sales and the collection of the associated accounts receivable. We record a provision for accounts receivable that are considered to be uncollectible. In order to calculate the appropriate provision, management analyzes the creditworthiness of specific customers and the aging of customer balances. Management also considers general and specific industry economic conditions, industry concentration and contractual rights and obligations.

Management believes that the accounting estimate related to the allowance for doubtful accounts is a critical accounting estimate because the underlying assumptions used for the allowance can change from time to time and uncollectible accounts could potentially have a material impact on our results of operations.

*Retirement Plans*

We use certain assumptions in the calculation of the actuarial valuation of our defined benefit plans. These assumptions include the weighted average discount rate, rates of increase in compensation levels and expected long-term rates of return of assets. Changes in these assumptions can result in changes to the recognized pension expense and recorded liabilities.

We account for Defined Benefit Pension Plans in accordance with FASB guidance. The guidance requires an entity to recognize in its statement of financial position an asset for a defined benefit postretirement plan’s overfunded status or a liability for a plan’s underfunded status, measure a defined benefit postretirement plan’s assets and obligation that determine its funded status as of the end of the employer’s fiscal year, and recognize changes in the funded status of a defined benefit postretirement plan in comprehensive income in the year in which the change occurs.

Critical accounting estimates and assumptions related to the actuarial valuation of our defined benefit plans are evaluated periodically as conditions warrant and changes to such estimates are recorded.

*Equity-based compensation*

We recognize compensation cost relating to equity-based payment transactions by using a fair-value measurement method, in accordance with the FASB guidance on accounting for share-based payment. The FASB guidance requires all equity-based payments to employees, including grants of stock options, to be recognized as compensation expense based on fair value over the requisite service period of the awards. We determine the fair value of restricted stock and restricted stock units based on the number of shares granted and the quoted price of our common stock, and the fair value of stock options is determined using the Black-Scholes option-pricing model, which uses both historical and current market data to estimate the fair value. This method incorporates various assumptions such as the risk-free interest rate, expected volatility, expected dividend yield and expected life of the options. When estimating the requisite service period of the awards, we consider expected forfeitures and many related factors including types of awards, employee class, and historical experience. Actual results, and future changes in estimates of the requisite service period may differ substantially from our current estimates.

*Income Taxes*

Our effective tax rate is based on pretax income, statutory tax rates and tax planning opportunities available in the various jurisdictions in which we operate. We account for income taxes in accordance with the FASB guidance on accounting for income taxes, which requires that deferred tax assets and liabilities be recognized using enacted tax rates for the effect of temporary differences between book and tax bases on recorded assets and liabilities. The FASB guidance also requires that deferred tax assets be reduced by a valuation allowance, when it is more likely than not that a tax benefit will not be realized.

The recognition and measurement of a tax position is based on management's best judgment given the facts, circumstances and information available at the reporting date. In accordance with the FASB guidance on accounting for uncertainty in income taxes, we evaluate tax positions to determine whether the benefits of tax positions are more likely than not of being sustained upon audit based on the technical merits of the tax position. For tax positions that are more likely than not of being sustained upon audit, we recognize the largest amount of the benefit that is greater than 50% likely of being realized upon ultimate settlement in the financial statements. For tax positions that are not more likely than not of being sustained upon audit, we do not recognize any portion of the benefit in the financial statements. If the more likely than not threshold is not met in the period for which a tax position is taken, we may subsequently recognize the benefit of that tax position if the tax matter is effectively settled, the statute of limitations expires, or if the more likely than not threshold is met in a subsequent period.

We evaluate, on a quarterly basis, our ability to realize deferred tax assets by assessing our valuation allowance and by adjusting the amount of such allowance, if necessary. The factors used to assess the likelihood of realization are our forecast of future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets.

To the extent we prevail in matters for which reserves have been established, or are required to pay amounts in excess of our reserves, our effective tax rate in a given financial statement period could be materially affected. An unfavorable tax settlement would require use of cash and result in an increase in the effective tax rate in the year of resolution. A favorable tax settlement would be recognized as a reduction in our effective tax rate in the year of resolution.

*Derivative Financial Instruments*

We have entered into interest rate swap agreements to manage risk on a portion of our long-term floating-rate debt. We have entered into lead forward purchase contracts to manage risk of the cost of lead. We have entered into foreign exchange forward contracts and purchased option contracts to manage risk on foreign currency exposures. Our agreements are with creditworthy financial institutions, and for those contracts that result in a liability position there is no risk of nonperformance by the counterparties. The risk of nonperformance

of those contracts that result in an asset position are not considered material and the vast majority of these will settle within one year. The counterparties to certain of these agreements are lenders under the senior secured credit agreement and liabilities related to these agreements are covered under the security provisions of the Credit Agreement. We do not hold or issue derivative financial instruments for trading or speculative purposes. The FASB guidance on accounting for derivative instruments and hedging activities, establishes accounting and reporting standards for derivative instruments and hedging activities. We recognize all derivatives as either assets or liabilities in the accompanying balance sheet and measure those instruments at fair value. Changes in the fair value of those instruments are reported in accumulated other comprehensive income if they qualify for hedge accounting or in earnings if they do not qualify for hedge accounting. Derivatives qualify for hedge accounting if they are designated as hedge instruments and if the hedge is highly effective in achieving offsetting changes in the fair value or cash flow of the asset or liability hedged. Effectiveness is measured on a regular basis using statistical analysis and by comparing the overall changes in the expected cash flows on the lead and foreign currency forward contracts with the changes in the expected all-in cash outflow required for the lead and foreign currency purchases. This analysis is performed quarterly on the initial purchases that cover the quantities hedged. Accordingly, gains and losses from changes in derivative fair value are deferred until the underlying transaction occurs. Interest expense on the debt is adjusted to include the payments made or received under such interest rate swap agreements. Inventory and cost of goods sold is adjusted to include the payments made or received under such lead and foreign currency forward contracts. Any deferred gains or losses associated with derivative instruments, which on infrequent occasions may be terminated prior to maturity are recognized in earnings in the period in which the underlying hedged transaction is terminated. In the event a designated hedged item is sold, extinguished or matures prior to the termination of the related derivative instrument, such instrument would be closed and the resulting gain or loss would be recognized in earnings.

In the fourth quarter of fiscal 2009, we adopted the FASB guidance on disclosures about derivative instruments and hedging activities, which is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity’s financial position, financial performance, and cash flows. The FASB guidance was effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008.

*Fair Value Measurements*

In the first quarter of fiscal 2009, we adopted the FASB guidance on the fair value option for financial assets and financial liabilities. The guidance permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings.

Also, in the first quarter of fiscal 2009, we adopted the FASB guidance on fair value measurements as it relates to fair value measurement requirements for financial assets and liabilities. The guidance defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (“GAAP”), and expands disclosures about fair value measurements. The statement applies under other accounting pronouncements that require or permit fair value measurements. However, FASB deferred the effective date of the guidance until the beginning of our fiscal 2010, as it relates to fair value measurement requirements for non-financial assets and liabilities that are not remeasured at fair value on a recurring basis. These include goodwill and other non-amortized intangibles.

**Market and Economic Conditions**

The overall economic conditions in the markets we serve can be expected to have a material effect on our results of operations. Our operating results are directly affected by the world-wide and geographic economic climate as well as general cyclical patterns of the industries in which our major customer groups operate. Each of our business segments are heavily dependent on the end markets they serve and our results of operations will vary depending on general economic activity and the capital expenditure environment in these markets.

Market conditions in our industry were generally strong in fiscal 2008 and through the first quarter of fiscal 2009. Global economic activity declined strongly after that and our revenue reached a recent low point in the first quarter of 2010. Since then, economic activity has improved and our quarterly revenue has increased along with global increases in industrial production and capital spending.

Additionally, during the last four fiscal years, the cost of lead, our principal raw material, has fluctuated widely. The highest price for lead on the London Metal Exchange during fiscal 2007 was $0.91 per pound on February 26, 2007 and during fiscal 2008 was $1.81 per pound on October 15, 2007. The highest and the lowest price for lead on the London Metal Exchange during fiscal 2009 was, respectively, $1.34 per pound on April 7, 2008 and $0.40 per pound on December 22, 2008. The highest and the lowest price for lead on the London Metal Exchange during fiscal 2010 was, respectively, $1.18 per pound on January 7, 2010 and $0.56 per pound on April 1, 2009. Since March 31, 2010, lead averaged approximately $0.93 per pound. Our estimated change in lead cost due to fluctuations in price was a decrease of approximately $87 million in fiscal 2010 from fiscal 2009 compared to an increase of approximately $15 million in fiscal 2009 over fiscal 2008.

We manufacture and assemble our products primarily in Bulgaria, China, the Czech Republic, France, Germany, Mexico, Poland, the United Kingdom and the United States. Our sales revenue, production costs, profit margins and competitive position are affected by the strength of the currencies in countries where we manufacture or purchase goods relative to the strength of the currencies in countries where our products are sold. Volatile changes in foreign currency exchange rates, such as we experienced in fiscal 2009 and 2010, impact our results of operations.

Our business strategy continues to focus on improving our operating margins by closely monitoring our pricing, controlling our costs and enhancing our product mix. We also remain active in seeking acquisitions to help grow revenue and earnings.

We have been subjected to pricing pressures over the past several years. Our selling prices have changed substantially during the last several years to reflect the cost of commodities. During fiscal 2009, as a result of reductions in the cost of lead, our average selling prices began to decline as measured on a sequential quarterly basis. During fiscal 2010, our selling prices began to increase to reflect rising commodity prices. Approximately 35% of our revenue is currently subject to agreements that adjust pricing to a market-based index for lead.

***Cost Savings Initiatives—Restructuring***

Cost savings programs remain a continuous element of our business strategy and are directed primarily at further reductions in plant manufacturing (labor and overhead), raw materials costs and our operating expenses (primarily selling, general and administrative). Numerous individual cost savings opportunities are identified and evaluated by management with a formal selection and approval process that results in an ongoing list of cost savings projects to be implemented. In certain cases, projects are either modified or abandoned during their respective implementation phases. In order to realize cost savings benefits for a majority of these initiatives, costs are incurred either in the form of capital expenditures, funding the cash obligations of previously recorded restructuring expenses or current period expenses.

During fiscal 2008, we initiated a restructuring plan, primarily in Europe, to facilitate the integration of Energia's reserve and motive power businesses into the Company's worldwide operations. The restructuring was designed to improve operational efficiencies and eliminate redundant costs primarily as a result of the Energia transaction. Total spending for this plan was $17 million with the final $0.5 million charge in fiscal 2010. This plan resulted in the reduction of 272 employees and total annual saving of $12 million.

During fiscal 2009 and fiscal 2010, we announced a plan to restructure our European and American operations, which will result in the reduction of approximately 515 employees on completion of the plan. These actions are primarily in Europe, the most significant of which is the closure of our leased Italian manufacturing

facility and the opening of a new Italian distribution center to continue to provide responsive service to our customers in that market. We estimate that the total charges for these actions will amount to approximately $33 million, which includes cash expenses of approximately $24 million, primarily for employee severance-related payments, and a non-cash charge of approximately $9 million, primarily for impairment of fixed assets. Based on the applicable accounting guidance, we recorded restructuring charges of $19.1 million in fiscal 2009 and $12.4 million in fiscal 2010. These restructuring actions will have a favorable annualized pre-tax earnings impact of $24 million when fully implemented.

During fiscal 2010, in connection with the acquisition of Oerlikon, we initiated a plan to restructure Oerlikon's operations in Switzerland, which will result in the reduction of approximately 75 employees based on actions taken as of March 31, 2010. We estimate that the total charges for these actions will amount to approximately $2 million, which is primarily for employee severance-related payments. Based on the applicable accounting guidance, we recorded a restructuring charge of $1.3 million in fiscal 2010.

The Company expects to be committed to approximately $2 million of expenses for the remaining restructuring programs in fiscal 2011.

**Components of Revenue and Expense**

***Net sales*** include the invoiced amount for all products sold and services provided; freight costs, when paid for by our customers; less all related allowances, rebates, discounts and sales, value-added or similar taxes.

***Cost of goods sold*** includes the cost of material, labor and overhead; the cost of our service businesses; freight; warranty and other costs such as distribution centers; obsolete or slow moving inventory provisions; and certain types of insurance.

For fiscal 2010, 2009 and 2008, we estimate that materials costs comprised over half of cost of goods sold. The largest single raw material cost is lead, which comprised approximately 26%, 32% and 33% of cost of goods sold in fiscal 2010, 2009 and 2008, respectively.

We use significant amounts of lead, plastics, steel, copper and other materials in manufacturing our products. The costs of these raw materials, particularly lead, are volatile and some of the volatility can be mitigated through hedging activities. Year over year lead costs decreased approximately $87 million in fiscal 2010 and increased approximately $15 million in fiscal 2009 and $222 million in fiscal 2008, as a result of cost fluctuations experienced during those years. Lead, plastics, steel and copper in the aggregate represent our principal raw materials costs. Volatile raw materials costs can significantly affect our operating results and make period-to-period comparisons difficult. We attempt to control our raw materials costs through strategic purchasing decisions and hedging transactions. Where possible, we pass along our increased raw materials costs to our customers.

The following table shows certain average commodity prices for fiscal 2010, 2009 and 2008, which have not been adjusted for the timing of the impact on our financial results:

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| Lead $/lb.(1) | $ 0.901 | $ 0.751 | $ 1.296 |
| Steel $/lb.(2) | 0.298 | 0.333 | 0.366 |
| Copper $/lb.(1) | 2.783 | 2.660 | 3.430 |

*(1)* Source: London Metal Exchange ("LME")
*(2)* Source: Nucor Corporation

Labor and overhead are primarily attributable to our manufacturing facilities. Overhead includes plant operating costs such as utilities, repairs and maintenance, taxes, supplies and depreciation.

***Operating expenses*** include all non-manufacturing selling, general and administrative, engineering and other expenses. These include salaries and wages, sales commissions, fringe benefits, professional fees, supplies, maintenance, general business taxes, rent, communications, travel and entertainment, depreciation, advertising and bad debt expenses.

Operating expenses in fiscal 2010, 2009 and 2008 were incurred in the following functional areas of our business (as a percent of the total).

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| Selling | 59% | 61% | 62% |
| General and administrative | 34 | 33 | 32 |
| Engineering | 7 | 6 | 6 |
| Total | 100% | 100% | 100% |

In comparing fiscal 2010 financial results to fiscal 2009, and fiscal 2009 financial results to fiscal 2008, management believes it is appropriate to consider the following highlighted pretax charges and credits:

Fiscal 2010 included: $2.9 million of a bargain purchase gain on the Oerlikon acquisition, $13.9 million of operating restructuring charges and $2.0 million of expenses for acquisition related charges.

Fiscal 2009 included: $22.4 million of operating restructuring charges, $3.4 million of legal proceedings charge, and the non-operating charges of $5.2 million related to our debt refinancing; partially offset by gains of $11.3 million on sales of facilities.

Fiscal 2008 included: $13.2 million of operating restructuring charges.

***Other income (expense), net*** consists primarily of non-operating foreign currency transaction gains (losses) and expenses associated with shelf registrations and secondary offerings.

We quantify and monitor our global foreign currency exposures. On a selective basis, we will enter into foreign currency forward contracts and option contracts to reduce the impact from the volatility of currency movements. However, in fiscal 2009 foreign currency transaction gains exceeded the normal statistical ranges. The high volatility of currency fluctuations resulted in foreign currency transaction gains of $11.6 million in fiscal 2009 as compared to a loss of $3.0 million in fiscal 2010. We took steps in fiscal 2009 and 2010 that we believe will mitigate the impact of these foreign currency rate fluctuations in the future; however, we cannot be certain that foreign currency fluctuations of the size recognized in fiscal 2009 will not occur in the future.

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**Results of Operations—Fiscal 2010 Compared to Fiscal 2009**

The following table presents summary consolidated statement of income data for fiscal year ended March 31, 2010, compared to fiscal year ended March 31, 2009:

| | Fiscal 2010 | | Fiscal 2009 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | As % Net Sales | In Millions | As % Net Sales | In Millions | % |
| Net sales | $1,579.4 | 100.0% | $1,972.9 | 100.0% | $(393.5) | (19.9)% |
| Cost of goods sold | 1,218.5 | 77.1 | 1,559.5 | 79.0 | (341.0) | (21.9) |
| Gross profit | 360.9 | 22.9 | 413.4 | 21.0 | (52.5) | (12.7) |
| Operating expenses | 235.6 | 15.0 | 256.5 | 13.0 | (20.9) | (8.1) |
| Bargain purchase gain | (2.9) | (0.2) | — | — | (2.9) | NA |
| Gain on sale of facilities | — | — | (11.3) | (0.6) | 11.3 | NA |
| Legal proceedings charge | — | — | 3.4 | 0.2 | (3.4) | NA |
| Restructuring charges | 13.9 | 0.9 | 22.4 | 1.2 | (8.5) | (37.9) |
| Operating earnings | 114.3 | 7.2 | 142.4 | 7.2 | (28.1) | (19.8) |
| Interest expense | 22.7 | 1.4 | 26.7 | 1.4 | (4.0) | (15.2) |
| Charges related to refinancing | — | — | 5.2 | 0.3 | (5.2) | NA |
| Other (income) expense, net | 4.3 | 0.3 | (8.6) | (0.4) | 12.9 | NA |
| Earnings before income taxes | 87.3 | 5.5 | 119.1 | 6.0 | (31.8) | (26.7) |
| Income tax expense | 25.0 | 1.6 | 37.2 | 1.8 | (12.2) | (32.9) |
| Net earnings | $ 62.3 | 3.9% | $ 81.9 | 4.2% | $ (19.6) | (24.0)% |

***Overview***

Fiscal 2010 results include a net sales decrease from fiscal 2009 of 19.9%, to $1.6 billion, due to the recent decline in global economic activity, with a decrease to gross profit of 12.7% to $360.9 million. Our gross profit margin increased 190 basis points to 22.9% due primarily to our cost savings initiatives and the favorable effect of lower commodity costs, partially offset by price decreases to our customers and decreased sales volume. We estimate that the reduction in average selling prices decreased our net sales by approximately 4% in fiscal 2010.

Operating expenses in fiscal 2010 decreased from fiscal 2009 by 8.1%, due mainly to volume, cost restructuring, lower commissions and lower bad debt expense. Operating expenses as a percentage of sales were 15.0% in fiscal 2010, an increase from 13.0% in fiscal 2009 as we did not reduce the fixed cost components at the rate our net sales decreased.

In comparing fiscal 2010 financial results to fiscal 2009, management believes it is appropriate to highlight the following items. We incurred $13.9 million in restructuring expenses in fiscal 2010 compared to $22.4 million in fiscal 2009. Also in fiscal 2010, we expensed $2.0 million acquisition related costs in operating expenses. In fiscal 2009 we incurred a $3.4 million legal proceedings charge. Partially offsetting these unfavorable items in fiscal 2010 was the recognition of a bargain purchase gain of $2.9 million, and, in fiscal 2009, we recorded a gain on sale of facilities of $11.3 million.

Interest expense in fiscal 2010 decreased from fiscal 2009 by approximately $4.0 million or 15.2%, due primarily to higher levels of invested cash, lower borrowing levels and lower LIBOR variable rates offset by an increase of $1.1 million of non-cash accreted interest on our Convertible Notes.

In addition, in fiscal 2009, we incurred approximately $5.2 million of charges in connection with the refinancing of amounts borrowed under our prior senior secured credit facility.

Other (income) expense, net was expense of approximately $4.3 million in fiscal 2010 compared to income of $8.6 million in fiscal 2009. This is primarily attributed to $3.0 million of net foreign currency transaction losses in fiscal 2010, as compared to net foreign currency transaction gains primarily on short-term intercompany loans and receivables of $11.6 million in fiscal 2009.

Fiscal 2010 net earnings were $62.3 million compared to fiscal 2009 net earnings of $81.9 million. Net earnings per common share in fiscal 2010 were $1.29 per basic share and $1.28 per diluted share, compared to $1.68 per basic share and $1.66 per diluted share in fiscal 2009.

A discussion of specific fiscal 2010 versus fiscal 2009 operating results follows, including an analysis and discussion of the results of our business segments.

***Net Sales***

Total net sales decreased $393.5 million or 19.9% in fiscal 2010 from fiscal 2009. This was due to a 17% decline in organic volume and price decreases of 4% as a direct result of the recent economic slowdown. Acquisitions in fiscal 2010 added approximately 1% to net sales.

Fluctuations in the U.S. dollar versus foreign currencies had minimal impact on fiscal 2010 net sales versus fiscal 2009. The euro exchange rate to the U.S. dollar averaged $1.417 / € in fiscal 2010 compared to $1.422/ € in fiscal 2009.

Organic volume declined as a result of the global decline in economic activity. Worldwide industrial production and capital spending slowed significantly and both have a significant impact on our unit sales volume. The organic volume change in sales (the change in sales, excluding the effects of foreign currency translation, acquisitions and price increases) was a decrease of approximately $339 million or 17% in fiscal 2010 from fiscal 2009. The majority of this decrease occurred as a direct result of the recent economic slowdown, particularly in Europe.

In addition, selling price reductions contributed an approximate $77 million or a 4% decrease in our sales in fiscal 2010 from fiscal 2009.

Partially offsetting the above declines was an approximate $24 million or 1% increase in our sales in fiscal 2010 from fiscal 2009 attributable to acquisitions.

Net sales by business segment were as follows:

| | Fiscal 2010 | | Fiscal 2009 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | % Net Sales | In Millions | % Net Sales | In Millions | % |
| Europe | $ 742.0 | 47.0% | $ 987.2 | 50.0% | $ (245.2) | (24.8)% |
| Americas | 700.3 | 44.3 | 831.3 | 42.2 | (131.0) | (15.8) |
| Asia | 137.1 | 8.7 | 154.4 | 7.8 | (17.3) | (11.2) |
| Total net sales | $1,579.4 | 100.0% | $1,972.9 | 100.0% | $ (393.5) | (19.9)% |

The Europe segment’s revenue decreased by $245.2 million or 24.8% in fiscal 2010, as compared to fiscal 2009, primarily due to a 21% decrease in organic volume. Also contributing to the decline were lower prices, partially offset by the favorable impact of acquisitions.

The Americas segment’s revenue decreased by $131.0 million or 15.8% in fiscal 2010, as compared to fiscal 2009, primarily due to a 14% decrease in organic volume. Also contributing to the decline were lower prices, partially offset by the favorable impact of acquisitions.

The Asia segment's revenue decreased by $17.3 million or 11.2% in fiscal 2010 as compared to fiscal 2009, primarily due to an 8% decrease in organic volume. Also contributing to the decline were lower prices, partially offset by stronger foreign exchange rates.

Net sales by product line were as follows:

| | Fiscal 2010 | | Fiscal 2009 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | As % Net Sales | In Millions | As % Net Sales | In Millions | % |
| Reserve power | $ 820.5 | 52.0% | $ 933.8 | 47.3% | $ (113.3) | (12.1)% |
| Motive power | 758.9 | 48.0 | 1,039.1 | 52.7 | (280.2) | (27.0) |
| Total net sales | $1,579.4 | 100.0% | $1,972.9 | 100.0% | $ (393.5) | (19.9)% |

Sales in our reserve power product line decreased in fiscal 2010 by $113.3 million or 12.1% compared to the prior year primarily due to lower organic volume and prices, with a small offset from sales attributed to acquisitions.

Sales in our motive power product line decreased in fiscal 2010 by $280.2 million or 27.0% compared to the prior year primarily due to a decrease in organic volume and prices resulting from the effects of the global economic decline with a small offset from sales attributed to acquisitions.

***Gross Profit***

| | Fiscal 2010 | | Fiscal 2009 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | As % Net Sales | In Millions | As % Net Sales | In Millions | % |
| Gross profit | $360.9 | 22.9% | $413.4 | 21.0% | $ (52.5) | (12.7)% |

Gross profit decreased $52.5 million or 12.7% in fiscal 2010 compared to fiscal 2009. Gross profit, excluding the effect of foreign currency translation, decreased $53 million or 12.8% in fiscal 2010 compared to fiscal 2009. Gross profit margin improved 190 basis points in fiscal 2010 compared to fiscal 2009. Lead costs represented approximately 26% of total cost of goods sold for fiscal 2010 as compared to approximately 32% of total cost of goods sold for fiscal 2009. We have made great efforts to improve gross margin in an environment of fluctuating commodity and energy costs, and we continue to focus on a wide variety of sales initiatives, which include improving product mix to higher margin products and obtaining appropriate pricing for products relative to our costs. Lastly, we continue to focus on cost savings initiatives such as relocating production to low cost facilities and implementing more automation in our manufacturing plants.

***Operating Expenses, Bargain Purchase Gain, Gain On Sale Of Manufacturing Facility and Other Charges***

| | Fiscal 2010 | | Fiscal 2009 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | As % Net Sales | In Millions | As % Net Sales | In Millions | % |
| Operating expenses | $235.6 | 15.0% | $256.5 | 13.0% | $ (20.9) | (8.1)% |
| Bargain purchase (gain) | (2.9) | (0.2) | — | — | (2.9) | NA |
| (Gain) on sale of facilities | — | — | (11.3) | (0.6) | 11.3 | NA |
| Legal proceedings charge | — | — | 3.4 | 0.2 | (3.4) | NA |
| Restructuring charges | 13.9 | 0.9 | 22.4 | 1.2 | (8.5) | (37.9) |

***Operating Expenses***

Operating expenses decreased $20.9 million or 8.1% in fiscal 2010 from fiscal 2009 as net sales decreased 19.9%. Operating expenses represented 15.0% of net sales in fiscal 2010 as compared to 13.0% in fiscal 2009. Selling expenses were 59.0% of operating expenses in fiscal 2010, compared to 61.0% in fiscal 2009. Operating expenses decreased in fiscal 2010 as compared to fiscal 2009, primarily as a result of lower sales commissions due to lower sales volumes, cost restructuring, and lower bad debt expense. As we reduced our costs in this area through cost savings initiatives, we made a conscious decision to maintain much of our selling and administrative personnel through the recent economic decline. This ensured we have adequate staff to grow in the future.

***Bargain Purchase Gain***

In fiscal 2010, we acquired the industrial battery businesses of the Swiss company Accu Holding AG, which included the acquisition of the stock of OEB Traction Batteries and the operating assets and liabilities of Oerlikon Stationery Batteries and its Swedish sales subsidiary (all collectively referred to as "Oerlikon"). The accounting for the Oerlikon acquisition resulted in the recognition of a bargain purchase gain of $2.9 million. The Company commenced restructuring with the integration of Oerlikon into the Company's operations in the fourth quarter of fiscal 2010. See "Restructuring Charges" below.

***Gain on Sale of Facilities***

Included in our fiscal 2009 operating results are $11.3 million of highlighted gains resulting from the sale of two of our facilities, the most significant of which was the sale of our manufacturing facility in Manchester, England. Included in the Manchester gain was the release of $6.6 million of environmental reserves since the buyers assumed all environmental liabilities associated with this facility. The sale of the Manchester facility was a planned element of ongoing European restructuring programs and is consistent with our strategy to migrate production to lower cost facilities.

***Restructuring Charges***

In fiscal 2010, we incurred $13.9 million of obligations for activities primarily related to the completion of the restructurings that began in fiscal 2008 and to restructure our recently acquired Oerlikon operation.

In fiscal 2009, we incurred restructuring expenses from activities to restructure our Europe and Americas operations. These actions are primarily in Europe, the most significant of which was the closure of our leased Italian manufacturing facility and the opening of a new Italian distribution center to continue to provide responsive service to our customers in that market. In addition, we implemented additional cost reduction actions in our continuing efforts to reduce overall costs. The 2009 restructuring plan charge, which totaled $19.1 million, included $12.9 million incurred for staff reductions plus $6.2 million of non-cash impairment charges for redundant machinery and equipment. Also in fiscal 2009, we incurred obligations of approximately $3.3 million for 2008 European restructuring plan activities that resulted from the Energia acquisition, which included $2.9 million incurred for staff reductions and professional fees, plus $0.4 million of non-cash impairment charges for redundant machinery and equipment, bringing the total expense to date for the 2008 European restructuring initiative to approximately $17.0 million.

At March 31, 2010, the 2008 European restructuring programs were essentially complete; however, the 2009 restructuring program is expected to incur additional obligations of approximately $1 million, primarily in fiscal 2011.

***Legal Proceedings Charge***

Included in our fiscal 2009 operating results are $3.4 million of highlighted expenses resulting from a June 2008 ruling from the Court of Commerce in Lyon, France that our French subsidiary, EnerSys Sarl, which was acquired by us in 2002, was partially responsible for a 1999 fire in a French hotel under construction. We have appealed this ruling.

***Operating Earnings***

Fiscal 2010 operating earnings of $114.3 million were $28.1 million lower than in fiscal 2009 and remained at 7.2% of sales. Fiscal 2010 operating earnings were unfavorably affected by lower organic volume and price decreases, partially offset by lower commodity costs and our continuing cost savings programs. As discussed above, fiscal 2010 operating earnings included $2.9 million of highlighted gains resulting from a bargain purchase, and fiscal 2009 operating earnings included $11.3 million of highlighted gains resulting from the sale of two of our facilities and $3.4 million of highlighted legal proceedings charge. In addition, fiscal 2010 and 2009 operating earnings included the negative impact of $13.9 million and $22.4 million, respectively, of restructuring charges. Although not highlighted below, fiscal 2010 also included the negative impact of $2.0 million for acquisition activity related expense in Europe and Americas.

Operating earnings by geographic segment were as follows:

| | Fiscal 2010 | | Fiscal 2009 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | As % Net Sales(1) | In Millions | As % Net Sales(1) | In Millions | % |
| Europe | $ 17.6 | 2.4% | $ 64.9 | 6.6% | $ (47.3) | (72.9)% |
| Americas | 87.2 | 12.4 | 79.2 | 9.5 | 8.0 | 10.1 |
| Asia | 20.5 | 15.0 | 12.8 | 8.3 | 7.7 | 60.2 |
| Subtotal | 125.3 | 7.9 | 156.9 | 8.0 | (31.6) | (20.1) |
| Bargain purchase gain-Europe | (2.9) | (0.4) | — | — | (2.9) | NA |
| Restructuring charges-Europe | 13.2 | 1.8 | 22.0 | 2.2 | (8.8) | (40.0) |
| Restructuring charges-Americas | 0.7 | 0.1 | 0.4 | 0.1 | 0.3 | 75.0 |
| Gain on sales of facilities-Europe | — | — | (11.3) | (1.1) | 11.3 | NA |
| Legal proceedings charge-Europe | — | — | 3.4 | 0.3 | (3.4) | NA |
| Total | $114.3 | 7.2% | $142.4 | 7.2% | $ (28.1) | (19.8)% |

*(1)* The percentages shown for the segments are computed as a percentage of the applicable segment's net sales.

The Europe segment's operating earnings, excluding the highlighted items discussed above, decreased $47.3 million or 72.9% in fiscal 2010 compared to fiscal 2009 due to lower organic volumes and sales prices. Organic volume in Europe dropped more than 20% in fiscal 2010, a significantly larger decrease than in our other two segments. We could not reduce costs in Europe as quickly as in the case of the other segments and, therefore experienced a substantial decline in operating earnings.

The Americas segment's operating earnings, excluding the highlighted items discussed above, increased $8.0 million or 10.1% in fiscal 2010 despite a net sales decrease of 15.8%. The Americas segment's operating earnings were favorably affected by improved plant utilization and cost savings programs, which more than offset a 14% decline in organic growth and a 3% decline in prices.

The Asia segment's operating earnings, which increased $7.7 million, reflect the improved operating performance primarily from commodity cost savings despite a decrease in organic volume of approximately 8% and a decline in selling prices.

***Interest Expense***

| | Fiscal 2010 | | Fiscal 2009 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | As % Net Sales | In Millions | As % Net Sales | In Millions | % |
| Interest expense | $ 22.7 | 1.4% | $ 26.7 | 1.4% | $ (4.0) | (15.2)% |

Interest expense of $22.7 million in fiscal 2010 (net of interest income of $1.8 million) was $4.0 million lower than the $26.7 million in fiscal 2009 (net of interest income of $0.4 million).

The decrease in interest expense in fiscal 2010 compared to fiscal 2009 is attributed primarily to higher levels of invested cash, lower borrowing levels and lower LIBOR variable rates.

Our average debt outstanding (including the amount of the Convertible Notes discount of $39.4 million) was $364.1 million in fiscal 2010, compared to our average debt outstanding (including the amount of $44.2 million in Convertible Notes discount) of $395.8 million, in fiscal 2009. Our average cash interest rate incurred in fiscal 2010 was 4.3% compared to 5.0% in fiscal 2009.

Included in interest expense is non-cash, accreted interest on the Convertible Notes of $5.4 million in fiscal 2010 and $4.3 million in fiscal 2009. Also included in interest expense are non-cash charges for deferred financing fees of $1.7 million in fiscal 2010, compared to $1.7 million, in fiscal 2009.

***Charges Related to Refinancing***

| | Fiscal 2010 | | Fiscal 2009 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | As % Net Sales | In Millions | As % Net Sales | In Millions | % |
| Charges related to refinancing | $ — | — % | $ 5.2 | 0.3% | $ (5.2) | NA |

In fiscal 2009, we incurred charges in connection with the refinancing of amounts borrowed under our prior senior secured credit facility. These charges included approximately $4.0 million in write offs of deferred financing fees and $1.2 million of losses incurred as a result of the termination of certain interest rate swap agreements.

***Other (Income) Expense, Net***

| | Fiscal 2010 | | Fiscal 2009 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | As % Net Sales | In Millions | As % Net Sales | In Millions | % |
| Other (income) expense, net | $ 4.3 | 0.3% | $ (8.6) | (0.4)% | $ 12.9 | NA |

Other (income) expense, net was a net expense of approximately $4.3 million in fiscal 2010 compared to a net income of approximately $8.6 million in fiscal 2009. This is primarily attributed to net foreign currency transaction losses primarily on short-term intercompany loans and receivables of $3.0 million in fiscal 2010, as compared to a gain of $11.6 million in fiscal 2009.

***Earnings Before Income Taxes***

| | Fiscal 2010 | | Fiscal 2009 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | As % Net Sales | In Millions | As % Net Sales | In Millions | % |
| Earnings before income taxes | $ 87.3 | 5.5% | $119.1 | 6.0% | $ (31.8) | (26.7)% |

As a result of the factors discussed above, fiscal 2010 earnings before income taxes were $87.3 million, a decrease of $31.8 million or 26.7% compared to fiscal 2009.

***Income Tax Expense***

| | Fiscal 2010 | | Fiscal 2009 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | As % Net Sales | In Millions | As % Net Sales | In Millions | % |
| Income tax expense | $ 25.0 | 1.6% | $ 37.2 | 1.8% | $ (12.2) | (32.9)% |
| Effective tax rate | 28.6% | | 31.2% | | | |

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The effective income tax rate was 28.6% in fiscal 2010, compared to the fiscal 2009 effective tax rate of 31.2%. The lower effective income tax rate in fiscal 2010 was primarily due to changes in the mix of earnings among our various legal entities in multiple jurisdictions and a non-recurring tax benefit of approximately $2.1 million that was recognized during fiscal 2010 on the filing of amended tax returns. The fiscal 2009 effective income tax rate included a non-recurring benefit of approximately $1.1 million on the effective settlement of a foreign tax credit.

***Net Earnings***

| | Fiscal 2010 | | Fiscal 2009 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | As % Net Sales | In Millions | As % Net Sales | In Millions | % |
| Net earnings | $ 62.3 | 3.9% | $ 81.9 | 4.2% | $ (19.6) | (24.0)% |

As a result of the factors described above, fiscal 2010 net earnings were $62.3 million compared to fiscal 2009 net earnings of $81.9 million. The $19.6 million decrease is due primarily to a $52.5 million or 12.7% decrease in gross profit as a result of a $393.5 million or 19.9% decline in sales. Gross profit margin increased by 190 basis points. In fiscal 2010, operating expenses declined $20.9 million or 8.1% as we did not reduce expenses as much as the percentage decline in revenue.

