# 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 AND EXCHANGE ACT OF 1934**

**For the quarterly period ended December 30, 2012**

☐ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

**For the transition period from __________ to __________**

**Commission File Number: 001-32253**

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

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

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

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

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 | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ (Do not check if a smaller reporting company) | Smaller reporting company | ☐ |

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 February 1, 2013: 47,812,407 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)**

| | December 30, 2012 | March 31, 2012 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 228,646 | $ 160,490 |
| Accounts receivable, net of allowance for doubtful accounts (December 30, 2012 - $10,538; March 31, 2012 - $10,022) | 460,068 | 466,769 |
| Inventories, net | 380,048 | 361,774 |
| Deferred taxes | 30,582 | 30,247 |
| Prepaid and other current assets | 59,565 | 52,393 |
| Total current assets | 1,158,909 | 1,071,673 |
| Property, plant, and equipment, net | 350,946 | 353,215 |
| Goodwill | 352,185 | 352,737 |
| Other intangible assets, net | 104,973 | 107,082 |
| Other assets | 39,807 | 40,248 |
| Total assets | $ 2,006,820 | $1,924,955 |
| **Liabilities and Equity** | | |
| Current liabilities: | | |
| Short-term debt | $ 28,352 | $ 16,042 |
| Current portion of long-term debt and capital lease obligations | 676 | 2,949 |
| Accounts payable | 228,373 | 249,996 |
| Accrued expenses | 188,290 | 191,314 |
| Total current liabilities | 445,691 | 460,301 |
| Long-term debt and capital lease obligations | 209,793 | 237,110 |
| Deferred taxes | 84,051 | 84,479 |
| Other liabilities | 85,542 | 92,468 |
| Total liabilities | 825,077 | 874,358 |
| Commitments and contingencies | — | — |
| Redeemable noncontrolling interests | 12,024 | 9,782 |
| Equity: | | |
| Common Stock, $0.01 par value per share, 135,000,000 shares authorized; 52,930,852 shares issued and 47,800,775 outstanding at December 30, 2012; 52,247,014 shares issued and 47,800,129 shares outstanding at March 31, 2012 | 529 | 522 |
| Additional paid-in capital | 500,315 | 474,924 |
| Treasury stock, at cost, 5,130,077 shares held as of December 30, 2012 and 4,446,885 shares held as of March 31, 2012 | (100,776) | (78,183) |
| Retained earnings | 689,617 | 560,839 |
| Accumulated other comprehensive income | 74,199 | 74,093 |
| Total EnerSys stockholders' equity | 1,163,884 | 1,032,195 |
| Noncontrolling interests | 5,835 | 8,620 |
| Total equity | 1,169,719 | 1,040,815 |
| Total liabilities and equity | $ 2,006,820 | $1,924,955 |

See accompanying notes.

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

| | Quarter Ended | |
|---|---|---|
| | December 30, 2012 | January 1, 2012 |
| Net sales | $ 557,320 | $ 574,246 |
| Cost of goods sold | 413,622 | 443,370 |
| Gross profit | 143,698 | 130,876 |
| Operating expenses | 80,185 | 75,659 |
| Restructuring charges | 3,776 | 1,440 |
| Operating earnings | 59,737 | 53,777 |
| Interest expense | 4,612 | 4,808 |
| Other (income) expense, net | 1,271 | 1,121 |
| Earnings before income taxes | 53,854 | 47,848 |
| Income tax expense | 15,177 | 10,989 |
| Net earnings | 38,677 | 36,859 |
| Net losses attributable to noncontrolling interests | (507) | — |
| Net earnings attributable to EnerSys stockholders | $ 39,184 | $ 36,859 |
| Net earnings per common share attributable to EnerSys stockholders: | | |
| Basic | $ 0.81 | $ 0.77 |
| Diluted | $ 0.80 | $ 0.77 |
| Weighted average shares of common stock outstanding: | | |
| Basic | 48,176,206 | 47,704,567 |
| Diluted | 48,682,346 | 48,045,900 |

See accompanying notes.

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

| | Nine months Ended December 30, 2012 | Nine months Ended January 1, 2012 |
|---|---|---|
| Net sales | $ 1,705,442 | $ 1,690,615 |
| Cost of goods sold | 1,275,099 | 1,323,373 |
| Gross profit | 430,343 | 367,242 |
| Operating expenses | 232,025 | 220,458 |
| Restructuring charges | 5,441 | 2,752 |
| Legal proceedings settlement income | — | (900) |
| Operating earnings | 192,877 | 144,932 |
| Interest expense | 14,286 | 12,305 |
| Other (income) expense, net | 727 | 2,315 |
| Earnings before income taxes | 177,864 | 130,312 |
| Income tax expense | 50,612 | 31,668 |
| Net earnings | 127,252 | 98,644 |
| Net losses attributable to noncontrolling interests | (1,526) | — |
| Net earnings attributable to EnerSys stockholders | $ 128,778 | $ 98,644 |
| Net earnings per common share attributable to EnerSys stockholders: | | |
| Basic | $ 2.68 | $ 2.01 |
| Diluted | $ 2.65 | $ 1.99 |
| Weighted average shares of common stock outstanding: | | |
| Basic | 48,088,580 | 49,075,629 |
| Diluted | 48,609,751 | 49,507,047 |

See accompanying notes.

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

| | Quarter ended | | Nine months ended | |
|---|---|---|---|---|
| | December 30, 2012 | January 1, 2012 | December 30, 2012 | January 1, 2012 |
| Net earnings | $ 38,677 | $ 36,859 | $127,252 | $ 98,644 |
| Other comprehensive income (loss): | | | | |
| Net unrealized gain (loss) on derivative instruments, net of tax | 997 | 1,196 | 3,588 | (6,883) |
| Pension funded status adjustment, net of tax | (90) | 44 | (6) | 121 |
| Foreign currency translation adjustments | 12,705 | (15,882) | (3,476) | (55,976) |
| Total comprehensive income | $ 52,289 | $ 22,217 | $ 127,358 | $ 35,906 |
| Comprehensive loss attributable to noncontrolling interests | (679) | — | (2,119) | — |
| Comprehensive income attributable to EnerSys stockholders | $ 52,968 | $ 22,217 | $ 129,477 | $ 35,906 |

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

| | Nine months Ended December 30, 2012 | Nine months Ended January 1, 2012 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net earnings | $ 127,252 | $ 98,644 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | |
| Depreciation and amortization | 37,779 | 37,022 |
| Derivatives not designated in hedging relationships: | | |
| Net (gains) losses | (1,541) | 2,117 |
| Cash settlements | (1,965) | (2,589) |
| Provision for doubtful accounts | 1,132 | 1,322 |
| Deferred income taxes | (1,135) | 173 |
| Non-cash interest expense | 6,512 | 5,980 |
| Stock-based compensation | 10,960 | 8,764 |
| Loss (gain) on disposal of property, plant, and equipment | 128 | (643) |
| Changes in assets and liabilities, net of effects of acquisitions: | | |
| Accounts receivable | 848 | 6,663 |
| Inventory | (18,022) | (22,903) |
| Prepaid expenses and other current assets | (5,747) | (5,582) |
| Other assets | 1,030 | 150 |
| Accounts payable | (18,441) | (8,237) |
| Accrued expenses | (3,737) | 4,452 |
| Other liabilities | 444 | (5,347) |
| Net cash provided by operating activities | 135,497 | 119,986 |
| **Cash flows from investing activities** | | |
| Capital expenditures | (37,624) | (35,032) |
| Purchases of businesses, net of cash acquired | — | (21,046) |
| Proceeds from disposal of property, plant, and equipment | 113 | 94 |
| Net cash used in investing activities | (37,511) | (55,984) |
| **Cash flows from financing activities** | | |
| Net increase in short-term debt | 13,181 | 5,704 |
| Proceeds from revolving credit borrowings | 230,450 | 98,035 |
| Repayments of revolving credit borrowings | (258,150) | (98,035) |
| Proceeds from long-term debt - other | 5,556 | — |
| Payments of long-term debt - other | (11,800) | — |
| Capital lease obligations | (253) | (1,320) |
| Net effect from exercising of stock options and vesting of equity awards | 8,864 | 250 |
| Excess tax benefits from exercise of stock options and vesting of equity awards | 4,965 | 3,209 |
| Purchase of treasury stock | (22,593) | (58,383) |
| Purchase of noncontrolling interests | (2,131) | — |
| Proceeds from noncontrolling interests | 613 | — |
| Net cash used in financing activities | (31,298) | (50,540) |
| Effect of exchange rate changes on cash and cash equivalents | 1,468 | (2,564) |
| Net increase in cash and cash equivalents | 68,156 | 10,898 |
| Cash and cash equivalents at beginning of period | 160,490 | 108,869 |
| Cash and cash equivalents at end of period | $ 228,646 | $ 119,767 |

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 2012 Annual Report on Form 10-K (SEC File No. 001-32253), which was filed on May 25, 2012.

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 2013 end on July 1, 2012, September 30, 2012, December 30, 2012, and March 31, 2013, respectively. The four quarters in fiscal 2012 ended on July 3, 2011, October 2, 2011, January 1, 2012, and March 31, 2012, 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. 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 Adopted Accounting Pronouncements*

In the first quarter of fiscal 2013, the Company conformed its presentation of results of operations, in accordance with new guidance on the presentation of comprehensive income (loss). The guidance requires total comprehensive income (loss) for interim periods to be presented in single continuous statement or in two separate, but consecutive, statements. The new guidance does not change where the components of comprehensive income (loss) are recognized.

During the current quarter, no new accounting standards were adopted or pending adoption that would have a significant impact on the Company's consolidated financial position and results of operations.

