

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 27, 2015

TRANSITION REPORT UNDER 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
(State or other jurisdiction of
incorporation or organization)

23-3058564
(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

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 (§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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Securities Exchange Act of 1934.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). YES NO.

Common Stock outstanding at October 28, 2015: 44,396,260 shares

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PART I – FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS**

ENERSYS
Consolidated Condensed Balance Sheets (Unaudited)
(In Thousands, Except Share and Per Share Data)

	September 27, 2015	March 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 320,565	\$ 268,921
Accounts receivable, net of allowance for doubtful accounts: September 27, 2015 - \$9,610; March 31, 2015 - \$7,562	482,933	518,165
Inventories, net	345,954	337,011
Deferred taxes	32,898	31,749
Prepaid and other current assets	132,146	77,572
Total current assets	1,314,496	1,233,418
Property, plant, and equipment, net	359,862	356,854
Goodwill	385,336	369,730
Other intangible assets, net	164,662	158,160
Other assets	53,154	44,885
Total assets	\$ 2,277,510	\$ 2,163,047
Liabilities and Equity		
Current liabilities:		
Short-term debt	\$ 24,550	\$ 19,715
Accounts payable	219,365	218,574
Accrued expenses	216,869	195,082
Total current liabilities	460,784	433,371
Long-term debt	643,125	495,936
Deferred taxes	70,261	99,398
Other liabilities	83,107	81,616
Total liabilities	1,257,277	1,110,321
Commitments and contingencies		
Redeemable noncontrolling interests	5,488	6,956
Redeemable equity component of Convertible Notes	—	1,330
Equity:		
Preferred Stock, \$0.01 par value, 1,000,000 shares authorized, no shares issued or outstanding at September 27, 2015 and at March 31, 2015	—	—
Common Stock, \$0.01 par value per share, 135,000,000 shares authorized; 54,106,340 shares issued and 44,389,824 shares outstanding at September 27, 2015; 53,664,639 shares issued and 44,068,588 shares outstanding at March 31, 2015	545	537
Additional paid-in capital	429,754	525,967
Treasury stock, at cost, 9,716,516 shares held as of September 27, 2015; 9,596,051 shares held as of March 31, 2015	(370,293)	(376,005)
Retained earnings	1,069,870	997,376
Accumulated other comprehensive loss	(120,563)	(108,975)
Total EnerSys stockholders' equity	1,009,313	1,038,900
Nonredeemable noncontrolling interests	5,432	5,540
Total equity	1,014,745	1,044,440
Total liabilities and equity	\$ 2,277,510	\$ 2,163,047

See accompanying notes.

ENERSYS
Consolidated Condensed Statements of Income (Unaudited)
(In Thousands, Except Share and Per Share Data)

	Quarter ended	
	September 27, 2015	September 28, 2014
Net sales	\$ 569,134	\$ 629,927
Cost of goods sold	414,195	467,387
Gross profit	154,939	162,540
Operating expenses	89,561	96,910
Restructuring and other exit charges	2,629	1,810
Legal proceedings charge / (reversal of legal accrual, net of fees) - See Note 7	3,201	(16,233)
Operating earnings	59,548	80,053
Interest expense	5,020	4,362
Other (income) expense, net	736	(3,407)
Earnings before income taxes	53,792	79,098
Income tax expense	14,024	22,548
Net earnings	39,768	56,550
Net earnings (losses) attributable to noncontrolling interests	(257)	234
Net earnings attributable to EnerSys stockholders	\$ 40,025	\$ 56,316
Net earnings per common share attributable to EnerSys stockholders:		
Basic	\$ 0.89	\$ 1.22
Diluted	\$ 0.87	\$ 1.16
Dividends per common share	\$ 0.175	\$ 0.175
Weighted-average number of common shares outstanding:		
Basic	44,944,027	46,133,637
Diluted	46,005,399	48,537,276

See accompanying notes.

ENERSYS
Consolidated Condensed Statements of Income (Unaudited)
(In Thousands, Except Share and Per Share Data)

	Six months ended	
	September 27, 2015	September 28, 2014
Net sales	\$ 1,131,202	\$ 1,264,037
Cost of goods sold	825,848	938,920
Gross profit	305,354	325,117
Operating expenses	174,069	185,969
Restructuring and other exit charges	3,847	3,639
Legal proceedings charge / (reversal of legal accrual, net of fees) - See Note 7	3,201	(16,233)
Gain on sale of facility	(4,348)	—
Operating earnings	128,585	151,742
Interest expense	11,367	9,246
Other (income) expense, net	1,431	(2,379)
Earnings before income taxes	115,787	144,875
Income tax expense	28,085	39,210
Net earnings	87,702	105,665
Net earnings (losses) attributable to noncontrolling interests	(710)	180
Net earnings attributable to EnerSys stockholders	\$ 88,412	\$ 105,485
Net earnings per common share attributable to EnerSys stockholders:		
Basic	\$ 1.98	\$ 2.27
Diluted	\$ 1.91	\$ 2.15
Dividends per common share	\$ 0.35	\$ 0.35
Weighted-average number of common shares outstanding:		
Basic	44,588,971	46,516,470
Diluted	46,380,887	49,131,757

See accompanying notes.

ENERSYS
Consolidated Condensed Statements of Comprehensive Income (Unaudited)
(In Thousands)

	Quarter ended		Six months ended	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
Net earnings	\$ 39,768	\$ 56,550	\$ 87,702	\$ 105,665
Other comprehensive income:				
Net unrealized (loss) gain on derivative instruments, net of tax	(4,444)	76	(5,437)	2,567
Pension funded status adjustment, net of tax	315	181	638	366
Foreign currency translation adjustment	(28,202)	(50,458)	(7,655)	(53,015)
Total other comprehensive loss, net of tax	(32,331)	(50,201)	(12,454)	(50,082)
Total comprehensive income	7,437	6,349	75,248	55,583
Comprehensive loss attributable to noncontrolling interests	(1,048)	(228)	(1,576)	(449)
Comprehensive income attributable to EnerSys stockholders	<u>\$ 8,485</u>	<u>\$ 6,577</u>	<u>\$ 76,824</u>	<u>\$ 56,032</u>

See accompanying notes.

ENERSYS
Consolidated Condensed Statements of Cash Flows (Unaudited)
(In Thousands)

	Six months ended	
	September 27, 2015	September 28, 2014
Cash flows from operating activities		
Net earnings	\$ 87,702	\$ 105,665
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	27,851	28,366
Write-off of assets relating to restructuring	328	547
Derivatives not designated in hedging relationships:		
Net losses (gains)	294	(364)
Cash proceeds	801	198
Provision for doubtful accounts	2,369	567
Deferred income taxes	(3,318)	22,270
Non-cash interest expense	2,104	4,655
Stock-based compensation	10,338	17,059
Gain on sale of facility	(4,348)	—
Gain on disposal of property, plant, and equipment	(13)	(58)
Reversal of legal accrual, net of fees - See Note 7	(799)	(16,233)
Gain on disposition of equity interest in Alteryx - See Note 7	—	(2,000)
Changes in assets and liabilities:		
Accounts receivable	40,899	(17,429)
Inventories	(4,799)	(40,304)
Prepaid and other current assets	3,338	(3,910)
Other assets	(1,195)	1,163
Accounts payable	2,577	9,152
Accrued expenses	8,642	(67,909)
Other liabilities	1,849	9,130
Net cash provided by operating activities	174,620	50,565
Cash flows from investing activities		
Capital expenditures	(33,519)	(27,513)
Purchase of businesses	(39,079)	—
Proceeds from sale of facility	9,179	—
Proceeds from disposal of property, plant, and equipment	780	103
Proceeds from disposition of equity interest in Alteryx	—	2,000
Net cash used in investing activities	(62,639)	(25,410)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	5,787	(7,534)
Proceeds from revolving credit borrowings	270,000	246,000
Repayments of revolving credit borrowings	(250,000)	(251,000)
Proceeds from long-term debt	300,000	150,000
Repayments of Convertible Notes	(172,266)	(203)
Repayments of long-term debt	(1,875)	—
Deferred financing costs	(4,971)	(1,076)
Taxes paid related to net share settlement of equity awards, net of option proceeds	(15,285)	(12,664)
Excess tax benefits from exercise of stock options and vesting of equity awards	3,450	3,035
Purchase of treasury stock	(120,637)	(120,938)
Prepayment of accelerated stock repurchase	(60,000)	—
Dividends paid to stockholders	(15,553)	(16,156)
Other	(45)	(134)
Net cash used in financing activities	(61,395)	(10,670)
Effect of exchange rate changes on cash and cash equivalents	1,058	(14,688)
Net increase (decrease) in cash and cash equivalents	51,644	(203)
Cash and cash equivalents at beginning of period	268,921	240,103
Cash and cash equivalents at end of period	\$ 320,565	\$ 239,900

See accompanying notes.

ENERSYS
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)
(In Thousands, Except Share and Per Share Data)

1. Basis of Presentation

The accompanying interim unaudited consolidated condensed financial statements of EnerSys (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and notes required for complete financial statements. In the opinion of management, the unaudited consolidated condensed financial statements include all normal recurring adjustments considered necessary for the fair presentation of the financial position, results of operations, and cash flows for the interim periods presented. The financial statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in the Company's 2015 Annual Report on Form 10-K (SEC File No. 001-32253), which was filed on May 27, 2015 (the "2015 Annual Report").

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 quarters in fiscal 2016 end on June 28, 2015, September 27, 2015, December 27, 2015, and March 31, 2016, respectively. The four quarters in fiscal 2015 ended on June 29, 2014, September 28, 2014, December 28, 2014, and March 31, 2015, respectively.

The consolidated condensed financial statements include the accounts of the Company and its wholly-owned subsidiaries and any partially owned subsidiaries that the Company has the ability to control. All intercompany transactions and balances have been eliminated in consolidation.

The Company also consolidates certain subsidiaries in which the noncontrolling interest party has within its control the right to require the Company to redeem all or a portion of its interest in the subsidiary. The redeemable noncontrolling interests are reported at their estimated redemption value, and the amount presented in temporary equity is not less than the initial amount reported in temporary equity. Any adjustment to the redemption value impacts retained earnings but does not impact net income or comprehensive income. Noncontrolling interests which are redeemable only upon future events, the occurrence of which is not currently probable, are recorded at carrying value.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) providing guidance on revenue from contracts with customers that will supersede most current revenue recognition guidance, including industry-specific guidance. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. In July 2015, the FASB voted to delay the effective date for interim and annual reporting periods beginning after December 15, 2017, with early adoption permissible one year earlier. The Company is currently evaluating the impact, if any, of the adoption of this newly issued guidance on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs." The update simplifies the presentation of debt issuance costs by requiring that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update and amortization of the costs will continue to be reported as interest expense. For public companies, this update is effective for interim and annual periods beginning after December 15, 2015, and is to be applied retrospectively. The Company does not expect this standard to have a significant impact on its consolidated financial statements.

In July 2015, the FASB issued ASU 2015-011, "Simplifying the Measurement of Inventory (Topic 330)." This update requires inventory to be measured at the lower of cost or net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. This update will be effective for the Company for all annual and interim periods beginning after December 15, 2016. The amendments in this update should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. This update will not have a material impact on its consolidated financial statements.

In September 2015, the FASB issued ASU 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments (Topic 805)."

The amendments in this update require that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments in this update require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date.

The amendments in this update are effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. The Company is currently evaluating the impact, if any, of the adoption of this newly issued guidance on its consolidated financial statements.

2. Inventories

Inventories, net consist of:

	September 27, 2015	March 31, 2015
Raw materials	\$ 82,935	\$ 82,954
Work-in-process	110,845	106,196
Finished goods	152,174	147,861
Total	<u>\$ 345,954</u>	<u>\$ 337,011</u>

3. Fair Value of Financial Instruments

Recurring Fair Value Measurements

The following tables represent the financial assets and (liabilities) measured at fair value on a recurring basis as of September 27, 2015 and March 31, 2015 and the basis for that measurement:

	Total Fair Value Measurement September 27, 2015	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Lead forward contracts	\$ (5,739)	\$ —	\$ (5,739)	\$ —
Foreign currency forward contracts	(1,070)	—	(1,070)	—
Total derivatives	<u>\$ (6,809)</u>	<u>\$ —</u>	<u>\$ (6,809)</u>	<u>\$ —</u>

	Total Fair Value Measurement March 31, 2015	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Lead forward contracts	\$ (341)	\$ —	\$ (341)	\$ —
Foreign currency forward contracts	4,155	—	4,155	—
Total derivatives	<u>\$ 3,814</u>	<u>\$ —</u>	<u>\$ 3,814</u>	<u>\$ —</u>

The fair values of lead forward contracts are calculated using observable prices for lead as quoted on the London Metal Exchange ("LME") and, therefore, were classified as Level 2 within the fair value hierarchy, as described in the Company's consolidated financial statements included in its 2015 Annual Report in Note 1, Summary of Significant Accounting Policies.

The fair values 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.

Financial Instruments

The fair values of the Company's cash and cash equivalents, accounts receivable and accounts payable approximate carrying value due to their short maturities.

The fair value of the Company's short-term debt and borrowings under the 2011 Credit Facility (as defined in Note 9), approximate their respective carrying value, as they are variable rate debt and the terms are comparable to market terms as of the balance sheet dates and are classified as Level 2.

The Company's 5.00% Senior Notes due 2023 (the "Notes"), with an original face value of \$300,000, were issued in April 2015. The fair values of these Notes represent the trading values based upon quoted market prices and are classified as Level 2. The Notes were trading at approximately 97% of face value on September 27, 2015.

The carrying amounts and estimated fair values of the Company's derivatives, Notes and Convertible Notes at September 27, 2015 and March 31, 2015 were as follows:

	September 27, 2015		March 31, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Derivatives ⁽¹⁾	\$ —	\$ —	\$ 4,155	\$ 4,155
Financial liabilities:				
Notes ⁽²⁾	\$ 300,000	\$ 290,250 ⁽²⁾	\$ —	\$ —
Convertible Notes ^{(2) (3)}	—	—	170,936 ⁽³⁾	277,348 ⁽²⁾
Derivatives ⁽¹⁾	6,809	6,809	341	341

⁽¹⁾ Represents lead and foreign currency forward contracts.

⁽²⁾ The fair value amount of the Notes at September 27, 2015 and the Convertible Notes (as defined in Note 9) at March 31, 2015 represent the trading value of the instruments.

⁽³⁾ The carrying amount of the Convertible Notes at March 31, 2015 represent the \$172,266 principal balance, less the unamortized debt discount (see Note 9 for further details).

Non-recurring fair value measurements

The valuation of goodwill and other intangible assets is based on information and assumptions available to the Company at the time of acquisition, using income and market approaches to determine fair value. The Company tests goodwill and other intangible assets annually for impairment, or when indications of potential impairment exist (see Note 1 to the Consolidated Financial Statements included in the Company's 2015 Annual Report for details).

Goodwill is tested for impairment by determining the fair value of the Company's reporting units. The unobservable inputs used to measure the fair value of the reporting units include projected growth rates, profitability, and the risk factor premium added to the discount rate. The remeasurement of goodwill is classified as a Level 3 fair value assessment due to the significance of unobservable inputs developed using company-specific information.

The inputs used to measure the fair value of other intangible assets were largely unobservable and accordingly were also classified as Level 3. The fair value of indefinite-lived assets, such as trademarks, is based on the royalties saved that would have been paid to a third party had the Company not owned the trademark.

The fair value of other intangible assets was estimated using the income approach, based on cash flow projections of revenue growth rates, taking into consideration industry and market conditions.

During the six months of fiscal 2016, no assets or liabilities were recorded at fair value on a non-recurring basis.

4. Derivative Financial Instruments

The Company utilizes derivative instruments to reduce its exposure to fluctuations in commodity prices and foreign exchange rates under established procedures and controls. The Company does not enter into derivative contracts for speculative purposes. The Company's agreements are with creditworthy financial institutions and the Company anticipates performance by counterparties to these contracts and therefore no material loss is expected.