Net earnings per common share in fiscal 2010 were $1.29 per basic share and $1.28 per diluted share compared to $1.68 per basic share and $1.66 per diluted share in fiscal 2009.

**Results of Operations—Fiscal 2009 Compared to Fiscal 2008**

The following table presents summary consolidated statement of income data for fiscal year ended March 31, 2009, compared to fiscal year ended March 31, 2008:

| | Fiscal 2009 | | Fiscal 2008 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | As % Net Sales | In Millions | As % Net Sales | In Millions | % |
| Net sales | $1,972.9 | 100.0% | $2,026.6 | 100.0% | $ (53.7) | (2.7)% |
| Cost of goods sold | 1,559.5 | 79.0 | 1,644.7 | 81.2 | (85.2) | (5.2) |
| Gross profit | 413.4 | 21.0 | 381.9 | 18.8 | 31.5 | 8.3 |
| Operating expenses | 256.5 | 13.0 | 249.4 | 12.3 | 7.1 | 2.8 |
| Gain on sale of facilities | (11.3) | (0.6) | — | — | (11.3) | NA |
| Legal proceedings charge | 3.4 | 0.2 | — | — | 3.4 | NA |
| Restructuring charges | 22.4 | 1.2 | 13.2 | 0.7 | 9.2 | 69.7 |
| Operating earnings | 142.4 | 7.2 | 119.3 | 5.9 | 23.1 | 19.4 |
| Interest expense | 26.7 | 1.4 | 28.9 | 1.4 | (2.2) | (7.6) |
| Charges related to refinancing | 5.2 | 0.3 | — | — | 5.2 | NA |
| Other (income) expense, net | (8.6) | (0.4) | 4.2 | 0.2 | (12.8) | NA |
| Earnings before income taxes | 119.1 | 6.0 | 86.2 | 4.3 | 32.9 | 38.2 |
| Income tax expense | 37.2 | 1.8 | 26.5 | 1.3 | 10.7 | 40.4 |
| Net earnings | $ 81.9 | 4.2% | $ 59.7 | 2.9% | $ 22.2 | 37.2% |

***Overview***

Fiscal 2009 results include a net sales decrease from fiscal 2008 of 2.7%, to $1.97 billion, with an increase to gross profit of 8.3% to $413.4 million. Our gross profit margin increased 220 basis points to 21% due primarily to price increases to our customers and our cost savings initiatives, partially offset by the unfavorable

effect of higher commodity costs of approximately $32 million and decreased sales volume. We estimate that the impact of higher lead costs alone, our primary raw material, unfavorably affected our cost of goods sold by approximately $15 million in fiscal 2009. We estimate that our price increases realized in fiscal 2009 increased our net sales by approximately 5%.

Operating expenses in fiscal 2009 grew over fiscal 2008 by 2.8%, due mainly to general cost increases and higher provisions for bad debts and legal accruals. Operating expenses as a percentage of sales were 13% in fiscal 2009, an increase from 12.3% in fiscal 2008 due to costs described above.

In comparing fiscal 2009 financial results to fiscal 2008, management believes it is appropriate to highlight the following items. We incurred $22.4 million in restructuring expenses in fiscal 2009 compared to $13.2 million in fiscal 2008, and in fiscal 2009 we incurred a $3.4 million legal proceedings charge. Partially offsetting these unfavorable items in fiscal 2009 was a gain on sale of facilities of $11.3 million.

Interest expense in fiscal 2009 decreased from fiscal 2008 by approximately $2.2 million or 7.6%, due primarily to lower LIBOR variable rates, coupled with higher interest income on invested cash. In addition, in fiscal 2009, we incurred approximately $5.2 million of charges in connection with the refinancing of amounts borrowed under our prior senior secured credit facility.

Other (income) expense, net was income of approximately $8.6 million in fiscal 2009 compared to a net expense of approximately $4.2 million in fiscal 2008. This is primarily attributed to net foreign currency transaction gains primarily on short-term intercompany loans and receivables of $11.6 million in fiscal 2009, as compared to $2.7 million of losses in fiscal 2008, partially offset in fiscal 2009 by a $0.5 million write-off of minority interest losses.

***Fiscal 2009 Compared to Fiscal 2008***

Net sales by business segment were as follows:

| | Fiscal 2009 | | Fiscal 2008 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | % Net Sales | In Millions | % Net Sales | In Millions | % |
| Europe | $ 987.2 | 50.0% | $1,115.3 | 55.0% | $ (128.1) | (11.5)% |
| Americas | 831.3 | 42.2 | 777.9 | 38.4 | 53.4 | 6.9 |
| Asia | 154.4 | 7.8 | 133.4 | 6.6 | 21.0 | 15.8 |
| Total net sales | $1,972.9 | 100.0% | $2,026.6 | 100.0% | $ (53.7) | (2.7) % |

Consolidated net sales decreased by $53.7 million or 2.7% in fiscal 2009. In fiscal 2009, price increases of approximately 5% were more than offset by the negative impact of currency fluctuations of approximately 1% and a decrease in organic volume of approximately 7%. The majority of this decrease occurred in the second half of fiscal 2009 as a direct result of the prevailing economic slowdown, particularly in Europe. We believe our competitors experienced the same economic challenges and allowed our global business to continue to gain market share.

Fluctuations in the U.S. dollar versus foreign currencies resulted in a decrease of approximately $24 million or 1% in fiscal 2009 net sales. The euro exchange rate to the U.S. dollar averaged $1.42/ € in fiscal 2009 compared to $1.43/ € in fiscal 2008, while other European currencies, such as the British pound, declined sharply.

Organic volume declined as a result of the global decline in economic activity. Worldwide industrial production and capital spending slowed and both had a significant impact on our unit sales volume. The organic volume change in sales (the change in sales, excluding the effects of foreign currency translation and price increases) was a decrease of approximately $132 million or 7% in fiscal 2009 from fiscal 2008.

Partially offsetting the above declines was an approximate $102 million or 5% increase in our sales in fiscal 2009 from fiscal 2008 attributable to selling price recovery actions.

The Europe segment's revenue decreased by $128.1 million or 11.5% in fiscal 2009, as compared to fiscal 2008, primarily due to lower organic volume and declining European currencies, which was substantially offset by price increases.

The Americas segment's revenue increased by $53.4 million or 6.9% in fiscal 2009 as compared to fiscal 2008, due to higher prices, partially offset by declines of approximately 1% in both currency and organic growth.

The Asia segment's revenue increased by approximately $21.0 million or 15.8% in fiscal 2009, primarily attributed to higher prices, stronger foreign exchange rates, and continued general business expansion in that region during the period.

***Product Line Net Sales***

| | Fiscal 2009 | | Fiscal 2008 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | As % Net Sales | In Millions | As % Net Sales | In Millions | % |
| Reserve power | $ 933.8 | 47.3% | $ 883.8 | 43.6% | $ 50.0 | 5.7% |
| Motive power | 1,039.1 | 52.7 | 1,142.8 | 56.4 | (103.7) | (9.1) |
| Total net sales | $1,972.9 | 100.0% | $2,026.6 | 100.0% | $ (53.7) | (2.7)% |

Sales in our reserve power business increased in fiscal 2009 by $50.0 million or 5.7% compared to the prior year primarily due to price increases.

Sales in our motive power product line decreased in fiscal 2009 by $103.7 million or 9.1% compared to the prior year primarily due to a decrease in organic volume from the effects of the global economic decline.

***Gross Profit***

| | Fiscal 2009 | | Fiscal 2008 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | As % Net Sales | In Millions | As % Net Sales | In Millions | % |
| Gross profit | $413.4 | 21.0% | $381.9 | 18.8% | $ 31.5 | 8.3% |

Gross profit increased $31.5 million or 8.3% in fiscal 2009 compared to fiscal 2008. Gross profit, excluding the effect of foreign currency translation, increased $34.6 million or 9.0% in fiscal 2009 compared to fiscal 2008. Gross profit margin improved 220 basis points in fiscal 2009 compared to fiscal 2008. Gross profit percentage of net sales has improved on a sequential quarterly basis in every quarter of fiscal 2009. Prices for lead, our principal raw material, fluctuated widely in fiscal 2009. Lead costs approximated 32% of total cost of goods sold for fiscal 2009 as compared to approximately 33% of total cost of goods sold for fiscal 2008. We made great efforts to improve gross margin in an environment of fluctuating commodity and energy costs, and we continued to focus on a wide variety of sales initiatives, which benefit our margins by improving product mix to higher margin products. Lastly, we continued to focus on cost savings initiatives such as relocating production to low cost facilities and implementing more automation in our manufacturing plants.

***Operating Expenses, Gain On Sale Of Manufacturing Facility and Other Charges***

| | Fiscal 2009 | | Fiscal 2008 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | As % Net Sales | In Millions | As % Net Sales | In Millions | % |
| Operating expenses | $256.5 | 13.0% | $249.4 | 12.3% | $ 7.1 | 2.8% |
| (Gain) on sale of facilities | (11.3) | (0.6) | — | — | (11.3) | NA |
| Legal proceedings charge | 3.4 | 0.2 | — | — | 3.4 | NA |
| Restructuring charges | 22.4 | 1.2 | 13.2 | 0.7 | 9.2 | 69.7 |

***Operating Expenses***

Operating expenses increased $7.1 million or 2.8% in fiscal 2009 over fiscal 2008 as net sales decreased 2.7%. Excluding the effect of foreign currency translation, operating expenses increased 3.8% in fiscal 2009 over fiscal 2008, while net sales decreased 1.5% in fiscal 2009 from fiscal 2008. Operating expenses represented 13.0% of net sales in fiscal 2009 as compared to 12.3% in fiscal 2008. Selling expenses were 61.0% of operating expenses in fiscal 2009, compared to 61.8% in fiscal 2008. Operating expenses increased in fiscal 2009 as compared to fiscal 2008, primarily due to higher provisions for bad debts and legal accruals. We continued to further reduce our costs in this area through cost savings initiatives.

***Gain on Sale of Facilities***

Included in our fiscal 2009 operating results are $11.3 million of highlighted gains resulting from the sale of two of our facilities, the most significant of which was the sale of our manufacturing facility in Manchester, England. Included in the Manchester gain was the release of $6.6 million of environmental reserves established through purchase accounting of the ESG acquisition in fiscal 2002 as the buyers assumed all environmental liabilities associated with this facility. The sale of the Manchester facility was a planned element of ongoing European restructuring programs and is consistent with our strategy to migrate production to lower cost facilities.

***Restructuring Charges***

In fiscal 2009, we incurred restructuring expenses for activities to restructure our European and American operations. These actions were primarily in Europe, the most significant of which is the closure of our leased Italian manufacturing facility and the opening of a new Italian distribution center to continue to provide responsive service to our customers in that market. In addition, we made additional cost reduction actions in order to meet current and anticipated future customer demand. The 2009 restructuring plan charge, which totals $19.1 million, includes $12.9 million incurred for staff reductions plus $6.2 million of non-cash impairment charges for redundant machinery and equipment. Also in fiscal 2009, we incurred obligations of approximately $3.3 million for 2008 European restructuring plan activities that resulted from the Energia acquisition, which included $2.9 million incurred for staff reductions and professional fees, plus $0.4 million of non-cash impairment charges for redundant machinery and equipment, bringing the total expense to date for the 2008 European restructuring initiative to approximately $17.0 million.

Included in our fiscal 2008 operating results are $13.2 million of highlighted restructuring charges for European restructuring activities, which included $9.3 million that were incurred for staff reductions and professional fees, plus $3.9 million of non-cash impairment charges for redundant machinery and equipment.

***Legal Proceedings Charge***

Included in our fiscal 2009 operating results are $3.4 million of highlighted expenses resulting from a June 2008 ruling from the Court of Commerce in Lyon, France that our French subsidiary, EnerSys Sarl, which was acquired by us in 2002, was partially responsible for a 1999 fire in a French hotel under construction. We have appealed this ruling.

***Operating Earnings***

| | Fiscal 2009 | | Fiscal 2008 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | As % Net Sales(1) | In Millions | As % Net Sales(1) | In Millions | % |
| Europe | $ 64.9 | 6.6% | $ 61.9 | 5.6% | $ 3.0 | 4.8% |
| Americas | 79.2 | 9.5 | 67.9 | 8.7 | 11.3 | 16.7 |
| Asia | 12.8 | 8.3 | 2.7 | 2.1 | 10.1 | NA |
| Subtotal | $156.9 | 8.0% | $132.5 | 6.5% | $ 24.4 | 18.4% |
| Gain on sale of facilities-Europe | (11.3) | (1.1) | — | — | (11.3) | NA |
| Restructuring charges-Europe | 22.0 | 2.2 | 13.2 | 1.2 | 8.8 | 66.7 |
| Restructuring charges-Americas | 0.4 | 0.1 | — | — | 0.4 | NA |
| Litigation proceedings charge-Europe | 3.4 | 0.3 | — | — | 3.4 | NA |
| Total operating earnings | $142.4 | 7.2% | $119.3 | 5.9% | $ 23.1 | 19.4% |

*(1)* The percentages shown for the segments are computed as a percentage of the applicable segment's net sales.

***Operating Earnings***

Fiscal 2009 operating earnings of $142.4 million were $23.1 million higher than in fiscal 2008 and our operating margins increased 130 basis points to 7.2%. Fiscal 2009 operating earnings were favorably affected by price increases and our continuing cost savings programs, partially offset by higher commodity costs and lower sales volume. Fiscal 2009 operating earnings included $11.3 million of highlighted gains resulting from the sale of two of our facilities and $3.4 million of highlighted legal proceedings charge. In addition fiscal 2009 and 2008 operating earnings included the negative impact of $22.4 million and $13.2 million, respectively, of restructuring charges.

The Europe segment's operating earnings increased $3.0 million or 4.8% in fiscal 2009 compared to fiscal 2008 as increased sales prices and cost savings programs more than offset the effect of lower organic volume. The Europe segment's operating earnings were also adversely affected by approximately $22.0 million of restructuring charges and approximately $3.4 million for a legal proceedings charge, and favorably affected by the approximate $11.3 million gain on sale of facilities, primarily our Manchester, England manufacturing facility. The restructuring program that was begun in fiscal 2009, the most significant of which is related to our Italian operation. In fiscal 2008, the Europe segment's operating earnings were adversely affected by the approximate $13.2 million in charges for the restructuring program in Europe, primarily related to the Energia acquisition.

The Americas segment's operating earnings increased $11.3 million or 16.7% in fiscal 2009 as net sales grew by approximately 6.9%. The Americas segment's operating earnings were favorably affected by sales price increases, improved plant utilization and cost savings programs, which more than offset a 1.1% decline in organic growth. The Americas segment's operating earnings were also adversely affected by approximately $0.4 million for a restructuring program charge.

The Asia segment's operating earnings, which increased $10.1 million, reflect the improved operating performance primarily from cost savings despite a decrease in organic volume and sale prices.

***Interest Expense***

| | Fiscal 2009 | | Fiscal 2008 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | As % Net Sales | In Millions | As % Net Sales | In Millions | % |
| Interest expense | $ 26.7 | 1.4% | $ 28.9 | 1.4% | $ (2.2) | (7.6)% |

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Fiscal 2009 interest expense of $26.7 million (net of interest income of $0.4 million) decreased 7.6% from fiscal 2008.

The decrease in interest expense in fiscal 2009 compared to fiscal 2008 is attributed primarily to lower LIBOR variable rates, coupled with higher interest income on invested cash. Included in interest expense is non-cash interest on the Convertible Notes of $4.3 million in fiscal 2009.

Our average debt outstanding (including the amount of the Convertible Notes discount of $44.2 million) was $395.8 million in fiscal 2009, compared to $430 million in fiscal 2008.

Our average cash interest rate incurred in fiscal 2009 was 5.0% compared to 6.5% in fiscal 2008. Also included in interest expense are non-cash charges for deferred financing fees of $0.4 million and $1.4 million in 2009, compared to $1.6 million in fiscal 2008.

***Charges Related to Refinancing***

| | Fiscal 2009 | | Fiscal 2008 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | As % Net Sales | In Millions | As % Net Sales | In Millions | % |
| Charges related to refinancing | $ 5.2 | 0.3% | $ — | — % | $ 5.2 | NA |

In fiscal 2009, we incurred charges in connection with the refinancing of amounts borrowed under our prior senior secured credit facility. These charges included approximately $4.0 million in write-offs of deferred financing fees and $1.2 million of losses incurred as a result of the termination of certain interest rate swap agreements.

***Other (Income) Expense, Net***

| | Fiscal 2009 | | Fiscal 2008 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | As % Net Sales | In Millions | As % Net Sales | In Millions | % |
| Other (income) expense, net | $ (8.6) | (0.4)% | $ 4.2 | 0.2% | $ (12.8) | NA |

Other (income) expense, net was income of approximately $8.6 million in fiscal 2009 compared to a net expense of approximately $4.2 million in fiscal 2008. This is primarily attributed to net foreign currency transaction gains primarily on short-term intercompany loans and receivables of $11.6 million in fiscal 2009, as compared to $2.7 million of losses in fiscal 2008, partially offset in fiscal 2009 by a $0.5 million write-off of minority interest losses. In addition, other (income) expense, net in fiscal 2009 and 2008 included expenses of $0.3 million and $0.6 million, respectively, for shelf registration statements and secondary offerings.

***Earnings Before Income Taxes***

| | Fiscal 2009 | | Fiscal 2008 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | As % Net Sales | In Millions | As % Net Sales | In Millions | % |
| Earnings before income taxes | $119.1 | 6.0% | $ 86.2 | 4.3% | $ 32.9 | 38.2% |

As a result of the factors discussed above, fiscal 2009 earnings before income taxes were $119.1 million, an increase of $32.9 million or 38.2% compared to fiscal 2008.

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***Income Tax Expense***

| | Fiscal 2009 | | Fiscal 2008 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | As % Net Sales | In Millions | As % Net Sales | In Millions | % |
| Income tax expense | $ 37.2 | 1.8% | $ 26.5 | 1.3% | $ 10.7 | 40.4% |
| Effective tax rate | 31.2% | | 30.7% | | | |

The effective income tax rate was 31.2% in fiscal 2009, compared to the fiscal 2008 effective tax rate of 30.7%. The higher effective income tax rate in fiscal 2009 was due to changes in the mix of earnings among our various legal entities in multiple jurisdictions, partially offset by a non-recurring tax benefit of approximately $1.1 million that was recognized in the first fiscal quarter of 2009 on the effective settlement of a foreign tax audit, which reduced our book effective tax rate by 0.9%.

***Net Earnings***

| | Fiscal 2009 | | Fiscal 2008 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | As % Net Sales | In Millions | As % Net Sales | In Millions | % |
| Net earnings | $ 81.9 | 4.2% | $ 59.7 | 2.9% | $ 22.2 | 37.2% |

As a result of the factors discussed above, fiscal 2009 net earnings were $81.9 million compared to fiscal 2008 net earnings of $59.7 million. The $22.2 million increase is due primarily to a $31.5 million increase in gross profit, a $11.3 million gain on sale of facilities, and a $12.8 million favorable increase in other (income) expense, net, and a $2.2 million decrease in interest expense. These favorable changes were partially offset by a $7.1 million increase in operating expenses, a $9.2 million increase in restructuring charges, a $3.4 million legal proceedings charge, a $5.2 million charge related to refinancing, and a $10.7 million increase in income taxes in fiscal 2009.

Net earnings per common share in fiscal 2009 were $1.68 per basic share and $1.66 per diluted share compared to $1.25 per basic share and $1.22 per diluted share in fiscal 2008.

**Liquidity and Capital Resources**

***Overview***

As we discussed in our *Overview* and *Market and Economic Conditions* above, our results have been significantly affected by the unfavorable economic environments in each of our business segments during the past two fiscal years. As our net sales declined in the four consecutive quarters beginning in the second quarter of fiscal 2009, our need for primary working capital was reduced. As our net sales improved in each of the last three quarters of fiscal 2010, we controlled the growth of primary working capital. The cash flow generated from the reduction of primary working capital, excluding working capital increases from acquisitions, in fiscal 2010 and 2009 was $28.4 million and $67.1 million, respectively, as compared to the $142.8 million used to increase primary working capital in fiscal 2008. During fiscal 2009, the aging and quality of our accounts receivable deteriorated somewhat as a small number of our customers experienced serious financial difficulties in the economic downturn. However, this has improved in fiscal 2010 and we believe our allowance for doubtful accounts is adequate. In fiscal 2010, we invested $33.2 million in acquisitions and other business ventures, which included approximately $19 million of primary working capital.

During the first quarter of fiscal 2009, we refinanced the majority of our debt with a new $350 million senior secured credit facility and the issuance of $172.5 million of senior unsecured Convertible Notes. This refinancing was completed during favorable debt market conditions and significantly lowered our cash interest

costs. In addition, it provided greater flexibility to grow the business. Should we need a significant increase in our debt for potential growth, there is no assurance that our current favorable capital structure would continue.

***Cash Flow and Financing Activities***

Cash and cash equivalents at March 31, 2010, 2009, and 2008, were $201.0 million, $163.2 million, and $20.6 million, respectively.

Cash provided by operating activities for fiscal 2010, 2009, and 2008, was $136.6 million, $219.4 million and, $4.0 million, respectively.

During fiscal 2010, cash from operating activities was provided primarily from net earnings of $62.3 million, depreciation and amortization of $44.9 million, a $28.4 million decrease in primary working capital and $23.8 million from non-cash interest expense, provision for doubtful accounts, deferred taxes and stock compensation. This cash flow was partially offset by a $16.6 million decrease in accrued expenses and other liabilities, a $2.9 million non-cash bargain purchase gain on the acquisition of Oerlikon, and a $0.9 million gain on disposal of assets.

During fiscal 2009, cash from operating activities was provided primarily from net earnings of $81.9 million, a $67.1 million decrease in primary working capital, depreciation and amortization of $47.2 million and $34.9 million for other non-cash charges for non-cash interest expense, write-off of deferred finance fees, losses on the disposal and impairment of fixed assets, provision for doubtful accounts, deferred taxes and stock compensation. This cash flow was partially offset by an $11.3 million non-cash gain on sale of manufacturing facilities, primarily in Manchester, England.

During fiscal 2008, cash from operating activities was provided primarily from net earnings of $59.7 million, depreciation and amortization of $47.6 million, a $16.6 million increase in accrued expenses, a $4.6 million decrease in other assets and $17.9 million for other non-cash charges for provision for doubtful accounts, non-cash interest expense, deferred taxes, stock compensation and a loss on disposal of assets. These increases in cash were almost entirely offset by a $142.8 million use of cash to increase primary working capital.

As explained above in the discussion of our use of “non-GAAP financial measures,” we monitor the level and percentage of sales of primary working capital. Primary working capital for this purpose is trade accounts receivable, plus inventories, minus trade accounts payable and the resulting net amount is divided by the trailing three month net sales (annualized) to derive a primary working capital percentage. Primary working capital was $439.7 million (yielding a primary working capital percentage of 24.4%) at March 31, 2010 and $437.9 million (yielding a primary working capital percentage of 27.8%) at March 31, 2009. The 340 basis point decrease during fiscal 2010 was a result of maintaining a stable level of primary working capital. Increases in receivables and inventory were offset by an increase in accounts payable, and sales were 14.6% higher in the fourth quarter of 2010 as compared to the prior year. We recognize there is additional credit risk in the current economic environment and are taking appropriate steps to reduce this risk. However, we do not believe the increase in credit risk in fiscal 2010 is material to our overall business. We increased our allowance for doubtful accounts by approximately $1.9 million and $3.0 million in fiscal 2010 and 2009, respectively, to a level that we believe is adequate at this time. We had reduced inventory levels in fiscal 2009 as demand softened, and increased inventories and the related accounts payable in fiscal 2010 as we experienced an improvement in orders and sales, and as a result of our recent acquisitions. We closely monitor our inventory turns and continue to adjust production levels as necessary.

Primary working capital and primary working capital percentages at March 31, 2010, 2009 and 2008 are computed as follows:

| At March 31, | Trade Receivables | Inventory | Accounts Payable | Primary Working Capital | Quarter Revenue Annualized | Primary Working Capital % |
|---|---|---|---|---|---|---|
| | | | (in millions) | | | |
| 2010 | $ 383.6 | $ 254.4 | $ (198.3) | $ 439.7 | $ 1,802.1 | 24.4% |
| 2009 | 356.2 | 209.3 | (127.6) | 437.9 | 1,572.6 | 27.8% |
| 2008 | 503.0 | 335.7 | (260.5) | 578.2 | 2,327.5 | 24.8% |

Cash used in investing activities for fiscal 2010, 2009 and 2008 was $77.2 million, $46.8 million and $62.1 million, respectively. Capital expenditures were $45.1 million, $57.1 million and $45.0 million in fiscal 2010, 2009 and 2008, respectively. The current year's capital spending included the continuation of a capacity expansion of our thin-plate, pure-lead manufacturing facilities. Our purchases of and investments in businesses were $33.2 million and $17.4 million in fiscal 2010 and fiscal 2008, respectively. Additionally, we received $10.3 million from the sale of facilities in fiscal 2009.

Financing activities used cash of $24.5 million in fiscal 2010 and $23.2 million in fiscal 2009, as compared to cash provided of $39.6 million in fiscal 2008.

During fiscal 2010, we repaid $7.4 million of short-term debt and made regularly scheduled payments of $25.2 million of long-term debt.

During the first fiscal quarter of 2009, we repaid $351.4 million borrowed under our prior senior secured credit facility with the issuance of $172.5 million of senior unsecured Convertible Notes, and $225.0 million of Term A Loans borrowed under our new $350 million senior secured credit facility. Additionally, in fiscal 2009, we repaid $34.2 million of short-term debt and paid $10.9 million in refinancing fees related to the new senior unsecured Convertible Notes and senior secured credit facility.

During fiscal 2009, we purchased 1.8 million shares of our common stock at $11.00 per common share for $19.8 million in the aggregate from an institutional stockholder.

The exercise of stock options and the related tax benefits contributed $7.3 million, $11.9 million and $26.8 million, respectively, in fiscal 2010, 2009, and 2008.

As a result of the above, cash and cash equivalents increased $37.8 million from $163.2 million at March 31, 2009 to $201.0 million at March 31, 2010.

***Fiscal 2009 Debt Refinancing Program and Sale of Convertible Debt***

During May 2008, we completed the sale of $172.5 million aggregate principal amount of senior unsecured 3.375% Convertible Notes due 2038, and used the net proceeds of $168.2 million to repay a portion of our existing senior secured Term Loan B. The senior unsecured Convertible Notes are potentially convertible, at the option of the holders, into shares of EnerSys common stock. It is our current intent to settle the principal amount of any conversions in cash, and any additional conversion consideration in cash, shares of EnerSys common stock or a combination of cash and shares. The notes will mature on June 1, 2038, unless earlier converted, redeemed or repurchased.

Concurrently with the Convertible Notes offering, certain of our stockholders sold 3.69 million shares of EnerSys' common stock pursuant to an effective shelf registration statement filed with the SEC on May 19, 2008. We did not receive any proceeds from the common stock offering.

Also, immediately following the closing of the senior unsecured convertible note issue, we commenced refinancing the outstanding combined balance of the senior secured Term Loan B and our existing Revolver of approximately $300 million, with a new $350 million senior secured credit facility comprising Term A Loans of $225 million and a new $125 million Revolver.

The $225.0 million senior secured Term A Loans are subject to a quarterly principal amortization of 1.25% in Year 1, 1.88% in Years 2-3, 2.50% in Year 4, 3.13% in Year 5 and 14.38% in Year 6 and matures on June 27, 2014. The $125.0 million revolving credit facility matures on June 27, 2013. Borrowings under this credit agreement bears interest at a floating rate based, at our option, upon (i) a LIBOR rate plus an applicable percentage (currently 1.50%), or (ii) the greater of the federal funds rate plus 0.5% or the prime rate, plus an applicable percentage (currently 0.50%).

All obligations under the senior secured credit agreement are secured by, among other things, substantially all of our U.S. assets. Our credit agreements contain various covenants, which, absent prepayment in full of the indebtedness and other obligations, or the receipt of waivers, would limit our ability to conduct certain specified business transactions, buy or sell assets out of the ordinary course of business, engage in sale and leaseback transactions, pay dividends and take certain other actions. There are no prepayment penalties on loans under the $350 million senior secured credit facility.

We currently are in compliance with all covenants and conditions under our credit agreements.

In addition to the above described credit facility, our foreign subsidiaries maintain local credit facilities to provide credit for working capital and other purposes.

In addition to cash flows from operating activities, we had available committed and uncommitted credit lines of approximately $247 million at March 31, 2010 and $265 million at March 31, 2009 to cover short-term liquidity requirements. On a long-term basis, our senior secured revolving credit facility is committed through June 2013, as long as we continue to comply with the covenants and conditions of the credit facility agreement. Included in our available credit lines at March 31, 2010 is $123.9 million of our senior secured revolving credit facility.

We believe that our cash flow from operations, available cash and short-term investments and available borrowing capacity under our senior secured credit agreement will be sufficient to meet our liquidity needs, including normal levels of capital expenditures, for the foreseeable future; however, there can be no assurance that this will be the case.

***Off-Balance Sheet Arrangements***

The Company did not have any off-balance sheet arrangements during any of the periods covered by this report.

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***Contractual Obligations and Commercial Commitments***

At March 31, 2010, we had certain cash obligations, which are due as follows:

| | Total | Less than 1 year | 2 to 3 years (in millions) | 4 to 5 years | After 5 years |
|---|---|---|---|---|---|
| Long-term debt | $384.8 | $ 26.0 | $49.8 | $136.5 | $172.5 |
| Interest on debt | 40.9 | 9.4 | 17.4 | 13.2 | 0.9 |
| Operating leases | 45.5 | 13.6 | 19.5 | 10.3 | 2.1 |
| Pension and profit sharing | 27.3 | 1.9 | 4.1 | 5.2 | 16.1 |
| Restructuring | 13.1 | 11.8 | 0.6 | 0.2 | 0.5 |
| Facility construction commitments | 8.0 | 8.0 | — | — | — |
| Interest rate swap agreements | 9.7 | 6.1 | 3.6 | — | — |
| Purchase commitments | 3.3 | 3.3 | — | — | — |
| Capital lease obligations, including interest | 2.3 | 0.7 | 1.2 | 0.4 | — |
| Total | $534.9 | $ 80.8 | $96.2 | $165.8 | $192.1 |

Under our senior secured credit facility, we had outstanding standby letters of credit of $1.2 million for each of the fiscal years ending March 31, 2010, 2009 and 2008.

***Credit Facilities and Leverage***

Our focus on working capital management and cash flow from operations is measured by our ability to reduce debt and reduce our leverage ratios. Shown below are the leverage ratios in connection with our senior secured credit agreement for fiscal 2010 and 2009. The total leverage ratio for fiscal 2010 is 1.7 times adjusted EBITDA (non-GAAP) as described below.

Our improved leverage in fiscal 2010 reflects continued net earnings and positive cash flows. The total net debt as defined under our senior secured credit agreement for fiscal 2010 of approximately $268.9 million is 1.7 times adjusted EBITDA (non-GAAP).

Our improved leverage in fiscal 2009 reflects improved net earnings and positive cash flows from a decrease in primary working capital caused by lower sales volume. Approximately $19.8 million of cash was used to repurchase 1.8 million shares of our common stock in October 2008. The total net debt as defined under our senior secured credit agreement for fiscal 2009 of approximately $337.2 million is 1.6 times adjusted EBITDA (non-GAAP).

The following table provides a reconciliation of net earnings to EBITDA (non-GAAP) and adjusted EBITDA (non-GAAP) as per our credit agreement:

| | Fiscal 2010 | Fiscal 2009 |
|---|---|---|
| | (in millions, except ratios) | |
| Net earnings as reported | $ 62.3 | $ 81.9 |
| Add back: | | |
| Depreciation and amortization | 44.9 | 47.3 |
| Interest expense | 22.7 | 26.7 |
| Income tax expense | 25.0 | 37.2 |
| EBITDA (non GAAP)[1] | $ 154.9 | $ 193.1 |
| Adjustments per credit agreement definitions | 4.1[2] | 12.6[3] |
| Adjusted EBITDA (non-GAAP) per credit agreements | $ 159.0 | $ 205.7 |
| Total net debt[4] | $ 268.9 | $ 337.2 |
| Leverage ratios: | | |
| Total net debt/adjusted EBITDA ratio[5] | 1.7X | 1.6X |
| Maximum ratio permitted | 3.3X | 3.5X |
| Consolidated interest coverage ratio[5] | 9.7X | 9.3X |
| Minimum ratio required | 4.8X | 4.5X |

*(1)* We have included EBITDA (non-GAAP) and adjusted EBITDA (non-GAAP) because our lenders use it as a key measure of our performance. EBITDA is defined as earnings before interest expense, income tax expense, depreciation and amortization. EBITDA is not a measure of financial performance under GAAP and should not be considered an alternative to net earnings or any other measure of performance under GAAP or to cash flows from operating, investing or financing activities as an indicator of cash flows or as a measure of liquidity. Our calculation of EBITDA may be different from the calculations used by other companies, and therefore comparability may be limited. Certain financial covenants in our senior secured credit facility are based on EBITDA, subject to adjustments, which is shown above. Because we have a significant amount of debt, and because continued availability of credit under our senior secured credit facility is critical to our ability to meet our business plans, we believe that an understanding of the key terms of our credit agreement is important to an investor’s understanding of our financial condition and liquidity risks. Failure to comply with our financial covenants, unless waived by our lenders, would mean we could not borrow any further amounts under our revolving credit facility and would give our lenders the right to demand immediate repayment of all outstanding term and revolving credit loans. We would be unable to continue our operations at current levels if we lost the liquidity provided under our credit agreements. Depreciation and amortization in this table excludes the amortization of deferred financing costs, which is included in interest expense.

*(2)* The $4.1 million adjustments to EBITDA in fiscal 2010 related primarily to the adjustment for $2.9 million for non-cash bargain purchase gain on the Oerlikon acquisition, offset by adding back $7.0 million related primarily to stock compensation expense.

*(3)* The $12.6 million adjustments to EBITDA in fiscal 2009 related primarily to the adjustment for restructuring charges, which included $6.4 million for non-cash equipment write-offs and fixed asset impairment, $5.0 million related primarily to stock compensation expense and $1.2 million, net of other non-cash expenses.

*(4)* Debt includes capital lease obligations and letters of credit issued under the senior secured credit facility and is net of U.S. cash and cash equivalents.

*(5)* These ratios are included to show compliance with the leverage ratios set forth in our credit facilities. We show both our current ratios and the maximum ratio permitted or minimum ratio required under our senior secured credit facility.

***Stockholders' Equity***

Stockholders' equity increased $109.8 million during fiscal 2010 due to net earnings of $62.3 million; an increase for currency translation adjustments of $31.2 million due primarily to the strengthening of European currencies, $14.2 million of increases related to stock-based compensation and the exercise of stock options and a $2.6 million unrealized gain on derivative instruments.

Stockholders' equity decreased $21.4 million during fiscal 2009, primarily because of a decrease for currency translation adjustments of $130.7 million due primarily to the weakening of European currencies; and a $19.8 million decrease related to the purchase of 1.8 million treasury shares. This decrease was partially offset by net earnings of $81.9 million; $16.9 million of increases related to stock-based compensation and the exercise of stock options and a $1.3 million unrealized gain on derivative instruments. The decrease was also offset by the reclassification of $46.3 million of Convertible Notes discount and the related $17.9 million for amortization, write-off of deferred finance fees, net of tax due to the retrospective application of new FASB guidance on accounting for convertible debt instruments that may be settled in cash upon conversion, as explained further in Note 1 of Notes to Consolidated Financial Statements in Item 8.

***RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS***

On April 1, 2009, we adopted new guidance from the FASB, which provides guidance for the accounting, reporting and disclosure of noncontrolling interests and requires, among other things, that noncontrolling interests be recorded as equity in the consolidated financial statements. The guidance became effective for us as of April 1, 2009 and had no material impact on our results of operations or financial position. The adoption of this guidance resulted in the reclassification of $4.3 million and $4.2 million of Minority Interests (now referred to as noncontrolling interests) to a separate component of Total Equity on the Consolidated Balance Sheet as of March 31, 2010 and March 31, 2009, respectively. The impact of adopting the guidance on our statements of income and cash flow was deemed immaterial.