## 2. Inventories

Inventories, net consist of:

| | December 30, 2012 | March 31, 2012 |
|---|---|---|
| Raw materials | $ 101,830 | $ 100,538 |
| Work-in-process | 119,987 | 111,629 |
| Finished goods | 158,231 | 149,607 |
| Total | $ 380,048 | $ 361,774 |

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**3. Fair Value of Financial Instruments**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses the following valuation techniques to measure fair value for its financial assets and financial liabilities:

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

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

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

The following tables represent the financial assets and (liabilities), measured at fair value on a recurring basis as of December 30, 2012 and March 31, 2012 and the basis for that measurement:

| | Total Fair Value Measurement December 30, 2012 | Quoted Price in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Interest rate swap agreements | $ (1,511) | $ — | $(1,511) | $ — |
| Lead forward contracts | 3,685 | — | 3,685 | — |
| Foreign currency forward contracts | 1,290 | — | 1,290 | — |
| Total derivatives | $ 3,464 | $ — | $ 3,464 | $ — |

| | Total Fair Value Measurement March 31, 2012 | Quoted Price in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Interest rate swap agreements | $ (3,872) | $ — | $(3,872) | $ — |
| Lead forward contracts | (851) | — | (851) | — |
| Foreign currency forward contracts | 782 | — | 782 | — |
| Total derivatives | $ (3,941) | $ — | $(3,941) | $ — |

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

The fair value 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.

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

***Financial Instruments***

The fair value 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 2011 Credit Facility, the China Term Loan, the India Term Loan and short-term debt approximate their 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 $172,500 senior unsecured 3.375% convertible notes ("Convertible Notes"), with a face value of $172,500, were issued when the Company's stock price was trading at $30.19 per share. On December 30, 2012, the Company's stock price closed at $36.80 per share. The Convertible Notes have a conversion option at $40.60 per share. The fair value of these notes represent the trading values based upon quoted market prices and are classified as Level 2. The Convertible Notes were trading at 114% of face value on December 30, 2012, and 116% of face value on March 31, 2012.

See Note 8 to the Consolidated Financial Statements included in the Company's 2012 Annual Report on Form 10-K for more details.

The carrying amounts and estimated fair values of the Company's derivatives and Convertible Notes at December 30, 2012 and March 31, 2012 were as follows:

| | December 30, 2012 | | March 31, 2012 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| **Financial assets:** | | | | |
| Derivatives [1] | $ 4,975 | $ 4,975 | $ 782 | $ 782 |
| **Financial liabilities:** | | | | |
| Convertible Notes | $153,467[2] | $196,650[3] | $148,272[2] | $200,100[3] |
| Derivatives [1] | 1,511 | 1,511 | 4,723 | 4,723 |

(1) Represents interest rate swap agreements, lead and foreign currency hedges (see Note 4 for asset and liability positions of the interest rate swap agreements, lead and foreign currency hedges at December 30, 2012 and March 31, 2012).

(2) The carrying amounts of the Convertible Notes at December 30, 2012 and March 31, 2012 represent the $172,500 principal value, less the unamortized debt discount (see Note 9).

(3) The fair value amounts of the Convertible Notes at December 30, 2012 and March 31, 2012 represent the trading values of the Convertible Notes with a principal value of $172,500.

## 4. Derivative Financial Instruments

The Company utilizes derivative instruments to reduce its exposure to fluctuations in commodity prices, foreign exchange rates and interest 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 Hedge Forward Contracts*

The Company enters into lead hedge forward contracts to fix the price for a portion of the lead purchases. Management considers the lead hedge 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 December 30, 2012 and March 31, 2012 were 57.6 million and 60.0 million pounds, respectively.

*Foreign Currency Forward Contracts*

The Company purchases lead and other commodities in certain countries where the foreign currency exposure is different from the functional currency of that country. The Company uses foreign currency forward contracts 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 December 30, 2012 and March 31, 2012, the Company had entered into a total of $53,926 and $42,121, respectively, of such contracts.

In the coming twelve months, the Company anticipates that $7,403 of pretax gain 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 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 income statement 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.

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***Derivatives not Designated in Hedging Relationships***

*Interest Rate Swap Agreements*

As of December 30, 2012 and March 31, 2012, the Company maintained interest rate swap agreements that converted $85,000 of variable-rate debt to a fixed-rate basis, utilizing the three-month LIBOR, as a floating rate reference. These agreements expire between February 2013 and May 2013. The Company recorded expense relating to changes in the fair value of these agreements in the consolidated condensed statements of income, within other (income) expense, net of $7 and ($118) during the third quarter of fiscal 2013 and 2012, respectively, and of $99 and $763 for the nine months ended December 30, 2012 and January 1, 2012, respectively.

*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. These are not designated as hedging instruments and changes in fair value of these instruments are recorded directly in the consolidated statements of income. As of December 30, 2012 and March 31, 2012, the notional amount of these contracts was $38,890 and $11,410, respectively. The Company recorded (income) expense in the consolidated condensed statements of income within other (income) expense, net of ($2,058) and ($133) during the third quarter of fiscal 2013 and 2012, respectively, and of ($1,640) and $1,354 for the nine months ended December 30, 2012 and January 1, 2012, 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**
**December 30, 2012 and March 31, 2012**

| | Derivatives and Hedging Activities Designated as Cash Flow Hedges | | Derivatives and Hedging Activities Not Designated as Hedging Instruments | |
|---|---|---|---|---|
| | December 30, 2012 | March 31, 2012 | December 30, 2012 | March 31, 2012 |
| Prepaid and other current assets | | | | |
| Foreign currency forward contracts | $ 26 | $ 670 | $ 1,257 | $ 112 |
| Lead hedge forward contracts | 3,538 | — | — | — |
| Other assets | | | | |
| Lead hedge forward contracts | 147 | 30 | — | — |
| Foreign currency forward contracts | 7 | — | — | — |
| Total assets | $ 3,718 | $ 700 | $ 1,257 | $ 112 |
| Accrued expenses | | | | |
| Interest rate swap agreements | $ — | $ — | $ 1,511 | $ 3,628 |
| Lead hedge forward contracts | — | 881 | — | — |
| Other liabilities | | | | |
| Interest rate swap agreements | — | — | — | 244 |
| Total liabilities | $ — | $ 881 | $ 1,511 | $ 3,872 |

**The Effect of Derivative Instruments on the Consolidated Condensed Statements of Income**
**For the quarter ended December 30, 2012**

| 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 hedge contracts | $ (788) | Cost of goods sold | $(1,785) |
| Foreign currency forward contracts | 1,093 | Cost of goods sold | 509 |
| Total | $ 305 | | $(1,276) |

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| Derivatives Not Designated as Hedging Instruments | Location of (Gain) Loss Recognized in Income on Derivative | (Gain) Loss |
|---|---|---|
| Interest rate swap contracts | Other (income) expense, net | $ 7 |
| Foreign currency forward contracts | Other (income) expense, net | (2,058) |
| Total | | $ (2,051) |

**The Effect of Derivative Instruments on the Consolidated Condensed Statements of Income**
**For the quarter ended January 1, 2012**

| 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 hedge contracts | $ 2,210 | Cost of goods sold | $ 1,752 |
| Foreign currency forward contracts | 964 | Cost of goods sold | (478) |
| Total | $ 3,174 | | $ 1,274 |

| Derivatives Not Designated as Hedging Instruments | Location of (Gain) Loss Recognized in Income on Derivative | (Gain) Loss |
|---|---|---|
| Interest rate swap contracts | Other (income) expense, net | $ (118) |
| Foreign currency forward contracts | Other (income) expense, net | (133) |
| Total | | $ (251) |

**The Effect of Derivative Instruments on the Consolidated Condensed Statements of Income**
**For the nine months ended December 30, 2012**

| 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 hedge contracts | $ 5,275 | Cost of goods sold | $ (2,254) |
| Foreign currency forward contracts | 1,094 | Cost of goods sold | 2,881 |
| Total | $ 6,369 | | $ 627 |

| Derivatives Not Designated as Hedging Instruments | Location of (Gain) Loss Recognized in Income on Derivative | (Gain) Loss |
|---|---|---|
| Interest rate swap contracts | Other (income) expense, net | $ 99 |
| Foreign currency forward contracts | Other (income) expense, net | (1,640) |
| Total | | $ (1,541) |

**The Effect of Derivative Instruments on the Consolidated Condensed Statements of Income**
**For the nine months ended January 1, 2012**

| 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 hedge contracts | $ (9,938) | Cost of goods sold | $ 4,554 |
| Foreign currency forward contracts | (964) | Cost of goods sold | (4,588) |
| Total | $ (10,902) | | $ (34) |

| Derivatives Not Designated as Hedging Instruments | Location of (Gain) Loss Recognized in Income on Derivative | (Gain) Loss |
|---|---|---|

| | | |
|---|---|---|
| Interest rate swap contracts | Other (income) expense, net | $ 763 |
| Foreign currency forward contracts | Other (income) expense, net | 1,354 |
| Total | | $ 2,117 |

### 5. Income Taxes

The Company's income tax provisions consist of federal, state and foreign income taxes. The tax provisions for the third quarters of fiscal 2013 and 2012 were based on the estimated effective tax rates applicable for the full years ending March 31, 2013 and March 31, 2012, respectively, after giving effect to items specifically related to the interim periods.

The effective income tax rates for the third quarters of fiscal 2013 and 2012 were 28.2% and 23.0%, respectively. The effective income tax rates for the first nine months of fiscal 2013 and 2012 were 28.5% and 24.3%, respectively. The increase in the rates compared to the prior year periods are primarily due to changes in the mix of earnings among tax jurisdictions and the expiration of certain U.S. corporate tax exemptions.