Derivatives in Cash Flow Hedging Relationships

Lead Forward Contracts

The Company enters into lead forward contracts to fix the price for a portion of its lead purchases. Management considers the lead forward contracts to be effective against changes in the cash flows of the underlying lead purchases. The vast majority of such contracts are for a period not extending beyond one year and the notional amounts at September 27, 2015 and March 31, 2015 were 84.7 million pounds and 91.6 million pounds, respectively.

Foreign Currency Forward Contracts

The Company uses foreign currency forward contracts and options to hedge a portion of the Company's foreign currency exposures for lead as well as other foreign currency exposures so that gains and losses on these contracts offset changes in the underlying foreign currency denominated exposures. The vast majority of such contracts are for a period not extending beyond one year. As of September 27, 2015 and March 31, 2015, the Company had entered into a total of \$82,497 and \$75,878, respectively, of such contracts.

In the coming twelve months, the Company anticipates that \$8,785 of pretax loss relating to lead and foreign currency forward contracts will be reclassified from accumulated other comprehensive income ("AOCI") as part of cost of goods sold. This amount represents the current net unrealized impact of hedging lead and foreign exchange rates, which will change as market rates change in the future, and will ultimately be realized in the Consolidated Condensed Statement of Income as an offset to the corresponding actual changes in lead costs to be realized in connection with the variable lead cost and foreign exchange rates being hedged.

Derivatives not Designated in Hedging Relationships

Foreign Currency Forward Contracts

The Company also enters into foreign currency forward contracts to economically hedge foreign currency fluctuations on intercompany loans and foreign currency denominated receivables and payables. These are not designated as hedging instruments and changes in fair value of these instruments are recorded directly in the Consolidated Condensed Statements of Income. As of September 27, 2015 and March 31, 2015, the notional amount of these contracts was \$23,562 and \$26,246, respectively.

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

Fair Value of Derivative Instruments September 27, 2015 and March 31, 2015

	Derivatives and Hedging Activities Designated as Cash Flow Hedges		Derivatives and Hedging Activities Not Designated as Hedging Instruments	
	September 27, 2015	March 31, 2015	September 27, 2015	March 31, 2015
Prepaid and other current assets				
Foreign currency forward contracts	\$ —	\$ 3,735	\$ —	\$ 420
Total assets	\$ —	\$ 3,735	\$ —	\$ 420
Accrued expenses				
Lead forward contracts	\$ 5,739	\$ 341	\$ —	\$ —
Foreign currency forward contracts	394	—	676	—
Total liabilities	\$ 6,133	\$ 341	\$ 676	\$ —

**The Effect of Derivative Instruments on the Consolidated Condensed Statements of Income
For the quarter ended September 27, 2015**

Derivatives Designated as Cash Flow Hedges	Pretax Gain (Loss) Recognized in AOCI on Derivative (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Pretax Gain (Loss) Reclassified from AOCI into Income (Effective Portion)
Lead forward contracts	\$ (4,026)	Cost of goods sold	\$ 2,389
Foreign currency forward contracts	(513)	Cost of goods sold	124
Total	\$ (4,539)		\$ 2,513

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Pretax Gain (Loss)
Foreign currency forward contracts	Other (income) expense, net	\$ (285)
Total		\$ (285)

**The Effect of Derivative Instruments on the Consolidated Condensed Statements of Income
For the quarter ended September 28, 2014**

Derivatives Designated as Cash Flow Hedges	Pretax Gain (Loss) Recognized in AOCI on Derivative (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Pretax Gain (Loss) Reclassified from AOCI into Income (Effective Portion)
Lead forward contracts	\$ (3,296)	Cost of goods sold	\$ (1,147)
Foreign currency forward contracts	2,222	Cost of goods sold	(48)
Total	\$ (1,074)		\$ (1,195)

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Pretax Gain (Loss)
Foreign currency forward contracts	Other (income) expense, net	\$ 374
Total		\$ 374

**The Effect of Derivative Instruments on the Consolidated Condensed Statements of Income
For the six months ended September 27, 2015**

Derivatives Designated as Cash Flow Hedges	Pretax Gain (Loss) Recognized in AOCI on Derivative (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Pretax Gain (Loss) Reclassified from AOCI into Income (Effective Portion)
Lead forward contracts	\$ (5,115)	Cost of goods sold	\$ (3,013)
Foreign currency forward contracts	(2,573)	Cost of goods sold	3,951
Total	\$ (7,688)		\$ 938

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Pretax Gain (Loss)
Foreign currency forward contracts	Other (income) expense, net	\$ (294)
Total		\$ (294)

**The Effect of Derivative Instruments on the Consolidated Condensed Statements of Income
For the six months ended September 28, 2014**

Derivatives Designated as Cash Flow Hedges	Pretax Gain (Loss) Recognized in AOCI on Derivative (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Pretax Gain (Loss) Reclassified from AOCI into Income (Effective Portion)
Lead forward contracts	\$ (260)	Cost of goods sold	\$ (1,675)
Foreign currency forward contracts	2,724	Cost of goods sold	72
Total	\$ 2,464		\$ (1,603)

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Pretax Gain (Loss)
Foreign currency forward contracts	Other (income) expense, net	\$ 364
Total		\$ 364

5. Income Taxes

The Company's income tax provision consists of federal, state and foreign income taxes. The tax provision for the second quarters of fiscal 2016 and 2015 were based on the estimated effective tax rates applicable for the full years ending March 31, 2016 and March 31, 2015, respectively, after giving effect to items specifically related to the interim periods. The Company's effective income tax rate with respect to any period may be volatile based on the mix of income in the tax jurisdictions in which the Company operates and the amount of the Company's consolidated income before taxes.

The consolidated effective income tax rates were 26.1% and 28.5%, respectively, for the second quarters of fiscal 2016 and 2015 and 24.3% and 27.1%, respectively, for the six months of fiscal 2016 and fiscal 2015. The rate decrease in the second quarter of fiscal 2016 compared to the second quarter of fiscal 2015 is primarily due to the subsequent recognition in fiscal 2016 of a domestic deferred tax asset related to executive compensation and changes in the mix of earnings among tax jurisdictions. The rate decrease in the six months of fiscal 2016 compared to the six months of fiscal 2015 is primarily due to the subsequent recognition in fiscal 2016 of a domestic deferred tax asset related to executive compensation and a previously unrecognized tax position related to one of the Company's foreign subsidiaries, and changes in the mix of earnings among tax jurisdictions.

Foreign income as a percentage of worldwide income is estimated to be 57% for the six months of fiscal 2016 compared to 54% for the six months of fiscal 2015. The foreign effective income tax rates for the six months of fiscal 2016 and 2015 were 12.4% and 15.5%, respectively. The rate decrease compared to the prior year period is primarily due to the subsequent recognition in fiscal 2016 of a previously unrecognized tax position related to one of the Company's foreign subsidiaries and changes in the mix of earnings among tax jurisdictions. Income from the Company's Swiss subsidiary comprised a substantial portion of the Company's overall foreign mix of income and is taxed at an effective income tax rate of approximately 7%.

6. Warranty

The Company provides for estimated product warranty expenses when the related products are sold, with related liabilities included within accrued expenses and other liabilities. 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:

	Quarter ended		Six months ended	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
Balance at beginning of period	\$ 39,785	\$ 41,316	\$ 39,810	\$ 40,426
Current period provisions	4,698	5,102	8,583	9,617
Costs incurred	(4,147)	(4,901)	(8,508)	(8,465)
Foreign currency translation adjustment	(196)	(999)	255	(1,060)
Balance at end of period	\$ 40,140	\$ 40,518	\$ 40,140	\$ 40,518

7. Commitments, Contingencies and Litigation

Litigation and Other Legal Matters

In the ordinary course of business, the Company and its subsidiaries are routinely defendants in or parties to many pending and threatened legal actions and proceedings, including actions brought on behalf of various classes of claimants. These actions and proceedings are generally based on alleged violations of environmental, anti-competition, employment, contract and other laws. In some of these actions and proceedings, claims for substantial monetary damages are asserted against the Company and its subsidiaries. In the ordinary course of business, the Company and its subsidiaries are also subject to regulatory and governmental examinations, information gathering requests, inquiries, investigations, and threatened legal actions and proceedings. In connection with formal and informal inquiries by federal, state, local and foreign agencies, such subsidiaries receive numerous requests, subpoenas and orders for documents, testimony and information in connection with various aspects of their activities.

European Competition Investigations

Certain of the Company's European subsidiaries have received subpoenas and requests for documents and, in some cases, interviews from, and have had on-site inspections conducted by, certain European competition authorities, including Belgium and the Netherlands, relating to conduct and anticompetitive practices of certain industrial battery participants. The Company is responding to these inquiries and has reserved \$4,000 in connection with these investigations and other related legal charges. For the Dutch regulatory proceeding, the Company does not believe that such an estimate can be made at this time given the early stages of its investigation. The foregoing estimate of losses is based upon currently available information for this proceeding. However, the precise scope, timing and time period at issue, as well as the final outcome of the investigations, remains uncertain. Accordingly, the Company's estimate may change from time to time, and actual losses could vary.

Environmental Issues

As a result of its operations, the Company is subject to various federal, state, and local, as well as international 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 international occupational safety and health regulations, including laws and regulations relating to exposure to lead in the workplace.

The Company is responsible for certain cleanup obligations at the former Yuasa battery facility in Sumter, South Carolina, that predates its ownership of this facility. This manufacturing facility was closed in 2001, and the Company established a reserve that amounted to \$1,301 and \$2,902, respectively, as of September 27, 2015 and March 31, 2015. Based on current information, the Company's management believes these reserves are adequate to satisfy the Company's environmental liabilities at this facility. This site is separate from the Company's current metal fabrication facility in Sumter.

Lead Contracts

To stabilize its 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 September 27, 2015 and March 31, 2015, the Company has hedged the price to purchase 84.7 million pounds and 91.6 million pounds of lead, respectively, for a total purchase price of \$69,852 and \$76,143, respectively.

Foreign Currency Forward Contracts

The Company quantifies and monitors its global foreign currency exposures. On a selective basis, the Company will enter into foreign currency forward and option contracts to reduce the volatility from currency movements that affect the Company. The vast majority of such contracts are for a period not extending beyond one year. The Company's largest exposure is from the purchase and conversion of U.S. dollar based lead costs into local currencies in EMEA. Additionally, the Company has currency exposures from intercompany financing and intercompany and third party trade transactions. To hedge these exposures, the Company has entered into a total of \$106,059 and \$102,124, respectively, of foreign currency forward contracts with financial institutions as of September 27, 2015 and March 31, 2015.

8. Restructuring Plans

During fiscal 2013, the Company announced a restructuring related to improving the efficiency of its manufacturing operations in EMEA. This program was completed during the second quarter of fiscal 2016. Total charges for this program were \$6,895, primarily for cash expenses of \$5,496 for employee severance-related payments of approximately 140 employees and non-cash expenses of \$1,399 associated with the write-off of certain fixed assets and inventory. The Company incurred \$5,207 of costs against the accrual through fiscal 2015, and incurred \$271 in costs against the accrual during the six months of fiscal 2016.

During fiscal 2014, the Company announced further restructuring programs to improve the efficiency of its manufacturing, sales and engineering operations in EMEA including the restructuring of its manufacturing operations in Bulgaria. The restructuring of the Bulgaria operations was announced during the third quarter of fiscal 2014 and consists of the transfer of motive power and a portion of reserve power battery manufacturing to the Company's facilities in Western Europe. The Company estimates that the total charges for all actions announced during fiscal 2014 will amount to approximately \$23,000, primarily from non-cash charges related to the write-off of fixed assets and inventory of \$11,000, along with cash charges for employee severance-related payments and other charges of \$12,000. The Company estimates that these actions will result in the reduction of approximately 500 employees upon completion. The Company recorded restructuring charges of \$22,115 through fiscal 2015, consisting of non-cash charges of \$10,934 and cash charges of \$11,181 and recorded an additional \$422 in cash charges and a favorable accrual adjustment of \$314 during the six months of fiscal 2016. The Company incurred \$9,737 in costs against the accrual through fiscal 2015 and incurred an additional \$468 against the accrual during the six months of fiscal 2016. As of September 27, 2015, the reserve balance associated with these actions is \$908. The Company expects to be committed to an additional \$700 of restructuring charges related to these actions in fiscal 2016 when it expects to complete the program.

During the third quarter of fiscal 2015, the Company announced a restructuring related to its manufacturing facility located in Jiangdu, the People's Republic of China ("PRC"), pursuant to which the Company completed the transfer of the manufacturing at that location to its other facilities in PRC, as part of the closure of the Jiangdu facility in the first quarter of fiscal 2016. The Company estimates that the total charges for these actions will amount to approximately \$5,400 primarily from cash charges for employee severance-related payments and other charges of \$5,000, along with non-cash charges related to the write off of fixed assets of \$400. The Company estimates that these actions will result in the reduction of approximately 300 employees upon completion. The Company recorded restructuring charges of \$3,870 during fiscal 2015 consisting of cash charges for employee severance-related payments and recorded an additional \$327 in cash charges and \$398 in non-cash charges during the six months of fiscal 2016. The Company incurred \$1,874 in costs against the accrual through fiscal 2015 and incurred an additional \$2,323 against the accrual during the six months of fiscal 2016. As of September 27, 2015, the reserve balance associated with these actions is \$0. The Company expects to be committed to an additional \$800 of restructuring charges related to these actions in 2016 when it expects to complete the program.

During fiscal 2015, the Company announced a restructuring primarily related to a portion of its sales and engineering organizations in Europe to improve efficiencies. The Company estimates that the total charges for these actions will amount to approximately \$800, primarily from cash charges for employee severance-related payments. The Company estimates that these actions will result in the reduction of approximately 10 employees upon completion in fiscal 2016. In fiscal 2015, the Company recorded restructuring charges of \$450 and recorded an additional \$337 during the six months of fiscal 2016. The Company incurred \$193 in costs against the accrual in fiscal 2015 and incurred an additional \$268 against the accrual during the six months of fiscal 2016. As of September 27, 2015, the reserve balance associated with these actions is \$413. The Company expects no additional restructuring charges related to these actions during fiscal 2016, and expects to complete the program during fiscal 2016.

During the first quarter of fiscal 2016, the Company completed a restructuring related to a reduction of two executives associated with one of Americas' recent acquisitions to improve efficiencies. The Company recorded total severance-related charges of \$570, all of which was paid during the first quarter of fiscal 2016, primarily per the terms of a pre-existing employee agreement.

During the second quarter of fiscal 2016, the Company announced a restructuring to improve efficiencies primarily related to its motive power assembly and distribution center in Italy and its sales and administration organizations in EMEA. The Company estimates that the total charges for these actions will amount to approximately \$3,300, primarily from cash charges for employee severance-related payments and other charges. The Company estimates that these actions will result in the reduction of approximately 30 employees upon completion. During the six months of fiscal 2016, the Company recorded restructuring charges of \$2,107 and incurred \$106 in costs against the accrual. As of September 27, 2015, the reserve balance associated with these actions is \$2,002. The Company expects to be committed to an additional \$1,200 of restructuring charges related to these actions during fiscal 2016, and expects to complete the program during fiscal 2017.

During the second quarter of fiscal 2016, the Company announced a restructuring related to improving the efficiency of its manufacturing operations in the Americas. The program consists of the announced closing of its Cleveland, Ohio charger manufacturing facility which is

expected to be completed during the first quarter of fiscal 2017, with the transfer of production to other Americas manufacturing facilities. The Company estimates that the total charges for all actions associated with this program will amount to approximately \$2,800, primarily from cash charges for employee severance-related payments and other charges of \$1,800, along with non-cash charges related to the accelerated depreciation of fixed assets of \$1,000. The Company expects these charges to be recorded starting in the third quarter of fiscal 2016 through the first quarter of fiscal 2017 and estimates that these actions will result in the reduction of approximately 100 employees upon completion.