On April 1, 2009, we adopted new guidance, which is intended to improve reporting by creating greater consistency in the accounting and financial reporting of business combinations, resulting in more complete, comparable, and relevant information for investors and other users of financial statements. To achieve this goal, the new guidance requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction; establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose to investors and other users all of the information they need to evaluate and understand the nature and financial effect of the business combination. The new guidance also requires that professional fees associated with acquisition activities be expensed as incurred. Accordingly, any business combination we engage in on or after April 1, 2009 will be recorded and disclosed in accordance with the new guidance. We expect the new guidance will have an impact on our consolidated financial statements at the time we acquire new businesses in the future. For fiscal 2010, the Company expensed $2.0 million incurred for professional fees associated with acquisition activities.

In December 2008, the FASB issued authoritative guidance on employers' disclosures about pensions and other postretirement benefits. Under the new guidance an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan is expanded and is effective for financial statements issued by us for fiscal 2010. We have included such disclosures under Item 8 in the Notes to the Consolidated Financial Statements.

In May 2008, the FASB issued new guidance on the accounting for convertible debt instruments that may be settled in cash upon conversion (including partial settlement). This FASB guidance specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. The FASB guidance was effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years, and must be applied retrospectively to all periods presented. The Company adopted the guidance effective May 28, 2008, the date of the Convertible Notes offering.

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### Related Party Transactions

The FASB guidance, on related party disclosures, requires us to identify and describe material transactions involving related persons or entities and to disclose information necessary to understand the effects of such transactions on our consolidated financial statements. In fiscal years 2010 and 2009, under the terms of a security holder agreement, we paid approximately $0.2 million and $0.3 million, respectively, in fees related to shelf registration statements and secondary offerings of 3.20 million shares and 3.69 million shares, respectively, of our common stock to underwriters by certain of our stockholders, including affiliates of Metalmark Capital LLC and certain other institutional stockholders.

### Sequential Quarterly Information

Fiscal 2010 and 2009 quarterly operating results, and the associated quarterly trends within each of those two fiscal years, are affected by the same economic and business conditions as described in the fiscal 2010 versus fiscal 2009 analyses previously discussed.

| | Fiscal 2009 | | | | Fiscal 2010 | | | |
|---|---|---|---|---|---|---|---|---|
| | June 29, 2008 1st Qtr. | Sept. 28, 2008 2nd Qtr. | Dec. 27, 2008 3rd Qtr. | March 31, 2009 4th Qtr. | June 28, 2009 1st Qtr. | Sept. 27, 2009 2nd Qtr. | Dec. 27, 2009 3rd Qtr. | March 31, 2010 4th Qtr. |
| | (in millions, except per share amounts) | | | | | | | |
| Net sales | $ 592.1 | $ 526.8 | $ 460.8 | $ 393.2 | $ 340.3 | $ 367.3 | $ 421.3 | $ 450.5 |
| Cost of goods sold | 479.5 | 417.7 | 359.4 | 302.9 | 262.8 | 278.7 | 323.0 | 354.0 |
| Gross profit | 112.6 | 109.1 | 101.4 | 90.3 | 77.5 | 88.6 | 98.3 | 96.5 |
| Operating expenses, including amortization | 69.9 | 64.1 | 63.0 | 59.5 | 54.4 | 60.3 | 61.6 | 59.3 |
| Gain on sale of facilities | (10.9) | — | (0.4) | — | — | — | — | — |
| Legal proceedings charge | 3.4 | — | — | — | — | — | — | — |
| Restructuring charges | 2.2 | 1.0 | — | 19.2 | 3.5 | 3.2 | 1.0 | 6.2 |
| Bargain purchase gain | — | — | — | — | — | — | (2.9) | — |
| Operating earnings | 48.0 | 44.0 | 38.8 | 11.6 | 19.6 | 25.1 | 38.6 | 31.0 |
| Interest expense | 6.6 | 7.0 | 6.8 | 6.3 | 5.4 | 5.6 | 5.7 | 6.0 |
| Charges related to refinancing | 5.2 | — | — | — | — | — | — | — |
| Other (income) expense, net | 2.6 | 1.0 | (13.1) | 0.9 | 1.9 | 0.8 | 1.4 | 0.2 |
| Earnings before income taxes | 33.6 | 36.0 | 45.1 | 4.4 | 12.3 | 18.7 | 31.5 | 24.8 |
| Income tax expense | 8.4 | 11.6 | 15.3 | 1.9 | 3.9 | 5.8 | 8.3 | 7.0 |
| Net earnings | $ 25.2 | $ 24.4 | $ 29.8 | $ 2.5 | $ 8.4 | $ 12.9 | $ 23.2 | $ 17.8 |
| Net earnings per common share: | | | | | | | | |
| Basic | $ 0.51 | $ 0.49 | $ 0.61 | $ 0.05 | $ 0.18 | $ 0.27 | $ 0.48 | $ 0.37 |
| Diluted | 0.50 | 0.48 | 0.61 | 0.05 | 0.17 | 0.26 | 0.47 | 0.36 |
| Weighted average shares outstanding: | | | | | | | | |
| Basic | 49,329,724 | 49,578,424 | 48,483,224 | 47,906,364 | 47,936,401 | 48,031,005 | 48,179,030 | 48,342,392 |
| Diluted | 50,507,516 | 50,621,441 | 48,601,254 | 47,951,003 | 48,454,695 | 48,838,160 | 48,841,856 | 49,201,668 |

#### *Net Sales*

Quarterly net sales by business segment were as follows:

| | Fiscal 2009 | | | | Fiscal 2010 | | | |
|---|---|---|---|---|---|---|---|---|
| | 1st Qtr. | 2nd Qtr. | 3rd Qtr. | 4th Qtr. | 1st Qtr. | 2nd Qtr. | 3rd Qtr. | 4th Qtr. |
| | (in millions) | | | | | | | |
| Net sales by segment: | | | | | | | | |
| Europe | $ 320.3 | $ 266.1 | $ 221.5 | $ 179.3 | $ 156.1 | $ 168.0 | $ 209.7 | $ 208.2 |
| Americas | 229.3 | 221.9 | 199.7 | 180.4 | 150.3 | 164.6 | 179.0 | 206.4 |
| Asia | 42.5 | 38.8 | 39.6 | 33.5 | 33.9 | 34.7 | 32.6 | 35.9 |
| Total | $ 592.1 | $ 526.8 | $ 460.8 | $ 393.2 | $ 340.3 | $ 367.3 | $ 421.3 | $ 450.5 |
| Segment net sales as % total: | | | | | | | | |
| Europe | 54.1% | 50.5% | 48.1% | 45.6% | 45.9% | 45.7% | 49.8% | 46.2% |
| Americas | 38.7 | 42.1 | 43.3 | 45.9 | 44.1 | 44.8 | 42.5 | 45.8 |
| Asia | 7.2 | 7.4 | 8.6 | 8.5 | 10.0 | 9.5 | 7.7 | 8.0 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

Quarterly net sales by product line were as follows:

| | Fiscal 2009 | | | | Fiscal 2010 | | | |
|---|---|---|---|---|---|---|---|---|
| | 1st Qtr. | 2nd Qtr. | 3rd Qtr. | 4th Qtr. | 1st Qtr. | 2nd Qtr. | 3rd Qtr. | 4th Qtr. |
| | (in millions) | | | | | | | |
| Net sales by product line: | | | | | | | | |
| Reserve power | $258.8 | $246.1 | $227.3 | $201.6 | $182.8 | $198.0 | $213.3 | $226.4 |
| Motive power | 333.3 | 280.7 | 233.5 | 191.6 | 157.5 | 169.3 | 208.0 | 224.1 |
| Total | $592.1 | $526.8 | $460.8 | $393.2 | $340.3 | $367.3 | $421.3 | $450.5 |
| Product line net sales as % total: | | | | | | | | |
| Reserve power | 43.7% | 46.7% | 49.3% | 51.3% | 53.7% | 53.9% | 50.6% | 50.3% |
| Motive power | 56.3 | 53.3 | 50.7 | 48.7 | 46.3 | 46.1 | 49.4 | 49.7 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

In all segments, reserve power product line sales are highly dependent on capital investment in standby power systems for the telecom and UPS industries. Motive power product line sales are primarily influenced by manufacturing and distribution activity along with trends relating to orders for new industrial forklift trucks.

From our record high quarterly sales of $592.1 million in the first quarter of fiscal 2009, net sales declined 43% to $340.3 million in the first quarter of fiscal 2010, which was the lowest recent quarter. Eleven percentage points of the decrease was due to the effects of weaker foreign currencies versus the U.S. dollar and reduced pricing. The decline in volume generally followed the timing of the global decline in economic activity. Since the first quarter of fiscal 2010, we have experienced three consecutive quarters of sequential increases in revenue, as worldwide economic activity has improved.

Our Europe segment experienced the largest decline from the high point of the first quarter of fiscal 2009 to the low point in the first quarter of fiscal 2010. Europe quarterly net sales decreased 51% during that period as European economies were affected most severely by the recent global recession. However, the fourth quarter fiscal 2010 sales of $208.2 million were 33% above the lowest recent quarterly sales of $156.1 million in the first quarter of fiscal 2010.

During the same periods, revenue in the Americas declined 34% from the highest quarter to the lowest quarter and has since increased 37% from $150.3 million in the first quarter to $206.4 million in the fourth quarter of fiscal 2010.

We believe net sales in Asia were much less affected by global economic factors than in Europe and Americas. The reserve power and motive power markets continued to grow in Asia during the decline in the other segments. Our revenue in Asia has been somewhat limited recently by manufacturing capacity and, to a certain extent, on the timing of large orders from the major telecom companies. In addition, pricing in fiscal 2010 decreased more in Asia than in our other segments.

Quarterly net sales in our two product lines followed the same timing pattern as total quarterly net sales, but with very different magnitudes of change. From the peak first quarter of fiscal 2009 to the recent low first quarter of fiscal 2010, reserve power sales declined 29% with 18 percentage points organic volume and the balance due to lower pricing and foreign currencies. Motive power sales declined a much sharper 53% in the same period with 42 percentage points of the decline coming from a drop in organic volume.

Compared to the first quarter of fiscal 2010, reserve power revenue was at $226.4 million in the fourth quarter of fiscal 2010, a 24% increase, while the motive power sales were $224.1 million, a 42% increase over the first quarter.

The global economic recovery that started in the middle of calendar year 2009 is reflected in our recent increases in quarterly revenue. During the recent global recession, our motive power sales declined considerably more than our reserve power sales; however, motive power sales are now recovering at a faster rate.

***Operating Earnings***

Our fiscal 2010 operating earnings were significantly affected by $11.0 million of net highlighted (gains) and charges as follows: restructuring costs of $3.5 million, $3.2 million, $1.0 million and $6.2 million in the first, second, third and fourth fiscal quarters, respectively; partially offset by a bargain purchase (gain) of ($2.9) million on the acquisition of Oerlikon in the third fiscal quarter of 2010 and the realization of benefits from our ongoing cost savings programs.

Our fiscal 2009 operating earnings were significantly affected by $14.5 million of net highlighted (gains) and charges as follows: (gains) on sales of facilities of ($10.9) million and ($0.4) million in the first and third quarters, respectively; restructuring costs of $2.2 million, $1.0 million and $19.2 million in the first, second and fourth fiscal quarters, respectively; a legal proceedings charge of $3.4 million in the first quarter; and higher commodity costs in the first and second quarters, partially offset by selling price increases and our continuing cost savings programs.

***Charges Related to Refinancing***

In the first fiscal quarter of 2009, we incurred charges in connection with the refinancing of amounts borrowed under our prior senior secured credit facility. These charges included approximately $4.0 million in write-offs of deferred financing fees and $1.2 million of losses incurred as a result of the termination of certain interest rate swap agreements.

***Other (Income) Expense, Net***

Other (income) expense, net was net expense of $4.3 million in fiscal 2010 compared to a net income of approximately ($8.6) million in fiscal 2009. This is primarily attributed to net foreign currency transaction losses primarily on short-term intercompany loans and receivables of $3.0 million in fiscal 2010, as compared to a ($11.6) million gain in fiscal 2009.

Other (income) expense, net was a net expense of $13.1 million in the third fiscal quarter of 2009 compared to a net expense of approximately $1.8 million in the comparable period of fiscal 2008, primarily attributed to net foreign currency transaction gains primarily on short-term intercompany loans of $13.8 million in the fiscal 2009 period, as compared to $1.2 million of losses in fiscal 2008 period.

## ITEM 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

*Market Risks*

EnerSys’ cash flows and earnings are subject to fluctuations resulting from changes in interest rates, foreign currency exchange rates and raw material costs. We manage our exposure to these market risks through internally established policies and procedures and, when deemed appropriate, through the use of derivative financial instruments. EnerSys’ policy does not allow speculation in derivative instruments for profit or execution of derivative instrument contracts for which there are no underlying exposures. We do not use financial instruments for trading purposes and are not a party to any leveraged derivatives. We monitor our underlying market risk exposures on an ongoing basis and believe that we can modify or adapt our hedging strategies as needed.

*Counterparty Risks*

We have entered into interest rate swap agreements to manage risk on a portion of our long-term floating-rate debt. We have entered into lead forward purchase contracts to manage risk on the cost of lead. We have entered into foreign exchange forward contracts and purchased option contracts to manage risk on foreign currency exposures.

The Company's agreements are with creditworthy financial institutions. Those contracts that result in a liability position at March 31, 2010 are $10.3 million (pre-tax), therefore the Company believes there is no risk of nonperformance by the counterparties. Those contracts that result in an asset position at March 31, 2010 are $2.6 million (pre-tax) and the vast majority of these will settle within one year.

*Interest Rate Risks*

We are exposed to changes in variable U.S. interest rates on borrowings under our credit agreements. On a selective basis, from time to time, we enter into interest rate swap agreements to reduce the negative impact that increases in interest rates could have on our outstanding variable rate debt. Management considers the interest rate swaps to be highly effective against changes in the cash flows from our underlying variable rate debt based on the criteria in the FASB guidance. Cash flows related to the interest rate swap agreements are included in interest expense over the terms of the agreements. At March 31, 2010 and 2009, such agreements effectively convert $170.0 million of our variable-rate debt to a fixed-rate basis, utilizing the three-month LIBOR as a floating rate reference. Fluctuations in LIBOR and fixed rates affect both our net financial investment position and the amount of cash to be paid or received by us under these agreements. The following commentary provides details for the outstanding interest rate swap agreements:

In October 2005, we entered into interest rate swap agreements to fix interest rates on $75.0 million of floating rate debt through December 22, 2010. The fixed rates per year plus an applicable credit spread began December 22, 2005, and are 4.25% during the first year, 4.525% the second year, 4.80% the third year, 5.075% the fourth year, and 5.47% in the fifth year. In connection with the issuance of $172.5 million aggregate principal amount of Convertible Notes and the repayment of a portion of the senior secured Term Loan B in May 2008, we terminated $30.0 million of these interest rate swap agreements at a loss of $1.2 million.

In August 2007, we entered into interest rate swap agreements, which became effective in February 2008, to fix interest rates on $40.0 million of floating rate debt through February 22, 2011, at 4.85% per year.

In November 2007, we entered into interest rate swap agreements which became effective in May 2008, to fix interest rates on $40.0 million of floating rate debt through May 7, 2013, at 4.435% per year.

In December 2007, we entered into $45.0 million of interest rate swap agreements which became effective in February and May 2008, to fix the interest rates on $20.0 million of floating rate debt through February 22, 2013, at 4.134% per year and to fix the interest rates on $25.0 million of floating rate debt through May 7, 2013, at 4.138% per year.

A 100 basis point increase in interest rates would increase interest expense by approximately $0.6 million on the non-hedged variable rate portions of our debt.

*Commodity Cost Risks*

We have a significant risk in our exposure to certain raw materials, which we estimate were over half of total cost of goods sold for fiscal 2010 and 2009. Our largest single raw material cost is lead, the cost of which remains volatile. To mitigate against large increases in lead costs, we enter into contracts with financial institutions to fix the price of lead. We had the following contracts at the dates shown below:

| Date | $'s Under Contract (in millions) | # Pounds Under Contract (in millions) | Average Contract Price/Pound | Approximate % of Lead Requirements[1] |
|---|---|---|---|---|
| March 31, 2010 | $ 60.7 | 63.4 | $ 0.96 | 17% |
| March 31, 2009 | 14.9 | 29.7 | 0.50 | 7 |
| March 31, 2008 | 72.3 | 58.5 | 1.24 | 12 |

*(1)* Based on the fiscal year lead requirements for the period then ended.

We estimate that a 10% increase in our cost of lead (over our current estimated cost in fiscal 2010) would increase our annual total cost of goods sold by approximately $32 million or 2% of fiscal 2010 net sales.

*Foreign Currency Exchange Rate Risks*

We manufacture and assemble our products primarily in China, the Czech Republic, France, Germany, Mexico, Poland, Bulgaria, the United Kingdom and the United States. Approximately 60% of our sales and expenses are transacted in foreign currencies. Our sales revenue, production costs, profit margins and competitive position are affected by the strength of the currencies in countries where we manufacture or purchase goods relative to the strength of the currencies in countries where our products are sold. Additionally, as we report our financial statements in the U.S. dollar, our financial results are affected by the strength of the currencies in countries where we have operations relative to the strength of the U.S. dollar. The principal foreign currencies in which we conduct business are the euro, British pound, Polish zloty, Chinese renminbi and Mexican peso.

We quantify and monitor our global foreign currency exposures. Our largest foreign currency exposure is from the purchase and conversion of U.S. dollar based lead costs into local currencies in Europe. Additionally, we have currency exposures from intercompany financing and trade transactions. On a selective basis, we will enter into foreign currency forward contracts and option contracts to reduce the impact from the volatility of currency movements. Based primarily on statistical currency correlations on our current estimated exposures for fiscal 2010, we are confident that the pretax effect on annual earnings of changes in the principal currencies in which we conduct our business would not be in excess of approximately $10 million in more than one year out of twenty years. The fiscal 2009 gains exceeded the normal statistical range. The settlement or translation of intercompany financing and trading balances during a period of unusually high volatility of foreign currency exchange rates in fiscal 2009, resulted in a gain of $11.6 million from foreign currency transactions as compared to an expense of $3.0 million in fiscal 2010. These fluctuations involved foreign currencies against the U.S. dollar and, in many cases, against other foreign currencies, primarily the cross rates of the euro/British pound, euro/Polish zloty and euro/U.S. dollar. We have taken steps that we believe will mitigate the impact of these foreign currency rate fluctuations and such fluctuations were minimized in fiscal 2010; however, we cannot be certain that foreign currency fluctuations of the size recognized in fiscal 2009 will not occur in the future.

To hedge these exposures we have entered into forward purchase contracts with financial institutions to fix the value at which we will buy or sell certain currencies. Each contract is for a period not extending beyond one year. As of March 31, 2010 and 2009, we had entered into a total of $64.2 million and $19.4 million, respectively, of forward contracts, with the March 31, 2010 details as follows:

| Transactions Hedged | $US Equivalent (in millions) | Average Rate Hedged | Approximate % of Annual Requirements(2) |
|---|---|---|---|
| Sell euros for U.S. dollars | $ 25.6 | $/ €1.37 | 18% |
| Sell euros for Polish zloty | 30.5 | PLN/ €4.11 | 52 |
| Sell euros for British pounds | 8.1 | €/ £0.89 | 46 |
| Total | $ 64.2 | | |

(2) Based on the fiscal year currency requirements for the year ended March 31, 2010.

Foreign exchange translation adjustments are recorded on the Consolidated Statements of Comprehensive Income.

Based on changes in the timing and amount of interest rate and foreign currency exchange rate movements and our actual exposures and hedges, actual gains and losses in the future may differ from our historical results.

**ITEM 8.** ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA***

**Contents**

**EnerSys**
**Consolidated Financial Statements for fiscal years ended March 31, 2010, 2009 and 2008**


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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders
EnerSys

We have audited EnerSys' internal control over financial reporting as of March 31, 2010, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). EnerSys' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying *Management's Report On Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, EnerSys maintained, in all material respects, effective internal control over financial reporting as of March 31, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of EnerSys as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended March 31, 2010 and our report dated June 1, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
June 1, 2010

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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders
EnerSys

We have audited the accompanying consolidated balance sheets of EnerSys as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended March 31, 2010. Our audits also included the financial statement schedule listed in the index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of EnerSys at March 31, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2010, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), EnerSys' internal control over financial reporting as of March 31, 2010, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 1, 2010, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
June 1, 2010

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**EnerSys**

**Consolidated Balance Sheets**
**(In Thousands, Except Share and Per Share Data)**

| | March 31, 2010 | March 31, 2009 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 201,042 | $ 163,161 |
| Accounts receivable, net | 383,641 | 356,200 |
| Inventories, net | 254,371 | 209,329 |
| Deferred taxes | 16,378 | 16,994 |
| Prepaid and other current assets | 39,849 | 32,522 |
| Total current assets | 895,281 | 778,206 |
| Property, plant, and equipment, net | 315,141 | 301,365 |
| Goodwill | 317,265 | 301,658 |
| Other intangible assets, net | 90,136 | 79,544 |
| Deferred taxes | 10,744 | 13,399 |
| Other assets | 23,443 | 18,679 |
| Total assets | $1,652,010 | $1,492,851 |
| **Liabilities and stockholders' equity** | | |
| Current liabilities: | | |
| Short-term debt | $ 43 | $ 7,363 |
| Current portion of long-term debt | 26,045 | 24,641 |
| Current portion of capital lease obligations | 650 | 661 |
| Accounts payable | 198,345 | 127,586 |
| Accrued expenses | 190,004 | 184,094 |
| Deferred taxes | 4,426 | 4,092 |
| Total current liabilities | 419,513 | 348,437 |
| Long-term debt | 322,168 | 342,534 |
| Capital lease obligations | 1,580 | 457 |
| Deferred taxes | 70,023 | 64,428 |
| Other liabilities | 54,502 | 62,602 |
| Total liabilities | 867,786 | 818,458 |
| Equity: | | |
| Series A Convertible Preferred Stock, $0.01 par value, 1,000,000 shares authorized, no shares issued or outstanding at March 31, 2010 and at March 31, 2009 | — | — |
| Common Stock, $0.01 par value, 135,000,000 shares authorized, 50,381,832 shares issued and 48,581,832 shares outstanding at March 31, 2010; 49,775,396 shares issued and 47,975,396 shares outstanding at March 31, 2009 | 504 | 498 |
| Additional paid-in capital | 428,579 | 414,292 |
| Treasury stock at cost, 1,800,000 shares held as of March 31, 2010 and 2009 | (19,800) | (19,800) |
| Retained earnings | 303,410 | 241,106 |
| Accumulated other comprehensive income | 67,204 | 34,055 |
| Total EnerSys stockholders' equity | 779,897 | 670,151 |
| Non-controlling interest | 4,327 | 4,242 |
| Total equity | 784,224 | 674,393 |
| Total liabilities and stockholders' equity | $1,652,010 | $1,492,851 |

See accompanying notes.

**EnerSys**

**Consolidated Statements of Income**
**(In Thousands, Except Share and Per Share Data)**

| | Fiscal year ended March 31, | | |
|---|---|---|---|
| | 2010 | 2009 | 2008 |
| Net sales | $ 1,579,385 | $ 1,972,867 | $ 2,026,640 |
| Cost of goods sold | 1,218,481 | 1,559,433 | 1,644,753 |
| Gross profit | 360,904 | 413,434 | 381,887 |
| Operating expenses | 235,597 | 256,507 | 249,350 |
| Bargain purchase gain | (2,919) | — | — |
| Gain on sales of facilities | — | (11,308) | — |
| Legal proceedings charge | — | 3,366 | — |
| Restructuring charges | 13,929 | 22,424 | 13,191 |
| Operating earnings | 114,297 | 142,445 | 119,346 |
| Interest expense | 22,658 | 26,733 | 28,917 |
| Charges related to refinancing | — | 5,209 | — |
| Other (income) expense, net | 4,384 | (8,597) | 4,234 |
| Earnings before income taxes | 87,255 | 119,100 | 86,195 |
| Income tax expense | 24,951 | 37,170 | 26,499 |
| Net earnings | $ 62,304 | $ 81,930 | $ 59,696 |
| Net earnings per common share: | | | |
| Basic | $ 1.29 | $ 1.68 | $ 1.25 |
| Diluted | $ 1.28 | $ 1.66 | $ 1.22 |
| Weighted-average shares of common stock outstanding: | | | |
| Basic | 48,122,207 | 48,824,434 | 47,645,225 |
| Diluted | 48,834,095 | 49,420,303 | 48,644,450 |

See accompanying notes.

## EnerSys

### Consolidated Statements of Changes in Stockholders' Equity
### (In Thousands)

| | Series A Convertible Preferred Stock | Common Stock | Paid-in Capital | Treasury Stock | Retained Earnings | Accumulated Other Comprehensive Income | Total EnerSys Stockholders' Equity | Non-Controlling Interest | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at March 31, 2007** | **$ —** | **$ 471** | **$339,114** | **$ —** | **$ 99, 480** | **$ 103,034** | **$ 542,099** | **$ 4,242** | **$ 546,341** |
| Stock-based compensation | — | — | 3,028 | — | — | — | 3,028 | — | 3,028 |
| Exercise of stock options | — | 20 | 22,794 | — | — | — | 22,814 | — | 22,814 |
| Tax benefit from stock options | — | — | 4,027 | — | — | — | 4,027 | — | 4,027 |
| Net earnings | — | — | — | — | 59,696 | — | 59,696 | — | 59,696 |
| Other comprehensive income: | | | | | | | | | |
| Pension funded status adjustment, net of tax benefit of $411 | — | — | — | — | — | 352 | 352 | — | 352 |
| Unrealized loss on derivative instruments, net of tax benefit of $8,499 | — | — | — | — | — | (15,783) | (15,783) | — | (15,783) |
| Foreign currency translation adjustment | — | — | — | — | — | 75,310 | 75,310 | — | 75,310 |
| Comprehensive income | | | | | | | | | 119,575 |
| **Balance at March 31, 2008** | **—** | **491** | **368,963** | **—** | **159,176** | **162,913** | **691,543** | **4,242** | **695,785** |
| Stock-based compensation | — | — | 5,021 | — | — | — | 5,021 | — | 5,021 |
| Exercise of stock awards | — | 7 | 5,788 | — | — | — | 5,795 | — | 5,795 |
| Tax benefit from stock options | — | — | 6,100 | — | — | — | 6,100 | — | 6,100 |
| Convertible Note discount | — | — | 46,280 | — | — | — | 46,280 | — | 46,280 |
| Tax benefit from Convertible Note discount | — | — | (17,860) | — | — | — | (17,860) | — | (17,860) |
| Purchase of common stock | — | — | — | (19,800) | — | — | (19,800) | — | (19,800) |
| Net earnings | — | — | — | — | 81,930 | — | 81,930 | — | 81,930 |
| Other comprehensive income: | | | | | | | | | |
| Pension funded status adjustment, net of tax benefit of $152 | — | — | — | — | — | 544 | 544 | — | 544 |
| Unrealized gain on derivative instruments, net of tax of ($675) | — | — | — | — | — | 1,250 | 1,250 | — | 1,250 |
| Foreign currency translation adjustment | — | — | — | — | — | (130,652) | (130,652) | — | (130,652) |
| Comprehensive loss | | | | | | | | | (46,928) |
| **Balance at March 31, 2009** | **—** | **498** | **414,292** | **(19,800)** | **241,106** | **34,055** | **670,151** | **4,242** | **674,393** |
| Stock-based compensation | — | — | 6,964 | — | — | — | 6,964 | — | 6,964 |
| Exercise of stock options | — | 6 | 5,036 | — | — | — | 5,042 | — | 5,042 |
| Tax benefit from stock options | — | — | 2,287 | — | — | — | 2,287 | — | 2,287 |
| Increase in non-controlling interest | — | — | — | — | — | — | — | 85 | 85 |
| Net earnings | — | — | — | — | 62,304 | — | 62,304 | — | 62,304 |
| Other comprehensive income: | | | | | | | | | |
| Pension funded status adjustment, net of tax of ($367) | — | — | — | — | — | (685) | (685) | — | (685) |
| Unrealized income on derivative instruments, net of tax of ($1,421) | — | — | — | — | — | 2,626 | 2,626 | — | 2,626 |
| Foreign currency translation adjustment | — | — | — | — | — | 31,208 | 31,208 | — | 31,208 |
| Comprehensive income | | | | | | | | | 95,453 |
| **Balance at March 31, 2010** | **$ —** | **$ 504** | **$428,579** | **$ (19,800)** | **$303,410** | **$ 67,204** | **$ 779,897** | **$ 4,327** | **$ 784,224** |

See accompanying notes.

**EnerSys**

**Consolidated Statements of Cash Flows**
**(In Thousands)**

| | Fiscal year ended March 31, | | |
|---|---|---|---|
| | 2010 | 2009 | 2008 |
| **Cash flows from operating activities** | | | |
| Net earnings | $ 62,304 | $ 81,930 | $ 59,696 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | | |
| Depreciation and amortization | 44,851 | 47,233 | 47,629 |
| Bargain purchase gain | (2,919) | — | — |
| Gain on sale of facilities | — | (11,308) | — |
| Write-off of deferred finance fees | — | 3,963 | — |
| Provision for doubtful accounts | 2,712 | 4,873 | 1,436 |
| Provision for deferred taxes | 6,975 | 8,828 | 7,972 |
| Non-cash interest expense | 7,163 | 5,994 | 1,586 |
| Stock compensation expense | 6,964 | 5,021 | 3,028 |
| (Gain)/loss on disposal and impairment of fixed assets | (912) | 6,219 | 3,908 |
| Changes in assets and liabilities, net of effects of acquisitions: | | | |
| Accounts receivable | (7,303) | 85,915 | (107,113) |
| Inventory | (23,445) | 90,930 | (70,278) |
| Prepaid expenses and other current assets | (1,075) | (1,509) | 374 |
| Other assets | (1,218) | 142 | 4,585 |
| Accounts payable | 59,116 | (109,712) | 34,593 |
| Accrued expenses | (5,816) | 4,895 | 15,805 |
| Other liabilities | (10,795) | (3,977) | 797 |
| Net cash provided by operating activities | 136,602 | 219,437 | 4,018 |
| **Cash flows from investing activities** | | | |
| Capital expenditures | (45,111) | (57,143) | (45,037) |
| Purchase of businesses, net of cash acquired | (33,242) | — | (17,434) |
| Proceeds from disposal of property, plant, and equipment | 1,109 | 10,333 | 321 |
| Net cash used in investing activities | (77,244) | (46,810) | (62,150) |
| **Cash flows from financing activities** | | | |
| Net (decrease) increase in short-term debt | (7,436) | (34,195) | 23,516 |
| Proceeds from the issuance of long-term debt | — | 397,500 | — |
| Deferred financing costs | — | (10,950) | (23) |
| Payments of long-term debt | (25,243) | (367,018) | (9,780) |
| Capital lease obligations and other | 878 | (628) | (996) |
| Exercise of stock options | 5,042 | 5,795 | 22,814 |
| Purchase of treasury stock | — | (19,800) | — |
| Tax benefits from exercise of stock options | 2,287 | 6,100 | 4,027 |
| Net cash (used in) provided by financing activities | (24,472) | (23,196) | 39,558 |
| Effect of exchange rate changes on cash | 2,995 | (6,890) | 1,409 |
| Net increase (decrease) in cash and cash equivalents | 37,881 | 142,541 | (17,165) |
| Cash and cash equivalents at beginning of year | 163,161 | 20,620 | 37,785 |
| Cash and cash equivalents at end of year | $201,042 | $ 163,161 | $ 20,620 |

See accompanying notes.

**EnerSys**

**Notes to Consolidated Financial Statements**
**March 31, 2010**
**(In Thousands, Except Share and Per Share Data)**

## 1. Summary of Significant Accounting Policies

### *Description of Business*

EnerSys and its predecessor companies have been manufacturers of industrial batteries for over 100 years. Morgan Stanley Capital Partners (currently Metalmark Capital) teamed with the management of Yuasa, Inc. in late 2000 to acquire from Yuasa Corporation (Japan) its reserve power and motive power battery businesses in the Americas. The Company was incorporated in October 2000 for the purpose of completing the Yuasa, Inc. acquisition from Yuasa Corporation (Japan). The acquired businesses included the *Exide, General Battery* and *Yuasa* brands. On January 1, 2001, the Company changed its name from Yuasa, Inc. to EnerSys to reflect its focus on the energy systems nature of its businesses. In March 2002, the Company acquired the worldwide reserve power and motive power business of the Energy Storage Group (ESG), of Invensys plc (Invensys), whose principal brands were *Hawker, PowerSafe* and *DataSafe.* The Company has since made numerous other smaller acquisitions.

### *Principles of Consolidation*

The consolidated financial statements include the accounts of the Company and its majority-owned and wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated.

### *Foreign Currency Translation*

Results of foreign operations are translated into U.S. dollars using average exchange rates during the period. The assets and liabilities are translated into U.S. dollars using current rates as of the balance sheet date. Gains or losses resulting from translating the foreign currency financial statements are accumulated as a separate component of accumulated other comprehensive income in EnerSys' stockholders' equity.

Transaction gains and losses resulting from exchange rate changes on transactions denominated in currencies other than the functional currency of the applicable subsidiary are included in other (income) expense, net in the year in which the change occurs.

### *Revenue Recognition*

The Company recognizes revenue when the earnings process is complete. This occurs when we ship in accordance with terms of the underlying agreement, title transfers, collectibility is reasonably assured and pricing is fixed and determinable. Shipment terms to our battery product customers are primarily shipping point or destination and do not differ significantly between our business segments. Accordingly, revenue is recognized when title is transferred to the customer. Amounts invoiced to customers for shipping and handling are classified as revenue. Taxes on revenue producing transactions are not included in net sales.

The Company recognizes revenue from the service of its reserve power and motive power products when the respective services are performed.

Accruals are made at the time of sale for sales returns and other allowances based on the Company's experience.

### *Freight Expense*

Amounts billed to customers for outbound freight costs are classified as sales in the consolidated statement of income. Costs incurred by the Company for outbound freight costs to customers, inbound and transfer freight are classified in cost of goods sold.

**EnerSys**

**Notes to Consolidated Financial Statements—(Continued)**
**March 31, 2010**
**(In Thousands, Except Share and Per Share Data)**

***Warranties***

Substantially all of the Company's products are warranted for a period of one to twenty years. The Company provides for estimated product warranty expenses when the related products are sold.

***Cash and Cash Equivalents***

Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less when purchased.

***Accounts Receivable***

Accounts receivable are reported net of an allowance for doubtful accounts of $9,879 and $7,978 at March 31, 2010 and 2009, respectively. The allowance is based on management's estimate of uncollectible accounts, analysis of historical data and trends, as well as reviews of all relevant factors concerning the financial capability of its customers. Accounts receivable are considered to be past due based on how payments are received compared to the customer's credit terms. Accounts are written off when management determines the account is uncollectible.

***Inventories***

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method. The cost of inventory consists of material, labor, and associated overhead.

***Property, Plant, and Equipment***

Property, plant, and equipment are recorded at cost and include expenditures that substantially increase the useful lives of the assets. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows: 10 to 33 years for buildings and improvements and 3 to 15 years for machinery and equipment.

Depreciation expense for the fiscal years ended March 31, 2010, 2009 and 2008 totaled $44,145, $46,694, and $47,151, respectively. Maintenance and repairs are expensed as incurred. Interest on capital projects is capitalized during the construction period and amounted to $929, $1,062, and $829 for the fiscal years ended March 31, 2010, 2009 and 2008, respectively.

***Intangible Assets***

FASB guidance on the accounting for Goodwill and Other Intangible Assets eliminated the amortization of goodwill and indefinite-lived intangible assets and requires a review at least annually for impairment. The Company has determined that trade names and goodwill are indefinite-lived assets, as defined by the FASB guidance, and therefore not subject to amortization.

The Company tests for the impairment of its goodwill and trade names at least annually and whenever events or circumstances occur indicating that a possible impairment has been incurred. The Company utilizes financial projections of its business segments, certain cash flow measures, as well as its market capitalization in its determination of the fair value of these assets.