### 6. Warranties

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

| | Quarter ended | | Nine months ended | |
|---|---|---|---|---|
| | December 30, 2012 | January 1, 2012 | December 30, 2012 | January 1, 2012 |
| Balance at beginning of period | $ 42,639 | $38,025 | $ 42,067 | $ 36,006 |
| Current period provisions | 3,752 | 4,908 | 15,240 | 17,038 |
| Costs incurred | (4,308) | (4,654) | (14,886) | (14,083) |
| Foreign exchange and other | 161 | (256) | (177) | (938) |
| Balance at end of period | $ 42,244 | $ 38,023 | $ 42,244 | $ 38,023 |

### 7. Commitments, Contingencies and Litigation

#### Litigation and Other Legal Matters

The Company is involved in litigation incidental to the conduct of its business, the results of which, in the opinion of management, are not likely to be material to the Company's financial position, results of operations, or cash flows. See Note 19 to the Consolidated Financial Statements included in the Company's 2012 Annual Report on Form 10-K. There have been no significant changes since March 31, 2012.

#### 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 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. See Note 19 to the Consolidated Financial Statements included in the Company's 2012 Annual Report on Form 10-K for a full description of environmental issues. There have been no significant changes since March 31, 2012.

#### 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 December 30, 2012 and March 31, 2012, the Company has hedged the price to purchase 57.6 million and 60.0 million pounds of lead, respectively, for a total purchase price of $56,791 and $56,610, 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 maturity period for substantially all these contracts is less than one year. The Company's largest exposure is from the purchase and conversion of U.S. dollar based lead costs into local currencies in Europe. Additionally, the Company has currency exposures from intercompany and third party trade transactions. To hedge these exposures, the Company has entered into a total of $92,816 and $53,531, respectively, of foreign currency forward contracts with financial institutions as of December 30, 2012 and March 31, 2012.

#### Interest Rate Swap Agreements

The Company is exposed to changes in variable U.S. interest rates on borrowings under its credit agreements. On a selective basis, from time to time, the Company enters into interest rate swap agreements to reduce the negative impact that increases in interest rates could have on its outstanding variable rate debt. At December 30, 2012 and March 31, 2012, such agreements which expire between February 2013 and May 2013, converted $85,000 of variable-rate debt to a fixed-rate basis, utilizing the three-month LIBOR, as a floating rate reference. Fluctuations in LIBOR and fixed rates affect both the Company's net financial investment position and the amount of cash to be paid or received under these agreements.

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## 8. Restructuring Plans

During fiscal 2011, the Company announced a restructuring of its European operations, which will result in the reduction of approximately 60 employees upon completion across its operations. The Company estimates that the total charges for these actions will amount to approximately $5,200, primarily from cash expenses for employee severance-related payments and site closure costs. Based on commitments incurred to date, the Company recorded restructuring charges of $5,178 in fiscal 2011 through 2012, with no additional charges in the nine months of fiscal 2013. The Company incurred $4,579 of costs against the accrual during fiscal 2011 through 2012, with an additional $556 of costs incurred during the nine months of fiscal 2013. As of December 30, 2012, the reserve balance associated with these actions is $0. The Company does not expect to be committed to significant additional restructuring charges in fiscal 2013 related to these actions and expects to complete the program in fiscal 2013.

During fiscal 2012, the Company announced restructuring plans related to its operations in Europe, primarily consisting of the transfer of manufacturing of select products between certain of its manufacturing operations and restructuring of its selling, general and administrative operations, which is expected to result in the reduction of approximately 85 employees upon completion. The Company estimates that the total charges for these actions will amount to approximately $3,600, primarily from cash expenses for employee severance-related payments. The Company recorded restructuring charges of $3,070 in fiscal 2012 with an additional $475 of charges during the nine months of fiscal 2013. The Company incurred $2,433 of costs against the accrual during fiscal 2012, with an additional $707 of costs incurred during the nine months of fiscal 2013. As of December 30, 2012, the reserve balance associated with these actions is $396. The Company does not expect to be committed to significant additional restructuring charges in fiscal 2013 related to these actions and expects to complete the program in fiscal 2013.

During fiscal 2013, the Company announced a further restructuring related to improving the efficiency of its manufacturing operations in Europe. The Company estimates that the total charges for these actions will amount to approximately $7,900, primarily from cash expenses for employee severance-related payments and non-cash expenses associated with the write-off of certain fixed assets and inventory. The Company estimates that these actions will result in the reduction of approximately 115 employees upon completion. During the nine months of fiscal 2013, the Company recorded restructuring charges of $2,275, consisting of non-cash charges of $1,346 related to the write-off of fixed assets and inventory, along with cash charges related to employee severance and other charges of $929. During the nine months of fiscal 2013, the Company incurred $434 of costs against the accrual. As of December 30, 2012, the reserve balance associated with these actions is $492. The Company expects to be committed to an additional $3,500 of restructuring charges in fiscal 2013 related to these actions, and expects to complete the program during fiscal 2015.

During fiscal 2013, the Company announced a restructuring related to the closure of its manufacturing facility located in Chaoan, China, in which the company will transfer the manufacturing at that location to its Chongqing, China facility to improve operational efficiencies. The Company estimates that the total charges related to this action will amount to $3,400. During the third quarter of fiscal 2013, the Company recorded restructuring charges of $2,691, consisting of non-cash charges of $2,290 related to the write off of fixed assets and inventory, along with cash charges related to employee severance and other charges of $401. During the third quarter of fiscal 2013, the Company incurred $88 in costs against the accrual. As of December 30, 2012, the reserve balance associated with this action is $313. The Company expects to complete the restructuring and to sell the building and land use rights of its Chaoan, China facility during fiscal 2014.

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

| | Employee Severance | Other | Total |
|---|---|---|---|
| Balance at March 31, 2012 | $ 1,186 | $ — | $ 1,186 |
| Accrued | 1,685 | 120 | 1,805 |
| Costs incurred | (1,665) | (120) | (1,785) |
| Foreign currency impact and other | (5) | — | (5) |
| Balance at December 30, 2012 | $ 1,201 | $ — | $ 1,201 |

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## 9. Debt

The following summarizes the Company's long-term debt including capital lease obligations:

| | December 30, 2012 | March 31, 2012 |
|---|---|---|
| 3.375% Convertible Notes, net of discount, due 2038 | $153,467 | $148,272 |
| 2011 Credit Facility due 2016 | 51,700 | 79,400 |
| China Term Loan due 2017 | 4,654 | 6,034 |
| India Term Loan due 2017 | — | 5,383 |
| Capital lease obligations and other | 648 | 970 |
| | 210,469 | 240,059 |
| Less current portion | 676 | 2,949 |
| Total long-term debt and capital lease obligations | $209,793 | $237,110 |

The Convertible Notes are represented by a liability component, which is reported herein as long-term debt, net of discount and an equity component representing the convertible feature, which is included in additional paid-in-capital in EnerSys stockholders' equity. See Note 8 to the Consolidated Financial Statements included in the Company's 2012 Annual Report on Form 10-K for early redemption features.

The following represents the principal amount of the liability component, the unamortized discount, and the net carrying amount of the Convertible Notes as of December 30, 2012 and March 31, 2012, respectively:

| | December 30, 2012 | March 31, 2012 |
|---|---|---|
| Principal | $ 172,500 | $172,500 |
| Unamortized discount | (19,033) | (24,228) |
| Net carrying amount | $153,467 | $148,272 |
| Carrying amount of equity component | $ 29,850 | $ 29,850 |

As of December 30, 2012, the remaining discount will be amortized over a period of 29 months. The conversion price of the $172,500 in aggregate principal amount of the Convertible Notes is $40.60 per share and the number of shares on which the aggregate consideration to be delivered upon conversion is 4,248,761.

The effective interest rate on the liability component of the Convertible Notes was 8.50%. The amount of interest cost recognized for the amortization of the discount on the liability component of the Convertible Notes was $1,768 and $1,625, respectively, during the quarters ended December 30, 2012 and January 1, 2012 and $5,195 and $4,775, respectively, during the nine months ended December 30, 2012 and January 1, 2012.

### *Available Lines of Credit*

As of December 30, 2012 and March 31, 2012, the Company had available and undrawn, under all its lines of credit, $411,390 and $377,230, respectively. Included in the December 30, 2012 and March 31, 2012 amounts are $107,732 and $95,340, respectively, of uncommitted lines of credit.

As of December 30, 2012 and March 31, 2012, the Company had $8,224 and $9,108, respectively, of standby letters of credit.

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## 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 Quarter Ended | | International Plans Quarter Ended | |
|---|---|---|---|---|
| | December 30, 2012 | January 1, 2012 | December 30, 2012 | January 1, 2012 |
| Service cost | $ 93 | $ 73 | $ 183 | $ 137 |
| Interest cost | 161 | 168 | 604 | 610 |
| Expected return on plan assets | (190) | (177) | (471) | (437) |
| Amortization and deferral | 97 | 61 | 53 | 6 |
| Net periodic benefit cost | $ 161 | $ 125 | $ 369 | $ 316 |

| | United States Plans Nine months Ended | | International Plans Nine months Ended | |
|---|---|---|---|---|
| | December 30, 2012 | January 1, 2012 | December 30, 2012 | January 1, 2012 |
| Service cost | $ 255 | $ 213 | $ 536 | $ 490 |
| Interest cost | 488 | 500 | 1,789 | 1,898 |
| Expected return on plan assets | (567) | (529) | (1,400) | (1,344) |
| Amortization and deferral | 298 | 177 | 156 | 19 |
| Net periodic benefit cost | $ 474 | $ 361 | $ 1,081 | $ 1,063 |

## 11. Stock-Based Compensation

As of December 30, 2012, the Company maintains the EnerSys 2010 Equity Incentive Plan ("2010 EIP"). The 2010 EIP reserved 3,177,477 shares of common stock for the grant of various types of equity awards including nonqualified stock options, restricted stock, restricted stock units, market share units and other forms of equity-based compensation.