A roll-forward of the restructuring reserve is as follows:

	Employee Severance	Other	Total
Balance as of March 31, 2015	\$ 2,966	\$ 854	\$ 3,820
Accrued	3,674	89	3,763
Accrual Adjustment	—	(314)	(314)
Costs incurred	(3,638)	(368)	(4,006)
Foreign currency impact and other	16	44	60
Balance as of September 27, 2015	<u>\$ 3,018</u>	<u>\$ 305</u>	<u>\$ 3,323</u>

9. Debt

The following summarizes the Company's long-term debt as of September 27, 2015 and March 31, 2015:

	September 27, 2015	March 31, 2015
5.00% Senior Notes due 2023	\$ 300,000	\$ —
2011 Credit Facility, due 2018	343,125	325,000
3.375% Convertible Notes, net of discount, due 2038	—	170,936
Total long-term debt	<u>\$ 643,125</u>	<u>\$ 495,936</u>

5.00% Senior Notes

On April 23, 2015, the Company issued \$300,000 in aggregate principal amount of 5.00% Senior Notes due 2023 (the "Notes"). The Notes bear interest at a rate of 5.00% per annum accruing from April 23, 2015. Interest is payable semiannually in arrears on April 30 and October 30 of each year, commencing on October 30, 2015. The Notes will mature on April 30, 2023, unless earlier redeemed or repurchased in full. The Notes are unsecured and unsubordinated obligations of the Company. The Notes are fully and unconditionally guaranteed (the "Guarantees"), jointly and severally, by each of its subsidiaries that are guarantors under the 2011 Credit Facility (the "Guarantors"). The Guarantees are unsecured and unsubordinated obligations of the Guarantors. The net proceeds from the sale of the Notes were used primarily to repay and retire in full the principal amount of the Company's 3.375% senior unsecured convertible notes (the "Convertible Notes") as discussed below as well as fund the accelerated share repurchase program discussed in Note 12.

2011 Credit Facility

The Company is party to a \$350,000 senior secured revolving credit facility (as amended, "2011 Credit Facility") and, on July 8, 2014, amended the credit facility while also entering into an Incremental Commitment Agreement pursuant to which certain banks agreed to provide incremental term loan commitments of \$150,000 and incremental revolving commitments of \$150,000. Pursuant to these changes, the 2011 Credit Facility is now comprised of a \$500,000 senior secured revolving credit facility and a \$150,000 senior secured incremental term loan (the "Term Loan") that matures on September 30, 2018. The Term Loan is payable in quarterly installments of \$1,875 beginning June 30, 2015 and \$3,750 beginning June 30, 2016 with a final payment of \$108,750 on September 30, 2018. The 2011 Credit Facility may be increased by an aggregate amount of \$300,000 in revolving commitments and/or one or more new tranches of term loans, under certain conditions. Both revolving loans and the Term Loan under the 2011 Credit Facility will bear interest, at the Company's option, at a rate per annum equal to either (i) the London Interbank Offered Rate ("LIBOR") plus between 1.25% and 1.75% (currently 1.25% and based on the Company's consolidated net leverage ratio) or (ii) the Base Rate (which is the highest of (a) the Bank of America prime rate, and (b) the Federal Funds Effective Rate) plus between 0.25% and 0.75% (based on the Company's consolidated net leverage ratio). Obligations under the 2011 Credit Facility are secured by substantially all of the Company's existing and future acquired assets, including substantially all of the capital stock of the Company's United States subsidiaries that are guarantors under the credit facility, and 65% of the capital stock of certain of the Company's foreign subsidiaries that are owned by the Company's United States subsidiaries.

The current portion of the Term Loan of \$9,375 is classified as long-term debt as the Company expects to refinance the future quarterly payments with revolver borrowings under its 2011 Credit Facility.

As of September 27, 2015, the Company had \$195,000 outstanding in revolver borrowings and \$148,125 under its Term Loan borrowings.

3.375% Convertible Notes

On May 7, 2015, the Company filed a notice of redemption for all of the Convertible Notes with a redemption date of June 8, 2015 and 99% of the Convertible Notes holders exercised their conversion rights on or before June 5, 2015, pursuant to which, on July 17, 2015, the Company paid \$172,388 in aggregate, towards the principal balance including accreted interest, cash equivalent of fractional shares issued towards conversion premium and settled the conversion premium by issuing, in the aggregate, 1,889,431 shares of the Company's common stock from its treasury shares, thereby resulting in the extinguishment of all of the Convertible Notes as of that date. There was no impact to the income statement on the extinguishment as the fair value of the total settlement consideration transferred and allocated to the liability component approximated the carrying value of the Convertible Notes. The remaining consideration allocated to the equity component resulted in an adjustment of \$84,140, to equity.

The following represents the principal amount of the liability component, the unamortized discount, and the net carrying amount of the Convertible Notes as of September 27, 2015 and March 31, 2015:

	September 27, 2015	March 31, 2015
Principal	\$ —	\$ 172,266
Unamortized discount	—	(1,330)
Net carrying amount	\$ —	\$ 170,936

Short-Term Debt

As of September 27, 2015 and March 31, 2015, the Company had \$24,550 and \$19,715, respectively, of short-term borrowings. The weighted-average interest rates on these borrowings were approximately 9% and 10% at September 27, 2015 and March 31, 2015, respectively.

Letters of Credit

As of September 27, 2015 and March 31, 2015, the Company had \$5,451 and \$3,862, respectively, of standby letters of credit.

Deferred Financing Fees

In connection with the issuance of the Notes, the Company incurred \$4,971 in deferred finance fees. Amortization expense, relating to deferred financing fees, included in interest expense was \$341 and \$332, respectively, during the quarters ended September 27, 2015 and September 28, 2014 and \$774 and \$600 for the six months ended September 27, 2015 and September 28, 2014. Deferred financing fees, net of accumulated amortization, totaled \$6,909 and \$2,712, respectively at September 27, 2015 and March 31, 2015.

Available Lines of Credit

As of September 27, 2015 and March 31, 2015, the Company had available and undrawn, under all its lines of credit, \$442,873 and \$464,733, respectively, including \$140,123 and \$141,533 of uncommitted lines of credit as of September 27, 2015 and March 31, 2015, respectively.

10. Retirement Plans

The following tables present the components of the Company's net periodic benefit cost related to its defined benefit pension plans:

	United States Plans		International Plans	
	Quarter ended		Quarter ended	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
Service cost	\$ 108	\$ 102	\$ 208	\$ 202
Interest cost	170	168	486	662
Expected return on plan assets	(215)	(222)	(576)	(581)
Amortization and deferral	125	87	319	174
Net periodic benefit cost	\$ 188	\$ 135	\$ 437	\$ 457

	United States Plans		International Plans	
	Six months ended		Six months ended	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
Service cost	\$ 246	\$ 204	\$ 416	\$ 413
Interest cost	338	337	971	1,342
Expected return on plan assets	(430)	(443)	(1,152)	(1,173)
Amortization and deferral	259	174	636	352
Net periodic benefit cost	\$ 413	\$ 272	\$ 871	\$ 934

11. Stock-Based Compensation

As of September 27, 2015, the Company maintains the EnerSys Second Amended and Restated 2010 Equity Incentive Plan, ("2010 EIP"). The 2010 EIP reserved 3,177,477 shares of common stock for the grant of various classes of nonqualified stock options, restricted stock units, market share units and other forms of equity-based compensation.

The Company recognized stock-based compensation expense associated with its equity incentive plans of \$6,099 for the second quarter of fiscal 2016 and \$11,963 for the second quarter of fiscal 2015. Stock-based compensation expense was \$10,338 for the six months of fiscal 2016 and \$17,059 for the six months of fiscal 2015. The Company recognizes compensation expense using the straight-line method over the vesting period of the awards, except for awards issued to certain retirement-eligible participants, which are expensed on an accelerated basis.

During the six months ended September 27, 2015, the Company granted to non-employee directors 27,769 restricted stock units, pursuant to the EnerSys Deferred Compensation Plan for Non-Employee Directors.

During the six months ended September 27, 2015, the Company granted to management and other key employees 127,966 non-qualified stock options and 212,278 performance-based market share units that vest three years from the date of grant and 120,287 restricted stock units that vest 25% each year over four years from the date of grant.

Common stock activity during the six months ended September 27, 2015 included the vesting of 136,361 restricted stock units and 536,490 market share units and exercise of 6,486 stock options.

As of September 27, 2015, there were 224,297 non-qualified stock options, 505,949 restricted stock units and 548,214 market share units outstanding.

12. Stockholders' Equity and Noncontrolling Interests

Common Stock

The following demonstrates the change in the number of shares of common stock outstanding during the six months ended September 27, 2015:

Shares outstanding as of March 31, 2015	44,068,588
Purchase of treasury stock	(2,009,896)
Shares issued to Convertible Note holders	1,889,431
Shares issued towards equity-based compensation plans, net of equity awards surrendered for option price and taxes	441,701
Shares outstanding as of September 27, 2015	<u>44,389,824</u>

Treasury Stock Reissuance

On July 17, 2015, the Company settled the conversion premium on the Convertible Notes by issuing 1,889,431 shares from its treasury stock. The reissuance was recorded on a last-in, first-out method, and the difference between the repurchase cost and the fair value at reissuance was recorded as an adjustment to stockholders' equity.

Accelerated Share Repurchase

During the second quarter of fiscal 2016, the Company entered into an accelerated share repurchase agreement ("ASR") with a major financial institution to repurchase \$120,000 to \$180,000 of its common stock. The Company prepaid \$180,000 and received an initial delivery of 2,000,000 shares with a fair market value of approximately \$108,100. The ASR is accounted for as a treasury stock repurchase, reducing the weighted average number of basic and diluted shares outstanding by the 2,000,000 shares initially repurchased, and as a forward contract indexed to the Company's own common shares to reflect the future settlement provisions. Because the minimum repurchase will be \$120,000, as of September 27, 2015, \$11,900 representing the difference between the fair value of shares delivered and the minimum notional amount of \$120,000 is accounted for as an equity instrument and is included in additional paid-in capital and the optional \$60,000 is included in prepaid and other current assets in the Condensed Consolidated Balance Sheet. The ASR is not accounted for as a derivative instrument.

Additional shares may be delivered to the Company by February 25, 2016 (settlement date), subject to the provisions of the ASR. The total number of shares to be repurchased will be determined on final settlement, with any additional shares reacquired being based generally on the volume-weighted average price of the Company's ordinary shares, minus a discount, during the repurchase period.

At September 27, 2015 and March 31, 2015, the Company held 9,716,516 shares and 9,596,051 shares as treasury stock, respectively.

Accumulated Other Comprehensive Income ("AOCI")

The components of AOCI, net of tax, as of September 27, 2015 and March 31, 2015, are as follows:

	March 31, 2015	Before Reclassifications	Amounts Reclassified from AOCI	September 27, 2015
Pension funded status adjustment	\$ (23,719)	\$ —	\$ 638	\$ (23,081)
Net unrealized (loss) gain on derivative instruments	(95)	(4,848)	(589)	(5,532)
Foreign currency translation adjustment	(85,161)	(6,789)	—	(91,950)
Accumulated other comprehensive income (loss)	<u>\$ (108,975)</u>	<u>\$ (11,637)</u>	<u>\$ 49</u>	<u>\$ (120,563)</u>

The following table presents reclassifications from AOCI during the second quarter ended September 27, 2015:

Components of AOCI	Amounts Reclassified from AOCI	Location of (Gain) Loss Recognized on Income Statement
Derivatives in Cash Flow Hedging Relationships:		
Net unrealized gain on derivative instruments	\$ (2,513)	Cost of goods sold
Tax expense	929	
Net unrealized gain on derivative instruments, net of tax	<u>\$ (1,584)</u>	
Defined benefit pension costs:		
Prior service costs and deferrals	\$ 444	Net periodic benefit cost, included in cost of goods sold and operating expenses - See Note 10
Tax benefit	(129)	
Net periodic benefit cost, net of tax	<u>\$ 315</u>	

The following table presents reclassifications from AOCI during the second quarter ended September 28, 2014:

Components of AOCI	Amounts Reclassified from AOCI	Location of (Gain) Loss Recognized on Income Statement
Derivatives in Cash Flow Hedging Relationships:		
Net unrealized loss on derivative instruments	\$ 1,195	Cost of goods sold
Tax benefit	(441)	
Net unrealized loss on derivative instruments, net of tax	<u>\$ 754</u>	
Defined benefit pension costs:		
Prior service costs and deferrals	\$ 261	Net periodic benefit cost, included in cost of goods sold and operating expenses - See Note 10
Tax benefit	(80)	
Net periodic benefit cost, net of tax	<u>\$ 181</u>	

The following table presents reclassifications from AOCI during the six months ended September 27, 2015:

Components of AOCI	Amounts Reclassified from AOCI	Location of (Gain) Loss Recognized on Income Statement
Derivatives in Cash Flow Hedging Relationships:		
Net unrealized gain on derivative instruments	\$ (938)	Cost of goods sold
Tax expense	349	
Net unrealized gain on derivative instruments, net of tax	<u>\$ (589)</u>	
Defined benefit pension costs:		
Prior service costs and deferrals	\$ 895	Net periodic benefit cost, included in cost of goods sold and operating expenses - See Note 10
Tax benefit	(257)	
Net periodic benefit cost, net of tax	<u>\$ 638</u>	

The following table presents reclassifications from AOCI during the six months ended September 28, 2014:

Components of AOCI	Amounts Reclassified from AOCI	Location of (Gain) Loss Recognized on Income Statement
Derivatives in Cash Flow Hedging Relationships:		
Net unrealized loss on derivative instruments	\$ 1,603	Cost of goods sold
Tax benefit	(592)	
Net unrealized loss on derivative instruments, net of tax	<u>\$ 1,011</u>	
Defined benefit pension costs:		
Prior service costs and deferrals	\$ 526	Net periodic benefit cost, included in cost of goods sold and operating expenses - See Note 10
Tax benefit	(160)	
Net periodic benefit cost, net of tax	<u>\$ 366</u>	

The following demonstrates the change in equity attributable to EnerSys stockholders and nonredeemable noncontrolling interests during the six months ended September 27, 2015:

	Equity Attributable to EnerSys Stockholders	Nonredeemable Noncontrolling Interests	Total Equity
Balance as of March 31, 2015	\$ 1,038,900	\$ 5,540	\$ 1,044,440
Total comprehensive income:			
Net earnings (losses)	88,412	(6)	88,406
Net unrealized loss on derivative instruments, net of tax	(5,437)	—	(5,437)
Pension funded status adjustment, net of tax	638	—	638
Foreign currency translation adjustment	(6,789)	(102)	(6,891)
Total other comprehensive loss, net of tax	(11,588)	(102)	(11,690)
Total comprehensive income (loss)	<u>76,824</u>	<u>(108)</u>	<u>76,716</u>
Other changes in equity:			
Purchase of treasury stock including ASR	(120,637)	—	(120,637)
Reissuance of treasury stock to Convertible Note holders	114,449	—	114,449
Adjustment to equity on debt extinguishment	(84,140)	—	(84,140)
Cash dividends - common stock (\$0.35 per share)	(15,553)	—	(15,553)
Reclassification of redeemable equity component of Convertible Notes	1,330	—	1,330
Other, including activity related to equity awards	(1,860)	—	(1,860)
Balance as of September 27, 2015	<u>\$ 1,009,313</u>	<u>\$ 5,432</u>	<u>\$ 1,014,745</u>

The following demonstrates the change in redeemable noncontrolling interests during the six months ended September 27, 2015:

	Redeemable Noncontrolling Interests
Balance as of March 31, 2015	\$ 6,956
Net loss	(704)
Foreign currency translation adjustment	(764)
Balance as of September 27, 2015	<u>\$ 5,488</u>

13. Earnings Per Share

The following table sets forth the reconciliation from basic to diluted weighted-average number of common shares outstanding and the calculations of net earnings per common share attributable to EnerSys stockholders.