***Environmental Expenditures***

In accordance with FASB guidance on the accounting for contingencies and environmental remediation liabilities, we record a loss and establish a reserve for the remediation when it is probable that an asset has been impaired or a liability exists and the amount of the liability can be reasonably estimated. Reasonable estimates involve judgments made by management after considering a broad range of information including: notifications, demands or settlements that have been received from a regulatory authority or private party, estimates performed by independent engineering companies and outside counsel, available facts existing and proposed technology, the identification of other potentially responsible parties, their ability to contribute and prior experience. These judgments are reviewed quarterly as more information is received and the amounts reserved are updated as necessary. However, the reserves may materially differ from ultimate actual liabilities if the loss contingency is difficult to estimate or if management's judgments turn out to be inaccurate. If management believes no best estimate exists, the minimum probable loss is accrued.

***Impairment of Long-Lived Assets***

The Company reviews the carrying values of its property and equipment for possible impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on undiscounted estimated cash flows expected to result from its use and eventual disposition. The factors considered by the Company in performing this assessment include current operating results, trends and other economic factors. In assessing the recoverability of the carrying value of the property and equipment, the Company must make assumptions regarding future cash flows and other factors. If these estimates or the related assumptions change in the future, the Company may be required to record an impairment loss for these assets. In fiscal 2010, 2009 and 2008 the Company recorded impairment charges of $290, $6,607 and $3,863 respectively, which were included in restructuring charges.

***Fair Value of Financial Instruments***

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable, and debt. The Company uses interest rate swap agreements to manage risk on a portion of its floating-rate debt.

Because of short maturities, the carrying amount of cash and cash equivalents, accounts receivable, accounts payable, and short-term debt approximates fair value.

The fair value of the Company's senior secured credit facility approximates its carrying value, as it is variable rate debt. The senior unsecured Convertible Notes were issued when our stock price was trading at $30.19 per share. On March 31, 2010, our stock price closed at $24.66 per share. Because the Convertible Notes have a conversion option at $40.60 per share, and due to current conditions in the financial markets, our senior unsecured Convertible Notes were trading at 94% of the face value on March 31, 2010.

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The FASB guidance includes a fair value hierarchy that is intended to increase consistency and comparability in fair value measurements and related disclosures. The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon their own market assumptions. The fair value hierarchy consists of the following three levels:

Level 1: Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs are quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable and market-corroborated inputs, which are derived principally from or corroborated by observable market data.

Level 3: Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

The following table represents our assets (liabilities) measured at fair value on a recurring basis as of March 31, 2010 and the basis for that measurement:

| | Total Fair Value Measurement March 31, 2010 | Quoted Price in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Interest rate swap agreements | $ (9,710) | $ — | $ (9,710) | $ — |
| Lead forward contracts | 62 | — | 62 | — |
| Foreign currency forward contracts | 1,911 | — | 1,911 | — |
| Total derivatives | $ (7,737) | $ — | $ (7,737) | $ — |

The fair value of interest rate swap agreements are based on observable prices as quoted for receiving the variable three month London Interbank Offered Rates, or LIBOR and paying fixed interest rates and, therefore, were classified as Level 2.

The fair value of lead forward contracts were calculated using observable prices for lead as quoted on the London Metal Exchange ("LME") and, therefore, were classified as Level 2.

The fair value for foreign currency forward contracts are based upon current quoted market prices and are classified as Level 2 based on the nature of the underlying market in which these derivatives are traded.

See Note 11 for a further discussion of the Company's derivative instruments and hedging activities.

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**Notes to Consolidated Financial Statements—(Continued)**
**March 31, 2010**
**(In Thousands, Except Share and Per Share Data)**

The carrying amounts and estimated fair values of the Company's financial instruments at March 31, 2010 and 2009 are as follows:

| | March 31, | | | |
|---|---|---|---|---|
| | 2010 | | 2009 | |
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| **Financial assets:** | | | | |
| Cash and cash equivalents | $201,042 | $201,042 | $163,161 | $163,161 |
| **Financial liabilities:** | | | | |
| Long-term debt: | | | | |
| Term A Loan | $201,094 | $201,094 | $216,563 | $216,563 |
| Senior Unsecured Convertible Notes | 135,920 | 161,978 | 130,481 | 110,400 |
| Euro Term Loan and other | 11,199 | 11,199 | 20,131 | 20,131 |
| Capital lease obligations | 2,230 | 2,230 | 1,118 | 1,118 |
| Derivatives | (7,737) | (7,737) | (11,777) | (11,777) |

***Income Taxes***

We account for income taxes in accordance with the FASB guidance, which requires deferred tax assets and liabilities be recognized using enacted tax rates to measure the effect of temporary differences between book and tax bases on recorded assets and liabilities. The FASB guidance also requires that deferred tax assets be reduced by a valuation allowance, if it is more likely than not some portion or all of the deferred tax assets will not be recognized.

We evaluate on a quarterly basis our ability to realize deferred tax assets by assessing our valuation allowance and by adjusting the amount of such allowance, if necessary. The factors used to assess the likelihood of realization are our forecast of future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. These temporary differences are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be realized.

Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. The provision for income taxes represents income taxes paid or payable for the current year and the change in deferred taxes.

In accordance with the FASB guidance on accounting for uncertainty in income taxes, the Company evaluates tax positions to determine whether the benefits of tax positions are more likely than not of being sustained upon audit based on the technical merits of the tax position. For tax positions that are more likely than not of being sustained upon audit, the Company recognizes the largest amount of the benefit that is greater than 50% likely of being realized upon ultimate settlement. For tax positions that are not more likely than not of being sustained upon audit, the Company does not recognize any portion of the benefit. If the more likely than not

threshold is not met in the period for which a tax position is taken, the Company may subsequently recognize the benefit of that tax position if the tax matter is effectively settled, the statute of limitations expires, or if the more likely than not threshold is met in a subsequent period.

***Deferred Financing Fees***

In connection with the issuance of the $172,500 senior unsecured 3.375% Convertible Notes in May 2008 and the refinancing under the new $350,000 senior secured credit facility in June 2008 (see Note 8), the Company wrote-off approximately $3,963 of unamortized deferred financing costs associated with the prior senior secured credit facility, and incurred approximately $10,950 in new deferred financing costs.

Deferred financing fees, net of accumulated amortization totaled $6,581 and $8,292 as of March 31, 2010 and 2009, respectively. Amortization expense included in interest expense was $1,724, $1,733, and $1,586 for the fiscal years ended March 31, 2010, 2009 and 2008, respectively.

***Derivative Financial Instruments***

The Company has entered into interest rate swap agreements to manage risk on a portion of its long-term floating-rate debt. The Company has entered into lead forward purchase contracts to manage risk of the cost of lead. The Company has entered into foreign exchange forward contracts and purchased option contracts to manage risk on foreign currency exposures. The Company's agreements are with creditworthy financial institutions. Those contracts that result in a liability position at March 31, 2010 are $10,295 and therefore the Company believes there is no risk of nonperformance by the counterparties. Those contracts that result in an asset position at March 31, 2010 are $2,558 and nonperformance risk associated with those contracts are not considered material and the vast majority of these will settle within one year. The Company does not hold or issue derivative financial instruments for trading or speculative purposes. The FASB established accounting and reporting guidance for derivative instruments and hedging activities. The Company recognizes derivatives as either assets or liabilities in the accompanying balance sheet and measures those instruments at fair value. Changes in the fair value of those instruments are reported in accumulated other comprehensive income if they qualify for hedge accounting or in earnings if they do not qualify for hedge accounting. Derivatives qualify for hedge accounting if they are designated as hedge instruments and if the hedge is highly effective in achieving offsetting changes in the fair value or cash flow of the asset or liability hedged. Effectiveness is measured on a regular basis using statistical analysis and by comparing the overall changes in the expected cash flows on the lead and foreign currency forward contracts with the changes in the expected all-in cash outflow required for the lead and foreign currency purchases. This analysis is performed on the initial purchases quarterly that cover the quantities hedged. Accordingly, gains and losses from changes in derivative fair value are deferred until the underlying transaction occurs. Interest expense on the debt is adjusted to include the payments made or received under such interest rate swap agreements. Inventory and cost of goods sold are adjusted to include the payments made or received under such lead and foreign currency forward contracts. Any deferred gains or losses associated with derivative instruments, which on infrequent occasions may be terminated prior to maturity, are recognized in earnings in the period in which the underlying hedged transaction is recognized. In the event a designated hedged item is sold, extinguished or matures prior to the termination of the related derivative instrument, such instrument would be closed and the resulting gain or loss would be recognized in earnings.

***Retirement Plans***

The Company accounts for pensions in accordance with FASB guidance on employers' accounting for defined benefit pension benefit plans, which requires an entity to recognize in its statement of financial position

**EnerSys**

**Notes to Consolidated Financial Statements—(Continued)**
**March 31, 2010**
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an asset for a defined benefit postretirement plan's overfunded status or a liability for a plan's underfunded status, and to measure a defined benefit postretirement plan's assets and obligation that determine its funded status as of the end of the employer's fiscal year.

The Company uses certain assumptions in the calculation of the actuarial valuation of its defined benefit plans. These assumptions include the weighted average discount rate, rates of increase in compensation levels and expected long-term rates of return of assets. If actual results are less favorable than those projected by the Company, additional expense may be required.

***Stock-Based Compensation Plans***

The Company accounts for share-based payments in accordance with FASB guidance, which focuses primarily on transactions in which an entity obtains employee services in exchange for share-based payments. Under the guidance, a public entity is required to measure the cost of employee services received in exchange for the award of an equity instrument based on the grant-date fair value of the award, with such cost recognized over the applicable vesting period. In addition, the guidance requires an entity to provide certain disclosures in order to assist in understanding the nature of share-based payment transactions and the effects of those transactions on the financial statements.

The compensation cost to be recorded is based on the fair value at the grant date. The fair value of the options granted was estimated at the date of grant using the Black-Scholes option-pricing model utilizing assumptions based on historical data and current market data. The assumptions include expected term of the options, risk-free interest rate, volatility, and dividend yield. The expected term represents the expected amount of time that options granted are expected to be outstanding, based on historical and forecasted exercise behavior. The risk-free rate is based on the rate at grant date of zero-coupon U.S. Treasury Notes with a term equal to the expected term of the option. Expected volatility is estimated using historical volatility based on historical weekly price changes. The Company recognizes compensation expense using the straight-line method.

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**Notes to Consolidated Financial Statements—(Continued)**
**March 31, 2010**
**(In Thousands, Except Share and Per Share Data)**

***Accumulated Other Comprehensive Income***

The components of accumulated other comprehensive income are as follows:

| | Beginning Balance | Before-Tax Amount | Tax Benefit (Expense) | Net-of-Tax Amount | Ending Balance |
|---|---|---|---|---|---|
| **March 31, 2010** | | | | | |
| Pension funded status adjustment | $ (4,794) | $ (318) | $ (367) | $ (685) | $ (5,479) |
| Unrealized gain (loss) on derivative instruments | (7,660) | 4,047 | (1,421) | 2,626 | (5,034) |
| Foreign currency translation adjustment | 46,509 | 31,208 | — | 31,208 | 77,717 |
| Accumulated other comprehensive income | $ 34,055 | $ 34,937 | $ (1,788) | $ 33,149 | $ 67,204 |
| **March 31, 2009** | | | | | |
| Pension funded status adjustment | $ (5,338) | $ 392 | $ 152 | $ 544 | $ (4,794) |
| Unrealized gain (loss) income on derivative instruments | (8,910) | 1,925 | (675) | 1,250 | (7,660) |
| Foreign currency translation adjustment | 177,161 | (130,652) | — | (130,652) | 46,509 |
| Accumulated other comprehensive income | $162,913 | $(128,335) | $ (523) | $(128,858) | $ 34,055 |
| **March 31, 2008** | | | | | |
| Pension funded status adjustment | $ (5,690) | $ (59) | $ 411 | $ 352 | $ (5,338) |
| Unrealized gain (loss) income on derivative instruments | 6,873 | (24,282) | 8,499 | (15,783) | (8,910) |
| Foreign currency translation adjustment | 101,851 | 75,310 | — | 75,310 | 177,161 |
| Accumulated other comprehensive income | $103,034 | $ 50,969 | $ 8,910 | $ 59,879 | $162,913 |

***Earnings Per Share***

Basic earnings per common share (“EPS”) are computed by dividing net earnings available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted into common stock. On October 30, 2008, the Company completed the purchase of 1,800,000 shares of its common stock at $11.00 per common share for $19,800 in the aggregate from an institutional shareholder. At March 31, 2010 and 2009, the Company had outstanding stock options, restricted stock, restricted stock units and senior unsecured 3.375% Convertible Notes, which could potentially dilute basic earnings per share in the future.

***Segment Reporting***

We previously reported two business segments consisting of reserve power and motive power products. The FASB guidance defines that a segment for reporting purposes, is based on the financial performance measures that are regularly reviewed by our chief operating decision maker to assess segment performance and to make decisions about a public entity’s allocation of resources. Recent consideration of this guidance and changes made to our management structure, have led us to decide to report our segment results based upon our three geographic regions.

***New Accounting Pronouncements***

On April 1, 2009, the Company adopted new guidance from FASB, which provides guidance for the accounting, reporting and disclosure of noncontrolling interests and requires, among other things, that

noncontrolling interests be recorded as equity in the consolidated financial statements. The FASB guidance became effective for the Company as of April 1, 2009 and had no material impact on its results of operations or financial position. The adoption of this guidance resulted in the reclassification of $4,327 and $4,242 of Minority Interests (now referred to as noncontrolling interests) to a separate component of total equity on the Consolidated Balance Sheet as of March 31, 2010 and March 31, 2009, respectively. The impact of adopting the guidance on the Company's statements of income and cash flow was immaterial.

On April 1, 2009, the Company adopted new FASB guidance, which is intended to improve reporting by creating greater consistency in the accounting and financial reporting of business combinations, resulting in more complete, comparable, and relevant information for investors and other users of financial statements. To achieve this goal, the new FASB guidance requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction; establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose to investors and other users all of the information they need to evaluate and understand the nature and financial effect of the business combination. The new FASB guidance also requires that professional fees associated with acquisition activities be expensed as incurred. Accordingly, any business combination we engage in on or after April 1, 2009 will be recorded and disclosed in accordance with the new FASB guidance. For fiscal 2010, the Company recorded expenses of $2,000 for professional fees associated with acquisition activities, $1,269 for restructuring charges and a bargain purchase gain of $2,919.

On April 1, 2009, the Company adopted new FASB guidance, which changed the accounting treatment for convertible securities which the issuer may settle fully or partially in cash. Cash settled convertible securities will be separated into their debt and equity components. The value assigned to the debt component will be the estimated fair value, as of the issuance date, of a similar debt instrument without the conversion feature. The difference between the proceeds for the convertible debt and the amount reflected as a debt liability will be recorded as additional paid-in capital. As a result, the debt will be recorded at a discount reflecting its below market coupon interest rate. The debt will subsequently be accreted to its par value over its expected life, with the rate of interest that reflects the market rate at issuance being reflected on the income statement. This change in methodology will affect the calculations of net income and earnings per share. This guidance was effective for financial statements issued by the Company for the first quarter of fiscal 2010. The adoption of this guidance had the following impact on the Company's financial position and results of operations, applied on a retrospective basis: a) the separation of our Convertible Notes into its debt and equity components reduced long-term debt as of inception by $46,280 and, b) the accretion of debt discount increased interest expense by a non-cash expense of $5,439 and $4,261 in fiscal 2010 and fiscal 2009, respectively, and will increase up to approximately $8,000 annually through fiscal 2015.

In December 2008, the FASB issued authoritative guidance on employers' disclosures about pensions and other postretirement benefits. Under the new guidance an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan is expanded and is effective for financial statements issued by the Company for fiscal 2010.

***Collective Bargaining***

At March 31, 2010, we had approximately 7,800 employees. Of these employees, approximately 2,870, almost all of whom work in our European facilities, were covered by collective bargaining agreements. The average term of these agreements is two years, with the longest term being three years. These agreements expire over the period from calendar years 2010 to 2012.

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We consider our employee relations to be good. Historically, we have not experienced any significant labor unrest or disruption of production.

### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

## 2. Acquisitions

In fiscal 2010, the Company made acquisitions, the most significant of which was the acquisition of the industrial battery businesses of the Swiss company Accu Holding AG, which included the acquisition of the stock of OEB Traction Batteries and the operating assets and liabilities of Oerlikon Stationery Batteries and its Swedish sales subsidiary (all collectively referred to as "Oerlikon") during November 2009. The total purchase price for these transactions, net of cash received, was $33,242 and was financed using cash on hand. These acquisitions and the investment provide the Company with an additional range of well respected and designed products for use in high integrity applications in telecommunications, utilities, rail, material handling and mining, as well as other sectors. The accounting for the Oerlikon acquisition resulted in the recognition of a bargain purchase gain of $2,919. The Company is finalizing plans for restructuring Oerlikon and in the fourth quarter of fiscal year 2010 incurred $1,269 in charges related to this plan.

The Company made initial allocations of the purchase prices at the dates of the acquisitions based upon its understanding of the fair value of the acquired assets and liabilities. The Company obtained this information during due diligence and through other sources. In the months after the closings, as the Company obtains additional information about these assets and liabilities, the estimates of fair value will be refined and the allocations of purchase prices will be adjusted.

The results of these acquisitions have been included in the Company's results of operations from the dates of their respective acquisitions. Pro forma earnings per share computations have not been presented as these acquisitions are not considered material.

In connection with certain of its acquisitions, the Company formulated restructuring plans for the integration of the acquired businesses. See Note 20 for additional information regarding these plans.

## 3. Inventories

Net inventories consist of:

| | March 31, | |
|---|---|---|
| | 2010 | 2009 |
| Raw materials | $ 66,288 | $ 50,469 |
| Work-in-process | 80,397 | 57,506 |
| Finished goods | 107,686 | 101,354 |
| Total | $254,371 | $209,329 |

Inventory reserves for obsolescence and other estimated losses, mainly relating to finished goods, were $11,678 and $16,725 at March 31, 2010 and 2009, respectively, and have been included in the net amounts shown above.

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### 4. Property, Plant, and Equipment

Property, plant, and equipment consist of:

| | March 31, | |
|---|---|---|
| | 2010 | 2009 |
| Land, buildings, and improvements | $ 161,211 | $ 153,529 |
| Machinery and equipment | 443,799 | 375,309 |
| Construction in progress | 29,041 | 42,577 |
| | 634,051 | 571,415 |
| Less accumulated depreciation | (318,910) | (270,050) |
| Total | $ 315,141 | $ 301,365 |

### 5. Goodwill and Other Intangible Assets

Information regarding the Company's goodwill and other intangible assets follows:

| | March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2010 | | | 2009 | | |
| | Gross Amount | Accumulated Amortization | Net Amount | Gross Amount | Accumulated Amortization | Net Amount |
| Unamortizable intangible assets: | | | | | | |
| Goodwill | $ 318,677 | $ (1,412) | $ 317,265 | $ 303,070 | $ (1,412) | $ 301,658 |
| Trademarks | 82,598 | (953) | 81,645 | 79,746 | (953) | 78,793 |
| Amortizable intangible assets: | | | | | | |
| Customer lists | 6,814 | (1,416) | 5,398 | 1,326 | (979) | 347 |
| Non-compete | 1,890 | (708) | 1,182 | 683 | (500) | 183 |
| Patents | 680 | (165) | 515 | 250 | (142) | 108 |
| Trademarks | 1,853 | (465) | 1,388 | 464 | (381) | 83 |
| Licenses | 82 | (74) | 8 | 80 | (50) | 30 |
| Total | $ 412,594 | $ (5,193) | $ 407,401 | $ 385,619 | $ (4,417) | $ 381,202 |

The Company's intangible assets amortization expense was $706, $539, and $536, for the years ended March 31, 2010, 2009 and 2008, respectively. The expected amortization expense based on intangible assets at March 31, 2010 is $755 in 2011, $687 in 2012, $680 in 2013, $671 in 2014 and $665 in 2015.

The changes in the carrying amount of goodwill by business segment are as follows:

| | Fiscal year ended March 31, 2010 | | | |
|---|---|---|---|---|
| | Europe | Americas | Asia | Total |
| Balance at beginning of year | $ 153,941 | $ 126,117 | $ 21,600 | $ 301,658 |
| Fiscal 2010 acquisitions | — | 5,072 | — | 5,072 |
| Foreign currency translation | 8,700 | 1,726 | 109 | 10,535 |
| Balance at end of year | $ 162,641 | $ 132,915 | $ 21,709 | $ 317,265 |

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| | Fiscal year ended March 31, 2009 | | | |
|---|---|---|---|---|
| | Europe | Americas | Asia | Total |
| Balance at beginning of year | $208,902 | $128,271 | $21,256 | $358,429 |
| Income tax adjustment for ESG and Yuasa, Inc. acquisitions | (11,754) | 159 | — | (11,595) |
| Foreign currency translation | (43,207) | (2,313) | 344 | (45,176) |
| Balance at end of year | $153,941 | $126,117 | $21,600 | $301,658 |

The Company estimated tax-deductible goodwill to be approximately $17,016 and $17,150 as of March 31, 2010 and 2009, respectively.

## 6. Other Assets

Prepaid and other current assets consist of the following:

| | March 31, | |
|---|---|---|
| | 2010 | 2009 |
| Prepaid income taxes | $11,372 | $ 7,880 |
| Prepaid other taxes | 8,064 | 5,964 |
| Non-trade receivables | 5,665 | 4,715 |
| Lead hedges | 62 | 2,191 |
| Foreign currency forward contracts | 1,911 | — |
| Other | 12,775 | 11,772 |
| Total | $39,849 | $32,522 |

Other assets consist of the following:

| | March 31, | |
|---|---|---|
| | 2010 | 2009 |
| Rental batteries | $ 5,462 | $ 4,030 |
| Leases receivable | 5,240 | 6,024 |
| Deferred financing fees | 4,862 | 6,576 |
| Other | 7,879 | 2,049 |
| Total | $23,443 | $18,679 |

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**Notes to Consolidated Financial Statements—(Continued)**
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## 7. Accrued Expenses

Accrued expenses consist of the following:

| | March 31, | |
|---|---|---|
| | 2010 | 2009 |
| Payroll and benefits | $ 54,267 | $ 50,449 |
| Warranty | 31,739 | 30,914 |
| Accrued selling expenses | 21,509 | 25,994 |
| Income taxes, currently payable | 16,592 | 18,886 |
| Restructuring | 9,033 | 12,941 |
| Freight | 8,371 | 6,823 |
| VAT and other non-income taxes | 5,629 | 6,396 |
| Pension and social security | 4,488 | 3,473 |
| Interest | 3,117 | 3,220 |
| Deferred income | 3,055 | 2,002 |
| Other | 32,204 | 22,996 |
| Total | $ 190,004 | $ 184,094 |

## 8. Debt

***Senior Unsecured 3.375% Convertible Notes***

On May 28, 2008, the Company completed a registered offering of $172,500 aggregate principal amount of senior unsecured 3.375% Convertible Notes Due 2038 (“Convertible Notes”) (see prospectus and supplemental indenture dated 05/28/2008). The Company received net proceeds of approximately $168,200 after the deduction of commissions and offering expenses. The Company used all of the net proceeds to repay a portion of its then existing senior secured Term Loan B.

The Convertible Notes are general senior unsecured obligations and rank equally with the Company’s existing and future senior unsecured obligations and are junior to any of the Company’s future secured obligations to the extent of the value of the collateral securing such obligations. The Convertible Notes are not guaranteed, and are structurally subordinate in right of payment to, all of the (i) existing and future indebtedness and other liabilities of the Company’s subsidiaries and (ii) preferred stock of the Company’s subsidiaries to the extent of their respective liquidation preferences.

The Convertible Notes require the semi-annual payment of interest in arrears on June 1 and December 1 of each year beginning December 1, 2008, at 3.375% per annum on the principal amount outstanding. The Convertible Notes will accrete principal beginning on June 1, 2015 and will bear contingent interest, if any, beginning with the six-month interest period commencing on June 1, 2015 under certain circumstances. The Convertible Notes will mature on June 1, 2038. Prior to maturity the holders may convert their Convertible Notes into shares of the Company’s common stock under certain circumstances. When issued, the initial conversion rate was 24.6305 shares per $1,000 principal amount of Convertible Notes, which was equivalent to an initial conversion price of approximately $40.60 per share.

At any time after June 6, 2015, the Company may at its option redeem the Convertible Notes, in whole or in part, for cash, at a redemption price equal to 100% of the accreted principal amount of Convertible Notes to be redeemed, plus any accrued and unpaid interest. A holder of Convertible Notes may require the Company to

repurchase some or all of the holder's Convertible Notes for cash upon the occurrence of a fundamental change as defined in the indenture and on each of June 1, 2015, 2018, 2023, 2028 and 2033 at a price equal to 100% of the accreted principal amount of the Convertible Notes being repurchased, plus accrued and unpaid interest, if any, in each case. It is the Company's current intent to settle the principal amount of any conversions in cash, and any additional conversion consideration in cash, shares of EnerSys common stock or a combination of cash and shares. The Convertible Notes will mature on June 1, 2038, unless earlier converted, redeemed or repurchased.

If applicable, the Company will pay a make-whole premium on Convertible Notes converted in connection with certain fundamental changes that occur prior to June 6, 2015. The amount of the make-whole premium, if any, will be based on the Company's stock price and the effective date of the fundamental change. The indenture contains a detailed description of how the make-whole premium will be determined and a table showing the make-whole premium that would apply at various stock prices. No make-whole premium would be paid if the price of the Common Stock on the effective date of the fundamental change is less than $29.00. Any make-whole premium will be payable in shares of Common Stock (or the consideration into which the Company's Common Stock has been exchanged in the fundamental change) on the conversion date for the Convertible Notes converted in connection with the fundamental change.

The Convertible Notes were issued in an offering registered under the Securities Act of 1933, as amended (Securities Act).

*Accounting for Certain Convertible Debt Instruments*

In May 2008, the FASB issued new guidance on the accounting for convertible debt instruments that may be settled in cash upon conversion (including partial settlement). This FASB guidance specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. The FASB guidance was effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years, and must be applied retrospectively to all periods presented. The Company adopted the guidance effective May 28, 2008, the date of the Convertible Notes offering.

The adoption of the new FASB guidance had the following effect, applied retrospectively, on our Consolidated Statement of Income for the fiscal year ended March 31, 2009:

| | Fiscal year ended March 31, 2009 | | |
|---|---|---|---|
| | Previously Reported | As Adjusted | Effect of Change |
| Interest expense | $ 22,646 | $26,733 | $ 4,087 |
| Income tax expense | 38,600 | 37,170 | (1,430) |
| Net income | 84,587 | 81,930 | (2,657) |
| Basic net income per share | 1.73 | 1.68 | (0.05) |
| Diluted net income per share | 1.71 | 1.66 | (0.05) |

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**Notes to Consolidated Financial Statements—(Continued)**
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The adoption of the new guidance had the following effect on our Consolidated Balance Sheet as of March 31, 2009:

| | March 31, 2009 | | |
|---|---|---|---|
| | Previously Reported | As Adjusted | Effect of Change |
| Prepaid and other current assets | $ 32,734 | $ 32,522 | $ (212) |
| Long-term deferred tax asset | 12,881 | 13,399 | 518 |
| Other assets | 19,776 | 18,679 | (1,097) |
| Long-term debt | 384,553 | 342,534 | (42,019) |
| Long-term deferred tax liability | 48,963 | 64,428 | 15,465 |
| Other liabilities | 66,844 | 62,602 | (4,242) |
| Additional paid-in capital | 385,872 | 414,292 | 28,420 |
| Accumulated earnings | 243,763 | 241,106 | (2,657) |

The adoption of the new guidance had no effect on our Consolidated Statement of Cash Flows for the fiscal year ended March 31, 2009.

The following represents the principal amount of the liability component, the unamortized discount, and the net carrying amount of our Convertible Notes as of March 31, 2010 and March 31, 2009, respectively:

| | March 31, 2010 | March 31, 2009 |
|---|---|---|
| Principal | $172,500 | $172,500 |
| Unamortized discount | (36,580) | (42,019) |
| Net carrying amount | $135,920 | $130,481 |

As of March 31, 2010, the remaining discount will be amortized over a period of 62 months. The conversion price of the $172,500 in aggregate principal amount of the Convertible Notes is approximately $40.60 per share and the number of shares on which the aggregate consideration to be delivered upon conversion is 4,248,761.

The effective interest rate on the liability component of the Convertible Notes was 8.50% for the fiscal years ended March 31, 2010 and March 31, 2009. The amount of interest cost recognized for the amortization of the discount on the liability component of the Convertible Notes was $5,439 and $4,261, respectively, for the fiscal years ended March 31, 2010 and March 31, 2009.

***Senior Secured Credit Facility***

In June 2008, the Company completed the refinancing of approximately $192,000 of the outstanding combined balance of the senior secured Term Loan B and its then existing revolving credit facility with a new $350,000 senior secured credit facility comprising a $225,000 Term A Loan and a new, undrawn $125,000 revolving credit facility.

The $225,000 senior secured Term A Loan is subject to a quarterly principal amortization of 1.25% in Year 1, 1.88% in Years 2-3, 2.50% in Year 4, 3.13% in Year 5 and 14.38% in Year 6 and matures on June 27, 2014. The $125,000 revolving credit facility matures on June 27, 2013. Borrowings under the credit agreements bear

interest at a floating rate based, at our option, upon (i) a LIBOR rate plus an applicable percentage (currently 1.50%), or (ii) the greater of the federal funds rate plus 0.50% or the prime rate, plus an applicable percentage (currently 0.50%). There are no prepayment penalties on loans under the $350,000 senior secured credit facility.

At March 31, 2010 and 2009, there was $201,094 and $216,563 outstanding under the new Term A Loan. There were no borrowings under the revolving credit facility.

Obligations under the new senior secured credit facility are secured by substantially all of our existing and hereafter acquired assets located in the United States, including substantially all of the capital stock of our United States subsidiaries that are guarantors under the new credit facility, and 65% of the capital stock of certain of our foreign subsidiaries that are owned by our United States companies. The Company's credit agreements contain various covenants that, absent prepayment in full of the indebtedness and other obligations, or the receipt of waivers, would limit the Company's ability to conduct certain specified business transactions including incurring debt, mergers, consolidations or similar transactions, buying or selling assets out of the ordinary course of business, engaging in sale and leaseback transactions, repurchasing the Company's common stock, paying dividends and certain other actions. At March 31, 2010, the Company was in compliance with all such covenants.

In connection with the issuance of the $172,500 Convertible Notes and the refinancing under the new $350,000 senior secured credit facility, the Company wrote-off approximately $3,963 of unamortized deferred financing costs associated with the prior senior secured credit facility, and incurred approximately $10,950 in new deferred financing costs. The Company also terminated interest rate swap agreements of $30,000, which had been placed in October 2005, at a loss of $1,246.

***Euro 25,000 Credit Agreement and Amendments***

On October 16, 2008, the Company amended its Euro 25,000 Credit Agreement in order to incorporate into the agreement, changes and covenants from the new $350,000 senior secured credit facility and change the guaranty from EnerSys Capital Inc. to EnerSys.

On May 15, 2008, the Company amended its Euro 25,000 Credit Agreement to allow for the issuance of up to $205,000 of unsecured indebtedness. The proceeds from the unsecured indebtedness were required to be used to pay down the senior secured Term Loan B. Additionally, the amendment authorized the Company to enter into a new $350,000 US credit facility on terms substantially similar to the then existing Credit Agreement.

On June 15, 2005, the Company entered in a Euro 25,000 Credit Facility Agreement among EnerSys Holdings (Luxembourg), S.a.r.l., San Paolo IMI S.p.A., as Facility Agent and lender, and Banca Intesa S.p.A., as lender (the "Euro Credit Agreement"). The proceeds from the Euro Credit Agreement were used to reduce the outstanding balance of the U.S. Credit Agreement that was utilized as bridge financing for the June 1, 2005 acquisition of the motive power battery business of FIAMM S.p.A. The Euro Credit Agreement matures on June 30, 2011, and is subject to quarterly principal amortization between €1,000—€1,750 beginning March 31, 2007. Obligations under the Euro Credit Agreement are secured by a pledge of the shares of our Italian subsidiary and guaranty from EnerSys Capital Inc., a subsidiary of the Company. Borrowings under the Euro Credit Agreement bear interest at a floating rate based upon a EURIBOR rate plus 1.15%.

***Prior Senior Secured Credit Facility***

The $355,900 senior secured Term Loan B was subject to a 0.25% quarterly principal amortization and a maturity date of March 17, 2011. The $100,000 revolving credit facility had a maturity date of March 17, 2009.

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Borrowings under the credit agreements bore interest at a floating rate based, at our option, upon (i) a LIBOR rate plus an applicable percentage (1.75% at time of termination), or (ii) the greater of the federal funds rate plus 0.50% or the prime rate, plus an applicable percentage (0.75% at time of termination). The facility required prepayment based upon certain excess cash flow amounts, as defined. There was no prepayment penalty on loans under the $455,900 senior secured credit facility.

***Summary of Long-Term Debt***

The following summarizes the Company's long-term debt:

| | March 31, 2010 | March 31, 2009 |
|---|---|---|
| Term A Loan : Payable in quarterly installments of 1.25% in year 1, 1.88% in years 2-3, 2.50% in year 4, 3.13% in year 5 and 14.388% in year 6, with the remaining balance due on June 27, 2014, bearing interest at 1.76% at March 31, 2010 | $ 201,094 | $ 216,563 |
| Senior Unsecured Convertible Notes bearing interest at 3.375% (net of discount of $36,580 and $42,019, respectively) | 135,920 | 130,481 |
| Euro Term Loan: Payable in quarterly installments between €1,000 and €1,750 beginning March 31, 2008 through June 30, 2011, bearing interest at 1.785% at March 31, 2010 | 11,158 | 19,261 |
| Other | 41 | 870 |
| | 348,213 | 367,175 |
| Less current portion | 26,045 | 24,641 |
| Total long-term debt | $ 322,168 | $ 342,534 |

***Other debt***

At March 31, 2010 and 2009, there were $11,242 and $27,494 respectively, of borrowings outstanding outside the United States.

As of March 31, 2010 and 2009, the Company had available under all its lines of credit approximately $247,400 and $266,702, respectively. Included in the March 31, 2010 and 2009 amounts are $116,788 and $116,284, respectively, of uncommitted lines of credit.

The Company paid $16,456, $21,026 and $28,534, net of interest received, for interest during the fiscal years ended March 31, 2010, 2009 and 2008, respectively.

Aggregate maturities of long-term debt (including $36,580 of Convertible Note discount) are as follows:

| | |
|---|---|
| 2011 | $ 26,045 |
| 2012 | 23,122 |
| 2013 | 26,719 |
| 2014 | 104,062 |
| 2015 | 32,345 |
| Thereafter | 172,500 |
| | $ 384,793 |

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The Company's financing agreements contain various covenants, which, absent prepayment in full of the indebtedness and other obligations, or the receipt of waivers, would limit the Company's ability to conduct certain specified business transactions including incurring debt, mergers, consolidations or similar transactions, buying or selling assets out of the ordinary course of business, engaging in sale and leaseback transactions, paying dividends and certain other actions. The Company is in compliance with all such covenants.

As of March 31, 2010 and 2009, the Company had $1,150 of standby letters of credit outstanding that reduced the borrowings available under the Revolving Credit Lines. As of March 31, 2010 and 2009, the Company had no bank guarantees.

## 9. Leases

The Company's future minimum lease payments under capital and operating leases that have noncancelable terms in excess of one year at March 31, 2010 are as follows:

| | Capital Leases | Operating Leases |
|---|---|---|
| 2011 | $ 702 | $13,631 |
| 2012 | 661 | 11,185 |
| 2013 | 568 | 8,297 |
| 2014 | 386 | 5,841 |
| 2015 | 21 | 4,456 |
| Thereafter | — | 2,089 |
| Total minimum lease payments | 2,338 | $45,499 |
| Amounts representing interest | 108 | |
| Net minimum lease payments, including current portion of $650 | $2,230 | |

Rental expense was $26,957, $29,247, and $28,181 for the fiscal years ended March 31, 2010, 2009 and 2008, respectively. Amortization of capitalized leased assets is included in depreciation expense. Certain operating lease agreements contain renewal or purchase options and/or escalation clauses.