The Company recognized equity-based compensation expense associated with its equity incentive plans of $3,762 for the third quarter of fiscal 2013 and $3,030 for the third quarter of fiscal 2012. The Company recognized equity-based compensation expense associated with its equity incentive plans of $10,960 for the nine months of fiscal 2013 and $8,764 for the nine months of fiscal 2012.

In the nine months of fiscal 2013, the Company granted to management, directors and other key employees 228,044 restricted stock units that generally vest 25% each year over four years from the date of grant, and 303,942 market share units that vest three years from the date of grant. In the nine months of fiscal 2012, the Company granted to management, directors and other key employees 137,368 restricted stock units and 224,397 market share units with similar vesting as in the fiscal 2013 grants.

Common stock activity for the nine months of fiscal 2013 included the exercise of 514,833 options and the vesting of 230,743 restricted stock units and for the comparable period in fiscal 2012 included the exercise of 130,698 options and the vesting of 258,533 restricted stock units.

As of December 30, 2012, there were 118,830 non-qualified stock options, 607,848 restricted stock units and 630,039 market share units outstanding. At March 31, 2012, there were 633,663 non-qualified stock options, 617,240 restricted stock units and 346,563 market share units outstanding.

## 12. Stockholders' Equity

*Common Stock*

The following demonstrates the change in the number of shares of Common Stock outstanding during the nine months of fiscal 2013:

| | |
|---|---|
| Shares outstanding as of March 31, 2012 | 47,800,129 |
| Purchase of treasury stock | (683,192) |
| Shares issued as part of equity-based compensation plans, net of equity awards surrendered for option price and taxes | 683,838 |
| Shares outstanding as of December 30, 2012 | 47,800,775 |

*Treasury Stock*

During the nine months of fiscal 2013, the Company purchased 683,192 shares of its common stock for $22,593. At December 30, 2012 and March 31, 2012, the Company held 5,130,077 and 4,446,885 shares as treasury stock.

*Accumulated Other Comprehensive Income*

The components of accumulated other comprehensive income are as follows:

| | March 31, 2012 | Before-Tax Amount | Tax Benefit (Expense) | Net-of-Tax Amount | December 30, 2012 |
|---|---|---|---|---|---|
| Pension funded status adjustment | $ (8,982) | $ (6) | $ — | $ (6) | $ (8,988) |
| Unrealized gain on derivative instruments | 1,175 | 5,742 | 2,154 | 3,588 | 4,763 |
| Foreign currency translation adjustment | 81,900 | (3,476) | — | (3,476) | 78,424 |
| Accumulated other comprehensive income | $ 74,093 | $ 2,260 | $ 2,154 | $ 106 | $ 74,199 |

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## 13. Earnings Per Share

The following table sets forth the reconciliation from basic to diluted average common shares and the calculations of net earnings per common share:

| | Quarter ended | | Nine months ended | |
|---|---|---|---|---|
| | December 30, 2012 | January 1, 2012 | December 30, 2012 | January 1, 2012 |
| Net earnings attributable to EnerSys stockholders | $ 39,184 | $ 36,859 | $ 128,778 | $ 98,644 |
| Weighted average shares of common stock outstanding: | | | | |
| Basic | 48,176,206 | 47,704,567 | 48,088,580 | 49,075,629 |
| Dilutive potential common shares from exercise and lapse of equity awards, net of shares assumed reacquired | 506,140 | 341,333 | 521,171 | 431,418 |
| Diluted | 48,682,346 | 48,045,900 | 48,609,751 | 49,507,047 |
| Basic earnings per common share attributable to EnerSys stockholders | $ 0.81 | $ 0.77 | $ 2.68 | $ 2.01 |
| Diluted earnings per common share attributable to EnerSys stockholders | $ 0.80 | $ 0.77 | $ 2.65 | $ 1.99 |
| Anti-dilutive equity awards not included in weighted average common shares - diluted | — | 523,445 | 131,594 | 455,896 |

The aggregate number of common shares that the Company could be obligated to issue upon conversion of its Convertible Notes that the Company sold in May 2008 is 4,248,761. It is the Company's current intent to settle the principal amount of any conversions in cash, and any additional conversion consideration in cash, shares of the Company's common stock or a combination of cash and shares. No contingent shares were included in diluted shares outstanding during fiscal 2013 and 2012, as the specified conversion price exceeded the average market price of the Company's common stock, and the inclusion of contingent shares would have been anti-dilutive.

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## 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,
- **Europe**, 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.

The following table provides selected financial data for the Company's reportable business segments and product lines:

| | Quarter ended | | Nine months ended | |
|---|---|---|---|---|
| | December 30, 2012 | January 1, 2012 | December 30, 2012 | January 1, 2012 |
| **Net sales by segment to unaffiliated customers** | | | | |
| Europe | $ 231,434 | $ 247,557 | $ 683,938 | $ 745,886 |
| Americas | 275,752 | 281,210 | 841,380 | 792,688 |
| Asia | 50,134 | 45,479 | 180,124 | 152,041 |
| Total net sales | $ 557,320 | $ 574,246 | $1,705,442 | $1,690,615 |
| **Net sales by product line** | | | | |
| Reserve power | $265,167 | $ 277,349 | $ 839,747 | $ 810,581 |
| Motive power | 292,153 | 296,897 | 865,695 | 880,034 |
| Total net sales | $ 557,320 | $ 574,246 | $1,705,442 | $1,690,615 |
| **Intersegment sales** | | | | |
| Europe | $ 14,270 | $ 22,437 | $ 59,654 | $ 51,856 |
| Americas | 7,359 | 7,298 | 27,056 | 27,498 |
| Asia | 9,531 | 6,297 | 23,675 | 13,352 |
| Total intersegment sales (1) | $ 31,160 | $ 36,032 | $ 110,385 | $ 92,706 |
| **Operating earnings by segment** | | | | |
| Europe | $ 14,929 | $ 16,292 | $ 46,170 | $ 45,026 |
| Americas | 45,334 | 35,657 | 133,420 | 94,671 |
| Asia | 3,250 | 3,268 | 18,728 | 7,087 |
| Restructuring charges (Europe) | (1,085) | (1,440) | (2,750) | (2,752) |
| Restructuring charges (Asia) | (2,691) | — | (2,691) | — |
| Legal proceedings settlement income (Europe) | — | — | — | 900 |
| Total operating earnings (2) | $ 59,737 | $ 53,777 | $ 192,877 | $ 144,932 |

*(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

The Company evaluated all subsequent events through the date that the Consolidated Condensed Financial Statements were issued. No material subsequent events have occurred since December 30, 2012 that required recognition or disclosure in the Consolidated Condensed Financial Statements.

## 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 our filings with the Securities and Exchange Commission and its reports to stockholders. Generally, the inclusion of the words "believe," "expect," "intend," "estimate," "anticipate," "will," 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 views and assumptions regarding future events and operating performance, 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 2012 Annual Report on Form 10-K and other unforeseen risks. You should not put undue reliance on any forward-looking statements. These statements speak only as of the date of this Quarterly Report on Form 10-Q, even if subsequently made available 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 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;
- our debt and debt service requirements which may restrict our operational and financial flexibility, as well as imposing unfavorable interest and financing costs;
- our ability to maintain our existing credit facilities or obtain satisfactory new credit facilities;
- adverse changes in our short and long-term debt levels under our credit facilities;
- our exposure to fluctuations in interest rates on our variable-rate debt;
- our ability to attract and retain qualified personnel;
- our ability to maintain good relations with labor unions;
- credit risk associated with our customers, including risk of insolvency and bankruptcy;
- our ability to successfully recover in the event of a disaster affecting our infrastructure;
- 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” (see definitions in “Liquidity and Capital Resources” below) 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.

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**Overview**

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

We operate and manage our business in three geographic regions of the world—Americas, Europe and Asia, as described below. Our business is highly decentralized with manufacturing locations throughout the world. More than half of our manufacturing capacity is located outside 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,
- **Europe**, which includes Europe, the Middle East and Africa, with our segment headquarters in Zurich, Switzerland, and
- **Asia**, which includes Asia, Australia and Oceania, with our segment headquarters in Singapore.

We evaluate business segment performance based primarily upon operating earnings exclusive of highlighted items. Highlighted items are those that the Company deems are not indicative of ongoing operating results, including those charges that the Company incurs as a result of restructuring activities and those charges and credits that are not directly related to ongoing business segment performance. All corporate and centrally incurred costs are allocated to the business segments based principally on net sales. We evaluate business segment cash flow and financial position performance based primarily upon capital expenditures and primary working capital levels (see definition of primary working capital in "Liquidity and Capital Resources" below). Although we monitor the three elements of primary working capital (receivables, inventory and payables), our primary focus is on the total amount due to the significant impact it has on our cash flow.

Our management structure, financial reporting systems, and associated internal controls and procedures, are all consistent with our three geographic business segments. We report on a March 31 fiscal year-end. Our financial results are largely driven by the following factors:

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

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

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

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### *Economic Climate*

Recent indicators continue to suggest a mixed trend in our economic activity among the different geographical regions. The Americas and Asia's economic expansion continues but at a slower rate. The ongoing financial crisis and austerity measures in Europe are a factor in slowing overall economic growth in this region and leading to declining economic growth rates in many of the Western European countries.

### *Volatility of Commodities and Foreign Currencies*

Our most significant commodity and foreign currency exposures are related to lead and the euro. 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 may continue to fluctuate as they have in the past several years.