	Quarter ended		Six months ended	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
Net earnings attributable to EnerSys stockholders	\$ 40,025	\$ 56,316	\$ 88,412	\$ 105,485
Weighted-average number of common shares outstanding:				
Basic	44,944,027	46,133,637	44,588,971	46,516,470
Dilutive effect of:				
Common shares from exercise and lapse of equity awards, net of shares assumed reacquired	666,875	813,912	685,154	951,785
Convertible Notes	394,497	1,589,727	1,106,762	1,663,502
Diluted weighted-average number of common shares outstanding	46,005,399	48,537,276	46,380,887	49,131,757
Basic earnings per common share attributable to EnerSys stockholders	\$ 0.89	\$ 1.22	\$ 1.98	\$ 2.27
Diluted earnings per common share attributable to EnerSys stockholders	\$ 0.87	\$ 1.16	\$ 1.91	\$ 2.15
Anti-dilutive equity awards not included in diluted weighted-average common shares	742	—	742	207

On July 17, 2015, the Company paid \$172,388 in aggregate, towards the principal balance including accreted interest, cash equivalent of fractional shares issued towards conversion premium and settled the conversion premium by issuing, in the aggregate, 1,889,431 shares of its common stock, which were included in the diluted weighted average shares outstanding for the period prior to the extinguishment.

14. Business Segments

The Company has three reportable business segments based on geographic regions, defined as follows:

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

Summarized financial information related to the Company's reportable segments for the quarters and six months ended September 27, 2015 and September 28, 2014 is shown below:

	Quarter ended		Six months ended	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
Net sales by segment to unaffiliated customers				
Americas	\$ 322,482	\$ 333,185	\$ 639,508	\$ 664,113
EMEA	189,426	233,340	386,067	475,275
Asia	57,226	63,402	105,627	124,649
Total net sales	<u>\$ 569,134</u>	<u>\$ 629,927</u>	<u>\$ 1,131,202</u>	<u>\$ 1,264,037</u>
Net sales by product line				
Reserve power	\$ 274,236	\$ 315,525	\$ 538,500	\$ 626,899
Motive power	294,898	314,402	592,702	637,138
Total net sales	<u>\$ 569,134</u>	<u>\$ 629,927</u>	<u>\$ 1,131,202</u>	<u>\$ 1,264,037</u>
Intersegment sales				
Americas	\$ 6,667	\$ 10,977	\$ 16,707	\$ 19,895
EMEA	23,824	17,192	42,462	34,891
Asia	6,346	9,125	12,732	20,584
Total intersegment sales ⁽¹⁾	<u>\$ 36,837</u>	<u>\$ 37,294</u>	<u>\$ 71,901</u>	<u>\$ 75,370</u>
Operating earnings by segment				
Americas	\$ 48,427	\$ 38,378	\$ 93,772	\$ 79,867
EMEA	17,141	23,439	37,693	52,040
Asia	(190)	3,813	(180)	7,241
Restructuring charges - Americas	—	—	(570)	—
Restructuring and other exit charges - EMEA	(1,905)	(1,810)	(2,553)	(3,639)
Restructuring charges - Asia	(724)	—	(724)	—
Reversal of legal accrual, net of fees - Americas	799	16,233	799	16,233
Legal proceedings charge - EMEA	(4,000)	—	(4,000)	—
Gain on sale of facility - Asia	—	—	4,348	—
Total operating earnings ⁽²⁾	<u>\$ 59,548</u>	<u>\$ 80,053</u>	<u>\$ 128,585</u>	<u>\$ 151,742</u>

⁽¹⁾ Intersegment sales are presented on a cost-plus basis, which takes into consideration the effect of transfer prices between legal entities.

⁽²⁾ The Company does not allocate interest expense or other (income) expense to the reportable segments.

15. Subsequent Events

On October 29, 2015, the Board of Directors approved a quarterly cash dividend of \$0.175 per share of common stock to be paid on December 24, 2015, to stockholders of record as of December 11, 2015.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 "anticipate," "believe," "expect," "future," "intend," "estimate," "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 the Company's 2015 Annual Report on Form 10-K (the "2015 Annual Report") 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 Quarterly Report on Form 10-Q, 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 Quarterly Report on Form 10-Q.

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 materials 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 our operations such as disruption of markets, changes in import and export laws, environmental regulations, currency restrictions and local 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 our 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;
- litigation and regulatory proceedings to which we might be subject;
- changes in our market share in the geographic business segments where we operate;
- our ability to implement our cost reduction initiatives successfully and improve our profitability;
- quality problems associated with our products;
- our ability to implement business strategies, including our acquisition strategy, manufacturing expansion 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;
- potential goodwill impairment charges, future impairment charges and fluctuations in the fair values of reporting units or of assets in the event projected financial results are not achieved 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 management and 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;
- terrorist acts or acts of war, 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; and
- the operation, capacity and security of our information systems and infrastructure.

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.

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 Quarterly Report on Form 10-Q. EnerSys’ management uses the non-GAAP measures “primary working capital”, “primary working capital percentage” and capital expenditures in its evaluation of business segment cash flow and financial position performance. These disclosures have limitations as an analytical tool, should not be viewed as a substitute for cash flow 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. Management believes that this non-GAAP supplemental information is helpful in understanding the Company’s ongoing operating results.

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 products such as battery chargers, power equipment, battery accessories, and outdoor cabinet enclosures. Additionally, we provide related aftermarket and customer-support services for our products. We market 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 operate and manage our business in three geographic regions of the world—Americas, EMEA 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 the United States, and approximately 60% of our net sales were generated outside the United States. 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;
- **EMEA**, 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.

We have two primary product lines: reserve power 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 medical and security systems, premium starting, lighting and ignition applications, in switchgear, electrical control systems used in electric utilities, large-scale energy storage, energy pipelines, in commercial aircraft, satellites, military aircraft, submarines, ships and tactical vehicles. Reserve power products also include thermally managed cabinets and enclosures for electronic equipment and batteries.
- **Motive power products** are used to provide power for electric industrial forklifts used in manufacturing, warehousing and other material handling applications as well as mining equipment, diesel locomotive starting and other rail equipment.

Economic Climate

Recent indicators continue to suggest a mixed trend in economic activity among the different geographical regions. North America and EMEA are experiencing limited economic growth. Our Asia region continues to grow faster than any other region in which we do business, but at a slower pace than a few years ago.

Volatility of Commodities and Foreign Currencies

Our most significant commodity and foreign currency exposures are related to lead and the euro, respectively. Historically, volatility of commodity costs and foreign currency exchange rates have caused large swings in our production costs. As the global economic climate changes, we anticipate that our commodity costs and foreign currency exposures may continue to fluctuate as they have in the past several years. Overall, on a consolidated basis, we have experienced stable trends more recently in our revenue and order rates, and commodity cost changes have not been substantial. However, we have experienced lower revenues due to movements in foreign currency exchange rates.

Customer Pricing

Our selling prices fluctuated during the last several years to offset the volatile cost of commodities. Approximately 35% of our revenue is currently subject to agreements that adjust pricing to a market-based index for lead. During the second quarter of fiscal 2016, our selling prices remained relatively flat, compared to the comparable prior year period.

Liquidity and Capital Resources

We believe that our financial position is strong, and we have substantial liquidity with \$321 million of available cash and cash equivalents and undrawn committed and uncommitted credit lines of approximately \$443 million at September 27, 2015 to cover short-term liquidity requirements and anticipated growth in the foreseeable future.

In April 2015, we issued \$300 million of 5.00% Senior Notes due 2023 (the “Notes”), with the net proceeds used primarily to fund the payment of principal and accreted interest outstanding on the 3.375% convertible senior notes due 2038 (the “Convertible Notes”) that were settled in July 2015 and the accelerated stock repurchase program described below.

In the six months of fiscal 2016, we repurchased \$121 million of treasury stock through open market purchases and through an accelerated share repurchase (“ASR”) agreement with a major financial institution. Share repurchases had a modest positive impact on earnings per diluted share.

A substantial majority of the Company’s cash and investments are held by foreign subsidiaries and are considered to be indefinitely reinvested and expected to be utilized to fund local operating activities, capital expenditure requirements and acquisitions. The Company believes that it has sufficient sources of domestic and foreign liquidity.

On July 17, 2015, we paid the principal and accreted interest outstanding on the Convertible Notes amounting to \$172.3 million in cash and settled the conversion premium by issuing, in the aggregate, 1,889,431 shares of common stock from our treasury shares. Subsequent to the extinguishment of the Convertible Notes, other than the Notes and the 2011 Credit Facility, we have no other significant amount of long-term debt maturing in the near future.

We believe that our strong capital structure and liquidity affords us access to capital for future acquisition and stock repurchase opportunities and continued dividend payments.

Results of Operations

Net Sales

Segment sales

	Quarter ended September 27, 2015		Quarter ended September 28, 2014		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Americas	\$ 322.5	56.7%	\$ 333.2	52.9%	\$ (10.7)	(3.2)%
EMEA	189.4	33.3	233.3	37.0	(43.9)	(18.8)
Asia	57.2	10.0	63.4	10.1	(6.2)	(9.7)
Total net sales	\$ 569.1	100.0%	\$ 629.9	100.0%	\$ (60.8)	(9.7)%

	Six months ended September 27, 2015		Six months ended September 28, 2014		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Americas	\$ 639.5	56.5%	\$ 664.1	52.5%	\$ (24.6)	(3.7)%
EMEA	386.1	34.1	475.3	37.6	(89.2)	(18.8)
Asia	105.6	9.4	124.6	9.9	(19.0)	(15.3)
Total net sales	\$ 1,131.2	100.0%	\$ 1,264.0	100.0%	\$ (132.8)	(10.5)%

Net sales decreased \$60.8 million or 9.7% in the second quarter of fiscal 2016 from the comparable period in fiscal 2015. This decrease for the second quarter was the result of a 9% decrease due to foreign currency translation impact and a 3% decrease in organic volume, partially offset by a 1% increase each from pricing and acquisitions.

Net sales decreased \$132.8 million or 10.5% in the six months of fiscal 2016 from the comparable period in fiscal 2015. This decrease was largely the result of a 9% decrease due to foreign currency translation impact and a 3% decrease in organic volume, partially offset by a 1% increase from acquisitions.

The Americas segment’s net sales decreased \$10.7 million or 3.2% in the second quarter of fiscal 2016, as compared to the second quarter of fiscal 2015, primarily due to a decrease of 1% and 2% in organic volume and foreign currency translation impact, respectively. Net sales decreased \$24.6 million or 3.7% in the six months of fiscal 2016, as compared to the six months of fiscal 2015, primarily due to a decrease of approximately 2% each in organic volume and foreign currency translation impact.

The EMEA segment’s net sales decreased \$43.9 million or 18.8% in the second quarter of fiscal 2016, as compared to the second quarter of fiscal 2015, primarily due to a decrease of 16% due to foreign currency translation impact and a 5% decrease due to organic volume partially offset by a 2% increase in pricing. Net sales decreased \$89.2 million or 18.8% in the six months of fiscal 2016, as compared to the six

months of fiscal 2015, primarily due to a decrease of 17% due to foreign currency translation impact and a 3% decrease due to organic volume partially offset by a 1% increase in pricing.

The Asia segment's net sales decreased \$6.2 million or 9.7% in the second quarter of fiscal 2016, as compared to the second quarter of fiscal 2015, primarily due to a decrease in foreign currency translation impact, organic volume and pricing of 13%, 9% and 1%, respectively, partially offset by a 13% increase due to acquisitions. Net sales decreased \$19.0 million or 15.3% in the six months of fiscal 2016, as compared to the six months of fiscal 2015, primarily due to a decrease in organic volume and foreign currency translation impact of 12% and 10%, respectively, partially offset by a 7% increase due to acquisitions. The decrease in Asia's organic volume in both the second quarter and six months of fiscal 2016 is due to lower sales to a major Chinese telecommunication company under a tender program pursuant to which we participated at a lower volume.

Product line sales

	Quarter ended September 27, 2015		Quarter ended September 28, 2014		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Reserve power	\$ 274.2	48.2%	\$ 315.5	50.1%	\$ (41.3)	(13.1)%
Motive power	294.9	51.8	314.4	49.9	(19.5)	(6.2)
Total net sales	\$ 569.1	100.0%	\$ 629.9	100.0%	\$ (60.8)	(9.7)%

	Six months ended September 27, 2015		Six months ended September 28, 2014		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Reserve power	\$ 538.5	47.6%	\$ 626.9	49.6%	\$ (88.4)	(14.1)%
Motive power	592.7	52.4	637.1	50.4	(44.4)	(7.0)
Total net sales	\$ 1,131.2	100.0%	\$ 1,264.0	100.0%	\$ (132.8)	(10.5)%

Net sales of our reserve power products in the second quarter of fiscal 2016 decreased \$41.3 million or 13.1% compared to the second quarter of fiscal 2015. The decrease was primarily due to foreign currency translation impact and organic volume decrease of 8% each, offset partially by a 3% increase due to acquisitions. Net sales decreased \$88.4 million or 14.1% in the six months of fiscal 2016, as compared to the six months of fiscal 2015, primarily due to a decrease of approximately 8% due to organic volume and a 8% decrease due to foreign currency translation impact, partially offset by a 1% increase each due to pricing and acquisitions.

Net sales of our motive power products in the second quarter of fiscal 2016 decreased by \$19.5 million or 6.2% compared to the second quarter of fiscal 2015. The decrease was primarily due to foreign currency translation impact of 9% offset partially by a 1% increase in organic volume and a 2% increase in pricing. Net sales decreased \$44.4 million or 7.0% in the six months of fiscal 2016, as compared to the six months of fiscal 2015, primarily due to a decrease of approximately 9% due to foreign currency translation impact offset partially by a 1% increase each from organic volume and pricing.

Gross Profit

	Quarter ended September 27, 2015		Quarter ended September 28, 2014		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Gross Profit	\$ 155.0	27.2%	\$ 162.5	25.8%	\$ (7.5)	(4.7)%

	Six months ended September 27, 2015		Six months ended September 28, 2014		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Gross Profit	\$ 305.4	27.0%	\$ 325.1	25.7%	\$ (19.7)	(6.1)%

Gross profit decreased \$7.5 million or 4.7% in the second quarter of fiscal 2016 and decreased \$19.7 million or 6.1% in the six months of fiscal 2016 compared to comparable prior year periods due to lower volume. Gross profit, as a percentage of net sales, increased 140 basis points in the second quarter of fiscal 2016 and increased 130 basis points in the six months of fiscal 2016 when compared to the comparable

prior year periods. The increase in the gross profit margin in the current quarter and six months of fiscal 2016 is primarily attributable to lower commodity costs.

Operating Items

	Quarter ended September 27, 2015		Quarter ended September 28, 2014		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Operating expenses	\$ 89.6	15.7%	\$ 96.9	15.4%	\$ (7.3)	(7.6)%
Restructuring and other exit charges	\$ 2.6	0.4%	\$ 1.8	0.3%	\$ 0.8	45.3%
Legal proceedings charge / (reversal of legal accrual, net of fees)	\$ 3.2	0.6%	\$ (16.2)	(2.6)%	\$ 19.4	NM

	Six months ended September 27, 2015		Six months ended September 28, 2014		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Operating expenses	\$ 174.1	15.4%	\$ 186.0	14.7%	\$ (11.9)	(6.4)%
Restructuring and other exit charges	\$ 3.8	0.3%	\$ 3.6	0.3%	\$ 0.2	5.7%
Legal proceedings charge / (reversal of legal accrual, net of fees)	\$ 3.2	0.3%	\$ (16.2)	(1.3)%	\$ 19.4	NM
Gain on sale of facility	\$ (4.3)	(0.4)%	\$ —	—%	\$ (4.3)	NM

NM = not meaningful

Operating expenses as a percentage of net sales increased 30 basis points and 70 basis points in the second quarter and six months of fiscal 2016 compared to the comparable prior year periods of fiscal 2015. Operating expenses, excluding the effect of foreign currency translation, decreased \$0.6 million or 0.7% in the second quarter of fiscal 2016, as compared to the second quarter of fiscal 2015 and increased \$1.1 million or 0.6% in the six months of fiscal 2016, as compared to the six months of fiscal 2015. The increase in operating expenses as a percentage of sales in both the second quarter and six months of fiscal 2016 is primarily due to new acquisitions, payroll related expenses, bad debts and implementation costs for a new ERP system in the Americas while we experienced lower organic volume. Selling expenses, our main component of operating expenses, were 55.3% and 55.8% of total operating expenses in the second quarter and six months of fiscal 2016, respectively, compared to 51.8% and 55.0% of total operating expenses in the second quarter and six months of fiscal 2015, respectively.