## 10. Other Liabilities

Other long-term liabilities consist of the following:

| | March 31, | |
|---|---|---|
| | 2010 | 2009 |
| Pension and profit sharing obligation | $26,855 | $24,929 |
| Interest rate swap liabilities | 9,710 | 13,628 |
| Long-term income taxes liabilities | 8,140 | 11,346 |
| Restructuring reserves | 1,310 | 865 |
| Deferred income | 3,091 | 3,512 |
| Other | 5,396 | 8,322 |
| Total | $54,502 | $62,602 |

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**11. Derivative Financial Instruments**

*Interest Rate Swap Agreements*

The Company is exposed to changes in variable interest rates on borrowings under our credit agreements. On a selective basis, from time to time, it enters into interest rate swap agreements to reduce the negative impact that increases in interest rates could have on our outstanding variable rate debt. At March 31, 2010 and March 31, 2009 such agreements effectively convert $170,000 of our variable-rate debt to a fixed-rate basis, utilizing the three-month London Interbank Offered Rate, or LIBOR, as a floating rate reference. Fluctuations in LIBOR and fixed rates affect both our net financial investment position and the amount of cash to be paid or received by us under these agreements.

The Company recorded unrealized losses on interest rate swaps of ($3,141), ($5,667) and ($11,612) for the fiscal years ended March 31, 2010, 2009, and 2008, respectively, that are included in accumulated other comprehensive income. In the coming twelve months, the Company anticipates that approximately $6,100 of unrealized losses will be reclassified from accumulated other comprehensive income to earnings, as an increase in interest expense. The estimated fair value of the Company's interest rate swap agreements was a liability of $9,710, $13,628 and $11,593, at March 31, 2010, 2009 and 2008, respectively, as estimated based on quotes from market makers of these instruments. The Company recorded an expense (income) of $7,059, $3,632 and ($588) in fiscal 2010, 2009 and 2008, respectively, which was recorded as an increase (decrease) in interest expense.

*Lead Hedge Contracts*

During the fiscal years ending March 31, 2010, 2009 and 2008, the Company entered into lead hedge contracts to fix the price for lead purchases. Management considers the lead hedge contracts to be highly effective against changes in the cash flows of the underlying lead purchases based on the criteria in the FASB guidance. The vast majority of such contracts are for a period not extending beyond one year. Realized gains (losses) related to the lead hedge contracts are included in inventory and amortized to earnings over the turnover period. The Company recorded unrealized (losses) gains on lead hedge contracts of $9,844, ($44,863), and ($10,355), for the fiscal years ended March 31, 2010, 2009 and 2008, respectively, which are included in accumulated other comprehensive income. The estimated fair value of open lead hedge contracts at March 31, 2010, 2009 and 2008, was $62, $2,191, and $1,685, respectively. The gains (losses) on the settlement of lead hedge contracts during fiscal 2010, 2009 and 2008, was $11,973, ($45,369), and $20,592, respectively, a portion of which is recorded as a reduction (increase) of cost of goods sold and a portion of which was included in inventory at March 31, 2010, 2009 and 2008.

*Foreign Currency Forward Contracts*

On a selective basis the Company will enter into foreign currency forward contracts and option contracts to reduce the volatility from currency movements that affect the Company. The Company's largest exposure is from the purchase and conversion of U.S. dollar based lead costs into local currencies in Europe, China and Mexico and from intercompany loan and receivable transactions. To hedge these exposures the Company may enter into foreign currency forward contracts and option contracts with financial institutions. Each contract is for a period not extending beyond one year. As of March 31, 2010 and 2009, the Company had entered into a total of $64,234 and $19,390, respectively, foreign currency forward contracts. The Company recorded an unrealized gain on foreign currency forward contracts of $2,679, $206 and ($2,316), for the fiscal years ended March 31, 2010, 2009 and 2008, respectively, which is included in accumulated other comprehensive income. The estimated fair value of open foreign currency forward contracts at March 31, 2010, 2009 and 2008 was an asset (liability) of $1,911, ($340) and

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($3,801), respectively. The net gains/(losses) on the settlement of foreign currency hedge contracts during fiscal 2010 and 2009, was $428 and ($3,255) respectively, a portion of which was recorded as an (decrease) increase to cost of goods sold and earnings and a portion of which was included in inventory at March 31, 2010 and 2009.

Presented below in tabular form is information on the location and amounts of derivative fair values in the Consolidated Balance Sheets and derivative gains and losses in the Consolidated Statements of Income:

**Fair Value of Derivative Instruments**
**March 31, 2010 and 2009**

| | Balance Sheet Location | Asset Derivatives March 31, 2010 Fair Value | Asset Derivatives March 31, 2009 Fair Value | Balance Sheet Location | Liability Derivatives March 31, 2010 Fair Value | Liability Derivatives March 31, 2009 Fair Value |
|---|---|---|---|---|---|---|
| **Derivatives designated as hedging instruments** | | | | | | |
| Interest rate swap agreements | | $ — | $ — | Other liabilities | $ 9,710 | $ 13,628 |
| Lead hedge contracts | Prepaid and other current assets | 62 | 2,191 | | — | — |
| Foreign currency forward contracts | Prepaid and other current assets | 1,911 | — | Accrued expenses | — | 340 |
| **Total derivatives designated as hedging instruments** | | **$ 1,973** | **$ 2,191** | | **$ 9,710** | **$ 13,968** |

**The Effect of Derivative Instruments on the Consolidated Statements of Income**
**For the fiscal years ending March 31, 2010 and 2009**

| Derivatives in Cash Flow Hedging Relationships | Amount of Gain (Loss) Recognized in Accumulated OCI on Derivatives (Effective Portion) March 31, 2010 | Amount of Gain (Loss) Recognized in Accumulated OCI on Derivatives (Effective Portion) March 31, 2009 | Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) | Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) March 31, 2010 | Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) March 31, 2009 |
|---|---|---|---|---|---|
| Interest rate swap agreements | $ (3,141) | $ (5,667) | Interest expense | $ (7,059) | $ (3,632) |
| Lead hedge contracts | 9,844 | (44,863) | Cost of goods sold/Inventory | 11,973 | (45,369) |
| Foreign currency forward contracts | 2,679 | 206 | Cost of goods sold/Inventory | 428 | (3,255) |
| **Total derivatives designated as hedging instruments** | **$ 9,382** | **$ (50,324)** | | **$ 5,342** | **$ (52,256)** |

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**Notes to Consolidated Financial Statements—(Continued)**
**March 31, 2010**
**(In Thousands, Except Share and Per Share Data)**

## 12. Income Taxes

Income tax expense is composed of the following:

| | Fiscal year ended March 31, | | |
|---|---|---|---|
| | 2010 | 2009 | 2008 |
| Current: | | | |
| Federal | $ 9,000 | $10,793 | $ 220 |
| State | (981) | 2,673 | 976 |
| Foreign | 9,957 | 14,876 | 17,331 |
| Total current | 17,976 | 28,342 | 18,527 |
| Deferred: | | | |
| Federal | 4,678 | 7,730 | 3,898 |
| State | 852 | 311 | (583) |
| Foreign | 1,445 | 787 | 4,657 |
| Total deferred | 6,975 | 8,828 | 7,972 |
| Income tax expense | $24,951 | $37,170 | $26,499 |

Earnings before income taxes consists of the following:

| | Fiscal year ended March 31, | | |
|---|---|---|---|
| | 2010 | 2009 | 2008 |
| United States | $ 37,418 | $ 21,545 | $ 18,465 |
| Foreign | 49,837 | 97,555 | 67,730 |
| Earnings before income taxes | $ 87,255 | $ 119,100 | $ 86,195 |

Income taxes paid by the Company for the fiscal years ended March 31, 2010, 2009 and 2008 were $22,553, $21,214 and $7,255, respectively.

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**Notes to Consolidated Financial Statements—(Continued)**
**March 31, 2010**
**(In Thousands, Except Share and Per Share Data)**

The following table sets forth the tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities:

| | March 31, | |
|---|---|---|
| | 2010 | 2009 |
| Deferred tax assets: | | |
| Accounts receivable | $ 1,140 | $ 1,045 |
| Inventories | 4,626 | 5,834 |
| Net operating loss carryforwards | 69,469 | 67,162 |
| Accrued liabilities and restructuring expenses | 14,503 | 18,939 |
| Other assets | 9,189 | 10,531 |
| Gross deferred tax assets | 98,927 | 103,511 |
| Less valuation allowance | (58,382) | (57,397) |
| Total deferred tax assets | 40,545 | 46,114 |
| Deferred tax liabilities: | | |
| Property, plant and equipment | 28,288 | 25,964 |
| Other intangible assets | 38,363 | 36,051 |
| Convertible Debt | 19,363 | 18,044 |
| Other liabilities | 1,858 | 4,182 |
| Total deferred tax liabilities | 87,872 | 84,241 |
| Net deferred tax liabilities | $ (47,327) | $ (38,127) |

The Company has approximately $15,277 in United States federal net operating loss carryforwards, approximately $9,233 of which are limited by Section 382 of the Internal Revenue Code, that begin to expire in the year ending 2023. The Company has recorded a valuation allowance against approximately $8,694 of the losses limited by Section 382.

The net operating loss carryforwards at March 31, 2010 related to the Company's foreign subsidiaries are approximately $229,873. Some of these net operating loss carryforwards have an unlimited life, while others expire at various times over the next 20 years. In addition, the Company also had approximately $53,051 of net operating loss carryforwards for state tax purposes that expire at various times over the next 20 years. The Company has recorded a valuation allowance for net deferred tax assets in certain foreign and state tax jurisdictions, primarily related to net operating loss carryforwards, due to the significant losses incurred in these tax jurisdictions. During the fiscal years ended March 31, 2010 and 2009, the Company recorded tax benefits of $2,260 and $125, respectively, due to the utilization of net operating loss carryforwards in certain foreign subsidiaries.

A reconciliation of income taxes at the statutory rate to the income tax provision is as follows:

| | Fiscal year ended March 31, | | |
|---|---|---|---|
| | 2010 | 2009 | 2008 |
| United States statutory income tax expense (at 35%) | $30,539 | $41,685 | $30,168 |
| Increase (decrease) resulting from: | | | |
| State income taxes, net of federal effect | (116) | 1,942 | 623 |
| Nondeductible expenses | 3,799 | 427 | 467 |
| Effect of foreign operations | (9,253) | (9,374) | (7,682) |
| Valuation allowance | (18) | 2,490 | 2,923 |
| Income tax expense | $24,951 | $37,170 | $26,499 |

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**Notes to Consolidated Financial Statements—(Continued)**
**March 31, 2010**
**(In Thousands, Except Share and Per Share Data)**

The effective income tax rate was 28.6 % in fiscal 2010, compared to 31.2 % in fiscal 2009 and 30.7 % in fiscal 2008. The fiscal 2010 tax expense includes a non-recurring tax benefit of approximately $2,141 attributable to the filing of amended tax returns which reduced the effective tax rate by 2.5 percentage points. Similarly, the fiscal 2009 tax expense included a non-recurring tax benefit of approximately $1,100, attributable to the favorable resolution of a prior year tax matter, which reduced the effective tax rate by 0.9 percentage points.

At March 31, 2010, the Company has not recorded United States income or foreign withholding taxes on approximately $269,849 of undistributed earnings of foreign subsidiaries that could be subject to taxation if remitted to the United States because the Company currently plans to keep these amounts permanently invested overseas.

The Company recognizes and measures uncertain tax positions taken, or expected to be taken, in a tax return in accordance with FASB guidance on accounting for uncertainty in income taxes.

A reconciliation of the beginning and ending amount of unrecognized tax benefits under FASB guidance is as follows:

| | |
|---|---|
| March 31, 2009 | $13,305 |
| Increases related to current year tax positions | 919 |
| Increases related to prior year tax positions due to foreign currency translation | 5 |
| Decreases related to prior year tax positions | (2,940) |
| Lapse of statute of limitations | (539) |
| March 31, 2010 | $10,750 |

All of the balance of unrecognized tax benefits at March 31, 2010 if recognized, would be included in the Company's Statement of Income and have a favorable impact on both the Company's Statement of Income and effective tax rate.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2005.

The Company anticipates that it is reasonably possible that a portion of the March 31, 2010 balance of the unrecognized tax benefits could be recognized within the next twelve months as a result of the completion of a tax audit or due to the expiration of the relevant statutes of limitations. An estimate of the range of the adjustments cannot be made at this time.

The Company recognizes tax related interest and penalties in income tax expense in its Statement of Income. As of March 31, 2010 and March 31, 2009, the Company had an accrual of approximately $905 and $740, respectively, for interest and penalties.

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**Notes to Consolidated Financial Statements—(Continued)**
**March 31, 2010**
**(In Thousands, Except Share and Per Share Data)**

## 13. Retirement Plans

*Defined Benefit Plans*

The Company provides retirement benefits to substantially all eligible salaried and hourly employees. The Company uses a measurement date of March 31 for its pension plans. The following table sets forth a reconciliation of the related benefit obligation, plan assets, and accrued benefit costs related to the pension benefits provided by the Company for these employees covered by defined benefit plans:

| | United States Plans | | International Plans | |
|---|---|---|---|---|
| | March 31, | | March 31, | |
| | 2010 | 2009 | 2010 | 2009 |
| **Change in projected benefit obligation** | | | | |
| Benefit obligation at the beginning of the year | $ 9,969 | $ 9,872 | $ 38,080 | $ 51,803 |
| Service cost | 224 | 300 | 621 | 2,897 |
| Interest cost | 635 | 608 | 2,520 | 2,529 |
| Benefits paid | (588) | (569) | (2,299) | (2,204) |
| Plan participants' contributions | — | — | — | 539 |
| Plan curtailments | — | — | (60) | — |
| Transfer in (effects of business combinations) | — | — | — | 116 |
| Experience (gain) loss | 752 | (242) | 6,575 | (6,268) |
| Foreign currency translation adjustment | — | — | 1,414 | (11,332) |
| Benefit obligation at the end of the period | $10,992 | $ 9,969 | $ 46,851 | $ 38,080 |

| | United States Plans | | International Plans | |
|---|---|---|---|---|
| | March 31, | | March 31, | |
| | 2010 | 2009 | 2010 | 2009 |
| **Change in plan assets** | | | | |
| Fair value of plan assets at the beginning of the period | $ 6,279 | $ 7,950 | $ 16,285 | $ 23,449 |
| Actual return (loss) on plan assets | 1,994 | (1,590) | 6,326 | (3,513) |
| Employer contributions | 174 | 488 | 1,659 | 4,343 |
| Plan participants' contributions | — | — | — | 538 |
| Benefits paid, inclusive of plan expenses | (588) | (569) | (2,298) | (2,204) |
| Foreign currency translation adjustments | — | — | 740 | (6,328) |
| Fair value of plan assets at the end of the period | $ 7,859 | $ 6,279 | $ 22,712 | $ 16,285 |
| Funded status deficit | $ (3,133) | $(3,690) | $(24,139) | $(21,795) |
| Unrecognized net loss | — | — | — | — |
| Accrued benefit cost | $ (3,133) | $(3,690) | $(24,139) | $(21,795) |

Accrued pension benefit liability is included in accrued expenses and other liabilities.

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**Notes to Consolidated Financial Statements—(Continued)**
**March 31, 2010**
**(In Thousands, Except Share and Per Share Data)**

Net periodic pension cost for 2010, 2009, and 2008, includes the following components:

| | United States Plans March 31, | | | International Plans March 31, | | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2008 | 2010 | 2009 | 2008 |
| Service cost | $ 224 | $ 300 | $ 254 | $ 621 | $ 2,897 | $ 3,912 |
| Interest cost | 634 | 608 | 564 | 2,520 | 2,529 | 2,328 |
| Actual return on plan assets | (491) | (639) | (639) | (1,256) | (1,568) | (1,781) |
| Amortization and deferral | 459 | 208 | 150 | (43) | — | 66 |
| Net periodic benefit cost | $ 826 | $ 477 | $ 329 | $ 1,842 | $ 3,858 | $ 4,525 |

Significant assumptions used in accounting for the pension benefit plans are as follows:

| | United States Plans March 31, | | | International Plans March 31, | | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2008 | 2010 | 2009 | 2008 |
| Discount rate | 6.5% | 6.0% | 6.0% | 3.8-6.0 % | 4.3-6.0 % | 4.3-6.0 % |
| Expected return on plan assets | 8.0 | 8.0 | 8.0 | 5.5-7.0 | 5.5-7.5 | 5.5-8.0 |
| Rate of compensation increase | N/A | N/A | N/A | 2.0-3.5 | 2.0-3.5 | 2.0-3.0 |

As required by the FASB guidance, for pension plans for which the projected benefit obligation exceeds the fair value of plan assets, the Company has recognized in the Consolidated Balance Sheets at March 31, 2010 and 2009, the additional liability of the unfunded projected benefit obligation of $7,476 and $7,157, respectively, as current and long-term liabilities, with offsetting equity adjustments. The accumulated benefit obligation for all defined benefit pension plans was $55,282 and $45,953 at March 31, 2010 and 2009, respectively.

The accumulated benefit obligation related to all defined benefit pension plans and information related to unfunded and underfunded defined benefit pension plans at the end of each year follows:

| | United States Plans March 31, | | International Plans March 31, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| All defined benefit plans: | | | | |
| Accumulated benefit obligation | $10,992 | $9,969 | $44,290 | $35,984 |
| Unfunded defined benefit plans: | | | | |
| Projected benefit obligation | — | — | 23,367 | 21,186 |
| Accumulated benefit obligation | — | — | 22,557 | 20,367 |
| Defined benefit plans with an accumulated benefit obligation in excess of the fair value of plan assets: | | | | |
| Projected benefit obligation | 10,992 | 9,969 | 23,367 | 22,187 |
| Accumulated benefit obligation | 10,992 | 9,969 | 22,557 | 21,255 |
| Fair value of plan assets | 7,859 | 6,279 | — | 706 |

The United States plans do not include compensation in the formula for determining the pension benefit as it is based solely on years of service.

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**Notes to Consolidated Financial Statements—(Continued)**
**March 31, 2010**
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The Company's investment policy emphasizes a balanced approach to investing in securities of high quality and ready marketability. Investment flexibility is encouraged so as not to exclude opportunities available through a diversified investment strategy.

Equity investments are maintained within a target range of 50%-70% of the total portfolio market value. Investments in debt securities include issues of various maturities, and the average quality rating of bonds should be investment grade with a minimum quality rating of "B" at the time of purchase.

The Company periodically reviews the asset allocation of its portfolio. The proportion committed to equities, debt securities and cash equivalents is a function of the values available in each category and risk considerations. The plan's overall return will be compared to and expected to meet or exceed established benchmark funds and returns over a three to five year period.

The objectives of the Company's investment strategies are: (a) the achievement of a reasonable long-term rate of total return consistent with an emphasis on preservation of capital and purchasing power, (b) stability of annual returns through a portfolio risk level, which is appropriate to conservative accounts, and (c) reflective of our willingness to forgo significantly above-average rewards in order to minimize above-average risks. These objectives may not be met each year but should be attained over a reasonable period of time.

The Company expects to make cash contributions of approximately $1,900 to its pension plans in fiscal year 2011.

As a result of the ESG business combination, the Company has assumed defined benefit plans in Germany and France. These plans have no assets, while their benefit obligations were $20,266 and $18,502 as of March 31, 2010 and 2009, respectively. Other salary and hourly employees are provided benefits in accordance with governmental regulatory requirements.

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**Notes to Consolidated Financial Statements—(Continued)**
**March 31, 2010**
**(In Thousands, Except Share and Per Share Data)**

The following table represents our assets (liabilities) measured at fair value on a recurring basis as of March 31, 2010 and the basis for that measurement:

| | US Plans | | | |
|---|---|---|---|---|
| | Total Fair Value Measurement March 31, 2010 | Quoted Price in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| **Asset Category:** | | | | |
| **Cash and Cash Equivalents** | $ 450 | $ 450 | $ — | $ — |
| **Equity Securities:** | | | | |
| U.S.[a] | 4,058 | 4,058 | — | — |
| International[b] | 819 | 819 | — | — |
| **Debt securities:** | | | | |
| Corporate bonds[c] | 2,532 | 2,532 | — | — |
| **Total** | $ 7,859 | $ 7,859 | $ — | $ — |

| | International Plans | | | |
|---|---|---|---|---|
| | Total Fair Value Measurement March 31, 2010 | Quoted Price in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| **Asset Category:** | | | | |
| **Equity Securities:** | | | | |
| U.S.[a] | $ 2,196 | $ 2,196 | $ — | $ — |
| International[b] | 13,053 | 13,053 | — | — |
| **Debt securities:** | | | | |
| Corporate bonds[c] | 4,287 | 4,287 | — | — |
| Government and government-related debt securities[d] | 3,176 | 3,176 | — | — |
| **Total** | $ 22,712 | $ 22,712 | $ — | $ — |

The fair values presented above were determined based on valuation techniques categorized as follows:

- Level one: The use of quoted prices in active markets for identical instruments.
- Level two: The use of quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active or other inputs that are observable in the market or can be corroborated by observable market data.
- Level three: The use of significantly unobservable inputs and that typically require the use of management's estimates of assumptions that market participants would use in pricing.

(a) US equities include companies that are well diversified by industry sector and equity style (i.e., growth and value strategies). Active and passive management strategies are employed. Investments are primarily in large capitalization stocks and, to a lesser extent, mid- and small-cap stocks.

(b) International equities are invested in companies that are traded on exchanges outside the U.S. and are well diversified by industry sector, country and equity style. Active and passive strategies are employed. The vast majority of the investments are made in companies in developed markets with a small percentage in emerging markets.

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**Notes to Consolidated Financial Statements—(Continued)**
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(c) Corporate bonds consist primarily of investment grade bonds from diversified industries.

(d) Government and government-related debt securities are comprised primarily of inflation protected U.S. treasuries and, to a lesser extent, other government-related securities.

Benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

| | Pension Benefits |
|---|---|
| 2011 | $ 1,900 |
| 2012 | 1,961 |
| 2013 | 2,094 |
| 2014 | 2,449 |
| 2015 | 2,728 |
| Years 2016-2020 | 16,146 |

In accordance with the FASB guidance, the Company recognizes the funded status of its retirement plans in its Consolidated Balance Sheet. The underfunded status of our retirement plans recorded as a liability on the Company's Consolidated Balance Sheets at March 31, 2010 and 2009 was approximately $27,272 and $25,485, respectively.

The amounts included in accumulated other comprehensive income as of March 31, 2010 that are expected to be recognized as components of net periodic pension cost during the fiscal year ended March 31, 2011 are as follows:

| | |
|---|---|
| Net loss | $ (216) |
| Net prior service cost | (18) |
| Net amount expected to be recognized | $ (234) |

*Defined Contribution Plan*

Effective January 1, 2004, the Company amended its Defined Contribution Plan (the "401(k) Plan"). The amended 401(k) Plan covers substantially all U.S. salaried and hourly employees except those covered by a union plan. All eligible employees of the amended 401(k) Plan receive a matching contribution of 100% of the first 4% of wages contributed and 50% of the next 2% of wages contributed for a total match of up to 5% by the Company.

Effective February 1, 2009, the Company amended its Defined Contribution Plan ("Amended U.K. Plan") that covers substantially all UK employees, both direct and salaried. All eligible employees of the Amended U.K. Plan receive a matching contribution from the Company, at various rates as provided by the plan.

Employer expenses for the 401(k) plan and the Amended U.K. Plan for the fiscal years ended March 31, 2010, 2009 and 2008, were $3,909, $2,394 and $2,298, respectively.

## 14. Preferred Stock and Common Stock

The Company's certificate of incorporation authorizes the issuance of up to 1,000,000 shares of preferred stock, par value $0.01 per share ("Preferred Stock"). At March 31, 2010 and 2009, no shares of Preferred Stock were issued or outstanding. The Board of Directors of the Company has the authority to specify the terms of any Preferred Stock at the time of issuance.

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**Notes to Consolidated Financial Statements—(Continued)**
**March 31, 2010**
**(In Thousands, Except Share and Per Share Data)**

The following demonstrates the change in the number of shares of Class A common stock outstanding during fiscal 2010:

| | Fiscal Year ended March 31, 2010 |
|---|---|
| Shares outstanding as of beginning of period | 47,975,396 |
| Shares issued as part of equity-based compensation plans, net of equity awards surrendered for option price and taxes | 606,436 |
| Shares outstanding as of end of period | 48,581,832 |

## 15. Secondary Offerings of Common Shares

In August 2009, certain of the Company's stockholders sold 3,200,000 shares of the Company's common stock pursuant to an effective shelf registration statement filed with the Securities and Exchange Commission on May 19, 2008.

In May 2008, concurrently with the Convertible Notes offering, certain of the Company's stockholders sold 3,690,000 shares of the Company's common stock pursuant to an effective shelf registration statement filed with the Securities and Exchange Commission on May 19, 2008.

The offered shares were sold by those stockholders of the Company, including affiliates of Metalmark Capital LLC and certain other institutional stockholders. The Company did not receive any proceeds from the common stock offerings; however, under the terms of its securityholder agreement, the Company did incur fees related to the offerings in fiscal 2010 and fiscal 2009 of $150 and $330, respectively.

## 16. Stock-Based Compensation

At March 31, 2010, the Company maintains three management equity incentive plans, which were approved by the Company's shareholders. These plans, which are the 2000 Management Equity Plan, the 2004 Equity Incentive Plan and the Amended and Restated 2006 Equity Incentive Plan, reserve 11,289,232 shares of common stock for the grant of various classes of nonqualified stock options, restricted stock, restricted stock units and other forms of equity based compensation. At March 31, 2010, 1,321,003 shares are available for future grants. The Company's management equity incentive plans are intended to provide an incentive to employees and non-employee directors of the Company to remain in the service of the Company and to increase their interest in the success of the Company in order to promote the long-term interests of the Company. The plans seek to promote the highest level of performance by providing an economic interest in the long-term performance of the Company. The Company settles employee share-based compensation awards primarily with newly issued shares.

*Stock Incentive Plans*

Non-qualified stock options have been granted to employees under the equity incentive plans at prices not less than the fair market value of the shares on the dates the options were granted. Options issued in fiscal 2010 vest over a three-year or six-month period and options issued in fiscal 2009 vest over a three-year period, and options issued in fiscal 2008 vest over a four-year period. Options become exercisable in equal installments over the vesting period. Options generally expire in 10 years, however options vesting in six months expire in 3 1/2 years.

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**Notes to Consolidated Financial Statements—(Continued)**
**March 31, 2010**
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Compensation cost is recorded in accordance with FASB guidance, based on the fair value of stock-based awards at the grant date. The fair value of the options granted is estimated at the date of grant using the Black-Scholes option-pricing model utilizing assumptions based on historical data and current market data. The assumptions include expected term of the options, risk-free interest rate, volatility, and dividend yield. The expected term represents the expected amount of time that options granted are expected to be outstanding, based on historical and forecasted exercise behavior. The risk-free interest rate is based on the rate at grant date of zero-coupon U.S. Treasury Notes with a term equal to the expected term of the option. Expected volatility is estimated using historical volatility based on historical weekly price changes. The weighted average fair value of options granted were $8.35 and $5.15 in fiscal 2010 and $11.64 in fiscal 2009 and $8.00 per option in fiscal 2008, respectively, and were determined using the following assumptions:

| | 2010<br>10 Year Options | 2010<br>3.5 Year Options | 2009<br>10 Year Options | 2008<br>10 Year Options |
|---|---|---|---|---|
| Exercise price | $ 16.20 | $ 16.24 | $ 30.19 | $ 18.25 |
| Risk-free interest rate | 2.01% | 0.93% | 3.1% | 4.7% |
| Dividend yield | 0% | 0% | 0% | 0% |
| Expected life | 5 years | 2 years | 5 years | 6 years |
| Expected volatility | 56.6% | 56.6% | 38.6% | 36.6% |

For fiscal 2010, 2009 and 2008, the Company recognized $2,993 ($2,095 net of taxes), $1,906 ($1,270 net of taxes) and $1,168 ($810 net of taxes), respectively, of stock-based compensation expense associated with the stock option grants.

The FASB accounting guidance for the classification in the Statement of Cash Flows of the Income Tax Benefit Received by a Company upon Exercise of a Nonqualified Employee Stock Option requires tax benefits relating to excess equity-based compensation deductions to be prospectively presented in the statement of cash flows as financing cash inflows.

The following table summarizes the Company's stock option activity in the years indicated:

| | Number of Options | Weighted Average Remaining Contract Term (Years) | Weighted Average Exercise Price | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Options outstanding as of March 31, 2007 | 5,506,499 | 4.3 | $ 13.94 | $ 23,287 |
| Granted | 286,724 | | 18.25 | — |
| Exercised | (2,236,505) | | 12.42 | 19,338 |
| Canceled | (21,783) | | 12.99 | 87 |
| Options outstanding as of March 31, 2008 | 3,534,935 | 4.4 | $ 15.27 | $ 30,617 |
| Granted | 264,206 | | 30.19 | — |
| Exercised | (983,991) | | 15.30 | 13,544 |
| Canceled | (171,975) | | 15.97 | — |
| Options outstanding as of March 31, 2009 | 2,643,175 | 4.2 | $ 16.70 | $ 1,752 |
| Granted | 539,506 | | 16.21 | — |
| Exercised | (667,862) | | 12.22 | 7,125 |
| Canceled | (83,586) | | 21.43 | 522 |
| Options outstanding as of March 31, 2010 | 2,431,233 | 4.0 | $ 17.69 | $ 19,191 |
| Options exercisable as of March 31, 2010 | 1,816,626 | 2.5 | $ 16.88 | $ 15,471 |
| Options expected to vest as of March 31, 2011 | 256,189 | 8.5 | $ 20.82 | $ 1,406 |

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**Notes to Consolidated Financial Statements—(Continued)**
**March 31, 2010**
**(In Thousands, Except Share and Per Share Data)**

The following table summarizes information regarding stock options outstanding and exercisable at March 31, 2010:

| | Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|---|
| Range of Exercise Prices | Number of Options | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| $10.01-15.00 | 926,686 | 2.3 | $ 11.22 | 920,144 | $ 11.20 |
| $15.01-20.00 | 674,420 | 7.4 | 16.89 | 219,231 | 17.17 |
| $20.01-25.00 | 447,113 | 1.7 | 21.85 | 447,113 | 21.85 |
| $25.01-30.00 | 142,072 | 0.6 | 29.36 | 142,072 | 29.36 |
| Over $30.00 | 240,942 | 7.8 | 30.19 | 88,066 | 30.19 |
| | 2,431,233 | 4.0 | $ 17.69 | 1,816,626 | $ 16.88 |

A summary of the status of the Company's non-vested options as of March 31, 2010, and changes during the year ended March 31, 2010, is presented below.

| | Number of Options | Weighted Average Grant-Date Fair Value |
|---|---|---|
| Nonvested at March 31, 2009 | 503,847 | $ 9.80 |
| Granted | 539,506 | 7.41 |
| Vested | (345,824) | 7.48 |
| Forfeited | (82,922) | 9.23 |
| Nonvested at March 31, 2010 | 614,607 | 9.08 |

*Restricted Stock and Restricted Stock Units*

The Company granted to non-employee directors 23,723 restricted stock units in fiscal 2010, at the fair market value on that date of $21.05 per share and 18,408 restricted stock in fiscal 2009, at the fair market value on that date of $26.08 per share. These restricted stock units vest thirteen-months following the date of grant.

No restricted stock awards were granted in fiscal 2010, 2009 and 2008.

At March 31, 2010 and 2009, the Company had 1,000 and 66,452, respectively, shares of restricted stock outstanding at a weighted average fair market value on that date of grants of $18.32 and $13.34 per share, respectively. Generally, restricted stock is granted at the fair market value of the Company's common stock on the date of grant and vest in annual installments of 25% over a four-year period from the date of grant.

The Company granted to management and other key employees 366,367 restricted stock units on May 18, 2009, at the fair market value on that date of $16.20, and 227,214 restricted stock units in fiscal 2009, at an average fair market value on date of grants of $30.19. These restricted stock units are granted at the fair market value of the Company's common stock on the date of grant and vest 25% per year over a four-year period from the date of grant.

EnerSys

**Notes to Consolidated Financial Statements—(Continued)**
**March 31, 2010**
**(In Thousands, Except Share and Per Share Data)**

A summary of the changes in restricted stock and restricted stock units awarded to employees and directors that were outstanding under the Company's equity compensation plans during fiscal 2010 is presented below:

| | Restricted Stock | | Restricted Stock Units | |
|---|---|---|---|---|
| | Number of Restricted Shares | Weighted Average Grant Date Fair Value | Number of Restricted Stock Units | Weighted Average Grant Date Fair Value |
| Non-vested awards as of March 31, 2009 | 66,452 | $ 13.34 | 345,875 | $ 26.45 |
| Granted | — | — | 390,090 | 16.50 |
| Vested | (58,780) | 13.38 | (96,767) | 25.53 |
| Canceled | (6,672) | 13.33 | (30,568) | 20.46 |
| Non-vested awards as of March 31, 2010 | 1,000 | $ 18.32 | 608,630 | $ 20.45 |

The Company recognized equity-based compensation expense related to the vesting of restricted stock grants of approximately $174 with a related tax benefit of $52 during fiscal 2010, approximately $460 with a related tax benefit of $152, during fiscal 2009 and approximately $907 with a related tax benefit of $279, during fiscal 2008.

The Company recognized equity-based compensation expense related to the vesting of restricted stock units of approximately $3,794, with a related tax benefit of $1,138 for fiscal 2010, approximately $2,655, with a related tax benefit of $893 for fiscal 2009 and approximately $953, with a related tax benefit of $293 for fiscal 2008.

*All Award Plans*

As of March 31, 2010, unrecognized compensation expense associated with the non-vested incentive awards outstanding was $13,796 and is expected to be recognized over a weighted average period of 19 months.

### 17. Earnings Per Share

The following table sets forth the reconciliation from basic to diluted average common shares and the calculations of net earnings per common share (dollars in thousands, except per share data).

| | March 31, | | |
|---|---|---|---|
| | 2010 | 2009 | 2008 |
| Net earnings | $ 62,304 | $ 81,930 | $ 59,696 |
| Average common shares: | | | |
| Basic (weighted-average outstanding shares) | 48,122,207 | 48,824,434 | 47,645,225 |
| Dilutive potential common shares from common stock options | 711,888 | 595,869 | 999,225 |
| Diluted (weighted-average outstanding shares) | 48,834,095 | 49,420,303 | 48,644,450 |
| Basic earnings per common share | $ 1.29 | $ 1.68 | $ 1.25 |
| Diluted earnings per common share | $ 1.28 | $ 1.66 | $ 1.22 |
| Antidilutive options, unvested restricted stock and restricted stock units not included in weighted average common shares—diluted | 383,696 | 2,992,456 | 183,672 |

**EnerSys**

**Notes to Consolidated Financial Statements—(Continued)**
**March 31, 2010**
**(In Thousands, Except Share and Per Share Data)**

The aggregate number of shares that the Company could be obligated to issue upon conversion of its $172,500, Convertible Notes due 2038, which the Company issued in May 2008, is approximately 4,248,761. It is the Company's current intent to settle the principal amount of any conversions in cash, and any additional conversion consideration in cash, shares of EnerSys common stock or a combination of cash and shares. No contingent shares were included in diluted shares outstanding during fiscal 2010 and 2009, as the specified conversion price exceeded the average market price of the Company's common stock, and the inclusion of contingent shares would have been anti-dilutive.

## 18. Concentration of Credit Risk

Financial instruments that subject the Company to potential concentration of credit risk consist principally of short-term cash investments and trade accounts receivable. The Company invests its cash with various financial institutions and with various investment instruments limiting the amount of credit exposure to any one financial institution or entity. The Company has bank deposits that exceed federally-insured limits. In addition, certain cash investments may be made in U.S. and foreign government bonds, or other highly rated investments guaranteed by the U.S. or foreign governments. Concentration of credit risk with respect to trade receivables is limited by a large, diversified customer base and its geographic dispersion. The Company performs ongoing credit evaluations of its customers' financial condition and requires collateral, such as letters of credit, in certain circumstances.