### *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 current quarter and nine months of fiscal 2013, our selling prices declined slightly.

### *Liquidity and Capital Resources*

Our capital structure and liquidity remain strong. As of December 30, 2012, we had $228.6 million of cash and cash equivalents, approximately $303 million of undrawn, committed credit lines, and approximately $108 million of uncommitted credit lines. 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.

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## Results of Operations

### Net Sales

| *Current quarter by segment* | Quarter ended December 30, 2012 In Millions | Quarter ended December 30, 2012 Percentage of Total Net Sales | Quarter ended January 1, 2012 In Millions | Quarter ended January 1, 2012 Percentage of Total Net Sales | Increase (Decrease) In Millions | Increase (Decrease) % |
|---|---|---|---|---|---|---|
| Europe | $ 231.4 | 41.5% | $247.6 | 43.1% | $(16.2) | (6.5)% |
| Americas | 275.8 | 49.5 | 281.2 | 49.0 | (5.4) | (1.9) |
| Asia | 50.1 | 9.0 | 45.4 | 7.9 | 4.7 | 10.2 |
| Total net sales | $557.3 | 100.0% | $574.2 | 100.0% | $(16.9) | (2.9)% |

| *Year to date by segment* | Nine months ended December 30, 2012 In Millions | Nine months ended December 30, 2012 Percentage of Total Net Sales | Nine months ended January 1, 2012 In Millions | Nine months ended January 1, 2012 Percentage of Total Net Sales | Increase (Decrease) In Millions | Increase (Decrease) % |
|---|---|---|---|---|---|---|
| Europe | $ 683.9 | 40.1% | $ 745.9 | 44.1% | $(62.0) | (8.3)% |
| Americas | 841.4 | 49.3 | 792.7 | 46.9 | 48.7 | 6.1 |
| Asia | 180.1 | 10.6 | 152.0 | 9.0 | 28.1 | 18.5 |
| Total net sales | $1,705.4 | 100.0% | $1,690.6 | 100.0% | $ 14.8 | 0.9% |

Net sales decreased $16.9 million or 2.9% in the third quarter of fiscal 2013 from the comparable period in fiscal 2012. This decrease for the quarter was the result of a 2% decrease in organic volume, a 1% decrease in both pricing and currency translation impact partially offset by a 1% increase from acquisitions. Net sales increased $14.8 million or 0.9% in the nine months of fiscal 2013 from the comparable period in fiscal 2012. This increase for the nine months of fiscal 2013 was the result of a 2% increase in organic volume, a 3% increase due to acquisitions, partially offset by a 4% decrease from currency translation impact.

*Segment sales*

Our Europe segment's net sales decreased $16.2 million or 6.5% in the third quarter of fiscal 2013, as compared to the third quarter of fiscal 2012, primarily due to a decrease of approximately 4% in organic volume, 1% decrease due to pricing and 2% decrease related to currency translation impact. Revenue decreased $62.0 million or 8.3% in the nine months of fiscal 2013, as compared to the nine months of fiscal 2012, primarily due to a decrease of approximately 7% related to currency translation impact, a decrease of approximately 2% and 1% in organic volume and pricing, respectively, while acquisitions contributed an increase of approximately 2%.

Our Americas segment's net sales decreased $5.4 million or 1.9% in the third quarter of fiscal 2013, as compared to the third quarter of fiscal 2012, primarily due to a decrease of approximately 2% and 1% in organic volume and pricing, respectively, partially offset by a 1% increase from acquisitions. Revenue increased $48.7 million or 6.1% in the nine months of fiscal 2013, as compared to the nine months of fiscal 2012, due to higher organic volume and acquisitions which contributed an increase of approximately 4% and 3%, respectively, partially offset by currency translation impact of 1%.

Our Asia segment's net sales increased $4.7 million or 10.2% in the third quarter of fiscal 2013, as compared to the third quarter of fiscal 2012, primarily due to higher organic volume, acquisitions and currency translation impact which contributed approximately 7%, 2% and 1%, respectively. Revenue increased $28.1 million or 18.5% in the nine months of fiscal 2013, as compared to the nine months of fiscal 2012, primarily due to organic volume growth and acquisitions, which contributed approximately 15% and 5%, respectively, partially offset by currency translation impact of approximately 1%.

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*Product line sales*

| | Quarter ended December 30, 2012 | | Quarter ended January 1, 2012 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | Percentage of Total Net Sales | In Millions | Percentage of Total Net Sales | In Millions | % |
| Reserve power | $265.2 | 47.6% | $ 277.3 | 48.3% | $ (12.1) | (4.4)% |
| Motive power | 292.1 | 52.4 | 296.9 | 51.7 | (4.8) | (1.6) |
| Total net sales | $ 557.3 | 100.0% | $ 574.2 | 100.0% | $(16.9) | (2.9)% |

| | Nine months ended December 30, 2012 | | Nine months ended January 1, 2012 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | Percentage of Total Net Sales | In Millions | Percentage of Total Net Sales | In Millions | % |
| Reserve power | $ 839.8 | 49.2% | $ 810.5 | 47.9% | $ 29.3 | 3.6% |
| Motive power | 865.6 | 50.8 | 880.1 | 52.1 | (14.5) | (1.6) |
| Total net sales | $1,705.4 | 100.0% | $1,690.6 | 100.0% | $ 14.8 | 0.9% |

Sales of our reserve power products in the third quarter of fiscal 2013 decreased $12.1 million or 4.4% compared to the third quarter of fiscal 2012. Organic volume decreased approximately 4% and pricing and currency translation impact decreased approximately 1% each, partially offset by acquisitions of approximately 1%. Sales in the nine months of fiscal 2013 increased $29.3 million or 3.6% compared to the nine months of fiscal 2012. Organic volume and acquisitions contributed approximately 4% each to the increased revenue, partially offset by currency translation impact and pricing of approximately 4% and 1%, respectively.

Sales of our motive power products in the third quarter of fiscal 2013 decreased $4.8 million or 1.6% compared to the third quarter of fiscal 2012. The third quarter decrease was primarily due to pricing and currency translation impact of approximately 1% each. Sales in the nine months of fiscal 2013 decreased $14.5 million or 1.6% compared to the nine months of fiscal 2012, primarily due to currency translation impact of approximately 4% partially offset by an increase of approximately 2% from acquisitions.

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### Gross Profit

| | Quarter ended December 30, 2012 | | Quarter ended January 1, 2012 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | Percentage of Total Net Sales | In Millions | Percentage of Total Net Sales | In Millions | % |
| Gross Profit | $143.7 | 25.8% | $130.8 | 22.8% | $12.9 | 9.8% |

| | Nine months ended December 30, 2012 | | Nine months ended January 1, 2012 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | Percentage of Total Net Sales | In Millions | Percentage of Total Net Sales | In Millions | % |
| Gross Profit | $430.3 | 25.2% | $367.2 | 21.7% | $63.1 | 17.2% |

Gross profit increased $12.9 million or 9.8% in the third quarter of fiscal 2013 and increased $63.1 million or 17.2% in the nine months of fiscal 2013, compared to the comparable periods of fiscal 2012. Gross profit, as a percentage of net sales increased 300 basis points in the third quarter and 350 basis points in the nine month period of fiscal 2013, when compared to the comparable periods of fiscal 2012. This increase for both periods is primarily attributed to lower commodity costs with pricing declining slightly in the nine month period. Pricing normally lags behind the cost curve. We anticipate that gross profit percentage to sales of our fourth quarter of fiscal 2013 will decline as commodity costs have increased in the third quarter.

### Operating Items

| | Quarter ended December 30, 2012 | | Quarter ended January 1, 2012 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | Percentage of Total Net Sales | In Millions | Percentage of Total Net Sales | In Millions | % |
| Operating expenses | $80.2 | 14.4% | $75.7 | 13.2% | $ 4.5 | 6.0% |
| Restructuring charges | $ 3.7 | 0.7% | $ 1.4 | 0.3% | $ 2.3 | 162.2% |

| | Nine months ended December 30, 2012 | | Nine months ended January 1, 2012 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | Percentage of Total Net Sales | In Millions | Percentage of Total Net Sales | In Millions | % |
| Operating expenses | $232.0 | 13.6% | $220.5 | 13.0% | $11.5 | 5.2% |
| Restructuring charges | $ 5.4 | 0.3% | $ 2.7 | 0.2% | $ 2.7 | 97.7% |
| Legal proceedings settlement income | $ — | — % | $ 0.9 | 0.1% | $ (0.9) | NM |

NM = not meaningful

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Operating expenses as a percentage of net sales increased 120 basis points in the third quarter of fiscal 2013 compared to the third quarter of fiscal 2012 and 60 basis points in the nine months of fiscal 2013 compared to the nine months of fiscal 2012. Operating expenses, excluding the effect of foreign currency translation, increased $5.5 million or 7.3% in the third quarter of fiscal 2013 compared to the third quarter of fiscal 2012 and increased $21.1 million or 9.7% in the nine months of fiscal 2013 compared to the nine months of fiscal 2012, due primarily to higher incentive based compensation and the operating costs of recent acquisitions. Selling expenses, our main component of operating expenses, were 58.0% and 59.4% of total operating expenses in the third quarter and nine months of fiscal 2013, respectively, compared to 60.2% and 59.6% of total operating expenses in the third quarter and nine months of fiscal 2012, respectively.

### *Restructuring charges*

Included in our third quarter and nine months of fiscal 2013 operating results are $3.7 million and $5.4 million of restructuring charges, respectively, primarily for staff reductions and write-off of fixed assets and inventory in Europe and Asia. During the third quarter of fiscal 2013, the Company announced its commitment to restructure certain of its operations in Asia. The restructure was designed to improve operational efficiencies, primarily in view of our recently built facility in Chongqing, China.