Restructuring charges

Included in our second quarter of fiscal 2016 operating results are restructuring charges in EMEA and Asia of \$1.9 million and \$0.7 million, respectively, primarily for staff reductions in our motive power assembly and distribution center in Italy and Jiangdu factory in the People's Republic of China ("PRC"). Included in our second quarter of fiscal 2015 are \$1.8 million of restructuring charges, primarily for staff reductions and other cash charges in EMEA related to the relocation of our motive power and a portion of our reserve power manufacturing from Bulgaria to our facilities in Western Europe.

Legal proceedings charge / (reversal of legal accrual, net of fees)

Included in our second quarter of fiscal 2016 operating results are \$4.0 million of charges in EMEA relating to ongoing investigations conducted by certain European competition authorities, including Belgium and the Netherlands, relating to conduct and anticompetitive practices of certain industrial battery participants, including certain of our European subsidiaries. We are responding to these inquiries and have reserved \$4.0 million in connection with these investigations and other related legal charges. For the Dutch regulatory proceeding, we do not believe that such an estimate can be made at this time given the early stages of its investigation. The foregoing estimate of losses is based upon currently available information for this proceeding. However, the precise scope, timing and time period at issue, as well as the final outcome of the investigations, remains uncertain. Accordingly, our estimate may change from time to time, and actual losses could vary.

Included in our second quarter of fiscal 2016 operating results is a reversal of \$0.8 million of legal accrual in Americas, relating to legal fees, subsequent to the final settlement of the Alteryx matter.

Gain on sale of facility

During the first quarter of fiscal 2016, we sold our plant in Chaozhou, in the PRC for \$9.2 million and recorded a gain of \$4.3 million.

Operating Earnings

	Quarter ended September 27, 2015		Quarter ended September 28, 2014		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales (1)	In Millions	Percentage of Total Net Sales (1)	In Millions	%
Americas	\$ 48.4	15.0 %	\$ 38.4	11.5 %	\$ 10.0	26.2 %
EMEA	17.1	9.0	23.4	10.0	(6.3)	(26.9)
Asia	(0.1)	(0.3)	3.8	6.0	(3.9)	(105.0)
Subtotal	65.4	11.5	65.6	10.4	(0.2)	(0.4)
Restructuring and other exit charges - EMEA	(1.9)	(1.0)	(1.8)	(0.8)	(0.1)	5.2
Restructuring charges - Asia	(0.7)	(1.3)	—	—	(0.7)	NM
Reversal of legal fees, net of fees - Americas	0.8	0.2	16.2	4.9	(15.4)	NM
Legal proceedings charge - EMEA	(4.0)	(2.1)	—	—	(4.0)	NM
Total operating earnings	\$ 59.6	10.5 %	\$ 80.0	12.7 %	\$ (20.4)	(25.6)%

	Six months ended September 27, 2015		Six months ended September 28, 2014		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales (1)	In Millions	Percentage of Total Net Sales (1)	In Millions	%
Americas	\$ 93.7	14.7 %	\$ 79.9	12.0 %	\$ 13.8	17.4 %
EMEA	37.7	9.8	52.0	11.0	(14.3)	(27.6)
Asia	(0.1)	(0.2)	7.2	5.8	(7.3)	(102.5)
Subtotal	131.3	11.6	139.1	11.0	(7.8)	(5.7)
Restructuring charges - Americas	(0.6)	(0.1)	—	—	(0.6)	NM
Restructuring and other exit charges - EMEA	(2.5)	(0.7)	(3.6)	(0.8)	1.1	(29.8)
Restructuring charges - Asia	(0.7)	(0.7)	—	—	(0.7)	NM
Reversal of legal fees, net of fees - Americas	0.8	0.1	16.2	2.4	(15.4)	NM
Legal proceedings charge - EMEA	(4.0)	(1.0)	—	—	(4.0)	NM
Gain on sale of facility - Asia	4.3	4.1	—	—	4.3	NM
Total operating earnings	\$ 128.6	11.4 %	\$ 151.7	12.0 %	\$ (23.1)	(15.3)%

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

NM = not meaningful

Operating earnings decreased \$20.4 million or 25.6% in the second quarter and decreased \$23.1 million or 15.3% in the six months of fiscal 2016 compared to the second quarter and six months of fiscal 2015. Operating earnings, as a percentage of net sales, decreased 220 basis points and 60 basis points in the second quarter and six months of fiscal 2016, respectively when compared to the second quarter and six months of fiscal 2015, primarily due to lower reserve power sales volume partially offset by better pricing and lower commodity costs. Other factors contributing to the negative impact are higher operating expenses and foreign currency translation impact.

The Americas segment's operating earnings, excluding restructuring charges discussed above, increased in the second quarter and six months of fiscal 2016 compared to the second quarter and six months of fiscal 2015, with the operating margin increasing 350 basis points and 270 basis points, respectively. This increase is attributable to improved product mix and pricing, and lower commodity costs, partially offset by implementation costs relating to a new ERP system.

The EMEA segment's operating earnings, excluding restructuring and legal proceedings charges discussed above, decreased in the second quarter and six months of fiscal 2016 compared to the second quarter and six months of fiscal 2015, with the operating margin decreasing 100 basis points and 120 basis points, respectively. This decrease primarily reflects foreign currency headwinds and lower reserve power demand.

Operating earnings decreased in the Asia segment in the second quarter and six months of fiscal 2016 compared to the second quarter and six months of fiscal 2015, primarily due to costs associated with the transition to our new plant in the PRC, foreign currency headwinds and reduced telecom sales.

Interest Expense

	Quarter ended September 27, 2015		Quarter ended September 28, 2014		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
	Interest expense	\$ 5.1	0.9%	\$ 4.3	0.7%	\$ 0.8

	Six months ended September 27, 2015		Six months ended September 28, 2014		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
	Interest expense	\$ 11.4	1.0%	\$ 9.2	0.7%	\$ 2.2

Interest expense of \$5.1 million in the second quarter of fiscal 2016 (net of interest income of \$0.4 million) was \$0.8 million higher than the interest expense of \$4.3 million in the second quarter of fiscal 2015 (net of interest income of \$0.3 million). Interest expense of \$11.4 million in the six months of fiscal 2016 (net of interest income of \$1.0 million) was \$2.2 million higher than the interest expense of \$9.2 million in the six months of fiscal 2015 (net of interest income of \$0.6 million).

The increase in interest expense in the second quarter and six months of fiscal 2016 compared to the comparable prior year periods of fiscal 2015 is primarily due to higher average debt outstanding. Our average debt outstanding was \$618.3 and \$609.1 million in the second quarter and six months of fiscal 2016, respectively, compared to \$389.3 million and \$357.0 million in the second quarter and six months of fiscal 2015. The increase in our average debt was mainly due to the issuance of \$300 million Notes, the net proceeds of which were used to pay the Convertible Notes as discussed in Note 9 and Note 15 and fund the ASR program as discussed in Note 12 to the Consolidated Condensed Financial Statements. Our interest expense was also higher as we had issued the Notes in April 2015 while the Convertible Notes were still outstanding until mid July 2015.

There was no accreted interest on the Convertible Notes in the second quarter of fiscal 2016. Accreted interest on the Convertible Notes was \$1.3 million in the six months of fiscal 2016 and \$2.1 million and \$4.1 million in the second quarter and six months of fiscal 2015. Also included in interest expense are non-cash charges for deferred financing fees of \$0.3 million and \$0.8 million, respectively, in the second quarter and six months of fiscal 2016 and \$0.3 million and \$0.6 million, respectively, in the second quarter and six months of fiscal 2015.

Other (Income) Expense, Net

	Quarter ended September 27, 2015		Quarter ended September 28, 2014		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
	Other (income) expense, net	\$ 0.7	0.1%	\$ (3.4)	(0.5)%	\$ 4.1

	Six months ended September 27, 2015		Six months ended September 28, 2014		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
	Other (income) expense, net	\$ 1.4	0.1%	\$ (2.4)	(0.2)%	\$ 3.8

NM = not meaningful

Other (income) expense, net in the second quarter of fiscal 2016 was expense of \$0.7 million compared to income of \$3.4 million in the second quarter of fiscal 2015. Other (income) expense, net in the six months of fiscal 2016 was expense of \$1.4 million compared to income of \$2.4 million in the six months of fiscal 2015. Foreign currency losses in the second quarter and six months of fiscal 2016 were \$0.6 million and \$2.0 million, respectively, compared to the foreign currency gains of \$1.6 million and \$0.8 million, respectively, in the comparable prior year periods. Also contributing to the favorable impact in both the second quarter and six months of fiscal 2015 was the receipt of \$2.0 million towards our equity interest in Alteryx pursuant to the final legal settlement with Alteryx.

Earnings Before Income Taxes

	Quarter ended September 27, 2015		Quarter ended September 28, 2014		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Earnings before income taxes	\$ 53.8	9.5%	\$ 79.1	12.5%	\$ (25.3)	(32.0)%

	Six months ended September 27, 2015		Six months ended September 28, 2014		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Earnings before income taxes	\$ 115.8	10.3%	\$ 144.9	11.5%	\$ (29.1)	(20.1)%

As a result of the above, earnings before income taxes in the second quarter of fiscal 2016 decreased \$25.3 million, or 32.0%, compared to the second quarter of fiscal 2015 and decreased \$29.1 million, or 20.1%, in the six months of fiscal 2016 compared to the six months of fiscal 2015. Earnings before income taxes as a percentage of net sales were 9.5% for the second quarter of fiscal 2016 compared to 12.5% in the second quarter of fiscal 2015 and 10.3% for the six months of fiscal 2016 compared to 11.5% for the six months of fiscal 2015.

Income Tax Expense

	Quarter ended September 27, 2015		Quarter ended September 28, 2014		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Income tax expense	\$ 14.0	2.5%	\$ 22.5	3.5%	\$ (8.5)	(37.8)%
Effective tax rate	26.1%		28.5%		(2.4)%	

	Six months ended September 27, 2015		Six months ended September 28, 2014		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Income tax expense	\$ 28.1	2.5%	\$ 39.2	3.1%	\$ (11.1)	(28.4)%
Effective tax rate	24.3%		27.1%		(2.8)%	

The Company's income tax provision consists of federal, state and foreign income taxes. The tax provision for the second quarters of fiscal 2016 and 2015 were based on the estimated effective tax rates applicable for the full years ending March 31, 2016 and March 31, 2015, respectively, after giving effect to items specifically related to the interim periods. Our effective income tax rate with respect to any period may be volatile based on the mix of income in the tax jurisdictions in which we operate and the amount of our consolidated income before taxes.

The consolidated effective income tax rates were 26.1% and 28.5%, respectively, for the second quarters of fiscal 2016 and 2015 and 24.3% and 27.1%, respectively, for the six months of fiscal 2016 and 2015. The rate decrease in the second quarter of fiscal 2016 compared to the second quarter of fiscal 2015 is primarily due to the subsequent recognition in fiscal 2016 of a domestic deferred tax asset related to executive compensation and changes in the mix of earnings among tax jurisdictions. The rate decrease in the six months of fiscal 2016 compared to the six months of fiscal 2015 is primarily due to the subsequent recognition in fiscal 2016 of a domestic deferred tax asset related to executive compensation and a previously unrecognized tax position related to one of the Company's foreign subsidiaries, and changes in the mix of earnings among tax jurisdictions.

Foreign income as a percentage of worldwide income is estimated to be 57% for the six months of fiscal 2016 compared to 54% for the six months of fiscal 2015. The foreign effective income tax rates for the six months of fiscal 2016 and 2015 were 12.4% and 15.5%, respectively. The rate decrease compared to the prior year period is primarily due to the subsequent recognition in fiscal 2016 of a previously unrecognized tax position related to one of our foreign subsidiaries and changes in the mix of earnings among tax jurisdictions. Income from our Swiss subsidiary comprised a substantial portion of the our overall foreign mix of income and is taxed at an effective income tax rate of approximately 7%.

Critical Accounting Policies and Estimates

There have been no material changes to our critical accounting policies from those discussed under the caption “Critical Accounting Policies and Estimates” in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2015 Annual Report.

Liquidity and Capital Resources

Operating activities provided cash of \$174.6 million in the six months of fiscal 2016 compared to \$50.6 million in the comparable period of fiscal 2015. In the six months of fiscal 2016, net earnings of \$87.7 million, depreciation and amortization of \$27.9 million, non-cash charges relating to stock-based compensation of \$10.3 million and non-cash interest of \$2.1 million were offset by a gain of \$4.3 million on sale of our facility in the PRC and deferred taxes of \$3.3 million. Also contributing to our cash provided from operating activities was the decrease in primary working capital of \$38.7 million, net of currency translation changes, and an increase of \$8.6 million in accrued expenses.

In the six months of fiscal 2015, operating activities provided cash of \$50.6 million consisting of net earnings of \$105.7 million, depreciation and amortization of \$28.4 million, non-cash charges relating to deferred taxes of \$22.3 million, stock-based compensation of \$17.1 million, interest of \$4.7 million, restructuring charges of \$0.5 million, were partially offset by non-cash credits relating to the reversal of the remaining legal accrual of \$16.2 million and gain of \$2.0 million on disposition of our equity interest in Alteryx. Also partially offsetting our cash provided from operating activities was the increase in primary working capital of \$48.6 million, net of currency translation changes and our payment of \$40.0 million towards the Alteryx award, pursuant to the final legal settlement of the Alteryx matter and income tax changes of \$22.5 million.

Primary working capital for this purpose is trade accounts receivable, plus inventories, minus trade accounts payable. 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 \$609.5 million (yielding a primary working capital percentage of 26.8%) at September 27, 2015, \$636.6 million (yielding a primary working capital percentage of 25.3%) at March 31, 2015 and \$692.7 million at September 28, 2014 (yielding a primary working capital percentage of 27.5%). The primary working capital percentage of 26.8% at September 27, 2015 is 150 basis points higher than that for March 31, 2015, and is 70 basis points lower than that for the prior year period. Primary working capital percentage increased during the six months of fiscal 2016 largely due to a seasonal increase in accounts receivables and inventory as a percentage of annualized sales.

Primary working capital and primary working capital percentages at September 27, 2015, March 31, 2015 and September 28, 2014 are computed as follows:

(In Millions)						
Balance At	Trade Receivables	Inventory	Accounts Payable	Total	Quarter Revenue Annualized	Primary Working Capital %
September 27, 2015	\$ 482.9	\$ 346.0	\$ (219.4)	\$ 609.5	\$ 2,276.5	26.8%
March 31, 2015	518.2	337.0	(218.6)	636.6	2,519.6	25.3
September 28, 2014	563.9	389.2	(260.4)	692.7	2,519.7	27.5

Investing activities used cash of \$62.6 million in the six months of fiscal 2016 and were primarily comprised of capital expenditures of \$33.5 million, acquisitions of \$39.1 million, partially offset by proceeds from the sale of our manufacturing facility in Chaozhou, in the PRC for \$9.2 million.

Investing activities used cash of \$25.4 million in the six months of fiscal 2015 and were primarily comprised of capital expenditures. Proceeds from the disposition of our equity interest in Alteryx amounted to \$2.0 million in the six months of fiscal 2015.