## 19. Commitments, Contingencies and Litigation

### Litigation

The Company is involved in litigation incidental to the conduct of its business, the results of which, in the opinion of management, are not likely to be material to the Company's financial condition, results of operations, or cash flows.

### Environmental Issues

As a result of its operations, the Company is subject to various federal, state, local, and foreign environmental laws and regulations and is exposed to the costs and risks of registering, handling, processing, storing, transporting, and disposing of hazardous substances, especially lead and acid. The Company's operations are also subject to federal, state, local and foreign occupational safety and health regulations, including laws and regulations relating to exposure to lead in the workplace.

#### *Sumter, South Carolina*

The Company is responsible for certain cleanup obligations at the former Yuasa battery facility in Sumter, South Carolina. This manufacturing facility was closed in 2001 and is currently being partially used for distribution purposes. This facility is separate from the Company's current metal fabrication facility in Sumter.

**EnerSys**

**Notes to Consolidated Financial Statements—(Continued)**
**March 31, 2010**
**(In Thousands, Except Share and Per Share Data)**

Remediation issues related to lead contamination in the soil were addressed pursuant to a 1998 Consent Order with the State of South Carolina, and we believe this matter to be closed. The Company is subject to ongoing storm water inspection requirements under a 2000 Consent Order based on suspected lead contamination. There may be other unidentified contaminants in the soil or groundwater that also predate our ownership of this facility.

The Company has established a reserve for this facility. As of March 31, 2010 and 2009, the reserves related to this facility totaled approximately $3,682 and $4,007, respectively. Based on current information, our management believes these reserves are adequate to satisfy the Company's environmental liabilities at this facility.

***Manchester, England***

In the first fiscal quarter of 2009, we sold our Manchester, England manufacturing facility and removed $6,623 of environmental reserves associated with this location as the new owners assumed the related environmental obligations.

**Lead Contracts**

In order to mitigate against large increases in lead costs, the Company has entered into contracts with financial institutions to fix the price of lead. The vast majority of such contracts are for a period not extending beyond one year. Under these contracts, at March 31, 2010, the Company contracted to fix the price of approximately 63,335 pounds of lead for a total contract price of $60,724. At March 31, 2009, the Company contracted to fix the price of approximately 29,665 pounds of lead for a total contract price of $14,897.

**Foreign Currency Forward Contracts**

We quantify and monitor our global foreign currency exposures. On a selective basis we will enter into foreign currency forward contracts and option contracts to reduce the volatility from currency movements that affect the Company.

Our largest exposure is from the purchase and conversion of U.S. dollar based lead costs into local currencies in Europe and Mexico. Additionally, we have currency exposures from intercompany loans and trade transactions. To hedge these exposures we have entered into foreign currency forward contracts and purchased option contracts with financial institutions. Each contract is for a period not extending beyond one year. As of March 31, 2010 and 2009, we had entered into a total of $64,234 and $19,390 foreign currency forward contracts.

**Interest Rate Swap Agreements**

We are exposed to changes in variable U.S. interest rates on borrowings under our credit agreements. On a selective basis, from time to time, we enter into interest rate swap agreements to reduce the negative impact that increases in interest rates could have on our outstanding variable rate debt. At March 31, 2010 and 2009, such agreements effectively convert $170,000 of our variable-rate debt to a fixed-rate basis, utilizing the three-month London Interbank Offered Rate, or LIBOR, as a floating rate reference. Fluctuations in LIBOR and fixed rates affect both our net financial investment position and the amount of cash to be paid or received by us under these agreements.

In connection with the May 2008 issuance of $172,500 of Convertible Notes and the repayment of a portion of the senior secured Term Loan B, the Company terminated $30,000 of interest rate swap agreements.

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**Notes to Consolidated Financial Statements—(Continued)**
**March 31, 2010**
**(In Thousands, Except Share and Per Share Data)**

## 20. Restructuring plans

The Company has acquisition related restructuring plans and non-acquisition related restructuring plans.

### Acquisition related restructuring established through purchase accounting

The acquisition related restructuring plans were initiated in connection with the acquisition of the assets, stock and business of substantially all of the subsidiaries and affiliates comprising the Energy Storage Group of Invensys plc. (“ESG”) in 2002, the June 2005 acquisition of the motive power battery business of FIAMM, S.p.A. (“FIAMM”) and the acquisition of a 97% interest in Energia (“Energia”) in May 2007. The plans have been aggregated in the following table as the FIAMM and Energia activity is not considered material. The reserves were initially established in the opening balance sheets of these acquired entities and were not included in earnings of the Company.

The Company has described in Note 19, Commitments and Contingencies, the nature of the environmental costs at its Sumter, S.C. location. The reserve for Manchester was eliminated in fiscal 2009 with the sale of the facility as the new owner assumed those liabilities. The Company relied upon FASB guidance on Recognition of Liabilities in Connection with a Purchase Business Combination, and accounting for Business Combinations and Accounting for Contingencies, for the timing and measurement of these costs.

| | Employee Severance | Contractual Obligations | Environmental | Plant Closures & Other | Total |
|---|---|---|---|---|---|
| Balance at March 31, 2007 | $ 1,279 | $ 853 | $ 6,575 | $ 958 | $ 9,665 |
| Accrual | 1,010 | — | — | — | 1,010 |
| Costs incurred | (312) | — | (40) | (521) | (873) |
| Foreign currency impact and other | 197 | 106 | 50 | 126 | 479 |
| Balance at March 31, 2008 | 2,174 | 959 | 6,585 | 563 | 10,281 |
| Adjustment to accrual | (415) | — | (6,585) | — | (7,000) |
| Costs incurred | (774) | (32) | — | (420) | (1,226) |
| Foreign currency impact and other | (203) | (191) | — | (77) | (471) |
| Balance at March 31, 2009 | 782 | 736 | — | 66 | 1,584 |
| Adjustment to accrual | 125 | — | — | 203 | 328 |
| Costs incurred | (17) | (314) | — | (162) | (493) |
| Foreign currency impact and other | 93 | 19 | — | 38 | 150 |
| Balance at March 31, 2010 | $ 983 | $ 441 | $ — | $ 145 | $ 1,569 |

### *ESG acquisition*

In March 2002, EnerSys acquired the assets, stock and business of substantially all of the subsidiaries and affiliates comprising the Energy Storage Group of Invensys plc. (“ESG”). ESG was a manufacturer and supplier of industrial batteries with facilities located in Europe, North America, and Asia. This acquisition enhanced our product offering with complementary product lines and increased our ability to service global clients and gain global market share.

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**Notes to Consolidated Financial Statements—(Continued)**
**March 31, 2010**
**(In Thousands, Except Share and Per Share Data)**

As of the acquisition date, the Company began to formulate an exit and restructuring plan for certain ESG facilities in North America and Europe, which was finalized during the fiscal year ended March 31, 2003. These facilities, located in England, Germany and the United States, were restructured due mainly to excess capacity brought about by the ESG acquisition and relatively high production costs at these locations compared to other EnerSys facilities. The facility in England has been sold and the facility in Germany remains open with a significantly reduced manufacturing cost structure. The facility in the United States was closed. The exit and restructuring plan affected direct, indirect and certain administrative personnel. As of March 22, 2002, the Company recorded a liability of $18,173, of which $7,873 related to involuntary termination of employees and $10,300 related to the cancellation of certain contractual obligations that required the Company to purchase steam at the Germany location.

As a result of the finalization of these plans, the Company recorded an additional liability of $26,660 in fiscal 2003 for involuntary termination of employees, environmental costs, warranty costs, and plant closure costs and a reduction of $5,749 in fiscal 2005 primarily in severance and contractual obligations. These two amounts were recorded as adjustments to the goodwill initially recorded for the ESG acquisition.

During fiscal 2010, 2009 and 2008 the Company utilized $493, $1,226 and $873, respectively of these reserves. Since the creation of this reserve the total utilized as of March 31, 2010 is $43,338. The Company continues taking actions consistent with its original plan to resolve these issues. The balance of the ESG acquisition-related restructuring reserve at March 31, 2010, is $1,569. The two remaining significant costs are $983 for prior service costs of ESG's employee pension at the former facility in Manchester, England and $441 for demolition and related costs in its facility in Hagen, Germany.

### Acquisition related restructuring plans charged to earnings

In fiscal 2010, the Company acquired the stock of OEB Traction Batteries and the operating assets and liabilities of Oerlikon Stationery Batteries and its Swedish sales subsidiary (all collectively referred to as "Oerlikon"). This acquisition provides the Company with an additional range of well respected and designed products for use in high integrity applications in telecommunications, utilities, rail, material handling and mining, as well as other sectors. The application of the guidance for purchase accounting for the Oerlikon acquisition resulted in the recognition of a bargain purchase gain of $2,919. The Company is finalizing plans for restructuring Oerlikon and in the fourth quarter of fiscal year 2010 incurred $1,269 in charges related to this plan.

| | Employee Severance | Total |
|---|---|---|
| Balance at March 31, 2009 | $ — | $ — |
| Accrued | 1,269 | 1,269 |
| Costs incurred | — | — |
| Foreign currency impact and other | 23 | 23 |
| Balance at March 31, 2010 | $ 1,292 | $1,292 |

### Non-acquisition related restructuring plans

The Company bases its accounting and disclosures primarily on FASB guidance on Accounting for Costs Associated with Exit or Disposal Activities. As a result, charges to net earnings were made in the periods in which restructuring plans liabilities were incurred.

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**Notes to Consolidated Financial Statements—(Continued)**
**March 31, 2010**
**(In Thousands, Except Share and Per Share Data)**

***2009 restructuring plan, primarily in Europe***

In February and May 2009, the Company announced a plan to restructure its European and American operations, which will eliminate approximately 515 employees on completion across our operations. These actions are primarily in Europe, the most significant of which is the closure of its leased Italian manufacturing facility and the opening of a new Italian distribution center to continue to provide responsive service to its customers in that market. The Company estimates that the total charges for these actions will amount to approximately $33,000, which includes cash expenses of approximately $24,000, primarily for employee severance-related payments, and a non-cash charge of approximately $9,000, primarily for impairment of fixed assets. Based on commitments incurred to date, the Company recorded a restructuring charge of $19,087 in the fourth fiscal quarter of 2009 and $12,370 in fiscal 2010. As of March 31, 2010, the reserve balance associated with these actions is $7,482. The Company expects to be committed to approximately $2,000 of the remaining restructuring charges in fiscal 2011.

| | Employee Severance | Plant Closures & Other | Total |
|---|---|---|---|
| Accrual of 2009 program expense | $ 12,941 | $ — | $ 12,941 |
| Costs incurred | (2,652) | — | (2,652) |
| Foreign currency impact and other | — | — | — |
| Balance at March 31, 2009 | 10,289 | — | 10,289 |
| Accrued | 10,107 | 2,263 | 12,370 |
| Costs incurred | (13,276) | (2,263) | (15,539) |
| Foreign currency impact and other | 362 | — | 362 |
| Balance at March 31, 2010 | $ 7,482 | $ — | $ 7,482 |

**21. Warranty**

The Company provides for estimated product warranty expenses when the related products are sold and are primarily included within accrued expenses. Because warranty estimates are forecasts that are based on the best available information, primarily historical claims experience, claims costs may differ from amounts provided. An analysis of changes in the liability for product warranties is as follows:

| | |
|---|---|
| Balance at March 31, 2007 | $ 27,533 |
| Current year provisions | 16,854 |
| Costs incurred | (12,869) |
| Foreign exchange and other | 2,519 |
| Balance at March 31, 2008 | 34,037 |
| Current year provisions | 15,274 |
| Costs incurred | (15,189) |
| Foreign exchange and other | (3,208) |
| Balance at March 31, 2009 | 30,914 |
| Current year provisions | 13,123 |
| Costs incurred | (13,283) |
| Foreign exchange and other | 985 |
| Balance at March 31, 2010 | $ 31,739 |

EnerSys

**Notes to Consolidated Financial Statements—(Continued)**
**March 31, 2010**
**(In Thousands, Except Share and Per Share Data)**

## 22. Other Charges and (Income)

The following is a summary of other charges and (income):

| | Fiscal Years Ended March 31, | | |
|---|---|---|---|
| | 2010 | 2009 | 2008 |
| Bargain purchase gain (see Note 2) | $ (2,919) | $ — | $ — |
| Restructuring charges (see Note 20) | 13,929 | 22,424 | 13,191 |
| Legal proceedings charge | — | 3,366 | — |
| Gain on sales of facilities | — | (11,308) | — |

Included in the fiscal 2009 operating results are gains of $11,308 resulting from the sale of two facilities, the most significant of which was the sale of the manufacturing facility in Manchester, England. Included in the Manchester gain was the release of $6,623 of environmental reserves established through purchase accounting of the ESG acquisition in fiscal 2002. The sale of the facility was a planned element of the ongoing Europe restructuring program and is consistent with the Company's strategy to migrate production to lower cost facilities.

Included in the fiscal 2009 operating results are $3,366 of highlighted expenses resulting from a June 2008 ruling from the Court of Commerce in Lyon, France that the French subsidiary, EnerSys Sarl, which was acquired by the Company in 2002, was partially responsible for a 1999 fire in a French hotel under construction. The Company has appealed this ruling.

## 23. Other (Income) Expense, Net and Charges Related to Refinancing

Other (income) expense, net consists of the following:

| | Fiscal Years Ended March 31, | | |
|---|---|---|---|
| | 2010 | 2009 | 2008 |
| Foreign exchange transaction (gains) losses | $3,045 | $(11,571) | $2,686 |
| Other (income) expense, net | 346 | 1,472 | 1,616 |
| Taxes, other than income | 643 | 965 | — |
| Minority interest | 350 | 537 | (68) |
| Total | $4,384 | $ (8,597) | $4,234 |

In fiscal 2009, the Company incurred charges of $5,209 in connection with the refinancing of amounts borrowed under the prior senior secured credit facility. These charges included approximately $3,963 in write offs of deferred financing fees and $1,246 of losses incurred as a result of the termination of certain interest rate swap agreements.

## 24. Operations by Industry Segment and Geographic Area

The Company has the following three reportable business segments:

- **Americas**, which includes North and South America, with the segment headquarters in Reading, Pennsylvania, USA,
- **Europe**, which includes Europe, the Middle East and Africa, with the segment headquarters in Zurich, Switzerland, and
- **Asia**, which includes Asia, Australia and Oceania, with the segment headquarters in Singapore.

EnerSys

**Notes to Consolidated Financial Statements—(Continued)**
**March 31, 2010**
**(In Thousands, Except Share and Per Share Data)**

Summarized financial information related to the Company's business segments at March 31, 2010, 2009 and 2008 and for each of the years then ended is shown below.

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| **Net sales** | | | |
| Europe | $ 741,975 | $ 987,178 | $ 1,115,348 |
| Americas | 700,297 | 831,251 | 777,917 |
| Asia | 137,113 | 154,438 | 133,375 |
| Total net sales | $ 1,579,385 | $ 1,972,867 | $ 2,026,640 |
| **Operating earnings** | | | |
| Europe | $ 17,649 | $ 64,898 | $ 61,310 |
| Americas | 87,156 | 79,236 | 68,492 |
| Asia | 20,502 | 12,793 | 2,735 |
| Bargain purchase gain (Europe) | 2,919 | — | — |
| Restructuring charges (Europe) | (13,212) | (21,996) | (13,191) |
| Restructuring charges (Americas) | (717) | (428) | — |
| Legal Proceedings charge (Europe) | — | (3,366) | — |
| Gain on sale of facilities (Europe) | — | 11,308 | — |
| Total operating earnings | $ 114,297 | $ 142,445 | $ 119,346 |
| **Property, plant and equipment, net** | | | |
| Europe | $ 156,953 | $ 147,248 | $ 190,792 |
| Americas | 138,217 | 133,880 | 127,532 |
| Asia | 19,971 | 20,237 | 21,673 |
| Total | $ 315,141 | $ 301,365 | $ 339,997 |

The Company markets its products and services in over 100 countries. Sales are attributed to countries based on the location of sale approval and acceptance. The following represent the net sales to unaffiliated customers of our country of domicile and the other top countries which collectively comprise approximately 70% our consolidated net sales for the periods presented:

| | Fiscal years ended | |
|---|---|---|
| | March 31, 2010 | March 31, 2009 |
| United States | $ 638,138 | $ 756,389 |
| France | 159,242 | 207,151 |
| Germany | 151,031 | 227,123 |
| United Kingdom | 91,355 | 113,719 |
| Italy | 83,893 | 122,115 |

EnerSys

**Notes to Consolidated Financial Statements—(Continued)**
**March 31, 2010**
**(In Thousands, Except Share and Per Share Data)**

## 25. Quarterly Financial Data (Unaudited)

The Company reports interim financial information for 13-week periods, except for the first quarter, which always begins on April 1, and the fourth quarter, which always ends on March 31. The four fiscal quarters in 2010 ended on June 28, 2009, September 27, 2009, December 27, 2009, and March 31, 2010, respectively. The four fiscal quarters in 2009 ended on June 29, 2008, September 28, 2008, December 28, 2008, and March 31, 2009, respectively.

| | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | Fiscal Year |
|---|---|---|---|---|---|
| **Fiscal year ended March 31, 2010** | | | | | |
| Net sales | $ 340,265 | $ 367,325 | $ 421,258 | $ 450,537 | $ 1,579,385 |
| Gross profit | 77,461 | 88,617 | 98,329 | 96,497 | 360,904 |
| Operating earnings | 19,534 | 25,149 | 38,577 | 31,037 | 114,297 |
| Net earnings | 8,411 | 12,905 | 23,159 | 17,829 | 62,304 |
| Net earnings per common share—basic | $ 0.18 | $ 0.27 | $ 0.48 | $ 0.37 | $ 1.29 |
| Net earnings per common share—diluted | $ 0.17 | $ 0.26 | $ 0.47 | $ 0.36 | $ 1.28 |
| **Fiscal year ended March 31, 2009** | | | | | |
| Net sales | $ 592,068 | $ 526,754 | $ 460,878 | $ 393,167 | $ 1,972,867 |
| Gross profit | 112,602 | 108,974 | 101,536 | 90,322 | 413,434 |
| Operating earnings | 48,054 | 43,884 | 38,920 | 11,587 | 142,445 |
| Net earnings | 25,198 | 24,421 | 29,810 | 2,501 | 81,930 |
| Net earnings per common share—basic | $ 0.51 | $ 0.49 | $ 0.61 | $ 0.05 | $ 1.68 |
| Net earnings per common share—diluted | $ 0.50 | $ 0.48 | $ 0.61 | $ 0.05 | $ 1.66 |

## 26. Subsequent Event

***Equity Awards***

The Company evaluated all subsequent events through the date that the consolidated financial statements were issued. No material events have occurred since March 31, 2010 that required recognition or disclosure in the consolidated financial statements, except for those disclosed below.

On May 17, 2010, under the Company’s Amended and Restated 2006 Equity Incentive Plan, it granted 287,212 Restricted Stock Units, which vest 25% each year over four-years from the date of grant, and 124,093 Market Share Units, which vest 3 years from the date of grant.

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**SCHEDULE II**

**EnerSys**
**Valuation and Qualifying Accounts**
**(In Thousands)**

| | Balance at Beginning of Period | Additions Charged to Expense | Charge-Offs | Other[1] | Balance at End of Period |
|---|---|---|---|---|---|
| Allowance for doubtful accounts: | | | | | |
| Fiscal year ended March 31, 2008 | $ 4,420 | $ 1,436 | $(1,541) | $ 693 | $ 5,008 |
| Fiscal year ended March 31, 2009 | 5,008 | 4,873 | (1,319) | (584) | 7,978 |
| Fiscal year ended March 31, 2010 | 7,978 | 2,712 | (1,257) | 446 | 9,879 |
| Allowance for inventory valuation: | | | | | |
| Fiscal year ended March 31, 2008 | $ 10,024 | $ 9,016 | $(6,491) | $1,414 | $ 13,963 |
| Fiscal year ended March 31, 2009 | 13,963 | 10,294 | (6,682) | (850) | 16,725 |
| Fiscal year ended March 31, 2010 | 16,725 | 1,704 | (7,437) | 686 | 11,678 |

*(1)* Primarily the impact of currency changes.

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## ITEM 9. *CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE*

None.

## ITEM 9A. *CONTROLS AND PROCEDURES*

(a) Disclosure Controls and Procedures. The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this Report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective.

(b) Internal Control Over Financial Reporting. There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fourth fiscal quarter of the fiscal year to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The report called for by Item 308(a) of Regulation S-K is included herein as "Management's Report on Internal Control Over Financial Reporting."

The attestation report called for by Item 308(b) of Registration S-K is included herein as "Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting," which appears in Item 8 in this Annual Report on Form 10-K.

### Management Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. With the participation of the Chief Executive Officer and Chief Financial Officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework and criteria established in *Internal Control—Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. The scope of management's assessment of the effectiveness of internal control over financial reporting includes substantially all of our businesses. Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of March 31, 2010.

| /s/ JOHN D. CRAIG | /s/ MICHAEL J. SCHMIDTLEIN |
| --- | --- |
| **John D. Craig**<br>**Chairman, President and CEO** | **Michael J. Schmidtlein**<br>**Senior Vice President, Finance and CFO** |

## ITEM 9B. *OTHER INFORMATION*

Not applicable.

## PART III

### ITEM 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE*

The information required by this item is incorporated by reference to the sections entitled "Board of Directors," "Executive Officers," "Section 16(a) Beneficial Ownership Reporting Compliance," "Corporate Governance—Independence of Directors," "Corporate Governance—Process for Selection of Director Nominee Candidates," "Audit Committee Report," and "Certain Relationships and Related Transactions—Employment of Related Parties" of the Company's definitive proxy statement for its 2010 Annual Meeting of Stockholders (the "Proxy Statement").

We have adopted a Code of Business Conduct and Ethics that applies to all of our officers, directors and employees (including our Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer and Controller) and have posted the Code on our website at *www.enersys.com*, and a copy is available in print to any stockholder who requires a copy. If we waive any provision of the Code applicable to any director, our Chief Executive Officer, Chief Financial Officer, or Chief Accounting Officer and Controller, such waiver will be promptly disclosed to the Company's stockholders through the Company's website.

### ITEM 11. *EXECUTIVE COMPENSATION*

The information required by this item is incorporated by reference to the sections entitled "Corporate Governance—Compensation Committee" and "Executive Compensation" of the Proxy Statement.

### ITEM 12. *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT RELATED STOCKHOLDER MATTERS*

The information required by this item is incorporated by reference to the section entitled "Security Ownership of Certain Beneficial Owners and Management" of the Proxy Statement.

| | Equity Compensation Plan Information | | |
|---|---|---|---|
| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) | Weighted-average exercise price of outstanding options, warrants and rights (b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c) |
| Equity compensation plans approved by security holders | 3,040,863 | $ 14.17 | 1,321,003 |
| Equity compensation plans not approved by security holders | — | — | — |
| Total | 3,040,863 | $ 14.17 | 1,321,003 |

### ITEM 13. *CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE*

The information required by this item is incorporated by reference to the sections entitled "General Information— Metalmark and our Institutional Stockholders," "Corporate Governance," and "Certain Relationships and Related Transactions" of the Proxy Statement.

On July 24, 2009, our Chief Executive Officer submitted to The New York Stock Exchange ("NYSE") the CEO certification required by the NYSE's rules, certifying that he was not aware of any violations by EnerSys of the NYSE's corporate governance listing standards.

### ITEM 14. *PRINCIPAL ACCOUNTING FEES AND SERVICES*

The information required by this item is incorporated by reference to the section entitled "Audit Committee Report" of the Proxy Statement.

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## PART IV

**ITEM 15.** ***EXHIBITS, FINANCIAL STATEMENT SCHEDULES***

(a) The following documents are filed as part of this Report:

(1) Consolidated Financial Statements

See Index to Consolidated Financial Statements.

(2) Financial Statement Schedule

The following consolidated financial statement schedule should be read in conjunction with the consolidated financial statements (see Item 8. "Financial Statements and Supplementary Data:"): Schedule II—Valuation and Qualifying Accounts.

All other schedules are omitted because they are not applicable or the required information is contained in the consolidated financial statements or notes thereto.

(b) The following documents are filed herewith as exhibits:

| Exhibit Number | Description of Exhibit |
|---|---|
| 3.1 | Fifth Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to Amendment No. 3 to EnerSys' Registration Statement on Form S-1 (File No. 333-115553) filed on July 13, 2004). |
| 3.2 | Bylaws (incorporated by reference to Exhibits 3.2 to Amendment No. 3 to EnerSys' Registration Statement on Form S-1 (File No. 333-115553) filed on July 13, 2004). |
| 4.1 | 2004 Securityholder Agreement (incorporated by reference to Exhibit 4.2 to Amendment No. 4 to EnerSys' Registration Statement on Form S-1 (File No. 333-115553) filed on July 26, 2004). |
| 4.2 | Consent to Waiver dated as of November 1, 2007, between EnerSys, Morgan Stanley Dean Witter Capital Partners IV, L.P. and MSDW IV 892 Investors, L.P. (incorporated by reference to Exhibit 4.2 to EnerSys Annual Report on Form 10-K (File No. 001-32253) filed on June 11, 2008). |
| 4.3 | Consent to Waiver dated as of February 2, 2008, by and between Morgan Stanley Dean Witter Capital Partners IV, L.P., MSDW IV 892 Investors, L.P. and EnerSys. (incorporated by reference to Exhibit 4.3 to EnerSys Annual Report on Form 10-K (File No. 001-32253) filed on June 11, 2008). |
| 4.4 | Indenture, dated as of May 28, 2008, between EnerSys and The Bank of New York, as trustee (incorporated by reference to Exhibit 4.1 to EnerSys' Current Report on Form 8-K (File No. 001-32253) filed on May 28, 2008). |
| 4.5 | First Supplemental Indenture, dated as of May 28, 2008, between EnerSys and The Bank of New York, as trustee (incorporated by reference to Exhibit 4.2 to EnerSys' Current Report on Form 8-K (File No. 001-32253) filed on May 28, 2008). |
| 10.1 | Credit Agreement, dated as of June 27, 2008, among EnerSys, Bank of America, N.A., as Administrative Agent, Wachovia Capital Markets, LLC, as Syndication Agent, Goldman Sachs Credit Partners L.P., RZB Finance LLC and PNC Bank, National Association, as Co-Documentation Agent, and the various lending institutions party thereto (incorporated by reference to Exhibit 10.1 to EnerSys' Current Report on Form 8-K (File No. 001-32253) filed on June 30, 2008). |
| 10.2 | Euro Credit Agreement, dated June 15, 2005, among EnerSys S.p.A., Banca Intesa S.p.A., Sanpaolo IMI S.p.A., et al. (incorporated by reference to Exhibit 10.2 to EnerSys' Current Report on Form 8-K (File No. 001-32253) filed on June 20, 2005). |

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| 10.3 | Amendment to Euro 25,000,000 Credit Agreement (incorporated by reference to Exhibit 10.1 to EnerSys' Current Report on Form 8-K (File No. 001-32253) filed on January 16, 2007). |
| 10.4 | Waiver and Amendment Agreement to Euro 25,000,000 Credit Agreement, among EnerSys Holdings (Luxembourg) S.a.r.l., EnerSys, EnerSys Capital, Inc. and Intesa Sanpaolo S.p.A., as Facility Agent and lender (incorporated by reference to Exhibit 10.2 to EnerSys' Current Report on Form 8-K (File No. 001-32253) filed on May 19, 2008). |
| 10.5 | Amendment and Supplemental Facility Agreement to the Company's Euro 25 Million Credit Facility Agreement, dated October 16, 2008 (incorporated by reference to Exhibit 10.1 to EnerSys' Current Report on Form 8-K (File No. 001-32253) filed on February 4, 2009). |
| 10.6 | Pledge Agreement, dated March 17, 2004, among EnerSys, various subsidiaries of EnerSys and Bank of America, N.A., as Collateral Agent (incorporated by reference to Exhibit 10.10 to EnerSys' Registration Statement on Form S-1 (File No. 333-115553) filed on May 17, 2004). |
| 10.7 | Security Agreement, dated March 17, 2004, among EnerSys, various subsidiaries of EnerSys and Bank of America, N.A., as Collateral Agent (incorporated by reference to Exhibit 10.11 to EnerSys' Registration Statement on Form S-1 (File No. 333-115553) filed on May 17, 2004). |
| 10.8 | Subsidiaries Guaranty, dated March 17, 2004, among various subsidiaries of EnerSys, in favor of Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.12 to EnerSys' Registration Statement on Form S-1 (File No. 333-115553) filed on May 17, 2004). |
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| 10.11 | Stock Subscription Agreement, dated March 22, 2002, among EnerSys Holdings Inc., Morgan Stanley Dean Witter Capital Partners IV, L.P., Morgan Stanley Dean Witter Capital Investors IV, L.P., MSDW IV 892 Investors, L.P., Morgan Stanley Global Emerging Markets Private Investment Fund, L.P. and Morgan Stanley Global Emerging Markets Private Investors, L.P. (incorporated by reference to Exhibit 10.27 to Amendment No. 3 to EnerSys' Registration Statement on Form S-1 (File No. 333-115553) filed on July 13, 2004). |
| 10.12 | Form of Indemnification Agreement between EnerSys and each of its Directors and Officers (incorporated by reference to Exhibit 10.18 to Amendment No. 3 to EnerSys' Registration Statement on Form S-1 (File No. 333-115553) filed on July 13, 2004). |
| 10.13 | Employment Agreement, dated November 9, 2000, between Yuasa, Inc. and John D. Craig and letter of amendment thereto (incorporated by reference to Exhibit 10.2 to EnerSys' Registration Statement on Form S-1 (File No. 333-115553) filed on May 17, 2004). |
| 10.14 | Consulting and Separation Agreement dated November 23, 2009, by and between EnerSys, a Delaware corporation (the "Company"), and Michael T. Philion (the "Executive") filed herewith. |
| 10.15 | Employment Agreement, dated November 9, 2000, between Yuasa, Inc. and John A. Shea and letter of amendment thereto (incorporated by reference to Exhibit 10.5 to EnerSys' Registration Statement on Form S-1 (File No. 333-115553) filed on May 17, 2004). |

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| 10.16 | Employment Agreement, dated November 9, 2000, between Yuasa, Inc. and Richard W. Zuidema and letter of amendment thereto (incorporated by reference to Exhibit 10.6 to EnerSys' Registration Statement on Form S-1 (File No. 333-115553) filed on May 17, 2004). |
| 10.17 | Employment Agreement, dated as of July 1, 2007 between EH Europe GmbH and Raymond R. Kubis (incorporated by reference to Exhibit 10.1 to EnerSys' Quarterly Report on Form 10-Q (File No. 001-32253) filed on August 8, 2007). |
| 10.18 | Form of 2000 Management Equity Plan (incorporated by reference as Exhibit 10.1 to Amendment No. 3 to EnerSys' Registration Statement on Form S-1 (File No. 333-115553) filed on July 13, 2004). |
| 10.19 | Form of 2004 Equity Incentive Plan (incorporated by reference to Exhibit 10.24 to Amendment No. 3 to EnerSys' Registration Statement on Form S-1 (File No. 333-115553) filed on July 13, 2004). |
| 10.20 | EnerSys Amended and Restated 2006 Equity Incentive Plan (incorporated by reference to Exhibit 10.27 to EnerSys Annual Report on Form 10-K (File No. 001-32253) filed on June 11, 2008). |
| 10.21 | EnerSys Management Incentive Plan for fiscal year 2007 (incorporated by reference to Exhibit 10.1 to EnerSys' Current Report on Form 8-K (File No. 001-32253) filed on July 6, 2006). |
| 10.22 | EnerSys Management Incentive Plan for fiscal year 2008 (incorporated by reference to Exhibit 10.1 to EnerSys' Current Report on Form 8-K (File No. 001-32253) filed on April 2, 2007). |
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| 10.29 | Form of Restricted Stock Unit Agreement - Non-Employee Directors (incorporated by reference to Exhibit 10.29 to EnerSys' Annual Report on Form 10-K (File No. 001-32253) filed on June 1, 2009). |
| 10.30 | Form of Restricted Stock Unit Agreement - Employees (filed herewith). |
| 10.31 | Form of Market Share Restricted Stock Unit Agreement - Employees (filed herewith). |
| 11.1 | Statement regarding Computation of Per Share Earnings.* |
| 12.1 | Computation of Ratio of Earnings to Fixed Charges (filed herewith). |
| 21.1 | Subsidiaries of the Registrant (filed herewith). |

| Exhibit Number | Description of Exhibit |
| --- | --- |
| 23.1 | Consent of Ernst & Young LLP (filed herewith). |
| 31.1 | Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) Under the Securities Exchange Act of 1934 (filed herewith). |
| 31.2 | Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) Under the Securities Exchange Act of 1934 (filed herewith). |
| 32.1 | Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith). |

* Information required to be presented in Exhibit 11 is provided in Note 17 of Notes to Consolidated Financial Statements under Part II, Item 8 of this Form 10-K in accordance with FASB guidance for calculating earnings per share.

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## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

ENERSYS

By /s/ JOHN D. CRAIG
**John D. Craig**
**Chairman, President and Chief Executive Officer**

Date: June 1, 2010

## POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose name appears below hereby appoints John D. Craig and Michael J. Schmidtlein and each of them, as his true and lawful agent, with full power of substitution and resubstitution, for him and in his, place or stead, in any and all capacities, to execute any and all amendments to the within annual report, and to file the same, together with all exhibits thereto, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that each said attorney-in-fact and agent may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this annual report has been signed below by the following persons in the capacities and on the dates indicated

| Name | Title | Date |
|---|---|---|
| /S/ JOHN D. CRAIG<br>**John D. Craig** | Chairman, President, and Chief Executive Officer and Director (Principal Executive Officer) | June 1, 2010 |
| /S/ MICHAEL J. SCHMIDTLEIN<br>**Michael J. Schmidtlein** | Senior Vice President Finance and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer) | June 1, 2010 |
| /S/ HWAN-YOON CHUNG<br>**Hwan-yoon Chung** | Director | June 1, 2010 |
| /S/ JOSEPH C. MUSCARI<br>**Joseph C. Muscari** | Director | June 1, 2010 |
| /S/ HOWARD I. HOFFEN<br>**Howard I. Hoffen** | Director | June 1, 2010 |
| /S/ GENERAL ROBERT MAGNUS, USMC (RETIRED)<br>**General Robert Magnus, USMC (Retired)** | Director | June 1, 2010 |
| /S/ ARTHUR T. KATSAROS<br>**Arthur T. Katsaros** | Director | June 1, 2010 |

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| Name | Title | Date |
| --- | --- | --- |
| /S/ JOHN F. LEHMAN<br>**John F. Lehman** | Director | June 1, 2010 |
| /S/ DENNIS S. MARLO<br>**Dennis S. Marlo** | Director | June 1, 2010 |

## Exhibit Index

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| 12.1 | Computation of Ratio of Earnings to Fixed Charges (filed herewith). |
| 21.1 | Subsidiaries of the Registrant (filed herewith). |
| 23.1 | Consent of Ernst & Young LLP (filed herewith). |
| 31.1 | Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) Under the Securities Exchange Act of 1934 (filed herewith). |
| 31.2 | Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) Under the Securities Exchange Act of 1934 (filed herewith). |
| 32.1 | Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith). |

* Information required to be presented in Exhibit 11 is provided in Note 17 of Notes to Consolidated Financial Statements under Part II, Item 8 of this Form 10-K in accordance with FASB guidance for calculating earnings per share.

# <u>CONSULTING AND SEPARATION AGREEMENT</u>

This **CONSULTING AND SEPARATION AGREEMENT** (the "Agreement") is entered into on November 23, 2009, by and between EnerSys, a Delaware corporation (the "Company"), and Michael T. Philion (the "Executive").