Included in our third quarter and nine months of fiscal 2012 operating results are $1.4 million and $2.7 million of restructuring charges, respectively, for staff reductions in Europe.

### Operating Earnings

| | Quarter ended December 30, 2012 | | Quarter ended January 1, 2012 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| *Current quarter by segment* | In Millions | Percentage of Total Net Sales (1) | In Millions | Percentage of Total Net Sales (1) | In Millions | % |
| Europe | $ 14.9 | 6.5% | $ 16.2 | 6.6% | $ (1.3) | (8.4)% |
| Americas | 45.3 | 16.4 | 35.7 | 12.7 | 9.6 | 27.1 |
| Asia | 3.3 | 6.5 | 3.2 | 7.2 | 0.1 | — |
| Subtotal | 63.5 | 11.4 | 55.1 | 9.6 | 8.4 | 15.0 |
| Restructuring charges-Europe | (1.0) | (0.5) | (1.4) | (0.6) | 0.4 | 24.7 |
| Restructuring charges-Asia | (2.7) | (5.4) | — | — | (2.7) | NM |
| Total operating earnings | $59.8 | 10.7% | $ 53.7 | 9.4% | $ 6.1 | 11.1% |

(1) The percentages shown for the segments are computed as a percentage of the applicable segment's net sales.
NM = not meaningful

| | Nine months ended December 30, 2012 | | Nine months ended January 1, 2012 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| *Year to date by segment* | In Millions | Percentage of Total Net Sales (1) | In Millions | Percentage of Total Net Sales (1) | In Millions | % |
| Europe | $ 46.2 | 6.8% | $ 45.0 | 6.0% | $ 1.2 | 2.5% |
| Americas | 133.3 | 15.9 | 94.6 | 11.9 | 38.7 | 40.9 |
| Asia | 18.8 | 10.4 | 7.1 | 4.7 | 11.7 | 164.3 |
| Subtotal | 198.3 | 11.6 | 146.7 | 8.7 | 51.6 | 35.1 |
| Legal proceedings settlement income-Europe | — | — | 0.9 | 0.1 | (0.9) | NM |
| Restructuring charges-Europe | (2.7) | (0.4) | (2.7) | (0.4) | — | — |
| Restructuring charges-Asia | (2.7) | (1.5) | — | — | (2.7) | NM |
| Total operating earnings | $192.9 | 11.3% | $ 144.9 | 8.6% | $ 48.0 | 33.1% |

(1) The percentages shown for the segments are computed as a percentage of the applicable segment's net sales.
NM = not meaningful

Operating earnings increased $6.1 million or 11.1% in the third quarter of fiscal 2013 in comparison to the third quarter of fiscal 2012. Operating earnings as a percentage of net sales, as shown in the table above, increased 130 basis points in the third quarter of fiscal 2013 when compared to the third quarter of fiscal 2012.

We experienced a decrease in operating earnings in our Europe segment in the third quarter of fiscal 2013 in comparison to the comparable quarter in the prior year, with the operating margin decreasing 10 basis points to 6.5%. Operating earnings increased in the nine months of fiscal 2013 in comparison to the comparable period in the prior year, with the operating margin increasing 80 basis points to 6.8%. Operating earnings margin decreased slightly during the quarter, but increased in the nine months of fiscal 2013 due to lower commodity costs and the benefits of the restructuring programs.

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Our Americas segment had an increase in operating earnings in the third quarter of fiscal 2013 in comparison to the third quarter of fiscal 2012, with the operating margin increasing 370 basis points to 16.4%. Operating earnings increased in the nine months of fiscal 2013 in comparison to the comparable period in the prior year, with the operating margin increasing 400 basis points to 15.9%. Operating margin increase in the third quarter of fiscal 2013 is primarily attributable to lower commodity costs while the nine months of fiscal 2013 additionally benefitted from higher volumes. We anticipate lower operating margins in our fourth quarter of fiscal 2013 as commodity cost have increased.

Operating earnings increased in our Asia segment in the third quarter and nine months of fiscal 2013 in comparison to the comparable prior year periods of fiscal 2012, although the operating margin decreased 70 basis points in the quarter to 6.5% but increased 570 basis points in the nine months to 10.4%. The decrease in operating margin in the current quarter was primarily on account of a less favorable product mix in the current quarter when compared to the prior year third quarter. The improvement in the current nine months of fiscal 2013 in comparison to the prior year period is primarily due to increased volume and a better mix of higher margin products in the region.

**Interest Expense**

| | Quarter ended December 30, 2012 | | Quarter ended January 1, 2012 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | Percentage of Total Net Sales | In Millions | Percentage of Total Net Sales | In Millions | % |
| Interest expense | $ 4.6 | 0.8% | $ 4.8 | 0.8% | $ (0.2) | (4.1)% |

| | Nine months ended December 30, 2012 | | Nine months ended January 1, 2012 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | Percentage of Total Net Sales | In Millions | Percentage of Total Net Sales | In Millions | % |
| Interest expense | $ 14.3 | 0.8% | $ 12.3 | 0.7% | $ 2.0 | 16.1% |

Interest expense of $4.6 million in the third quarter of fiscal 2013 (net of interest income of $0.6 million) was $0.2 million lower than the interest expense of $4.8 million in the third quarter of fiscal 2012 (net of interest income of $0.2 million). Interest expense of $14.3 million in the nine months of fiscal 2013 (net of interest income of $1.0 million) was $2.0 million higher than the interest expense of $12.3 million in the nine months of fiscal 2012 (net of interest income of $0.7 million).

The decrease in interest expense in the third quarter of fiscal 2013 compared to the comparable prior year quarter is primarily due to an increase in interest income. The increase in interest expense in the nine months of fiscal 2013 compared to the nine months of fiscal 2012 is attributable to higher interest rates on indebtedness in Asia and South America where we made recent acquisitions.

Also included in interest expense are non-cash charges for deferred financing fees of $0.4 million and $1.0 million, respectively, in the third quarter and nine months of fiscal 2013 and $0.4 million and $1.0 million, respectively, in the third quarter and nine months of fiscal 2012.

Included in interest expense is non-cash, accreted interest on the Convertible Notes of $1.8 million and $5.2 million, respectively, in the third quarter and nine months of fiscal 2013 and $1.6 million and $4.8 million, respectively, in the third quarter and nine months of fiscal 2012. (See Note 9 to the Consolidated Condensed Financial Statements.)

Our average debt outstanding (reflecting the reduction of the Convertible Notes discount) was $249.3 million and $258.8 million in the third quarter and nine months of fiscal 2013, respectively, compared to $288.0 million and $272.4 million in the third quarter and nine months of fiscal 2012, respectively. The average Convertible Notes discount excluded from our average debt outstanding was $20.0 million and $21.7 million, respectively, in the third quarter and nine months of fiscal 2013 and $26.7 million and $28.3 million, respectively, in the third quarter and nine months of fiscal 2012.

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**Other (Income) Expense, Net**

| | Quarter ended December 30, 2012 | | Quarter ended January 1, 2012 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | Percentage of Total Net Sales | In Millions | Percentage of Total Net Sales | In Millions | % |
| Other (income) expense, net | $ 1.3 | 0.2% | $ 1.1 | 0.2% | $ 0.2 | 13.4% |

| | Nine months ended December 30, 2012 | | Nine months ended January 1, 2012 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | Percentage of Total Net Sales | In Millions | Percentage of Total Net Sales | In Millions | % |
| Other (income) expense, net | $ 0.7 | — % | $ 2.3 | 0.1% | $ (1.6) | (68.6)% |

Other (income) expense, net in the third quarter of fiscal 2013 was $1.3 million compared to $1.1 million in the third quarter of fiscal 2012. The unfavorable impact in the third quarter of fiscal 2013 is mainly attributable to higher miscellaneous charges and non-income related taxes of $1.1 million partially offset by lower foreign currency losses of $0.9 million in the current quarter compared to prior year quarter.

Other (income) expense, net for the nine months of fiscal 2013 decreased by $1.6 million primarily on account of insurance recoveries.

**Earnings Before Income Taxes**

| | Quarter ended December 30, 2012 | | Quarter ended January 1, 2012 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | Percentage of Total Net Sales | In Millions | Percentage of Total Net Sales | In Millions | % |
| Earnings before income taxes | $ 53.9 | 9.7% | $ 47.8 | 8.3% | $ 6.1 | 12.6% |

| | Nine months ended December 30, 2012 | | Nine months ended January 1, 2012 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | Percentage of Total Net Sales | In Millions | Percentage of Total Net Sales | In Millions | % |
| Earnings before income taxes | $177.9 | 10.4% | $130.3 | 7.7% | $47.6 | 36.5% |

As a result of the above, earnings before income taxes in the third quarter of fiscal 2013 increased $6.1 million or 12.6% compared to the third quarter of fiscal 2012 and earnings before income taxes in the nine months of fiscal 2013 increased $47.6 million or 36.5% compared to the nine months of fiscal 2012. Earnings before income taxes as a percentage of net sales were 9.7% and 10.4%, respectively, for the third quarter and nine months of fiscal 2013 compared to 8.4% and 7.9%, respectively, in the third quarter and nine months of fiscal 2012.