Financing activities used cash of \$61.4 million in the six months of fiscal 2016 primarily due to the issuance of \$300.0 million of the Notes, principal payment of \$172.3 million to the Convertible Note holders, revolver borrowings and repayments of \$270.0 million and \$250.0 million, respectively, repayment on Term Loan of \$1.9 million, deferred finance fees of \$5.0 million relating to the Notes, payment of \$180.0 million under the ASR program, and payment of cash dividends to our stockholders of \$15.6 million. Taxes paid related to net share settlement of equity awards, net of option proceeds and related tax benefits resulted in a net outflow of \$11.8 million. Net borrowings on short-term debt were \$5.8 million.

Financing activities used cash of \$10.7 million in the six months of fiscal 2015 primarily due to revolver borrowings and repayments of \$246.0 million and \$251.0 million, respectively, and \$150.0 million incremental term loan borrowing under the 2011 Credit Facility, purchase of treasury stock for \$120.9 million and payment of cash dividends to our stockholders of \$16.2 million. Taxes paid related to net share settlement of equity awards, net of option proceeds and related tax benefits resulted in a net outflow of \$9.6 million. Net repayments on short-term debt were \$7.5 million.

As a result of the above, total cash and cash equivalents increased by \$51.6 million to \$320.6 million, in the six months of fiscal 2016 compared to a decrease of \$0.2 million to \$239.9 million, in the comparable period of fiscal 2015.

All obligations under our 2011 Credit Facility are secured by, among other things, substantially all of our U.S. assets. The 2011 Credit Facility contains various covenants which, absent prepayment in full of the indebtedness and other obligations, or the receipt of waivers, 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 this credit facility.

We are in compliance with all covenants and conditions under our credit agreement. We believe that we will continue to comply with these covenants and conditions, and that we have the financial resources and the capital available to fund the foreseeable organic growth in our business and to remain active in pursuing further acquisition opportunities. See Note 8 to the Consolidated Financial Statements included in our 2015 Annual Report and Note 9 to the Consolidated Condensed Financial Statements included in this Quarterly Report on Form 10-Q for a detailed description of our debt.

Contractual Obligations and Commercial Commitments

A table of our obligations is contained in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations — Contractual Obligations of our 2015 Annual Report for the year ended March 31, 2015. As of September 27, 2015, we had no significant changes to our contractual obligations table contained in our 2015 Form 10-K, which reflected the issuance of the \$300 million of Notes and the redemption of the Convertible Notes in the first six months of fiscal 2016.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**Market Risks**

Our 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. Our 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 lead forward purchase contracts and foreign exchange forward and purchased option contracts to manage the risk associated with our exposures to fluctuations resulting from changes in raw material costs and foreign currency exchange rates. The Company's agreements are with creditworthy financial institutions. Those contracts that result in a liability position at September 27, 2015 are \$7.6 million (pre-tax), therefore, there is minimal risk of nonperformance by these counterparties. Those contracts that result in an asset position at September 27, 2015 are \$0.8 million (pre-tax) and the vast majority of these will settle within one year. The impact on the Company due to nonperformance by the counterparties has been evaluated and not deemed material.

Interest Rate Risks

We are exposed to changes in variable U.S. interest rates on borrowings under our credit agreements as well as short term borrowings in our foreign subsidiaries.

A 100 basis point increase in interest rates would have increased interest expense, on an annualized basis, by approximately \$3.7 million on the variable rate portions of our debt.

Commodity Cost Risks – Lead Contracts

We have a significant risk in our exposure to certain raw materials. Our largest single raw material cost is for lead, for which the cost remains volatile. In order to hedge against increases in our lead cost, we have entered into forward contracts with financial institutions to fix the price of lead. A vast majority of such contracts are for a period not extending beyond one year. We had the following contracts outstanding at the dates shown below:

Date	\$'s Under Contract (in millions)	# Pounds Purchased (in millions)	Average Cost/Pound	Approximate % of Lead Requirements (1)
September 27, 2015	\$ 69.9	84.7	\$ 0.82	21%
March 31, 2015	76.1	91.6	0.83	19
September 28, 2014	93.5	95.4	0.98	21

(1) Based on approximate annual lead requirements for the periods then ended.

For the remaining two quarters of this fiscal year, we believe approximately 76% of the cost of our lead requirements is known. This takes into account the hedge contracts in place at September 27, 2015, lead purchased by September 27, 2015 that will be reflected in future costs under our FIFO accounting treatment, and the benefit from our lead tolling program.

We estimate that a 10% increase in our cost of lead would have increased our cost of goods sold by approximately \$14 million and \$28 million, in the second quarter and six months of fiscal 2016, respectively.

Foreign Currency Exchange Rate Risks

We manufacture and assemble our products globally in the Americas, EMEA and Asia. 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 U.S. dollars, 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, Swiss franc, 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 intercompany and third party trade transactions. On a selective basis, we enter into foreign currency forward contracts and purchase option

contracts to reduce the impact from the volatility of currency movements; however, we cannot be certain that foreign currency fluctuations will not impact our operations in the future.

To hedge these exposures, we have entered into forward contracts and options with financial institutions to fix the value at which we will buy or sell certain currencies. The vast majority of such contracts are for a period not extending beyond one year. Forward contracts outstanding as of September 27, 2015 and March 31, 2015 were \$106.1 million and \$102.1 million, respectively. The details of contracts outstanding as of September 27, 2015 were as follows:

Transactions Hedged	\$US Equivalent (in millions)	Average Rate Hedged	Approximate % of Annual Requirements (1)
Sell Euros for U.S. dollars	\$ 48.4	\$/€ 1.12	19%
Sell Euros for Polish zloty	30.9	PLN/€ 4.18	22
Sell Euros for British pounds	15.3	£/€ 0.72	33
Sell U.S. dollars for Mexican pesos	5.6	MXN/\$ 15.48	53
Sell Japanese Yen for U.S. dollars	2.4	¥/\$ 123.07	83
Sell Malaysian Ringgit for Euros	1.6	MYR/€ 5.00	50
Sell Australian dollars for Euros	0.6	AUD/€ 1.49	5
Other	1.3		
Total	\$ 106.1		

(1) Based on the fiscal year currency requirements.

Foreign exchange translation adjustments are recorded in the Consolidated Condensed 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 4. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our 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, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective.

(b) Internal Control Over Financial Reporting. There have not been any changes in our 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 quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION**Item 1. Legal Proceedings**

From time to time, we are involved in litigation incidental to the conduct of our business. See Litigation and Other Legal Matters in Note 7 - Commitments, Contingencies and Litigation to the Consolidated Condensed Financial Statements, which is incorporated herein by reference.

Item 1A. Risk Factors

In addition to the other information set forth in this Form 10-Q, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our 2015 Annual Report for the year ended March 31, 2015, which could materially affect our business, financial condition or future results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

The following table summarizes the number of shares of common stock we purchased from participants in our equity incentive plans as well as repurchases of common stock authorized by the Board of Directors. As provided by the Company's equity incentive plans, (a) vested options outstanding may be exercised through surrender to the Company of option shares or vested options outstanding under the Company's equity incentive plans to satisfy the applicable aggregate exercise price (and any withholding tax) required to be paid upon such exercise and (b) the withholding tax requirements related to the vesting and settlement of restricted stock units and market share units may be satisfied by the surrender of shares of the Company's common stock.

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 (1) (2)
June 29 – July 26, 2015	—	\$ —	—	\$ 25,000,000
July 27 – August 23, 2015	2,000,000	TBD ⁽²⁾	2,000,000	25,000,000
August 24 – September 27, 2015	—	—	—	25,000,000
Total	2,000,000	TBD	2,000,000	

TBD = To be determined

⁽¹⁾ The Company's Board of Directors has authorized the Company to repurchase up to such number of shares as shall equal the dilutive effects of any equity-based award granted during such fiscal year under the 2010 Equity Incentive Plan and the number of shares exercised through stock option awards during such fiscal year.

⁽²⁾ The Company's Board of Directors has authorized the Company to repurchase up to a \$180 million of its common stock. On August 13, 2015, the Company prepaid \$180 million, pursuant to the ASR agreement with a major financial institution, and received an initial delivery of 2,000,000 shares. Additional shares may be delivered to the Company by February 25, 2016 (settlement date), subject to the provisions of the ASR agreement. The total number of shares to be repurchased will be determined on final settlement, with any additional shares reacquired being based generally on the volume-weighted average price of the Company's ordinary shares, minus a discount, during the repurchase period.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Matters

In connection with the retirement of Richard W. Zuidema as Executive Vice President of EnerSys effective December 31, 2015, EnerSys and Mr. Zuidema entered into a Consulting Agreement dated October 30, 2015 (the "Consulting Agreement") whereby, effective on January 1, 2016, Mr. Zuidema will provide such advisory and transition services for EnerSys as may be reasonably requested by its Chief Executive Officer. Under the Consulting Agreement, Mr. Zuidema will receive, among other things, a monthly consulting fee of \$35,000. The Consulting Agreement expires on June 30, 2017 and may be extended by the parties. A copy of the Consulting Agreement is attached as Exhibit 10.3 to this Quarterly Report on Form 10-Q and is hereby incorporated by reference herein. The foregoing description of the Consulting Agreement is qualified in its entirety by reference to Exhibit 10.3.

ITEM 6. 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	Second Amended and Restated Bylaws (incorporated by reference to Exhibit 3.3 to EnerSys' Quarterly Report on Form 10-Q for the period ended September 28, 2014 (File No. 001-32253) filed on November 5, 2014).
10.1	Form of Market Share Unit Agreement - Senior Executives - 2010 Equity Incentive Plan (filed herewith).
10.2	Form of Stock Option Agreement - Senior Executives - 2010 Equity Incentive Plan (filed herewith).
10.3	Consulting Agreement with Richard W. Zuidema (filed herewith).
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) Under the Securities Exchange Act of 1934 (filed herewith).
31.2	Certification of Principal 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).
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

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

ENERSYS (Registrant)

By /s/ Michael J. Schmidlein

Michael J. Schmidlein

Chief Financial Officer

Date: November 2, 2015

EnerSys
EXHIBIT INDEX

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ENERSYS**AWARD AGREEMENT FOR EMPLOYEES – MARKET SHARE UNITS****UNDER THE SECOND AMENDED AND RESTATED
2010 EQUITY INCENTIVE PLAN**

THIS AWARD AGREEMENT FOR EMPLOYEES – MARKET SHARE UNITS (this “Agreement”), dated as of **May 12, 2015**, 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 Second Amended and Restated EnerSys 2010 Equity Incentive Plan (the “Plan”); (ii) made subject to the terms and conditions of this Agreement; (iii) made conditional on stockholder approval of the Plan at the annual meeting of stockholders to be held in July, 2015; and (iv) not employment compensation nor an employment right and is made in the sole discretion of the Company’s Compensation Committee.

AGREEMENT

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 and the Background provisions of this Agreement are hereby incorporated into this Agreement by reference and made a part hereof as if set forth in their entirety in this Section 1. If there is a conflict or an inconsistency between the Plan and this Agreement, the Plan shall govern.

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 credited to the Participant 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 to the Participant shall: (A) be or become vested to the same extent as the underlying Market Share Unit, (B) be settled as provided under Section 3(d) for such underlying Market Share Unit, and (C) be subject to the Payout Factor (as defined below) that applies to such 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 to the Participant shall: (A) be or become vested to the same extent as the underlying Market Share Unit, (B) be settled as provided under Section 3(d) for such underlying Market Share Unit, and (C) be subject to the Payout Factor that applies to such 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) TSR Performance	(B) Payout Factor	(C) Number of Market Share Units Vested
If TSR Performance is less than $-.25$	Payout Factor equals 0	Number of Market Share Units specified on the signature page of this Agreement plus any additional Market Share Units credited under Sections 2(b) and (c) <i>multiplied by</i> the Payout Factor in Column B.
If TSR Performance is equal to or greater than $-.25$ but not more than $+.25$	Payout Factor equals TSR Performance plus $.75$	
If TSR Performance is greater than $+.25$	Payout Factor is equal to 1.0 plus (1.333 times (TSR Performance minus $.25$))	

(ii) For purposes of the table set forth above—

(A) “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) calendar days immediately preceding the most recent date on which there were trades shall be used.

(B) “Company TSR” shall mean the total shareholder return of the Company and shall equal the sum of (I) the Share Price on the Vesting Date and (II) the aggregate amount of any cash dividends paid on a per share basis on any shares of Common Stock (calculated as if such dividends had been reinvested in Common Stock on the date the dividends were paid) during the period between the Date of Grant and the Vesting Date.

(C) “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.

(D) “TSR Performance” shall equal the quotient obtained by dividing (I) the difference between (x) the Company TSR on the Vesting Date, less (y) the Share Price on the Date of Grant, by (II) the Share Price on the Date of Grant.

(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 (vi) 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 (or consulting, director or advisory services) terminates due to death or Permanent Disability, or if the Participant terminates employment for Good Reason, or is terminated by the Company without Cause (including for purposes of this Section 3(a)(v) and Section 3(d), a termination without Cause by the Company of consulting, director or advisory services), Market Share Units not previously vested shall immediately become vested based on the Payout Factor determined by substituting the date of such termination of employment for the Vesting Date.

(vi) In the event of the Participant's Retirement, where such Retirement is (A) on or after the first anniversary of the Date of Grant or (B) prior to the first anniversary of the Date of Grant but following such Retirement the Participant continues to render services to the Company or one of its Subsidiaries as a consultant, director or other advisor through the first anniversary of the Date of Grant, 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 further, 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 the first anniversary of the Date of Grant but following such Retirement the Participant does not continue to render services to the Company or one of its Subsidiaries as a consultant, director or other advisor through the first anniversary of the date of Grant, 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 (or rendered services as a consultant, director or other advisor) by the Company during the period beginning on the Date of Grant and ending on the first anniversary of the Date of Grant.

(b) Restrictions on Transfer. Until the earlier of the Settlement Date (as defined below), the date of a Change in Control described in Section 3(a)(iv), the date of a termination of employment 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 Settlement Date, the date of a Change in Control described in Section 3(a)(iv), the date of a termination of employment described in Section 3(a)(v), or as otherwise provide in the Plan, 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 Settlement Date, the date of a Change in Control described in Section 3(a)(iv), the date of a termination of employment due to death or Permanent Disability, or the date of a termination of employment described in Section 3(a)(v) by delivery of one share of Common Stock for each Market Share Unit being settled. The “Settlement Date” shall be the first anniversary of the Vesting Date.

4. Noncompetition. The Participant agrees with the Company that, for as 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 or as provided in the last sentence of this Section 4) 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, engage or otherwise become involved in a Competing Business in the Americas, Europe, Middle East or Asia; or in any other geographic area throughout the world (a) in which the Company or any of its Subsidiaries has engaged in any of the activities that comprise a Competing Business during the Participant’s employment, or (b) in which the Participant has knowledge of the Company’s plans to engage in any of the activities that comprise a Competing Business (including, without limitation, in 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. This Section 4 will not be violated, however, by the Participant’s investment of up to US\$100,000 in the aggregate in one or more publicly-traded companies that engage in a Competing Business. The restrictions of this Section 4 shall also apply during the continued settlement period after Retirement described in Section 3(a)(vi).

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 or as provided in the last sentence of this Section 5) 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. The restrictions of this Section 5 shall also apply during the continued settlement period after Retirement described in Section 3(a)(vi).

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 (or other security other than any mandatory minimum or nominal bond

or security), 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, or withholding of employment taxes is required, 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 maximum amount of tax permitted to be withheld that will not result in adverse financial accounting consequences to the Company. 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 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 been 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 on the signature page 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 or her 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 (unless otherwise provided under Section 16 of the Plan) 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, to the extent more restrictive, 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 effect 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.