**WHEREAS**, the Executive has served as Executive Vice President and Chief Financial Officer of the Company pursuant to an employment agreement dated November 9, 2000 (the "Employment Agreement");

**WHEREAS**, the Executive has elected to retire from employment with the Company and resign from his positions as Executive Vice President and Chief Financial Officer of the Company and as an officer and director of each of the Company's subsidiaries, joint ventures and other affiliates;

**WHEREAS**, the Company desires to maintain a relationship with the Executive for a period of time following his retirement to ensure a smooth transition on matters in which the Executive has special knowledge and experience given his long service to the Company; and

**WHEREAS**, the parties now desire to enter into this Agreement to set forth the terms and conditions relating to the termination by the Executive of his employment and the terms and conditions under which the Executive will provide transitional consulting services to the Company.

**NOW THEREFORE**, in consideration of the premises and the covenants herein, the sufficiency of which is hereby acknowledged, the Executive and the Company agree as follows:

## 1. Separation from Employment

The Executive's employment with the Company shall cease effective on the date hereof (the "Termination Date"). Effective as of the Termination Date, the Executive shall resign from his positions as Executive Vice President and Chief Financial Officer of the Company and shall not hold any position, office or title with the Company or any subsidiary, joint venture or other affiliate of the Company after such date and shall execute a written resignation letter acceptable to the Company.

## 2. Consideration and Other Compensatory Matters

(a) <u>Payments and Benefits</u>. In consideration of the Executive's agreement to (i) provide the consulting services described in Section 3(a), (ii) be bound by the covenants set forth in Section 5, and (iii) be subject to the provisions of the release agreement dated as of the date hereof (the "Release"), including the release of claims set forth therein, the Executive shall receive the following payments and benefits, to which he is not otherwise entitled:

(i) For consulting services rendered pursuant to Section 3(a), the Executive shall receive 6 monthly installment payments of $16,666.67, commencing on the date which is 30 days following the Termination Date, plus any usual, ordinary and customary out of pocket expenses the Executive incurs in performing services at the request of the Company.

(ii) For being obligated under the restrictive covenants set forth in Section 5 and executing (and not revoking) the Release, the Executive shall receive 18 monthly installment payments of $16,666.67, commencing on the date which is seven months following the Termination Date.

(iii) The Executive shall be eligible to receive a payment from the Company's annual incentive plan for the fiscal year ending on March 31, 2010, equal to the payment he would have received had he remained in the employment of the Company through the end of such fiscal year, multiplied by a fraction, the numerator of which is the number of days elapsed from April 1, 2009 to the Termination Date, and the denominator of which is 365. Such amount, if any, shall be paid at the time such award would otherwise have been paid to other participants had the Executive's employment not terminated, but in no event later than June 15, 2010.

(iv) Provided the Executive timely elects to continue medical coverage under the Consolidated Omnibus Budget Reconciliation Act ("COBRA") for himself and, if applicable, his dependents following the termination of his employment, the Company shall reimburse the Executive for the full COBRA premium for such medical coverage until the earliest of (i) the close of the 18th calendar month following the termination of the Executive's employment, or (ii) the date the Executive becomes eligible to participate in a comparable plan of a subsequent employer. If the COBRA continuation coverage continues beyond the time period set forth above, the Executive shall be responsible for the full COBRA premium for any additional months of coverage.

(v) All stock options granted to the Executive pursuant to the Company's equity incentive plan(s) which are vested and outstanding as of the Termination Date (options to purchase 239,506 shares as of the date hereof) shall remain exercisable until a date which is the earlier of the expiration of the term of such stock options or the 180th day following the Termination Date; provided, however, that the Executive agrees not to exercise such stock options until at least the 120th day following the Termination Date, unless the Company permits otherwise in writing. Subject to the foregoing restrictions, the Executive shall be permitted to exercise the options pursuant to the methods permitted under the applicable equity plan.

(b) Coverage under Directors and Officers Liability Policy. The termination of the Executive's employment with the Company shall not affect the Executive's coverage under the Company's directors and officers liability policy for acts or omissions by the Executive which occurred in the course of the Executive's performance of his duties and responsibilities on behalf of the Company, to the extent permitted and covered by such policy. The Executive will not have coverage under such policy for services, acts, or omissions to act by the Executive subsequent to the Termination Date.

(c) Termination of Employment Agreement. The Executive agrees that the execution of this Agreement shall constitute satisfaction in full of the Company's obligations to the Executive under the Employment Agreement and the Employment Agreement shall become null and void as of the Termination Date.

(d) Forfeiture of Unvested Equity Awards. In light of the Executive's resignation and retirement from the Company, the Executive shall forfeit all equity rights (including restricted stock awards, options and units) granted to him pursuant to the Company's equity incentive plan(s) which are not vested as of the Termination Date.

(e) No Additional Benefits or Perquisites. The Executive acknowledges and agrees that except as provided herein, the Executive's participation under any benefit plan, program, policy or arrangement sponsored or maintained by the Company and any perquisites (including, but not limited to, any country club membership) shall cease and be terminated as of the Termination Date, and the Executive's entitlement to previously accrued benefits under any plan, program, policy or arrangement shall be governed by the terms thereof as if the Executive voluntarily resigned without good reason and absent a "retirement" (as such term may be defined in any of the Company's benefit plans, programs, policies or arrangements). The Executive further acknowledges and agrees that no payment made by the Company pursuant hereto is subject to any employer matching obligation or any other employer contribution under any benefit or deferred compensation plan, whether or not any such payment is characterized as wages or compensation.

**3. Consulting Arrangement**

(a) Consulting Services. During the 6-month period following the Termination Date (the "Consulting Period"), the Executive shall consult with the Company and the Company Board of Directors for up to 30 hours per month at such times as mutually agreeable to the Company and the Executive. Specifically, the Executive agrees to use his best efforts to provide the Company with transition services on matters pertaining to such prior areas of the Executive's responsibility or expertise during the Executive's employment, including, but not limited to pending mergers and acquisitions, general capital markets and investor relations, audits, etc.

(b) Status as an Independent Contractor. The Company and the Executive acknowledge and agree that the Company shall not exercise general supervision or control over the time, place or manner in which the Executive provides services hereunder, and that in performing services pursuant to this Agreement the Executive shall be acting and shall act at all times as an independent contractor only and not as an employee, agent, partner or joint venturer of or with the Company or any entity for which the Company provides services. The Executive acknowledges that he is solely responsible for the payment of all Federal, state, local and foreign taxes that are required by applicable laws or regulations to be paid with respect to the amounts payable hereunder as a consultant and under other provisions of this Agreement.

(c) Conditions Applicable to the Consulting Period. If, during the Consulting Period, the Executive willfully breaches any of his obligations under Section 3(a), in any material respect, the Company may, upon written notice to the Executive, cease to make any further payments or provide any further benefits described in Section 2(a) (notwithstanding the fact that only a portion of such payments and benefits are allocated to services rendered during the Consulting Period). In addition, upon such breach, the Company may seek restitution and/or offset of the payments and benefits provided under Section 2(a) and the Executive shall be obligated to disgorge such payments and benefits.

## 4. Release of Claims

Notwithstanding anything contained in this Agreement to the contrary, all payments and benefits provided under this Agreement are subject to the Executive's execution and nonrevocation of, and compliance with the covenants contained in, the Release.

## 5. Covenants of Executive

In consideration of the payments and benefits under this Agreement, the Executive agrees as follows:

(a) Non-Disclosure. The Executive will not at any time, except in performance of his obligations to the Company hereunder or with the prior written consent of the Company, directly or indirectly, reveal to any person, entity or other organization (other than the Company, or its employees, officers, directors, shareholders or agents) or use for his own benefit any information deemed to be confidential by the Company or any of its subsidiaries or affiliates (such subsidiaries and affiliates, collectively "Affiliates") ("Confidential Information") relating to the assets, liabilities, employees, goodwill, business or affairs of the Company or any of its Affiliates, including, without limitation, any information concerning past, present or prospective customers, manufacturing processes, marketing, operating or financial data, or other confidential information used by, or useful to, the Company or any of its Affiliates and known (whether or not known with the knowledge and permission of the Company or any of its Affiliates and whether or not at any time prior to the Termination Date developed, devised, or otherwise created in whole or in part by the efforts of the Executive) to the Executive by reason of his employment by, shareholdings in or other association with the Company or any of its Affiliates. The Executive further agrees that he will retain all copies and extracts of any written Confidential Information acquired or developed by him during any such employment, shareholding or association in trust for the sole benefit of the Company, its Affiliates and their successors and assigns. The Executive further agrees that he will not, without the prior written consent of the Company, remove or take from the Company's or any of its Affiliate's premises (or if previously removed or taken, he will promptly return) any written Confidential Information or any copies or extracts thereof. Upon the request and at the expense of the Company, the Executive shall promptly make all disclosures, execute all instruments and papers and perform all acts reasonably necessary to vest and confirm in the Company and its Affiliates, fully and completely, all rights created or contemplated by this Section 5(a). The term "Confidential Information" shall not include information that is or becomes generally available to the public other than as a result of a disclosure by, or at the direction of, the Executive. The Executive's agreements set forth in this Section 5(a) regarding Confidential Information are independent of, and in addition to, his agreements set forth in the rest of the Section 5 and shall not be construed either to enlarge or to contract the scope of such other agreements.

The Executive confirms that all Confidential Information is and shall remain the exclusive property of the Company and its Affiliates. All business records, papers and documents kept or made by the Executive relating to the business of the Company shall be and remain the property of the Company and its Affiliates.

(b) Non-Competition. Until the second anniversary following the Termination Date (the "Restricted Period"), the Executive will not, without the prior written consent of the Company, directly or indirectly, and whether as principal or investor or as an employee, officer, director, manager, partner, consultant, agent or otherwise, alone or in association with any other person, firm, corporation or other business organization, become involved in a Competing Business (as hereinafter defined) in any geographic area in which the Company or any of its Affiliates has engaged during such period in a Competing Business, or in which the Executive has knowledge of the Company's plans to engage in a Competing Business (including, without limitation, any area in which any customer of the Company or any of its Affiliates may be located). This Section 5(b) shall not be violated, however, by the Executive's investment of up to $100,000 in any individual publicly-traded company that engages in a Competing Business.

A "Competing Business" means a business or enterprise (other than the Company and its direct or indirect subsidiaries) that is engaged in any or all of the manufacture, importing, development, distribution, marketing or sale of: (i) motive power batteries and chargers (including without limitation batteries and chargers for industrial forklift trucks and other materials handling equipment); (ii) stationary batteries and chargers (including without limitation standby batteries and power supply equipment for wireless and wireline telecommunications applications, such as central telephone exchanges, microwave relay stations, and switchgear and other instrumentation control systems); and/or (iii) any other product the Company now makes or is presently researching or developing, such as lithium batteries. "Competing Business" also includes the design, engineering, installation or service of stationary and DC power systems, and any consulting and/or turnkey services relating thereto.

(c) No Solicitation. During the Restricted Period, the Executive will not in any way, directly or indirectly, for the purpose of conducting or engaging in any Competing Business, call upon, solicit, advise or otherwise do, or attempt to do, business with any person who is, or was, during the then most recent 24-month period, a customer of the Company or any of its Affiliates, or take away or interfere or attempt to take away or interfere with any custom, trade, business, patronage or affairs of the Company or any of its Affiliates, or hire or attempt to hire any person who is, or was during the then most recent 24-month period, an employee, officer, representative or agent of the Company or any of its Affiliates, or solicit, induce, or attempt to solicit or induce any person who is an employee, officer, representative or agent of the Company or any of its Affiliates to leave the employ of the Company or any of its Affiliates, or violate the terms of their contracts, or any employment arrangements, with it.

(d) Non-Disparagement. The Executive agrees to refrain from performing any act, engaging in any conduct or course of action or making or publishing any statements, claims, allegations or assertions which have or may reasonably have the effect of demeaning the name or business reputation of the Company or any of its subsidiaries, or any of its or their employees, officers, directors, agents or advisors in their capacities as such or which adversely affects (or may reasonably be expected adversely to affect) the best interests (economic or otherwise) of any of them. Subject to Section 5(e) and the Release, nothing in this Section 5(d) shall preclude the Executive from fulfilling any duty or obligation that he may have at law, from responding to any

subpoena or official inquiry from any court or government agency, including providing truthful testimony, documents subpoenaed or requested or otherwise cooperating in good faith with any proceeding or investigation; or from taking any reasonable actions to enforce such the Executive's rights under this Agreement in accordance with the dispute provisions specified in Section 9 hereof.

(e) Cooperation.

(i) The Executive will cooperate with the Company, at mutually convenient times and places, in connection with any audit, review, or investigation (internal and external) and any administrative, regulatory, or litigation proceedings or such like matters that may arise in the future, as to matters regarding which the Executive may have personal knowledge because of his employment with the Company; provided that in no event will the Executive be required to provide any such cooperation if such cooperation is materially adverse to the Executive's legal interests. Such cooperation will include providing information to the Company and its attorneys with respect to any matter arising during or related to his employment, making himself available to meet with Company personnel and the Company's attorneys, being interviewed by representatives of the Company, and participating in such proceedings by deposition and testimony at trial. To the extent possible, the Company will limit the Executive's cooperation to regular business hours. In any event, (i) in any matter subject to this Section, the Executive will not be required to act against the reasonable best interests of any new employer or new business venture in which the Executive is an employee, partner or active participant and (ii) any request for the Executive's cooperation will take into account the Executive's other personal and business commitments.

(ii) The Executive further agrees that should he be contacted (directly or indirectly) by any individual or any person representing an individual or entity that is or may be legally or competitively adverse to the Company in connection with any claims or legal proceedings, he will promptly notify the Company of that fact in writing so that the Company may contest the right of the requesting individual or person to such disclosure before making such disclosure. Such notification shall include a reasonable description of the content of the communication with the legally or competitively adverse individual or entity.

**6. Enforcement of Restrictions**

(a) Reasonableness. The Executive hereby acknowledges that: (i) the restrictions provided in this Agreement (including, without limitation, those contained in Section 5 hereof) and the Release are reasonable in time and scope in light of the necessity of the protection of the business of the Company; (ii) his ability to work and earn a living will not be unreasonably restrained by the application of these restrictions; and (iii) if a court concludes that any restrictions in this Agreement are overbroad or unenforceable for any reason, the court shall modify the relevant provision to the least extent necessary and then enforce as modified.

(b) Cessation of Payments and Benefits; Restitution. If, during the Restricted Period, the Executive breaches, in any material respect, any of his obligations under Section 5 or the Release, the Company shall have the right, upon written notice to the Executive, to cease to make any further payments or to provide any further benefits described in Section 2(a). In

addition, upon such breach, the Company shall have the right of restitution and/or offset of the payments and benefits provided under Section 2(a) and the Executive shall have the obligation to disgorge such payments and benefits.

(c) Injunctive and Other Relief. The Executive recognizes and agrees that should he fail to comply with the restrictions set forth herein, which restrictions are vital to the protection of the Company's business, the Company will suffer irreparable injury and harm for which there is no adequate remedy at law. Therefore, the Executive agrees that in the event of the breach or threatened breach by him of any of the terms and conditions of Section 5 hereof or the Release, in addition to the remedies available under Section 6(b), the Company shall be entitled to preliminary and permanent injunctive relief against him, or both, with nominal bond or other security, and any other relief as may be awarded by a court having jurisdiction over the dispute. Such injunctive relief in any court shall be available to the Company and its Affiliates in lieu of, or prior to or pending determination in, any arbitration proceeding. Further, the Executive agrees that the Restricted Period shall be extended by a period of time equal to any period during which the Executive shall be in breach of any of the covenants set forth in Section 5 or the Release. The rights and remedies enumerated in this Section 6 shall be independent of each other, and shall be severally enforced, and such rights and remedies shall be in addition to, and not in lieu of, any other rights or remedies available to the Company in law or in equity.

**7. Return of Property**

The Executive shall within five days following the Termination Date, diligently locate all of the Company's property within his possession and return to the Company all of the Company's property and information within his possession. Such property includes, but is not limited to, automobiles, credit cards, computers, copy machines, facsimile machines, lap top computers, entry cards, keys, building passes, computer software, manuals, journals, diaries, files, lists, codes, documents, correspondence, and methodologies particular to the Company and any and all copies thereof. Moreover, the Executive is strictly prohibited from destroying, obliterating or altering any of the Company's property covered by this Section 7, and the Executive is strictly prohibited from making copies, or directing copies to himself through e-mail or other transmission, of any of the Company's property covered by this Section 7. After the Termination Date, the Executive agrees to promptly respond to any reasonable request by the Company to return the Company property in his possession and/or control, and the Executive further agrees that should he later discover any the Company property in his possession and/or control, he will promptly return it to the Company without a specific request by the Company to do so.

**8. Payment and Cure**

If the Company defaults in timely payment on the due date of any payment or amount due under this Agreement, the Executive shall give written notice of such default to the person specified in or pursuant to this Agreement to receive notice on behalf of the Company. The Company shall have thirty (30) days after the receipt of such a notice of default to cure any payment default.

## 9. Arbitration

(a) General. Except as provided below, any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a single arbitrator in the Commonwealth of Pennsylvania, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction. Each party shall bear its own costs, including legal fees and out-of-pocket expenses, incurred in connection with any arbitration.

(b) Claims Not Subject to Arbitration; Submission to Jurisdiction; Service of Process. The foregoing Section 9(a) shall not apply to an effort by the Company to enforce, or to recover damages for a breach of, any provision of Sections 5 or 6 hereof or the Release. Any action or proceeding relating to any of those provisions may be brought in the Court of Common Pleas of Berks County, Pennsylvania or the United States District Court of Pennsylvania. The Executive irrevocably (i) consents to the personal jurisdiction of each of those courts in any action or proceeding relating to any provision of Sections 5 or 6 hereof or the Release, (ii) agrees not to object to, or seek to change, the venue of any such action or proceeding brought in any of those courts, whether because of inconvenience of the forum or otherwise (but nothing in this Section will prevent a party from removing an action or proceeding from a state court to a Federal court sitting in that county), and (iii) agrees that process in any such action or proceeding may be served by registered mail or in any other manner permitted by the rules of the court in which the action of proceeding is brought.

## 10. Assignment

This Agreement shall not be assignable by any party hereto, except by the Company to any successor in interest to the respective businesses of the Company.

## 11. Entire Agreement

The terms contained in this Agreement and the Release are the only terms agreed upon by the Executive and the Company. It is the express intent of the parties that this Agreement fully integrates and expressly replaces any other terms, conditions, conversations, discussions, or any other issues which were discussed regarding the Executive's employment with the Company, or for any and all reasons based on conduct which has occurred through the date of executing this Agreement. Any other conversations, promises, or conditions which do not appear in this Agreement or the Release are waived or rejected by agreement of the Executive and the Company.

## 12. Successors, Binding Agreement

(a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure by the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall constitute a material breach of this Agreement.

(b) This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, heirs, distributees, devisees, and legatees. The Company's rights and obligations under this Agreement shall inure to the benefit of and shall bind the Company, its successors and assigns. If the Executive should die while any amount is payable to him under this Agreement if he had continued to live (including payments pursuant to Sections 2(a)(i) and 2(a)(ii)), all such amounts shall be paid in accordance with the terms of this Agreement to his devisee, legatee, or other designee, or, if there is no such designee, to his estate.

**13. Severability**

If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions shall nevertheless continue in full force and effect.

**14. Notices**

All notices and other communications hereunder shall be in writing. Any notice or other communication hereunder shall be deemed duly given if it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient at the addresses maintained in the Company's records. Notices sent to the Company should be directed to the attention of both its Chief Administrative Officer and General Counsel.

**15. Counterpart Agreements**

This Agreement may be executed in multiple counterparts, whether or not all signatories appear on these counterparts, and each counterpart shall be deemed an original for all purposes.

**16. Governing Law**

This Agreement shall be governed by and construed under the internal laws of the Commonwealth of Pennsylvania, without regard to its conflict of laws principles.

**17. No Waiver**

The Company's waiver or failure to enforce any term of this Agreement on one instance shall not constitute a waiver of its rights under this Agreement with respect to any other violations.

**18. Legal Fees**

In addition to, and not in lieu of, any coverage available under the Company's directors and officers liability policy, the Company shall have the right to select the Executive's defense counsel in the defense of any legal action or proceeding filed by a third party at any time during the two-year period following the Termination Date against the Executive which arises out of his role as an officer or employee of the Company and its subsidiaries and affiliates and matters relating thereto (provided that such counsel shall be nationally recognized in the field relating to the subject matter of such legal action or proceeding and shall not have any material relationship

with the Company). If the Company elects to make such selection, it shall be obligated to pay the reasonable fees expenses of such counsel. The foregoing sentence shall not apply to legal fees and expenses incurred by Executive in attempting to obtain or enforce rights or benefits provided by this Agreement or in negotiating this Agreement.

**19. Application of Code Section 409A**

The intent of the parties is that payments and benefits under this Agreement comply with Code Section 409A and applicable guidance promulgated thereunder (collectively, "Section 409A") and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance with Section 409A. In no event whatsoever shall the Company be liable for any additional tax, interest or penalties that may be imposed on the Executive by Section 409A or any damages for failing to comply with Section 409A.

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The parties have duly executed this Agreement as of the date first written above.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

ENERSYS

/s/ Richard W. Zuidema

By: Richard W. Zuidema

Title: Executive Vice President—Administration & Secretary

EXECUTIVE

/s/ Michael T. Philion

By: Michael T. Philion

**ENERSYS**

**AWARD AGREEMENT FOR EMPLOYEES – RESTRICTED STOCK UNITS**

**UNDER THE AMENDED AND RESTATED 2006 EQUITY INCENTIVE PLAN**

THIS AWARD AGREEMENT FOR EMPLOYEES – RESTRICTED STOCK UNITS (this “Agreement”), dated as of , is between ENERSYS, a Delaware corporation (the “Company”), and the individual identified on the signature page hereof (the “Participant”).

**BACKGROUND**

A. The Participant is currently an employee of the Company or one of its Subsidiaries.

B. The Company desires to (i) provide the Participant with an incentive to remain in the employ of the Company or one of its Subsidiaries, and (ii) increase the Participant’s interest in the success of the Company by granting restricted stock units (the “Restricted Stock Units”) to the Participant.

C. The grant of the Restricted Stock Units is (i) made pursuant to the EnerSys Amended and Restated 2006 Equity Incentive Plan (the “Plan”), (ii) made subject to the terms and conditions of this Agreement, and (iii) not employment compensation nor an employment right and is made in the discretion of the Company’s Compensation Committee.

NOW, THEREFORE, in consideration of the covenants and agreements contained in this Agreement, the parties hereto, intending to be legally bound, agree as follows:

1. Definitions; Incorporation of Plan Terms. Capitalized terms used in this Agreement without definition shall have the meanings assigned to them in the Plan. This Agreement and the Restricted Stock Units shall be subject to the Plan. The terms of the Plan are incorporated into this Agreement by reference. If there is a conflict or an inconsistency between the Plan and this Agreement, the Plan shall govern. The Participant hereby acknowledges receipt of a copy of the Plan.

2. Grant of Restricted Stock Units.

(a) Subject to the provisions of this Agreement and pursuant to the provisions of the Plan, the Company hereby grants to the Participant the number of Restricted Stock Units specified on the signature page of this Agreement. The Company shall credit to a bookkeeping account (the “Account”) maintained by the Company, or a third party on behalf of the Company, for the Participant’s benefit the Restricted Stock Units, each of which shall be deemed to be the equivalent of one share of the Company’s common stock, par value $.0.01 per share (each, a “Share”).

(b) If and whenever any cash dividends are declared on the Shares, on the date such dividend is paid, the Company will credit to the Account a number of additional Restricted

Stock Units equal to the result of dividing (i) the product of the total number of Restricted Stock Units credited to the Account on the record date for such dividend (other than previously settled or forfeited Restricted Stock Units) times the per Share amount of such dividend, by (ii) the Fair Market Value of one Share on the date such dividend is paid by the Company to the holders of Shares. The additional Restricted Stock Units shall be or become vested to the same extent as the Restricted Stock Units that resulted in the crediting of such additional Restricted Stock Units.

(c) If and whenever the Company declares and pays a dividend or distribution on the Shares in the form of additional shares, or there occurs a forward split of Shares, then a number of additional Restricted Units shall be credited to the Account as of the payment date for such dividend or distribution or forward split equal to (i) the total number of Restricted Stock Units credited to the Account on the record date for such dividend or distribution or split (other than previously settled or forfeited Restricted Stock Units), multiplied by (ii) the number of additional Shares actually paid as a dividend or distribution or issued in such split in respect of each outstanding Share. The additional Restricted Stock Units shall be or become vested to the same extent as the Restricted Stock Units that resulted in the crediting of such additional Restricted Stock Units.

3. Terms and Conditions. All of the Restricted Stock Units shall initially be unvested.

(a) Vesting. Twenty-five percent (25%) of the Restricted Stock Units (rounded up to the nearest whole number) shall vest on the first anniversary of the date of this Agreement and on each of the next three (3) successive anniversaries thereof unless previously vested or forfeited in accordance with the Plan or this Agreement (the “Normal Vesting Schedule”).

(i) Any Restricted Stock Units that fail to vest because the employment condition set forth in Section 3(c) is not satisfied shall be forfeited, subject to the special provisions set forth in subsections (ii) through (iv) of this Section 3(a).

(ii) In the event of a Change in Control where the holders of the Company’s Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control, Restricted Stock Units not previously vested shall immediately become vested.

(iii) If the Participant’s employment terminates due to death, Permanent Disability, or the Participant terminates employment for Good Reason, or is terminated by the Company without Cause, Restricted Stock Units not previously vested shall immediately become vested.

(iv) In the event of the Participant’s resignation or termination of employment (other than for Cause) on or after the earlier of (A) the Participant’s 60th birthday and having attained ten (10) years of service with the Company or a Subsidiary (including years of service granted by the Company as a result of a merger, acquisition, or other transaction) or (B) the Participant’s 65th birthday (a “Retirement”), where such Retirement is on or after April 1, 2011, Restricted Stock Units not previously vested shall not then be forfeited, but shall

continue to vest and be settled pursuant to the Normal Vesting Schedule (without regard to the requirement that the Participant be employed); provided, however, that such Restricted Stock Units shall be subject to the restrictions on transfer contained in Section 3(b) of this Agreement until the date such Restricted Stock Units vest pursuant to the Normal Vesting Schedule. If the Participant's Retirement occurs prior to April 1, 2011, Restricted Stock Units not previously vested shall continue to vest and be settled in accordance with this subsection (iv); provided, however, that such vesting and settlement shall be on a pro-rata basis based on the number of calendar days the Participant has been employed by the Company during the period beginning on April 1, 2010 and ending on the date of Retirement. To the extent the Participant's Retirement date and vesting date under this Section 3(a)(iv) are in different tax years, any amount payable under this subsection shall constitute the payment of nonqualified deferred compensation, subject to the requirements of Code Section 409A.

(b) Restrictions on Transfer. Until the earlier of the applicable vesting date under the Normal Vesting Schedule, the date of a Change in Control described in Section 3(a)(ii), or the date of a termination of employment described in Section 3(a)(iii), or as otherwise provided in the Plan, no transfer of the Restricted Stock Units or any of the Participant's rights with respect to the Restricted Stock Units, whether voluntary or involuntary, by operation of law or otherwise, shall be permitted. Unless the Company's Compensation Committee determines otherwise, upon any attempt to transfer any Restricted Stock Units or any rights in respect of the Restricted Stock Units before the earlier of the applicable vesting date under the Normal Vesting Schedule, the date of a Change in Control described in Section 3(a)(ii), or the date of a termination of employment described in Section 3(a)(iii), such unit, and all of the rights related to such unit, shall be immediately forfeited by the Participant and transferred to, and reacquired by, the Company without consideration of any kind.

(c) Forfeiture. Upon termination of the Participant's employment with the Company or a Subsidiary for any reason other than one of the reasons set forth in Sections 3(a)(iii) and (iv), the Participant shall forfeit any and all Restricted Stock Units which have not vested as of the date of such termination and such units shall revert to the Company without consideration of any kind.

(d) Settlement. Restricted Stock Units not previously forfeited shall be settled on the earlier of the applicable vesting date under the Normal Vesting Schedule, the date of a Change in Control described in Section 3(a)(ii), or the date of a termination of employment described in Section 3(a)(iii) by delivery of one share of common stock for each Restricted Stock Unit being settled.

4. Noncompetition. The Participant agrees with the Company that, for so long as the Participant is employed by the Company or any of its Subsidiaries and continuing for twelve (12) months (or such longer period as may be provided in an employment or similar agreement between the Participant and the Company or one of its Subsidiaries) following a termination of such employment under Sections 3(a)(iii) or (iv) of this Agreement or that occurs after any of the Restricted Stock Units have vested, the Participant will not, without the prior written consent of the Company, directly or indirectly, and whether as principal or investor or as an employee, officer, director, manager, partner, consultant, agent, or otherwise, alone or in association with any other person, firm, corporation, or other business organization, become involved in a

Competing Business in any geographic area in which the Company or any of its Subsidiaries has engaged during such period in a Competing Business, or in which the Participant has knowledge of the Company's plans to engage in a Competing Business (including, without limitation, any area in which any customer of the Company or any of its Subsidiaries may be located); provided, however, that the provisions of this Section 4 shall apply solely to those activities of a Competing Business, with which the Participant was personally involved or for which the Participant was responsible while employed by the Company or its Subsidiaries during the twelve (12) month period preceding termination of the Participant's employment.

5. Wrongful Solicitation. As a separate and independent covenant, the Participant agrees with the Company that, for so long as the Participant is employed by the Company or any of its Subsidiaries and continuing for twelve (12) months (or such longer period as may be provided in an employment or similar agreement between the Participant and the Company or one of its Subsidiaries) following a termination of such employment under Sections 3(a)(iii) or (iv) of this Agreement or that occurs after any of the Restricted Stock Units have vested, the Participant will not engage in any Wrongful Solicitation.

6. Confidentiality; Specific Performance.

(a) The Participant agrees with the Company that the Participant will not at any time, except in performance of the Participant's obligations to the Company hereunder or with the prior written consent of the Company, directly or indirectly, reveal to any person, entity, or other organization (other than the Company, or its employees, officers, directors, stockholders, or agents) or use for the Participant's own benefit any information deemed to be confidential by the Company or any of its Affiliates ("Confidential Information") relating to the assets, liabilities, employees, goodwill, business, or affairs of the Company or any of its Affiliates, including, without limitation, any information concerning past, present, or prospective customers, manufacturing processes, marketing, operating, or financial data, or other confidential information used by, or useful to, the Company or any of its Affiliates and known (whether or not known with the knowledge and permission of the Company or any of its Affiliates and whether or not at any time prior to the Date of Grant developed, devised, or otherwise created in whole or in part by the efforts of the Participant) to the Participant by reason of the Participant's employment with, equity holdings in, or other association with the Company or any of its Affiliates. The Participant further agrees that the Participant will retain all copies and extracts of any written Confidential Information acquired or developed by the Participant during any such employment, equity holding, or association in trust for the sole benefit of the Company, its Affiliates, and their successors and assigns. The Participant further agrees that the Participant will not, without the prior written consent of the Company, remove or take from the Company's or any of its Affiliate's premises (or if previously removed or taken, the Participant will promptly return) any written Confidential Information or any copies or extracts thereof. Upon the request and at the expense of the Company, the Participant shall promptly make all disclosures, execute all instruments and papers, and perform all acts reasonably necessary to vest and confirm in the Company and its Affiliates, fully and completely, all rights created or contemplated by this Section 6. The term "Confidential Information" shall not include information that is or becomes generally available to the public other than as a result of a disclosure by, or at the direction of, the Participant.

(b) The Participant agrees that upon termination of the Participant's employment with the Company or any Subsidiary for any reason, the Participant will return to the Company immediately all memoranda, books, papers, plans, information, letters and other data, and all copies thereof or therefrom, in any way evidencing (in whole or in part) Confidential Information relating to the business of the Company and its Subsidiaries and Affiliates. The Participant further agrees that the Participant will not retain or use for the Participant's account at any time any trade names, trademark, or other proprietary business designation used or owned in connection with the business of the Company or its Subsidiaries or Affiliates.

(c) The Participant acknowledges and agrees that the Company's remedies at law for a breach or threatened breach of any of the provisions of this Section 6, or Section 4 or 5 above, would be inadequate and, in recognition of this fact, the Participant agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, the Company, without posting any bond, shall be entitled to obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction, or any other equitable remedy which may then be available.

7. Taxes.

(a) This Section 7(a) applies only to (a) all Participants who are U.S. employees, and (b) to those Participants who are employed by a Subsidiary of the Company that is obligated under applicable local law to withhold taxes with respect to the settlement of the Restricted Stock Units. Such Participant shall pay to the Company or a designated Subsidiary, promptly upon request, and in any event at the time the Participant recognizes taxable income with respect to the Restricted Stock Units, an amount equal to the taxes the Company determines it is required to withhold under applicable tax laws with respect to the Restricted Stock Units. The Participant may satisfy the foregoing requirement by making a payment to the Company in cash or, with the approval of the Plan administrator, by delivering already owned unrestricted Shares or by having the Company withhold a number of Shares in which the Participant would otherwise become vested under this Agreement, in each case, having a value equal to the minimum amount of tax required to be withheld. Such Shares shall be valued at their fair market value on the date as of which the amount of tax to be withheld is determined.

(b) The Participant acknowledges that the tax laws and regulations applicable to the Restricted Stock Units and the disposition of the shares following the settlement of Restricted Stock Units are complex and subject to change.

8. Securities Laws Requirements. The Company shall not be obligated to transfer any shares following the settlement of Restricted Stock Units to the Participant free of a restrictive legend if such transfer, in the opinion of counsel for the Company, would violate the Securities Act of 1933, as amended (the "Securities Act") (or any other federal or state statutes having similar requirements as may be in effect at that time).

9. No Obligation to Register. The Company shall be under no obligation to register any shares as a result of the settlement of the Restricted Stock Units pursuant to the Securities Act or any other federal or state securities laws.

10. Market Stand-Off. In connection with any underwritten public offering by the Company of its equity securities pursuant to an effective registration statement filed under the Securities Act for such period as the Company or its underwriters may request (such period not to exceed 180 days following the date of the applicable offering), the Participant shall not, directly or indirectly, sell, make any short sale of, loan, hypothecate, pledge, offer, grant or sell any option or other contract for the purchase of, purchase any option or other contract for the sale of, or otherwise dispose of or transfer, or agree to engage in any of the foregoing transactions with respect to, any of the Restricted Stock Units granted under this Agreement or any shares resulting the settlement thereof without the prior written consent of the Company or its underwriters.

11. Protections Against Violations of Agreement. No purported sale, assignment, mortgage, hypothecation, transfer, pledge, encumbrance, gift, transfer in trust (voting or other) or other disposition of, or creation of a security interest in or lien on, any of the Restricted Stock Units by any holder thereof in violation of the provisions of this Units Agreement or the Certificate of Incorporation or the Bylaws of the Company, will be valid, and the Company will not transfer any shares resulting from the settlement of Restricted Stock Units on its books nor will any of such shares be entitled to vote, nor will any dividends be paid thereon, unless and until there has been full compliance with such provisions to the satisfaction of the Company. The foregoing restrictions are in addition to and not in lieu of any other remedies, legal or equitable, available to enforce such provisions.

12. Rights as a Stockholder. The Participant shall not possess the right to vote the shares underlying the Restricted Stock Units until the Restricted Stock Units have settled in accordance with the provisions of this Agreement and the Plan.

13. Survival of Terms. This Agreement shall apply to and bind the Participant and the Company and their respective permitted assignees and transferees, heirs, legatees, executors, administrators and legal successors. The terms of Sections 4, 5 and 6 shall expressly survive the forfeiture of the Restricted Stock Units and this Agreement.

14. Notices. All notices and other communications provided for herein shall be in writing and shall be delivered by hand or sent by certified or registered mail, return receipt requested, postage prepaid, addressed, if to the Participant, to the Participant's attention at the mailing address set forth at the foot of this Agreement (or to such other address as the Participant shall have specified to the Company in writing) and, if to the Company, to the Company's office at 2366 Bernville Road, Reading, Pennsylvania 19605, Attention: General Counsel (or to such other address as the Company shall have specified to the Participant in writing). All such notices shall be conclusively deemed to be received and shall be effective, if sent by hand delivery, upon receipt, or if sent by registered or certified mail, on the fifth day after the day on which such notice is mailed.