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**Income Tax Expense**

| | Quarter ended December 30, 2012 | | Quarter ended January 1, 2012 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | Percentage of Total Net Sales | In Millions | Percentage of Total Net Sales | In Millions | % |
| Income tax expense | $15.2 | 2.7% | $11.0 | 1.9% | $ 4.2 | 38.1% |
| Effective tax rate | 28.2% | | 23.0% | | 5.2% | |

| | Nine months ended December 30, 2012 | | Nine months ended January 1, 2012 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | Percentage of Total Net Sales | In Millions | Percentage of Total Net Sales | In Millions | % |
| Income tax expense | $50.6 | 3.0% | $31.7 | 1.9% | $18.9 | 59.8% |
| Effective tax rate | 28.5% | | 24.3% | | 4.2% | |

The Company's income tax provisions consist of federal, state and foreign income taxes. The tax provisions for the third quarters of fiscal 2013 and fiscal 2012 were based on the estimated effective tax rates applicable for the full years ending March 31, 2013 and March 31, 2012, respectively, after giving effect to items specifically related to the interim periods.

The effective income tax rates for the third quarters of fiscal 2013 and fiscal 2012 were 28.2% and 23.0%, respectively. The effective income tax rates for the nine months of fiscal 2013 and fiscal 2012 were 28.5% and 24.3%, respectively. The rate increase in the third quarter and nine months of fiscal 2013 as compared to the comparable prior year periods are primarily due to changes in the mix of earnings among tax jurisdictions and the expiration of certain U.S. corporate tax exemptions.

**Net Earnings Attributable to EnerSys Stockholders**

| | Quarter ended December 30, 2012 | | Quarter ended January 1, 2012 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | Percentage of Total Net Sales | In Millions | Percentage of Total Net Sales | In Millions | % |
| Net earnings attributable to EnerSys stockholders | $39.2 | 7.0% | $36.8 | 6.4% | $ 2.4 | 6.3% |

| | Nine months ended December 30, 2012 | | Quarter ended January 1, 2012 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | Percentage of Total Net Sales | In Millions | Percentage of Total Net Sales | In Millions | % |
| Net earnings attributable to EnerSys stockholders | $128.8 | 7.6% | $98.6 | 5.8% | $30.2 | 30.5% |

As a result of the above, net earnings attributable to EnerSys stockholders in the third quarter of fiscal 2013 were $39.2 million or 7.0% of net sales, compared to the third quarter of fiscal 2012 of $36.8 million or 6.4% of net sales. Net earnings attributable to EnerSys stockholders in the nine months of fiscal 2013 were $128.8 million or 7.6% of net sales, compared to the nine months of fiscal 2012 of $98.6 million or 5.8% of net sales.

Net earnings attributable to EnerSys stockholders per common share in the third quarter of fiscal 2013 were $0.81 per basic share and $0.80 per diluted share, compared to $0.77 per basic share and diluted share in the third quarter of fiscal 2012. Net earnings attributable to EnerSys stockholders per common share in the nine months of fiscal 2013 were $2.68 per basic share and $2.65 per diluted share, compared to $2.01 per basic share and $1.99 per diluted share in the nine months of fiscal 2012.

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### 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 2012 Annual Report on Form 10-K.

### Liquidity and Capital Resources

Operating activities provided cash of $135.5 million in the nine months of fiscal 2013 compared to $120.0 million in the comparable period of fiscal 2012. In the nine months of fiscal 2013, net earnings of $127.3 million and depreciation and amortization of $37.8 million were offset by cash used for the increase in primary working capital of $35.6 million, net of currency translation changes. In the nine months of fiscal 2012, net earnings of $98.6 million and depreciation and amortization of $37.0 million were offset by cash used for the increase in primary working capital of $24.5 million, net of currency translation changes.

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 $611.7 million (yielding a primary working capital percentage of 27.4%) at December 30, 2012, $578.6 million (yielding a primary working capital percentage of 24.4%) at March 31, 2012 and $556.6 million at January 1, 2012 (yielding a primary working capital percentage of 24.2%). The primary working capital percentage of 27.4% at December 30, 2012 is 3.0 percentage points higher than that for March 31, 2012, and 3.2 percentage points higher than that for the prior year quarter.

Primary working capital increased during the nine months of fiscal 2013, largely due to an increase in inventories and a decrease in accounts payable.

Primary working capital and primary working capital percentages at December 30, 2012, March 31, 2012 and January 1, 2012 are computed as follows:

(In Millions)

| Balance At | Trade Receivables | Inventory | Accounts Payable | Total | Quarter Revenue Annualized | Primary Working Capital % |
|---|---|---|---|---|---|---|
| December 30, 2012 | $ 460.1 | $ 380.0 | $ (228.4) | $ 611.7 | $2,229.3 | 27.4% |
| March 31, 2012 | 466.8 | 361.8 | (250.0) | 578.6 | 2,371.0 | 24.4 |
| January 1, 2012 | 453.9 | 349.6 | (246.9) | 556.6 | 2,297.0 | 24.2 |

Investing activities used cash of $37.5 million in the nine months of fiscal 2013, primarily comprised of capital expenditures, compared to $56.0 million in the comparable period in fiscal 2012. Investing activities in the nine months of fiscal 2012 included acquisitions for a total purchase price of approximately $21.0 million.

Financing activities used cash of $31.3 million in the nine months of fiscal 2013. Borrowings and repayments on our revolver were $230.5 million and $258.2 million, respectively, while borrowings on long-term debt and short-term debt were $5.6 million and $13.2 million, respectively, which were partially offset by repayments of long-term debt of $11.8 million in Asia. In the nine months of fiscal 2013, we repurchased $22.6 million of our common stock. Exercise of stock options and the related tax benefits contributed $13.8 million. In the nine months of fiscal 2012, financing activities utilized cash of $50.5 million, primarily reflecting the repurchase of common stock of $58.3 million. During the nine months of fiscal 2012, we borrowed $98.0 million on the revolver and subsequently repaid the entire amount. Borrowings on short-term debt were $5.7 million and capital lease payments were $1.3 million. Exercise of stock options and the related tax benefits contributed $3.4 million.

As a result of the above, total cash and cash equivalents increased by $68.1 million to $228.6 million in the nine months of fiscal 2013 compared to an increase of $10.9 million to $119.8 million in the comparable period of fiscal 2012.

All obligations under our 2011 Senior Secured Revolving Credit Facility are secured by, among other things, substantially all of our U.S. assets. This credit agreement 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 agreements. Since we believe that we will continue to comply with these covenants and conditions, we believe 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 2012 Annual Report on Form 10-K for a detailed description of debt.

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## 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 interest rate swap agreements to manage risk on a portion of our long-term floating-rate debt. We have entered into lead forward purchase contracts to manage risk on the cost of lead. We have entered into foreign exchange forward contracts to manage risk on foreign currency exposures. The Company's agreements are with creditworthy financial institutions. Those contracts that result in a liability position at December 30, 2012 are $2.6 million (pre-tax), therefore there is no risk of nonperformance by these counterparties. Those contracts that result in an asset position at December 30, 2012 are $6.0 million (pre-tax) and 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. On a selective basis, from time to time, we enter into interest rate swap agreements to reduce the negative impact that increases in interest rates could have on our outstanding variable rate debt. Changes in the fair value of these contracts for the quarters ended December 30, 2012 and January 1, 2012 have been recorded in the income statement in other (income) expense, net.

At December 30, 2012 and March 31, 2012, the aggregate notional amount of interest rate swap agreements is $85.0 million. These agreements expire between February – May 2013.

Under the interest rate swaps, the Company receives three-month LIBOR and pays a fixed interest rate which averaged 4.28% on December 30, 2012 and January 1, 2012.

A 100 basis point increase in interest rates would have increased annual interest expense by approximately $0.8 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 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)] |
|---|---|---|---|---|
| December 30, 2012 | $ 56.8 | 57.6 | $ 0.99 | 12% |
| March 31, 2012 | 56.6 | 60.0 | 0.94 | 12 |
| January 1, 2012 | 51.0 | 56.1 | 0.91 | 13 |

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

For the remaining quarter of this fiscal year, we believe approximately 93% of the cost of our lead requirement is known. This takes into account the hedge contracts in place at December 30, 2012, lead purchased by December 30, 2012 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 $13 million and $41 million in the third quarter and nine months of fiscal 2013, respectively.

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### *Foreign Currency Exchange Rate Risks*

We manufacture and assemble our products globally in the Americas, Europe 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 trade transactions. On a selective basis, we enter into foreign currency forward contracts and 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 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 December 30, 2012 and March 31, 2012 were $92.8 million and $53.5 million, respectively. The details of contracts outstanding as of December 30, 2012 were as follows:

| Transactions Hedged | $US Equivalent (in millions) | Average Rate Hedged | Approximate % of Annual Requirements [1] |
|---|---|---|---|
| Sell Euros for U.S. dollars | $ 18.1 | $/€ 1.32 | 10% |
| Sell Euros for Polish zloty | 14.7 | PLN/€ 4.17 | 20 |
| Sell Euros for British pounds | 29.1 | £/€ 0.80 | 40 |
| Sell Japanese yen for U.S. dollars | 18.0 | $/¥ 79.24 | 90 |
| Sell Australian dollars for U.S. dollars | 2.3 | $/AUD 1.03 | 23 |
| Sell U.S. dollars for Mexican pesos | 2.5 | MXN/$ 13.44 | 50 |
| Sell Australian dollars for Euros | 3.0 | €/AUD 1.26 | 23 |
| Other | 5.1 | | |
| Total | $ 92.8 | | |

(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.

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## PART II – OTHER INFORMATION

### Item 1. Legal Proceedings

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

### Item 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 Annual Report on Form 10-K for the year ended March 31, 2012, 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 our equity incentive plans, vested options outstanding may be exercised through surrender to the Company of option shares or vested options outstanding under the Plan to satisfy the applicable aggregate exercise price (and any withholding tax) required to be paid upon such exercise.