(d) Adjustments. The Market Share Units shall be adjusted or terminated as contemplated by Section 16(a) of the Plan, including, in the discretion of the Compensation Committee, rounding to the nearest whole number of Market Share Units or shares of common stock, as applicable.

(e) Clawback Policy. The Market Share Units and any shares of Common Stock delivered in settlement of the Market Share Units shall be subject to the terms of the clawback policy adopted by the Board of Directors (as such policy may be amended from time-to-time).

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. IN ADDITION, THIS AGREEMENT SHALL BE NULL AND VOID AND UNENFORCEABLE BY THE PARTICIPANT IF THE STOCKHOLDERS OF THE COMPANY DO NOT APPROVE THE PLAN AT THE ANNUAL MEETING OF STOCKHOLDERS IN JULY, 2015.

BY SIGNING THIS AGREEMENT, THE PARTICIPANT IS HEREBY CONSENTING TO THE USE 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:
Title:

PARTICIPANT

Name:
Address: _____

Date of Grant:

Number of Shares of Market Share Units:

**EMPLOYEE STOCK OPTION AGREEMENT
(3 Year Vesting Schedule)**

SECOND AMENDED AND RESTATED 2010 EQUITY INCENTIVE PLAN

THIS EMPLOYEE STOCK OPTION AGREEMENT (this "Agreement"), dated as of **May 12, 2015**, 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 to the Participant nonqualified stock options (the "Options") to purchase shares of the Company's common stock, par value \$0.01 per share (the "Common Stock").

C. The grant of the Options is (i) made pursuant to the Second Amended and Restated EnerSys 2010 Equity Incentive Plan (the "Plan"); (ii) made subject to the terms and conditions of this Agreement; (iii) made conditional on stockholder approval of the Plan at the annual meeting of stockholders to be held in July, 2015; and (iv) not employment compensation nor an employment right and is made in the sole discretion of the Company's Compensation Committee.

AGREEMENT

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 Options shall be subject to the Plan. The terms of the Plan and the Background provisions of this Agreement are hereby incorporated into this Agreement by reference and made a part hereof as if set forth in their entirety in this Section 1. If there is a conflict or an inconsistency between the Plan and this Agreement, the Plan shall govern.

2. Restrictions on Transfer. Except as otherwise expressly provided in the Plan, none of the Options may be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of (or made the subject of a derivative transaction) to or with any third party otherwise than by will or the laws of descent and distribution and the Options shall be exercisable during the Participant's lifetime only by the Participant.

3. Grant of Options. The Participant is awarded the number of Options specified on the signature page hereof, at the Option Price indicated thereon. The Options are not intended to qualify as incentive stock options under Section 422 of the Code. Each Option shall entitle the Participant to purchase, upon payment of the applicable Option Price in any manner provided by the Plan, one share of Common Stock. The shares of Common Stock issuable upon exercise of the Options are from time to time referred to herein as the "Option Shares." For purposes of the Plan and this Agreement, the Date of Grant shall be as indicated on the signature page hereof. The Options shall be exercisable as provided in this Agreement.

4. Terms and Conditions of Options. The Options evidenced by this Agreement are subject to the following terms and conditions:

(a) Vesting. The Options shall vest and become exercisable as follows: one-third (1/3) of the Options shall vest and become exercisable on each of the first three anniversaries of the Date of Grant (each such one-third (1/3) of the Options which vest on each such anniversary shall be referred to herein as a "Tranche") unless previously vested or forfeited in accordance with the Plan or this Agreement; provided, however, that to the extent then unvested, the Options shall immediately become vested and exercisable if:

(i) the Participant's employment (or consulting, director or advisory services) terminates due to

death or Permanent Disability, or

- (ii) the Participant's employment terminates without Cause or for Good Reason (including for purposes of this Section 4(a), a termination without Cause by the Company of consulting, director or advisory services).

Further, provided, that to the extent then unvested, in the event of the Participant's Retirement where such Retirement is (A) on or after the first anniversary of the Date of Grant, or (B) prior to the first anniversary of the Date of Grant but following such Retirement the Participant continues to render services to the Company or one of its Subsidiaries as a consultant, director or other advisor through the first anniversary of the Date of Grant, Options not previously vested shall immediately become vested upon such occurrence but shall only become exercisable on the date each Tranche would have otherwise become vested under the schedule described above in this Section 4(a). If the Participant's Retirement occurs prior to the first anniversary of the Date of Grant and following such Retirement, the Participant does not continue to render services to the Company or one of its Subsidiaries as a consultant, director or other advisor through the first anniversary of the Date of Grant, the Options shall become immediately vested on a pro-rata basis based on the number of calendar days the Participant has been employed (or rendered services as a consultant, director or other advisor) by the Company during the period beginning on the Date of Grant and ending on the first anniversary of the Date of Grant (with the remainder of the Options forfeited) but the vested Options shall only become exercisable on the date each Tranche would have otherwise become vested under the schedule described above in this Section 4(a); provided, however, that only one-third of the total Options that became vested by reason of the Retirement of the Participant prior to the first anniversary of the date of Grant shall become exercisable on each such date.

Notwithstanding the foregoing sentences, upon a Participant's termination of employment for any reason, the Compensation Committee may, in its sole discretion, waive any requirement for vesting then remaining and permit, for a specified period of time consistent with the first sentence of Section 4(b) hereof the exercise of the Options prior to the satisfaction of such requirement. Any fractional Options that would result from application of this Section 4(a) shall be aggregated and shall vest on the first anniversary of the Date of Grant.

(a) Option Period. The Options shall expire (to the extent not previously exercised or forfeited) on, and shall not be exercisable, following the tenth (10th) anniversary of the Date of Grant. In addition, all Options shall be subject to earlier expiration as provided herein or in the Plan, as follows:

(iii) if the Participant's employment terminates due to death, Permanent Disability, or without Cause or for Good Reason, the Participant may exercise the Options, to the extent then vested, at any time until the earlier of (A) one year following termination of employment and (B) the expiration date of the Options specified in this Section 4(b);

(iv) if the Participant's employment is terminated due to Retirement, the Participant may exercise the Options, to the extent vested and exercisable, at any time until the expiration date of the Options specified in this Section 4(b) (and the fact that the Participant continues to offer consulting, director or advisory services after such Retirement shall not limit the fact that the Options subject to this Agreement that have not been forfeited shall remain exercisable until the expiration date of the Options specified in this Section 4(b));

(v) if the Participant voluntarily terminates employment with the Company (other than for Good Reason), the Participant may exercise the Options, to the extent then vested, at any time until the earlier of (A) sixty (60) days following termination of employment and (B) the expiration date of the Options specified in this Section 4(b); or

(vi) in the event of any other termination of the Participant's employment (including a termination by the Company for Cause), all of the Options (whether or not vested at the time of termination) shall, without any action on the part of any Person, immediately expire and be canceled without payment therefor.

Except as provided in Section 4(a) hereof or in the case of automatic vesting in connection with such termination event, upon termination of the Participant's employment with the Company or a Subsidiary for any reason, all Options which have not theretofore vested shall, without any action on the part of any Person, immediately expire and be canceled without any payment therefor.

(b) Exercise. Subject to the Company's Policy on Insider Trading, the limitations upon Retirement in Section 4(a) and Sections 4(d), 4(f), and 8 hereof, the Participant may exercise any or all of the Options, to the extent vested and not forfeited. The date of exercise of an Option shall be the date on which the conditions provided in Sections 4(d), 4(f), and 8 hereof are satisfied.

(c) Payment. At the time of any exercise, the Participant shall pay to the Company the Option Price of the shares as to which this Option is being exercised by delivery of consideration equal to the product of the Option Price and the number of shares purchased, together with any amounts required to be withheld for tax purposes under Section 17(c) of the Plan. Such consideration must be paid before the Company will issue the shares being purchased and must be in a form or a combination of forms acceptable to the Compensation Committee for that purchase, which forms may (but are not

required to) include (i) cash; (ii) check or wire transfer; (iii) tendering (either actually or by attestation) shares of Common Stock already owned by the Participant, provided that the shares have been held for the minimum period required by applicable accounting rules to avoid a charge to the Company's earnings for financial reporting purposes or were not acquired from the Company as compensation; (iv) to the extent permitted by applicable law, Cashless Exercise; or (v) such other consideration as the Compensation Committee may permit in its sole discretion; provided, however, that any Participant may, at any time, exercise any Vested Option (or portion thereof) owned by him pursuant to a Cashless Exercise.

(d) Stockholder Rights. The Participant shall have no rights as a stockholder with respect to any shares of Common Stock issuable upon exercise of the Options until the Participant has made payment pursuant to Section 4(d) and a certificate or certificates evidencing such shares shall have been issued to the Participant, and no adjustment shall be made for dividends or distributions or other rights in respect of any share for which the record date is prior to the date upon which the Participant shall become the holder of record thereof.

(e) Limitation of Exercise. The Options shall not be exercisable unless the offer and sale of the shares of Common Stock subject thereto have been registered under the 1933 Act and qualified under applicable state "blue sky" laws, or the Company has determined that an exemption from registration under the 1933 Act and from qualification under such state "blue sky" laws is available.

(f) Delivery of Shares. As soon as practicable following the exercise of any Options, the appropriate number of shares of Common Stock issued in connection with such exercise shall be issued by the Company's transfer agent, in the name of the Participant by (a) paper certificate delivered to the Participant, or (b) electronic delivery to the Company's representative broker.

(g) Dividends and Distributions. Any shares of Common Stock or other securities of the Company received by the Participant as a result of a stock dividend or other distribution in respect of Option Shares shall be subject to the same restrictions as such Option Shares, and all references to Option Shares hereunder shall be deemed to include such shares of Common Stock or other securities.

(h) Special Exercise Provisions. Notwithstanding anything to the contrary in the Plan or in this Agreement, if the Participant is employed or resides in China or Italy, then the Participant shall only exercise the Options granted hereunder using the "Cashless Exercise" method as defined in the Plan and shall not have the right to use any other method otherwise permitted under this Agreement.

5. 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 or as provided in the last sentence of this Section 5) following a termination of such employment that occurs after any of the Options have vested (whether or not such Options have been exercised), 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, engage or otherwise become involved in a Competing Business in the Americas, Europe, Middle East or Asia or in any other geographic area throughout the world (a) in which the Company or any of its Subsidiaries has engaged in any of the activities that comprise a Competing Business during the Participant's employment, or (b) in which the Participant has knowledge of the Company's plans to engage in any of the activities that comprise a Competing Business (including, without limitation, in 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 5 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. This Section 5 will not be violated, however, by the Participant's investment of up to US\$100,000 in the aggregate in one or more publicly-traded companies that engage in a Competing Business. The restrictions of this Section 5 shall also apply during the period after Retirement until vested Options become exercisable described in Section 4(a).

6. 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 or as provided in the last sentence of this Section 6) following a termination of such employment that occurs after any of the Options have vested (whether or not such Options have been exercised), the Participant will not engage in any Wrongful Solicitation. The restrictions of this Section 6 shall also apply during the period after Retirement until vested Options become exercisable described in Section 4(a).

7. 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 7. 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 7, or Section 5 or 6 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 (or other security other than any mandatory minimum or nominal bond or security), 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.

1. Tax Withholding. This Section 8 applies only to (a) those Participants who are U.S. employees, and (b) 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 vesting or exercise of the Options. The Company or a designated Subsidiary of the Company shall have the right, prior to the delivery of any certificates evidencing shares of Common Stock to be issued pursuant to this Agreement, to require the Participant to remit to the Company or such Subsidiary any amount sufficient to satisfy any applicable (federal, foreign, state, or local) tax withholding requirements. Prior to the Company’s or the designated Subsidiary’s determination of such withholding liability, the Participant may make an irrevocable election to satisfy, in whole or in part, such obligation to remit taxes by directing the Company or such Subsidiary to withhold shares of Common Stock that would otherwise be received by the Participant (up to the maximum amount of tax permitted to be withheld that will not result in adverse financial accounting consequences to the Company). Such election may be denied by the Compensation Committee in its discretion, or may be made subject to certain conditions specified by the Compensation Committee. The Company or its designated Subsidiary shall also have the right to deduct from all cash payments made pursuant to or in connection with any Award any applicable federal, foreign, state, or local taxes required to be withheld with respect to such payments.

2. No Obligation to Register. The Company shall be under no obligation to register any Option Shares as a result of the exercise of the Options pursuant to the Securities Act or any other federal or state securities laws.

3. 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 Options granted under this Agreement or any Option Shares resulting the settlement thereof without the prior written consent of the Company or its underwriters.

4. 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 Options by any holder thereof in violation of the provisions of this Agreement or the Certificate of Incorporation or the Bylaws of the Company, will be valid, and the Company will not transfer any Option Shares resulting from the exercise of Options 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.

5. Survival. 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. All agreements, representations, and warranties made herein and in the certificates delivered pursuant hereto shall survive the issuance to the Participant of the Options and any Option Shares and shall continue in full force and effect. The terms of Section 5, 6, and 7 shall expressly survive this Agreement.

6. 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 on the signature page 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.

7. 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.

8. Authority of the Compensation Committee. The Compensation Committee shall have the full authority to interpret and construe the terms of the Plan and this Agreement. The determination of the Compensation Committee as to any such matter of interpretation or construction shall be final, binding and conclusive.

9. Representations. The Participant has reviewed with his or her 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 or she (and not the Company) shall be responsible for any tax liability that may arise as a result of the transactions contemplated by this Agreement.

10. 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.

11. Entire Agreement; Governing Law; Language. 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 has been prepared in English and in one or more other languages. If there is a discrepancy between or among any of these versions, the English version shall prevail. Unless otherwise restricted by applicable law, this Agreement may be executed electronically. This Agreement shall be governed by, and construed in accordance with, the laws of the Commonwealth of Pennsylvania, USA.

12. Severability; Judicial Reformation. 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.

13. Amendments; Construction. The Compensation Committee may amend the terms of this Agreement prospectively or retroactively at any time, but (unless otherwise provided under Section 16 of the Plan) no such amendment shall impair the rights of the Participant hereunder without his or her consent. Headings to Sections of this Agreement are intended for convenience of reference only, are not part of this Agreement and shall have no effect on the interpretation hereof.

14. 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 Options 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 Compensation Committee upon any questions arising under this Agreement.

15. 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 or all of its rights and to delegate any or all of its duties under this Agreement to any of its Affiliates. The terms and conditions of this Agreement shall be binding upon and shall inure to the benefit of the permitted successors and assigns of the Company (including any person or entity which acquires all or substantially all of the assets of the Company).

(d) Adjustments. The Options shall be adjusted or terminated as contemplated by Section 16(a) of the Plan.

(a) Clawback Policy. The Options and any Option Shares shall be subject to the terms of the clawback policy adopted by the Board of Directors (as such policy may be amended from time-to-time).

[SIGNATURE PAGE FOLLOWS]

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. IN ADDITION, THIS AGREEMENT SHALL BE NULL AND VOID AND UNENFORCEABLE BY THE PARTICIPANT IF THE STOCKHOLDERS OF THE COMPANY DO NOT APPROVE THE PLAN AT THE ANNUAL MEETING OF STOCKHOLDERS IN JULY, 2015.

BY SIGNING THIS AGREEMENT, THE PARTICIPANT IS HEREBY CONSENTING TO THE USE 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:
Title:

PARTICIPANT

Address: _____ Name:

Date Of Grant:

Number of Options: _____ Option Price: \$ _____

CONSULTING AGREEMENT

CONSULTING AGREEMENT ("Agreement") dated as of October 30, 2015 by and between ENERSYS, a Delaware corporation having its principal place of business at 2366 Bernville Road, Reading, Pennsylvania 19612 ("Company"), and RICHARD W. ZUIDEMA, an adult individual with an address at 1932 Wickford Place, Wyomissing, Pennsylvania 19610 ("Consultant").