15. Waiver. The waiver by either party of compliance with any provision of this Agreement by the other party shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by such party of a provision of this Agreement.

16. Authority of the Administrator. The Plan Administrator, which is the Company's Compensation Committee, shall have full authority to interpret and construe the terms of the Plan and this Agreement. The determination of the administrator as to any such matter of interpretation or construction shall be final, binding and conclusive.

17. Representations. The Participant has reviewed with his own tax advisors the applicable tax (U.S., foreign, state, and local) consequences of the transactions contemplated by this Agreement. The Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. The Participant understands that he (and not the Company) shall be responsible for any tax liability that may arise as a result of the transactions contemplated by this Agreement.

18. Investment Representation. The Participant hereby represents and warrants to the Company that the Participant, by reason of the Participant's business or financial experience (or the business or financial experience of the Participant's professional advisors who are unaffiliated with and who are not compensated by the Company or any affiliate or selling agent of the Company, directly or indirectly), has the capacity to protect the Participant's own interests in connection with the transactions contemplated under this Agreement.

19. Entire Agreement; Governing Law. This Agreement and the Plan and the other related agreements expressly referred to herein set forth the entire agreement and understanding between the parties hereto and supersedes all prior agreements and understandings relating to the subject matter hereof. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same agreement. The headings of sections and subsections herein are included solely for convenience of reference and shall not affect the meaning of any of the provisions of this Agreement. This Agreement shall be governed by, and construed in accordance with, the laws of the Commonwealth of Pennsylvania, USA.

20. Severability. Should any provision of this Agreement be held by a court of competent jurisdiction to be unenforceable, or enforceable only if modified, such holding shall not affect the validity of the remainder of this Agreement, the balance of which shall continue to be binding upon the parties hereto with any such modification (if any) to become a part hereof and treated as though contained in this original Agreement. Moreover, if one or more of the provisions contained in this Agreement shall for any reason be held to be excessively broad as to scope, activity, subject or otherwise so as to be unenforceable, in lieu of severing such unenforceable provision, such provision or provisions shall be construed by the appropriate judicial body by limiting or reducing it or them, so as to be enforceable to the maximum extent compatible with the applicable law as it shall then appear, and such determination by such judicial body shall not affect the enforceability of such provisions or provisions in any other jurisdiction.

21. Amendments; Construction. The Plan administrator may amend the terms of this Agreement prospectively or retroactively at any time, but no such amendment shall impair the rights of the Participant hereunder without his or her consent. To the extent the terms of Section 4 above conflict with any prior agreement between the parties related to such subject matter, the terms of Section 4 shall supersede such conflicting terms and control. Headings to Sections of this Agreement are intended for convenience of reference only, are not part of this Restricted Stock Units and shall have no affect on the interpretation hereof.

22. Acceptance. The Participant hereby acknowledges receipt of a copy of the Plan and this Agreement. The Participant has read and understand the terms and provision thereof, and accepts the shares of Restricted Stock Units subject to all the terms and conditions of the Plan and this Agreement. The Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under this Agreement.

23. Miscellaneous.

(a) No Rights to Grants or Continued Employment. The Participant acknowledges that the award granted under this Agreement is not employment compensation nor is it an employment right, and is being granted at the sole discretion of the Company’s Compensation Committee. The Participant shall not have any claim or right to receive grants of Awards under the Plan. Neither the Plan or this Agreement, nor any action taken or omitted to be taken hereunder or thereunder, shall be deemed to create or confer on the Participant any right to be retained as an employee of the Company or any Subsidiary or other Affiliate thereof, or to interfere with or to limit in any way the right of the Company or any Affiliate or Subsidiary thereof to terminate the employment of the Participant at any time.

(b) No Restriction on Right of Company to Effect Corporate Changes. Neither the Plan nor this Agreement shall affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations, or other changes in the Company’s capital structure or its business, or any merger or consolidation of the Company, or any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred, or prior preference stocks whose rights are superior to or affect the Common Stock or the rights thereof or which are convertible into or exchangeable for Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of the assets or business of the Company, or any other corporate act or proceeding, whether of a similar character or otherwise.

(c) Assignment. The Company shall have the right to assign any of its rights and to delegate any of its duties under this Agreement to any of its Affiliates.

24. Code Section 409A. Notwithstanding anything in this Agreement to the contrary, the receipt of any benefits under this Agreement as a result of a termination of employment shall be subject to satisfaction of the condition precedent that the Participant undergo a “separation from service” within the meaning of Treas. Reg. § 1.409A-1(h) or any successor thereto. In addition, if a Participant is deemed to be a “specified employee” within the meaning of that term under Code Section 409A(a)(2)(B), then with regard to any payment or the provisions of any benefit that is required to be delayed pursuant to Code Section 409A(a)(2)(B), such payment or benefit shall not be made or provided prior to the earlier of (i) the expiration of the six (6) month period measured from the date of the Participant's “separation from service” (as such term is defined in Treas. Reg. § 1.409A-1(h)), or (ii) the date of the Participant's death (the “Delay Period”). Within ten (10) days following the expiration of the Delay Period, all payments and

benefits delayed pursuant to this Section (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Participant in a lump sum, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein.

THIS AGREEMENT SHALL BE NULL AND VOID AND UNENFORCEABLE BY THE PARTICIPANT UNLESS SIGNED AND DELIVERED TO THE COMPANY NOT LATER THAN THIRTY (30) DAYS SUBSEQUENT TO THE DATE OF GRANT SET FORTH BELOW.

BY SIGNING THIS AGREEMENT, THE PARTICIPANT IS HEREBY CONSENTING TO THE PROCESSING AND TRANSFER OF THE PARTICIPANT'S PERSONAL DATA BY THE COMPANY TO THE EXTENT NECESSARY TO ADMINISTER AND PROCESS THE AWARDS GRANTED UNDER THIS AGREEMENT.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer and the Participant has executed this Agreement, both as of the day and year first above written.

ENERSYS

By: ________________________________________
Name: John D. Craig
Title: Chairman, President & CEO

PARTICIPANT

________________________________________
Name: ________________________________________
Address: ________________________________________
________________________________________

Date of Grant: ____________

Number of Shares of Restricted Stock Units: ____________________

# ENERSYS

## AWARD AGREEMENT FOR EMPLOYEES – MARKET SHARE UNITS

## UNDER THE AMENDED AND RESTATED 2006 EQUITY INCENTIVE PLAN

THIS AWARD AGREEMENT FOR EMPLOYEES – MARKET SHARE UNITS (this “Agreement”), dated as of , is between ENERSYS, a Delaware corporation (the “Company”), and the individual identified on the signature page hereof (the “Participant”).

## BACKGROUND

A. The Participant is currently an employee of the Company or one of its Subsidiaries.

B. The Company desires to (i) provide the Participant with an incentive to remain in the employ of the Company or one of its Subsidiaries, and (ii) increase the Participant’s interest in the success of the Company by granting market share units, a form of restricted Stock Unit under the Plan (the “Market Share Units”), to the Participant.

C. This grant of Market Share Units is (i) made pursuant to the EnerSys Amended and Restated 2006 Equity Incentive Plan (the “Plan”); (ii) made subject to the terms and conditions of this Agreement; and (iii) not employment compensation nor an employment right and is made in the discretion of the Company’s Compensation Committee.

NOW, THEREFORE, in consideration of the covenants and agreements contained in this Agreement, the parties hereto, intending to be legally bound, agree as follows:

1. Definitions; Incorporation of Plan Terms. Capitalized terms used in this Agreement without definition shall have the meanings assigned to them in the Plan. This Agreement and the Market Share Units shall be subject to the Plan. The terms of the Plan are incorporated into this Agreement by reference. If there is a conflict or an inconsistency between the Plan and this Agreement, the Plan shall govern. The Participant hereby acknowledges receipt of a copy of the Plan.

2. Grant of Market Share Units.

(a) Subject to the provisions of this Agreement and pursuant to the provisions of the Plan, the Company hereby grants to the Participant the number of Market Share Units specified on the signature page of this Agreement. The Company shall credit to a bookkeeping account maintained by the Company, or a third party on behalf of the Company, for the Participant’s benefit the number of Market Share Units, each of which shall be deemed to be the equivalent of one share of the Company’s Common Stock.

(b) If the Company declares and pays a dividend or distribution on Common Stock in the form of cash, then a number of additional Market Share Units shall be credited to

the Participant as of the payment date for such dividend or distribution equal to the result of dividing (i) the product of the total number of Market Share Units as of the record date for such dividend or distribution (other than previously settled or forfeited Market Share Units) times the per share amount of such dividend or distribution, by (ii) the Fair Market Value of one share of Common Stock as of the record date for such dividend or distribution. Any Market Share Units payable under this subsection shall be settled on the settlement date under Section 3(d) for the underlying Market Share Unit and shall be subject to the Payout Factor that applies to the underlying Market Share Unit.

(c) If the Company declares and pays a dividend or distribution on Common Stock in the form of additional shares, or there occurs a forward split of Common Stock, then a number of additional Market Share Units shall be credited to the Participant as of the payment date for such dividend or distribution or forward split equal to (i) the number of Market Share Units credited to the Participant as of the record date for such dividend or distribution or split (other than previously settled or forfeited Market Share Units), multiplied by (ii) the number of additional shares actually paid as a dividend or distribution or issued in such split in respect of each outstanding share of Common Stock. Any Market Share Units payable under this subsection shall be settled on the settlement date under Section 3(d) for the underlying Market Share Unit and shall be subject to the Payout Factor that applies to the underlying Market Share Unit.

3. Terms and Conditions. All of the Market Share Units shall initially be unvested.

(a) Vesting. Except as otherwise provided in this Section 3, the Market Share Units shall be subject to the restrictions and conditions set forth herein. Vesting of the Market Share Units is conditioned upon the Participant remaining continuously employed by the Company or a Subsidiary following the Date of Grant until the third anniversary of the Date of Grant (the “Vesting Date”), subject to the provisions of this Section 3.

(i) The Market Share Units shall vest to the extent provided in the following schedule (the “Normal Vesting Schedule”):

| **(A)**<br>**Vesting Date** | **(B)**<br>**Payout Factor** | **(C)**<br>**Number of Market Share Units Vested** |
|---|---|---|
| Third anniversary of Date of Grant | Share Price on Vesting Date divided by Share Price on Date of Grant | Number of Market Share Units specified on the signature page of this Agreement times Payout Factor (Column B) |

(ii) For purposes of the table set forth above—

1. “Share Price” shall equal the average of the closing share prices of the Company’s Common Stock during the ninety (90) calendar days immediately preceding the Vesting Date or Date of Grant, as applicable. If there were no trades on the Vesting Date or Date of Grant, the closing prices during the ninety (90) day calendar days immediately preceding the most recent date on which there were trades shall be used.

2. “Payout Factor” shall be rounded to the nearest hundredth (two places after the decimal), except that if the “Payout Factor” equals more than 2.00, the Payout Factor used in Column C shall be 2.00.

(iii) Any Market Share Units that fail to vest because the employment condition is not satisfied shall be forfeited, subject to the special provisions set forth in subsections (iv) through (vii) of this Section 3.

(iv) In the event of a Change in Control prior to the Vesting Date where the holders of the Company’s Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control, the Market Share Units shall immediately become vested. Any Market Share Unit that vests as a result of a Change in Control under this subsection shall vest based on the Payout Factor determined by substituting the date of such Change in Control for the Vesting Date.

(v) If the Participant’s employment terminates due to death, Permanent Disability, or the Participant terminates employment for Good Reason, or is terminated by the Company without Cause, Market Share Units not previously vested shall not then be forfeited, but shall continue to vest and be settled pursuant to the Normal Vesting Schedule (without regard to the requirement that the Participant be employed); provided, however, that such Market Share Units shall be subject to the restrictions on transfer contained in Section 3(b) of this Agreement until the Vesting Date; and provided further that in the event such termination of employment occurs on or within two years after a Change in Control (other than a Change in Control described in Section 3(a)(iv) above), the Market Share Units shall immediately become vested based on the Payout Factor determined by substituting the date of such termination of employment for the Vesting Date. To the extent the date of the Participant’s termination of employment and the Vesting Date are in different tax years, any amount payable under this subsection shall constitute the payment of nonqualified deferred compensation, subject to the requirements of Code Section 409A.

(vi) In the event of the Participant’s resignation or termination of employment (other than for Cause) on or after the earlier of (A) the Participant’s 60th birthday and having attained ten (10) years of service with the Company or a Subsidiary (including years of service granted by the Company as a result of a merger, acquisition, or other transaction) or (B) the Participant’s 65th birthday (a “Retirement”), where such Retirement is on or after April 1, 2011, Market Share Units not previously vested shall not then be forfeited, but shall continue to vest and be settled pursuant to the Normal Vesting Schedule (without regard to the requirement that the Participant be employed); provided, however, that such Market Share Units shall be subject to the restrictions on transfer contained in Section 3(b) of this Agreement until the Vesting Date. If the Participant’s Retirement occurs prior to April 1, 2011, unvested Market Share Units shall continue to vest and be settled in accordance with this subsection (vi); provided, however, that such vesting and settlement shall be on a pro-rata basis based on the number of calendar days the Participant has been employed by the Company during the period beginning on April 1, 2010 and ending on the date of Retirement. To the extent the Participant’s Retirement date and the Vesting Date are in different tax years, any amount payable under this subsection shall constitute the payment of nonqualified deferred compensation, subject to the requirements of Code Section 409A.

(b) Restrictions on Transfer. Until the earlier of the Vesting Date, the date of a Change in Control described in Section 3(a)(iv), or the date of a termination of employment on or within two years after a Change in Control described in Section 3(a)(v), or as otherwise provided in the Plan, no transfer of the Market Share Units or any of the Participant's rights with respect to the Market Share Units, whether voluntary or involuntary, by operation of law or otherwise, shall be permitted. Unless the Company's Compensation Committee determines otherwise, upon any attempt to transfer any Market Share Units or any rights in respect of the Market Share Units before the earlier of the Vesting Date, the date of a Change in Control described in Section 3(a)(iv), or the date of a termination of employment on or within two years after a Change in Control described in Section 3(a)(v), such unit, and all of the rights related to such unit, shall be immediately forfeited by the Participant and transferred to, and reacquired by, the Company without consideration of any kind.

(c) Forfeiture. Upon termination of the Participant's employment with the Company or a Subsidiary for any reason other than one of the reasons set forth in subsections (v) and (vi) of Section 3(a), the Participant shall forfeit any and all Market Share Units which have not vested as of the date of such termination and such units shall revert to the Company without consideration of any kind.

(d) Settlement. Market Share Units not previously forfeited shall be settled on the earlier of the Vesting Date, the date of a Change in Control described in Section 3(a)(iv), or the date of a termination of employment on or within two years after a Change in Control described in Section 3(a)(v) by delivery of one share of common stock for each Market Share Unit being settled.

4. Noncompetition. The Participant agrees with the Company that, for so long as the Participant is employed by the Company or any of its Subsidiaries and continuing for twelve (12) months (or such longer period as may be provided in an employment or similar agreement between the Participant and the Company or one of its Subsidiaries) following a termination of such employment under Sections 3(a)(v) or (vi) of this Agreement or that occurs after any of the Market Share Units have vested, the Participant will not, without the prior written consent of the Company, directly or indirectly, and whether as principal or investor or as an employee, officer, director, manager, partner, consultant, agent, or otherwise, alone or in association with any other person, firm, corporation, or other business organization, become involved in a Competing Business in any geographic area in which the Company or any of its Subsidiaries has engaged during such period in a Competing Business, or in which the Participant has knowledge of the Company's plans to engage in a Competing Business (including, without limitation, any area in which any customer of the Company or any of its Subsidiaries may be located); provided, however, that the provisions of this Section 4 shall apply solely to those activities of a Competing Business, with which the Participant was personally involved or for which the Participant was responsible while employed by the Company or its Subsidiaries during the twelve (12) month period preceding termination of the Participant's employment.

5. Wrongful Solicitation. As a separate and independent covenant, the Participant agrees with the Company that, for so long as the Participant is employed by the Company or any of its Subsidiaries and continuing for twelve (12) months (or such longer period as may be provided in an employment or similar agreement between the Participant and the Company or

one of its Subsidiaries) following a termination of such employment under Sections 3(a)(v) or (vi) of this Agreement or that occurs after any of the Market Share Units have vested, the Participant will not engage in any Wrongful Solicitation.

6. Confidentiality; Specific Performance.

(a) The Participant agrees with the Company that the Participant will not at any time, except in performance of the Participant's obligations to the Company hereunder or with the prior written consent of the Company, directly or indirectly, reveal to any person, entity, or other organization (other than the Company, or its employees, officers, directors, stockholders, or agents) or use for the Participant's own benefit any information deemed to be confidential by the Company or any of its Affiliates ("Confidential Information") relating to the assets, liabilities, employees, goodwill, business, or affairs of the Company or any of its Affiliates, including, without limitation, any information concerning past, present, or prospective customers, manufacturing processes, marketing, operating, or financial data, or other confidential information used by, or useful to, the Company or any of its Affiliates and known (whether or not known with the knowledge and permission of the Company or any of its Affiliates and whether or not at any time prior to the Date of Grant developed, devised, or otherwise created in whole or in part by the efforts of the Participant) to the Participant by reason of the Participant's employment with, equity holdings in, or other association with the Company or any of its Affiliates. The Participant further agrees that the Participant will retain all copies and extracts of any written Confidential Information acquired or developed by the Participant during any such employment, equity holding, or association in trust for the sole benefit of the Company, its Affiliates, and their successors and assigns. The Participant further agrees that the Participant will not, without the prior written consent of the Company, remove or take from the Company's or any of its Affiliate's premises (or if previously removed or taken, the Participant will promptly return) any written Confidential Information or any copies or extracts thereof. Upon the request and at the expense of the Company, the Participant shall promptly make all disclosures, execute all instruments and papers, and perform all acts reasonably necessary to vest and confirm in the Company and its Affiliates, fully and completely, all rights created or contemplated by this Section 6. The term "Confidential Information" shall not include information that is or becomes generally available to the public other than as a result of a disclosure by, or at the direction of, the Participant.

(b) The Participant agrees that upon termination of the Participant's employment with the Company or any Subsidiary for any reason, the Participant will return to the Company immediately all memoranda, books, papers, plans, information, letters and other data, and all copies thereof or therefrom, in any way evidencing (in whole or in part) Confidential Information relating to the business of the Company and its Subsidiaries and Affiliates. The Participant further agrees that the Participant will not retain or use for the Participant's account at any time any trade names, trademark, or other proprietary business designation used or owned in connection with the business of the Company or its Subsidiaries or Affiliates.

(c) The Participant acknowledges and agrees that the Company's remedies at law for a breach or threatened breach of any of the provisions of this Section 6, or Section 4 or 5 above, would be inadequate and, in recognition of this fact, the Participant agrees that, in the

event of such a breach or threatened breach, in addition to any remedies at law, the Company, without posting any bond, shall be entitled to obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction, or any other equitable remedy which may then be available.

7. Taxes.

(a) This Section 7(a) applies only to (a) all Participants who are U.S. employees, and (b) to those Participants who are employed by a Subsidiary of the Company that is obligated under applicable local law to withhold taxes with respect to the settlement of the Market Share Units. Such Participant shall pay to the Company or a designated Subsidiary, promptly upon request, and in any event at the time the Participant recognizes taxable income with respect to the Market Share Units, an amount equal to the taxes the Company determines it is required to withhold under applicable tax laws with respect to the Market Share Units. The Participant may satisfy the foregoing requirement by making a payment to the Company in cash or, with the approval of the Plan administrator, by delivering already owned unrestricted shares of Common Stock or by having the Company withhold a number of shares of Common Stock in which the Participant would otherwise become vested under this Agreement, in each case, having a value equal to the minimum amount of tax required to be withheld. Such shares shall be valued at their fair market value on the date as of which the amount of tax to be withheld is determined.

(b) The Participant acknowledges that the tax laws and regulations applicable to the Market Share Units and the disposition of the shares following the settlement of Market Share Units are complex and subject to change.

8. Securities Laws Requirements. The Company shall not be obligated to transfer any shares following the settlement of Market Share Units to the Participant free of a restrictive legend if such transfer, in the opinion of counsel for the Company, would violate the Securities Act of 1933, as amended (the "Securities Act") (or any other federal or state statutes having similar requirements as may be in effect at that time).

9. No Obligation to Register. The Company shall be under no obligation to register any shares as a result of the settlement of the Market Share Units pursuant to the Securities Act or any other federal or state securities laws.

10. Market Stand-Off. In connection with any underwritten public offering by the Company of its equity securities pursuant to an effective registration statement filed under the Securities Act for such period as the Company or its underwriters may request (such period not to exceed 180 days following the date of the applicable offering), the Participant shall not, directly or indirectly, sell, make any short sale of, loan, hypothecate, pledge, offer, grant or sell any option or other contract for the purchase of, purchase any option or other contract for the sale of, or otherwise dispose of or transfer, or agree to engage in any of the foregoing transactions with respect to, any of the Market Share Units granted under this Agreement or any shares resulting the settlement thereof without the prior written consent of the Company or its underwriters.

11. Protections Against Violations of Agreement. No purported sale, assignment, mortgage, hypothecation, transfer, pledge, encumbrance, gift, transfer in trust (voting or other) or other disposition of, or creation of a security interest in or lien on, any of the Market Share Units by any holder thereof in violation of the provisions of this Units Agreement or the Certificate of Incorporation or the Bylaws of the Company, will be valid, and the Company will not transfer any shares resulting from the settlement of Market Share Units on its books nor will any of such shares be entitled to vote, nor will any dividends be paid thereon, unless and until there has been full compliance with such provisions to the satisfaction of the Company. The foregoing restrictions are in addition to and not in lieu of any other remedies, legal or equitable, available to enforce such provisions.

12. Rights as a Stockholder. The Participant shall not possess the right to vote the shares underlying the Market Share Units until the Market Share Units have settled in accordance with the provisions of this Agreement and the Plan.

13. Survival of Terms. This Agreement shall apply to and bind the Participant and the Company and their respective permitted assignees and transferees, heirs, legatees, executors, administrators and legal successors. The terms of Sections 4, 5 and 6 shall expressly survive the forfeiture of the Market Share Units and this Agreement.

14. Notices. All notices and other communications provided for herein shall be in writing and shall be delivered by hand or sent by certified or registered mail, return receipt requested, postage prepaid, addressed, if to the Participant, to the Participant’s attention at the mailing address set forth at the foot of this Agreement (or to such other address as the Participant shall have specified to the Company in writing) and, if to the Company, to the Company’s office at 2366 Bernville Road, Reading, Pennsylvania 19605, Attention: General Counsel (or to such other address as the Company shall have specified to the Participant in writing). All such notices shall be conclusively deemed to be received and shall be effective, if sent by hand delivery, upon receipt, or if sent by registered or certified mail, on the fifth day after the day on which such notice is mailed.

15. Waiver. The waiver by either party of compliance with any provision of this Agreement by the other party shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by such party of a provision of this Agreement.

16. Authority of the Administrator. The Plan Administrator, which is the Company’s Compensation Committee, shall have full authority to interpret and construe the terms of the Plan and this Agreement. The determination of the administrator as to any such matter of interpretation or construction shall be final, binding and conclusive.

17. Representations. The Participant has reviewed with his own tax advisors the applicable tax (U.S., foreign, state, and local) consequences of the transactions contemplated by this Agreement. The Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. The Participant understands that he (and not the Company) shall be responsible for any tax liability that may arise as a result of the transactions contemplated by this Agreement.

18. Investment Representation. The Participant hereby represents and warrants to the Company that the Participant, by reason of the Participant's business or financial experience (or the business or financial experience of the Participant's professional advisors who are unaffiliated with and who are not compensated by the Company or any affiliate or selling agent of the Company, directly or indirectly), has the capacity to protect the Participant's own interests in connection with the transactions contemplated under this Agreement.

19. Entire Agreement; Governing Law. This Agreement and the Plan and the other related agreements expressly referred to herein set forth the entire agreement and understanding between the parties hereto and supersedes all prior agreements and understandings relating to the subject matter hereof. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same agreement. The headings of sections and subsections herein are included solely for convenience of reference and shall not affect the meaning of any of the provisions of this Agreement. This Agreement shall be governed by, and construed in accordance with, the laws of the Commonwealth of Pennsylvania, USA.

20. Severability. Should any provision of this Agreement be held by a court of competent jurisdiction to be unenforceable, or enforceable only if modified, such holding shall not affect the validity of the remainder of this Agreement, the balance of which shall continue to be binding upon the parties hereto with any such modification (if any) to become a part hereof and treated as though contained in this original Agreement. Moreover, if one or more of the provisions contained in this Agreement shall for any reason be held to be excessively broad as to scope, activity, subject or otherwise so as to be unenforceable, in lieu of severing such unenforceable provision, such provision or provisions shall be construed by the appropriate judicial body by limiting or reducing it or them, so as to be enforceable to the maximum extent compatible with the applicable law as it shall then appear, and such determination by such judicial body shall not affect the enforceability of such provisions or provisions in any other jurisdiction.

21. Amendments; Construction. The Plan administrator may amend the terms of this Agreement prospectively or retroactively at any time, but no such amendment shall impair the rights of the Participant hereunder without his or her consent. To the extent the terms of Section 4 above conflict with any prior agreement between the parties related to such subject matter, the terms of Section 4 shall supersede such conflicting terms and control. Headings to Sections of this Agreement are intended for convenience of reference only, are not part of this Market Share Units and shall have no affect on the interpretation hereof.

22. Acceptance. The Participant hereby acknowledges receipt of a copy of the Plan and this Agreement. The Participant has read and understand the terms and provision thereof, and accepts the shares of Market Share Units subject to all the terms and conditions of the Plan and this Agreement. The Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under this Agreement.

23. Miscellaneous.

(a) No Rights to Grants or Continued Employment. The Participant acknowledges that the award granted under this Agreement is not employment compensation nor is it an employment right, and is being granted at the sole discretion of the Company's Compensation Committee. The Participant shall not have any claim or right to receive grants of Awards under the Plan. Neither the Plan or this Agreement, nor any action taken or omitted to be taken hereunder or thereunder, shall be deemed to create or confer on the Participant any right to be retained as an employee of the Company or any Subsidiary or other Affiliate thereof, or to interfere with or to limit in any way the right of the Company or any Affiliate or Subsidiary thereof to terminate the employment of the Participant at any time.

(b) No Restriction on Right of Company to Effect Corporate Changes. Neither the Plan nor this Agreement shall affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations, or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred, or prior preference stocks whose rights are superior to or affect the Common Stock or the rights thereof or which are convertible into or exchangeable for Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of the assets or business of the Company, or any other corporate act or proceeding, whether of a similar character or otherwise.

(c) Assignment. The Company shall have the right to assign any of its rights and to delegate any of its duties under this Agreement to any of its Affiliates.

24. Code Section 409A. Notwithstanding anything in this Agreement to the contrary, the receipt of any benefits under this Agreement as a result of a termination of employment shall be subject to satisfaction of the condition precedent that the Participant undergo a "separation from service" within the meaning of Treas. Reg. § 1.409A-1(h) or any successor thereto. In addition, if a Participant is deemed to be a "specified employee" within the meaning of that term under Code Section 409A(a)(2)(B), then with regard to any payment or the provisions of any benefit that is required to be delayed pursuant to Code Section 409A(a)(2)(B), such payment or benefit shall not be made or provided prior to the earlier of (i) the expiration of the six (6) month period measured from the date of the Participant's "separation from service" (as such term is defined in Treas. Reg. § 1.409A-1(h)), or (ii) the date of the Participant's death (the "Delay Period"). Within ten (10) days following the expiration of the Delay Period, all payments and benefits delayed pursuant to this Section (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Participant in a lump sum, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein.

THIS AGREEMENT SHALL BE NULL AND VOID AND UNENFORCEABLE BY THE PARTICIPANT UNLESS SIGNED AND DELIVERED TO THE COMPANY NOT LATER THAN THIRTY (30) DAYS SUBSEQUENT TO THE DATE OF GRANT SET FORTH BELOW.

BY SIGNING THIS AGREEMENT, THE PARTICIPANT IS HEREBY CONSENTING TO THE PROCESSING AND TRANSFER OF THE PARTICIPANT'S PERSONAL DATA BY THE COMPANY TO THE EXTENT NECESSARY TO ADMINISTER AND PROCESS THE AWARDS GRANTED UNDER THIS AGREEMENT.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer and the Participant has executed this Agreement, both as of the day and year first above written.

ENERSYS

By: ______________________________

Name: John D. Craig

Title: Chairman, President & CEO

PARTICIPANT

______________________________

Name: ______________________________

Address: ______________________________

______________________________

Date of Grant: __________

Number of Shares of Market Share Units: __________

**Exhibit 12.1**

RATIO OF EARNINGS TO FIXED CHARGES

**EnerSys**

**Computation of Ratio of Earnings to Fixed Charges**

The following table sets forth the ratio of earnings to fixed charges of the Company for the five fiscal years ended March 31, 2010:

| | Fiscal year ended March 31, | | | | |
|---|---|---|---|---|---|
| | 2010 | 2009 | 2008 | 2007 | 2006 |
| | (dollars in thousands) | | | | |
| **Earnings:** | | | | | |
| Income before provision for income taxes | $ 87,255 | $119,100 | $ 86,195 | $ 63,102 | $44,803 |
| Plus: fixed charges | 32,573 | 37,544 | 39,140 | 38,638 | 33,835 |
| **Total** | 119,828 | 156,644 | 125,335 | 101,740 | 78,638 |
| **Fixed charges:** | | | | | |
| Interest expense | $ 23,587 | $ 27,795 | $ 29,746 | $ 29,613 | $25,582 |
| Interest within rental expense | 8,986 | 9,749 | 9,394 | 9,025 | 8,253 |
| **Total** | 32,573 | 37,544 | 39,140 | 38,638 | 33,835 |
| **Ratio of earnings to fixed charges** | 3.68 | 4.17 | 3.20 | 2.63 | 2.32 |

**NOTE:** These Ratios include EnerSys and its consolidated subsidiaries. The ratio of earnings to fixed charges was computed by dividing earnings by fixed charges for the periods indicated, where "earnings" consist of (1) earnings from operations before income taxes plus (2) fixed charges, and "fixed charges" consist of (a) interest, whether expensed or capitalized, on all indebtedness, including non-cash interest accreted on Convertible Notes of $5,439 and $4,261, respectively, in fiscal 2010 and fiscal 2009, (b) amortization of premiums, discounts and capitalized expenses related to indebtedness, and (c) an interest component representing one-third of total operating lease rental expense, which is that portion deemed to be interest. Interest on FIN 48 liabilities is included in the tax provision in the Company's Consolidated Statements of Income and is excluded from the computation of fixed charges.

Exhibit 21.1

**ENERSYS**
**Subsidiaries**

| Subsidiary | Jurisdiction of Incorporation or Organization |
|---|---|
| EnerSys Australia Pty Ltd. | Australia |
| EnerSys GmbH | Austria |
| EnerSys SPRL | Belgium |
| EnerSys Participacoes Ltda. | Brazil |
| EnerSys AD (98%) | Bulgaria |
| EnerSys Canada Inc. | Canada |
| EnerSys Cayman Euro L.P. | Cayman Islands |
| EnerSys Cayman Holdings L.P. | Cayman Islands |
| EnerSys Cayman Inc. | Cayman Islands |
| EnerSys Cayman L.P. | Cayman Islands |
| YCI, Inc. | Cayman Islands |
| EnerSys (Chaozhou) Huada Batteries Company Limited | China |
| EnerSys (China) Huada Batteries Company Limited | China |
| EnerSys (Jiangsu) Huada Batteries Company Limited (91%) | China |
| Shenzhen Huada Power Supply Mechanical & Electrical Co. Ltd. (80%) | China |
| EnerSys, s.r.o. | Czech Republic |
| EnerSys A/S | Denmark |
| EnerSys Europe Oy | Finland |
| EnerSys SARL | France |
| GAZ GmbH | Germany |
| Hawker GmbH | Germany |
| EnerSys Asia Limited | Hong Kong |
| EnerSys Hungária Kft. | Hungary |
| EnerSys Battery Private Limited | India |
| EnerSys S.r.l. | Italy |
| EnerSys Holdings (Luxembourg) Sarl | Luxembourg |
| EnerSys Luxembourg Finance Sarl | Luxembourg |
| EnerSys de Mexico, S.A. de CV | Mexico |
| Powersonic, S.A. de CV | Mexico |
| Yecoltd, S. de R.L. de CV | Mexico |
| EnerSys AS | Norway |
| EnerSys sp. z o.o. | Poland |
| Powersafe Acumuladores Industrialis Unipessoal, Lda. | Portugal |
| EnerSys CJSC | Russia |
| EnerSys Reserve Power Pte. Ltd. | Singapore |
| Acumuladores Industriales EnerSys SA | Spain |
| EnerSys AB | Sweden |
| Oerlikon Batterier AB | Sweden |
| EH Europe GmbH | Switzerland |
| OEB Traktionsbatterien AG | Switzerland |
| EnerSys BV | The Netherlands |
| EnerSys Assad Sarl (51%) | Tunisia |
| EnerSys Holdings UK Ltd. | United Kingdom |
| EnerSys Ltd. | United Kingdom |
| EnerSys Advanced Systems Inc. | Delaware |
| EnerSys Capital Inc. | Delaware |
| EnerSys Delaware LLC I | Delaware |
| EnerSys Delaware LLC II | Delaware |
| EnerSys Delaware LLC III | Delaware |
| EnerSys Delaware LLC IV | Delaware |
| EnerSys European Holding Co. | Delaware |
| EnerSys Delaware Inc. | Delaware |
| EnerSys Mexico Management LLC | Delaware |
| Esfinco, Inc. | Delaware |
| Esrmco, Inc. | Delaware |
| EnerSys Energy Products Inc. | Delaware |
| Hawker Powersource, Inc. | Delaware |
| Hawker Power Systems, Inc. | Delaware |
| Modular Energy Devices, Inc. (75%) | Delaware |
| New Pacifico Realty, Inc. | Nevada |

Exhibit 23.1

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-143209) pertaining to the EnerSys 2006 Equity Incentive Plan,

(2) Registration Statement (Form S-3 No. 333-147029) of EnerSys,

(3) Registration Statement (Form S-3 No. 333-136085) of EnerSys,

(4) Registration Statement (Form S-3 No. 333-151000) of EnerSys, and

(5) Registration Statement (Form S-8 No. 333-120660) pertaining to the EnerSys Employee Stock Purchase Plan and the EnerSys 2004 Equity Incentive Plan;

of our reports dated June 1, 2010, with respect to the consolidated financial statements and schedule of EnerSys and the effectiveness of internal control over financial reporting of EnerSys, included in this Annual Report (Form 10-K) for the year ended March 31, 2010.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
June 1, 2010

**EXHIBIT 31.1**

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13A-14(A)/15D-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, John D. Craig, certify that:

1. I have reviewed this Annual Report on Form 10-K of EnerSys;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

ENERSYS

By /s/ John D. Craig
John D. Craig
Chairman, President and Chief Executive Officer

Date: June 1, 2010

**EXHIBIT 31.2**

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER**
**PURSUANT TO RULE 13A-14(A)/15D-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, Michael J. Schmidtlein, certify that:

1. I have reviewed this Annual Report on Form 10-K of EnerSys;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the registrant and have:
   - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

ENERSYS

By /s/ Michael J. Schmidtlein
Michael J. Schmidtlein
Senior Vice President Finance and Chief Financial Officer

Date: June 1, 2010

**EXHIBIT 32.1**

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18. U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of EnerSys on Form 10-K for the fiscal year ended March 31, 2010 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-K fairly presents, in all material respects, the financial condition and results of operations of EnerSys.

ENERSYS

By /s/ John D. Craig
John D. Craig
Chairman, President and Chief Executive Officer

By /s/ Michael J. Schmidtlein
Michael J. Schmidtlein
Senior Vice President Finance and Chief Financial Officer

Date: June 1, 2010