Consultant has heretofore served as the Executive Vice President and Secretary of Company pursuant to an agreement entered into November 9, 2000, as amended (the "Prior Agreement"). Consultant has elected to retire from employment with the Company effective as of December 31, 2015 (the "Separation Date"). The Company desires to engage Consultant as a consultant to Company effective as of January 1, 2016 (the "Effective Date"), and Consultant desires to accept such engagement, on the terms and conditions set forth in this Agreement in order to retain Consultant's experience and expertise with respect to Company given his long service to Company and to provide an orderly transition.

NOW THEREFORE, the parties hereto agree as follows:

1. Engagement.

(a) Description of Duties; Reporting. During the Consulting Period (as defined in Section 2), Consultant agrees to provide such advisory and transition services for Company as may be reasonably requested by the Chief Executive Officer of Company ("CEO") (collectively, the "Services").

(b) Independent Contractor. Consultant is performing the Services as an independent contractor. Consultant will be solely responsible for the filing all tax returns and payment of all taxes imposed with respect to the Services. Consultant shall not be entitled to participate in or receive any benefit or right as a Company employee under any Company employee benefit or compensation plan by reason of Consultant's Services pursuant to this Agreement.

2. Term of Engagement.

(a) Consulting Period. Consultant's engagement shall be for a period of eighteen (18) months commencing on the Effective Date and ending on June 30, 2017 (the "Consulting Period"); provided, however, that CEO and the Consultant may agree, prior to the expiration of the Consulting Period (as may be extended from time to time), to extend this Agreement for a mutually agreed upon period thereafter.

(b) Termination. In the event of Consultant's death following the date hereof and prior to payment of all amounts due to Consultant hereunder, any amounts remaining to be paid to Consultant shall be automatically accelerated and paid to Consultant's estate in a lump sum cash payment within thirty (30) days following the date of Consultant's death.

3. Consulting Compensation.

(a) Compensation. In consideration of Consultant's performance of the Services, Company will pay Consultant at the fixed rate of Thirty-Five Thousand Dollars

(\$35,000.00) per month (pro-rated for any partial months of service) (the “Consulting Fee”) during the Consulting Period commencing on January 31, 2016 and continuing on the last day of each successive month thereafter until and including the last day of the Consulting Period.

(b) Expense Reimbursement. During the Consulting Period, Consultant will be entitled to receive reimbursement from Company for all reasonable, ordinary and necessary out-of-pocket expenses incurred by Consultant in connection with the performance of the Services (including, but not limited to, reimbursement for travel and reasonable entertainment expenses), but only to the extent that such expenses are reimbursable in accordance with Company’s current policies and procedures.

(c) Office and Secretarial Support. During the Consulting Period, Company will provide Consultant with access to secretarial and IT support as appropriate and office space.

(d) Fiscal Year 2016 Management Incentive Plan Payment. Consultant will receive his current cash bonus award, if one is owed, under the EnerSys 2016 Management Incentive Plan (the “MIP”) at the same time and on the same basis as other participants in the MIP; provided, however, that such amount (if any) shall be reduced on a pro-rata basis based on the number of calendar days Consultant was not employed by Company as an employee during the fiscal year ending March 31, 2016.

(e) No Other Compensation; Etc. Company will not provide Consultant with any benefits or compensation other than as specifically set forth in this Section 3.

4. Protection of Company’s Interests.

(a) Confidentiality. Consultant will not at any time, except in performance of his obligations to Company hereunder or with the prior written consent of Company, directly or indirectly, reveal or disclose to any Person (as hereinafter defined in Section 14) (other than Company, or its employees, officers, directors, or agents), or use for his own benefit or the benefit of any other Person, any information deemed to be confidential by Company or its subsidiaries and other affiliates (collectively, the “Affiliates”) (“Confidential Information”) relating to the assets, liabilities, employees, goodwill, business or affairs of Company or any of its Affiliates, including, without limitation, any information concerning past, present or prospective customers, research and development efforts, manufacturing processes, marketing, operating or financial data, or other confidential information used by, or useful to, Company or any of its Affiliates and known (whether or not known with the knowledge and permission of Company or any of its Affiliates and whether or not at any time prior to date of this Agreement developed, devised, or otherwise created in whole or in part by the efforts of Consultant) to Consultant by reason of his engagement as a Consultant hereunder or his employment by, shareholdings in or other association with, Company or any of its Affiliates. Consultant further agrees that he will retain all copies and extracts of any written Confidential Information acquired or developed by him during any such engagement, employment, shareholding or association in trust for the sole benefit of Company, its Affiliates and their successors and assigns. Consultant further agrees that he will not, without the prior written consent of Company, remove or take from 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 Company, Consultant shall promptly make all disclosures, execute all instruments and papers and perform all acts

reasonably necessary to vest and confirm in Company and its Affiliates, fully and completely, all rights created or contemplated by this Section 4(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, Consultant. Consultant’s agreements set forth in this Section 4(a) regarding Confidential Information are independent of, and in addition to, his agreements set forth in Sections 4(b), 4(c), 4(d) and 4(e) hereof and shall not be construed either to enlarge or to contract the scope of such other agreements.

(b) Competing Business. In consideration of Company’s agreement to pay the Consulting Fee and to provide the other compensation and rights set forth in Sections 3 and 7 hereof, during the Consulting Period and for twelve (12) months following any termination of services (other than a termination due to death), Consultant will not, without the prior written consent of 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, engage or otherwise become involved in a Competing Business in the Americas, Europe, Middle East or Asia, or in any other geographic area throughout the world (i) in which Company or any of its Affiliates has engaged in any of the activities that comprise a Competing Business during Consultant’s employment, or (ii) in which Consultant has knowledge of Company’s plans to engage in any of the activities that comprise a Competing Business (including, without limitation, in any area in which any customer of Company or any of its Affiliates may be located); provided, however, that the provisions of this Section 4(b) shall apply solely to those activities of a Competing Business, with which Consultant was personally involved or for which Consultant was responsible while employed by Company or its Affiliates during the twelve (12) month period preceding termination of the Participant’s employment. This Section 4(b) shall not be violated, however, by Consultant’s investment of up to One Hundred Thousand Dollars (\$100,000.00) in the aggregate in one or several publicly-traded companies that engage in a Competing Business. For purposes of this Agreement, the term “Competing Business” has the meaning set forth in the Second Amended and Restated EnerSys 2010 Equity Incentive Plan (the “Second A&R 2010 Plan”) as of the date hereof.

(c) Solicitations; etc. In consideration of Company’s agreement to pay the Consulting Fee and to provide the other compensation and rights set forth in Sections 3 and 7, as a separate and independent covenant, during the Consulting Period and for twelve (12) months following any termination of services (other than a termination due to death), Consultant will not engage in any Wrongful Solicitation. For purposes of this Agreement, the term “Wrongful Solicitation” has the meaning set forth in the Second A&R 2010 Plan as of the date hereof.

(d) Exclusive Property. Consultant confirms that all Confidential Information is and shall remain the exclusive property of Company and its Affiliates. All business records, papers and documents kept or made by Consultant relating to the business of Company or its Affiliates shall be and remain the property of Company and its Affiliates.

(e) No Disparagement. Company will not cause or permit any member of its Board of Directors or any of its officers to make, and Consultant will not make or cause to be made, either orally or in writing or directly or indirectly, any disparaging or defamatory statement or allegation with respect to (i) the other party hereto (including, with

respect to Company, any of its directors, officers or employees), (ii) this Agreement or (iii) any of the transactions contemplated by this Agreement.

5. Remedies; Forfeiture of Options; Etc.

(a) Consultant acknowledges that Company's remedy at law for a breach of any of the provisions of Section 4 hereof would be inadequate. Accordingly, in the event of a breach by Consultant of any provision of Section 4 hereof, in addition to its remedies at law, Company shall be entitled to equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy then available. In the event of any such breach, at the election of Company, all rights of Consultant under Section 3 hereof shall thereupon terminate and the provisions of Section 5(b) hereof shall also apply. If by reason of Consultant's breach of any of the covenants or agreements set forth in this Agreement, Company resorts to the courts for their enforcement, or if such covenants or agreements are otherwise the subject of litigation between the parties, then the term of such covenants and agreements shall be extended for a period of time equal to the period of any such breach.

(b) In the event that Consultant breaches any of the covenants set forth in Section 4 hereof at any time during the Consulting Period (or during the 12-month period following the Consulting Period, if applicable pursuant to Section 4), then:

(i) all outstanding unvested equity-based awards will be immediately cancelled and forfeited without any payment;

(ii) all (A) vested, unexercised options and (B) other equity-based awards that are vested but not yet settled, will be immediately cancelled and forfeited; and

(iii) If any Affected Shares (as defined below) were disposed of (for or without receipt of value) during or following the Consulting Period, Consultant, upon written demand from Company, shall immediately pay to Company the gross Fair Market Value of such Affected Shares (as determined as of the date of the disposition of such Affected Shares) *less* the option price (if any) paid by Consultant for any such Affected Shares, on a pre-tax basis. The term "Affected Shares," as used in this Agreement, shall mean all shares of the Company's common stock which were issued to Consultant during the Consulting Period as a result of either (1) the vesting of any equity awards or (2) Consultant's exercise of any options, in either case that were eligible to continue to vest on account of Consultant's retirement and resignation from Company. The term "Fair Market Value," as used in this Agreement, shall have the meaning ascribed to it in the Second A&R 2010 Plan as of the date hereof.

6. Reformation. Company and Consultant have carefully read and considered the provisions of Section 4 hereof, and having done so, acknowledge that the restrictions set forth in Section 4 hereof are fair and reasonable. However, if a final judicial determination is made by a court having jurisdiction that the time or territory or any other restriction contained in Section 4 hereof is an unreasonable or otherwise unenforceable against Consultant, the provisions of Section 4 hereof shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such other extent as such court may judicially determine or indicate to be reasonable.

7. Change in Control. Upon a termination of Consultant's engagement hereunder without Cause following or in connection with a Change in Control (each term as defined in the Second A&R 2010 Plan as of the date hereof), then Company shall pay Consultant

upon such termination a lump sum in cash equal to the product of (i) the Consulting Fee and (ii) the number of months remaining, including any pro-rata portion, in the Consulting Period at such time.

8. Assignment. This Agreement shall not be assignable or delegable by either party, except by Company to any successor in interest to Company's business, or to any present or future Affiliate of Company.

9. Entire Agreement. This Agreement contains the entire agreement of the parties relating to the subject matter of this Agreement, and supersedes any prior written or oral arrangements with respect to Consultant's prior employment relationship with Company or Consultant's engagement as a consultant by Company or any of its Affiliates. Notwithstanding the foregoing, Company and Consultant acknowledge that this Agreement shall not alter or affect, or be deemed or construed to alter or affect, any of their respective rights and obligations which continue under the Prior Agreement or any equity award following Consultant's voluntary resignation and retirement from employment under the Prior Agreement.

10. Successors, Binding Agreement. Subject to the restrictions on assignment set forth herein, this Agreement shall be binding upon, and inure to the benefit of, and be enforceable by, (a) Consultant and (b) Company and its successors and permitted assigns.

11. Validity; Severability. The provisions of this Agreement will be deemed to be severable, and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

12. Applicable Law; Consent to Jurisdiction; Etc.. This Agreement is made pursuant to, and shall be construed and enforced in accordance with, the laws of the Commonwealth of Pennsylvania (and United States federal law, to the extent applicable), irrespective of the principal place of business, residence or domicile of the parties hereto, and without giving effect to otherwise applicable principles of conflict of laws. Any legal action, suit or proceeding arising out of or relating to this Agreement will be instituted in either the Court of Common Pleas, Berks County, Pennsylvania or the U.S. District Court for the Eastern District of Pennsylvania, in Philadelphia, Pennsylvania, and each party (a) irrevocably waives any objection which such party may now or hereafter have to the laying of the venue of any such action, suit or proceeding and any claims that such action, suit or proceeding has been brought in an inconvenient forum, and (b) irrevocably submits to the exclusive jurisdiction of such court. Any and all service of process and any other notice in any such action, suit or proceeding shall be effective against any party if given as provided herein.

13. Headings. The headings of the Sections of this Agreement are for convenience only and shall not affect the meaning of any of the provisions hereof.

14. Miscellaneous. For purposes of this Agreement, the term "Person" shall mean an individual, a corporation, a partnership, a limited liability company, a joint venture, a trust or other unincorporated organization, a joint stock company or similar organization, a government or any political subdivision thereof, or any other legal entity.

15. Notices Except as otherwise provided in this Agreement, any notice required or permitted to be given under this Agreement shall be given by registered or certified mail, postage prepaid with return receipt requested, to the residence of Consultant at the address set forth in the introductory paragraph of this Agreement, or hand delivered to Consultant, in the case of notices to Consultant, and by registered or certified mail, postage prepaid with return

receipt requested to the principal office of Company, in the case of notices to Company. Notices to Company shall not be effective unless given to Company at P.O. Box 14145, 2366 Bernville Road, Reading, PA 19605, Attention: Chief Executive Officer.

16. ADEA Waiver and Release.

(a) In consideration for the payments and benefits described in this Agreement, which Consultant is not otherwise entitled to receive, Consultant specifically and voluntarily waives all rights and/or claims under the ADEA, the OWBPA, and the corresponding age discrimination provisions under Pennsylvania law (collectively, the “ADEA Provisions”) which Consultant has or might have against any of the Company Released Parties to the extent such rights and/or claims arose prior to the date this Agreement was executed. Consultant understands that rights or claims under the ADEA Provisions which may arise from events occurring after the date this Agreement is executed are not waived by him.

(b) Consultant is advised to consider the terms and provisions of this Agreement carefully and to consult with or seek advice from an attorney of his choice or any other person of his choosing prior to executing this Agreement.

(c) Consultant is informed and understands that he has twenty-one (21) days within which to consider his waiver of rights under the ADEA Provisions.

(d) Consultant has carefully read and fully understands all of the terms and provisions of this Agreement, and he knowingly and voluntarily agrees to all of the terms and provisions set forth in this Agreement.

(e) In entering into this Agreement, Consultant is not relying on any representation, promise, assurance or inducement made by any Company Released Party, with the exception of those matters set forth or described in this Agreement.

(f) The twenty-one (21) day review period contained in Section 16(c) will not be affected or extended by any revisions which might be made to this Agreement.

(g) Consultant may rescind this Agreement by delivering written notice of such rescission to CEO pursuant to Section 15 within seven (7) days after he executes this Agreement.

17. Indemnification. Company represents and warrants that the Indemnification Agreement by and between the Consultant and Company dated as of November 1, 2014 (the “Indemnification Agreement”) will remain in full force and effect following the Separation Date, in accordance with its terms. Company and the Consultant agree to amend, effective as of the Effective Date, the Indemnification Agreement to indemnify the Consultant with respect to his performance of the Services under this Agreement to the same extent and subject to the same terms and conditions of the Indemnification Agreement as if the Services had been performed as an officer of Company.

18. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which, when taken together, shall constitute one and the same agreement. Any party to this Agreement may deliver an executed counterpart hereof by facsimile transmission or electronic mail (as a portable document format (PDF) file) to the other party hereto and any such delivery shall have the same force and effect as any manual delivery of an executed counterpart of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first above written.

ENERSYS

By /s/ John D. Craig
Name: John D. Craig
Title: Chairman & CEO

/s/ Richard W. Zuidema
Richard W. Zuidema

**Certification of Principal Financial Officer
Pursuant To Rule 13a-14(a)/15d-14(a) Under the Securities Exchange Act Of 1934**

I, Michael J. Schmidlein, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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; and
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.

By /s/ Michael J. Schmidlein

Michael J. Schmidlein
Chief Financial Officer

Date: November 2, 2015

**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 Quarterly Report of EnerSys on Form 10-Q for the quarterly period ended September 27, 2015, 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-Q fairly presents, in all material respects, the financial condition and results of operations of EnerSys.

By /s/ John D. Craig

John D. Craig
Chairman and Chief Executive Officer

By /s/ Michael J. Schmidlein

Michael J. Schmidlein
Chief Financial Officer

Date: November 2, 2015