**Purchases of Equity Securities**

| Period | (a) Total number of shares (or units) purchased | (b) Average price paid per share (or unit) | (c) Total number of shares (or units) purchased as part of publicly announced plans or programs | (d) Maximum number (or approximate dollar value) of shares (or units) that may be purchased under the plans or programs (1) (2) |
|---|---|---|---|---|
| October 1 – October 28, 2012 | — | $ — | — | $ 73,613,303 |
| October 29 – November 25, 2012 | 580,640 | 33.04 | 580,640 | 53,587,029 |
| November 26 – December 30, 2012 | 103,839 | 33.67 | 102,552 | 50,072,291 |
| Total | 684,479 | $ 33.07 | 683,192 | |

(1) On May 26, 2011, the Company's Board of Directors authorized the Company to repurchase up to the number of shares exercised through previous stock option awards and common stock issued under the 2010 Equity Incentive Plan. As of October 28, 2012, November 25, 2012 and December 30, 2012, this repurchase limit amounted to a total 684,642 shares, 104,002 shares, and 2,096 shares, respectively, that may be repurchased under this program. For purposes of presenting the approximate dollar value of shares that may be purchased under this program, we multiplied the remaining balance under this program by $34.49 per share, which is the average closing price of the Company's common stock during the period.

(2) On May 24, 2012, the Company's Board of Directors authorized the Company to repurchase up to $50 million of its common stock.

### Item 4. Mine Safety Disclosures

Not applicable.

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## 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 | Amended and Restated Bylaws (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. Schmidtlein

Michael J. Schmidtlein
Senior Vice President Finance & Chief Financial Officer

Date: February 6, 2013

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**EnerSys**

**EXHIBIT INDEX**

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**Exhibit 3.2**

# AMENDED AND RESTATED BYLAWS

# OF

# ENERSYS

## ARTICLE I

## OFFICES

SECTION 1. *Registered Office.* The address of the registered office of EnerSys (the "Corporation") in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of the Corporation's registered agent at such address is The Corporation Trust Company.

SECTION 2. *Other Offices.* The Corporation may also have an office or offices at any other place or places within or without the State of Delaware.

## ARTICLE II

## MEETINGS OF STOCKHOLDERS

SECTION 1. *Annual Meetings.* The annual meeting of the stockholders for the election of directors, and for the transaction of such other business as may properly come before the meeting, shall be held at such place, either within or without the State of Delaware, on such date and at such hour as shall be fixed by resolution of the Board of Directors of the Corporation (the "Board") and designated in the notice or waiver of notice thereof.

SECTION 2. *Special Meetings.* A special meeting of the stockholders for any purpose or purposes may be called only by the Board or the Chairman of the Board of the Corporation, to be held at such place, within or without the State of Delaware, on such date and at such hour as shall be designated in the notice or waiver of notice thereof.

SECTION 3. *Notice of Meetings.* Written notice of all meetings of stockholders stating the place, date and time of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given in accordance with Article VIII. Unless otherwise required by applicable law, such notice shall be given not less than 10 nor more than 60 days before the date of the meeting to each stockholder of record entitled to vote at such meeting.

SECTION 4. *Fixing Date for Determination of Stockholders of Record.* In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board may fix, in advance, a record date, which shall not precede the date upon which the resolution fixing the record date is adopted by the Board and which shall not be more than 60, nor less than 10, days before the date of such meeting. If no record date is fixed by the Board, then the record date shall be as provided by applicable law. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for the adjourned meeting.

SECTION 5. *Organization.* Meetings of stockholders shall be presided over by such person as the Board may designate, or, in the absence of such a person, the Chairman of the Board. Such person shall be chairman of the meeting and shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussion as is determined by him to be in order. The Secretary of the Corporation shall act as secretary of the meeting, but in such person's absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

SECTION 6. *Adjournments.* When a meeting is adjourned to another date, hour or place, notice need not be given of the adjourned meeting if the date, hour and place thereof are announced at the meeting at which the adjournment is taken. If the adjournment is for more than 30 calendar days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the adjourned meeting. At the adjourned meeting, any business may be transacted that might have been transacted at the original meeting.

When any meeting is convened the presiding officer, if directed by the Board, may adjourn the meeting if (a) no quorum is present for the transaction of business, or (b) the Board determines that adjournment is necessary or appropriate to enable the stockholders (i) to consider fully information that the Board determines has not been made sufficiently or timely available to stockholders or (ii) otherwise to exercise effectively their voting rights.

SECTION 7. *Quorum.* Except as otherwise provided by law or the Certificate of Incorporation, whenever a class of stock of the Corporation is entitled to vote as a separate class, or whenever classes of stock of the Corporation are entitled to vote together as a single class, on any matter brought before any meeting of the stockholders, whether annual or special, holders of shares entitled to cast a majority of the votes entitled to be cast by all the holders of the shares of stock of such class voting as a separate class, or classes voting together as a single class, as the case may be, outstanding and entitled to vote thereat, present in person or by proxy, shall constitute a quorum at any such meeting of the stockholders. If, however, such quorum shall not be present or represented at any such meeting of the stockholders, the stockholders entitled to vote thereat may adjourn the meeting from time to time in accordance with Section 6 of this Article II until a quorum shall be present or represented. Shares of the Corporation's stock belonging to the Corporation (or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation are held, directly or indirectly, by the Corporation), shall neither be entitled to vote nor be counted for quorum purposes; *provided* , *however* , that the foregoing shall not limit the right of the Corporation or any other corporation to vote any shares of the Corporation's stock held by it in a fiduciary capacity.

SECTION 8. *Voting.* Except as provided in Section 4 of Article III, directors shall be elected by a plurality of the votes of the shares present in person or by proxy at a meeting and entitled to vote on the election of directors. Except as otherwise provided by law or the Certificate of Incorporation or these Bylaws, when a quorum is present with respect to any matter brought before any meeting of the stockholders, the vote of the holders of shares entitled to cast a majority of the votes entitled to be cast by all the holders of shares present in person or by proxy and entitled to vote on such matter shall decide any such matter (other than the election of directors). Except as otherwise provided by law or the Certificate of Incorporation or these Bylaws, each stockholder represented at a meeting of stockholders shall be entitled to cast one vote for each share of the capital stock entitled to vote thereat held by such stockholder.

SECTION 9. *Proxies.* Each stockholder entitled to vote at a meeting of stockholders may authorize another Person or Persons to act for such stockholder by proxy. Such proxy shall be filed with the Secretary before such meeting of stockholders, at such time as the Board may require. No proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period.

SECTION 10. *Notice of Stockholder Business; Nominations.*

(a) Annual Meeting of Stockholders.

(i) Nominations of persons for election to the Board at an annual meeting and the proposal of any other business to be considered by the stockholders at an annual meeting shall be made solely (A) as specified in the Corporation's notice of such meeting (or any supplement thereto), (B) otherwise by or at the direction of the Board (or any duly authorized committee thereof), or (C) by any stockholder of the Corporation that was a stockholder of record at the time of giving the notice provided for in this Section 10, who is entitled to vote at such meeting and who complies with the notice procedures set forth in this Section 10.

(ii) For nominations for director or any other business to be properly brought before an annual meeting by a stockholder pursuant to clause (C) of subparagraph (a)(i) of this Section 10, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation, and such proposed business, other than nominations of persons for election to the Board, must constitute a proper matter for stockholder action. To be timely, a stockholder's notice must be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the ninetieth day, nor earlier than the close of business on the one hundred twentieth day, prior to the anniversary of the next preceding annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or after such anniversary date, to be timely notice by the stockholder must be so delivered not later than the close of business on the tenth day following the day on which public announcement of the date of such meeting is first made by the Corporation. In no event shall an adjournment or postponement of a meeting, or the public announcement thereof, commence a new time period (or extend any time period) of the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth: (A) as to each person whom the stockholder proposes to nominate for election, or re-election, as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; (B) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at such meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the Bylaws of the Corporation, the language of the proposed amendment), the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (C) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (1) the name and address of such stockholder, as they appear on the Corporation's books and records, and of such beneficial owner, (2) the class or series and number of shares of capital stock of the Corporation that are, directly or indirectly, owned beneficially and held of record by such stockholder and such beneficial owner, (3) any option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the Corporation or with a value derived in whole or in part from the value of any class or series of shares of the Corporation, whether or not such instrument or right shall be subject to settlement in the underlying class or series of capital stock of the Corporation or otherwise (a "Derivative Instrument") directly or indirectly owned beneficially by such stockholder or beneficial owner and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of the Corporation, (4) any proxy, contract, arrangement, understanding, or relationship pursuant to which such stockholder or beneficial owner has a right to vote any shares of any security of the Corporation, (5) any short interest of such stockholder or beneficial owner in any security of the Corporation (for purposes of this Bylaw a person shall be deemed to have a short interest in a security if such person directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has the opportunity to profit or share in any profit derived from any decrease in the value of the subject security), (6) any rights to dividends on the shares of the Corporation owned beneficially by such stockholder or beneficial owner that are separated or separable from the underlying shares of the Corporation, (7) any proportionate interest in shares of the Corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such stockholder or beneficial owner is a general partner or, directly or indirectly, beneficially owns an interest in a general partner, (8) any performance-related fees (other than an asset-based fee) that such stockholder or beneficial owner is entitled to based on any increase or decrease in the value of shares of the Corporation or Derivative Instruments, if any, as of the date of such notice, including without limitation any such interests held by members of such stockholder's or beneficial owner's immediate family sharing the same household (which information shall be supplemented by such stockholder and beneficial owner not later than 10 days after the record date for the meeting to disclose such ownership as of the record date), (9) any other information relating to such stockholder and beneficial owner that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder, (10) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination, (11) a description of all agreements, arrangements or understandings between such stockholder and beneficial owner, if any, and any other Person or Persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business, and (12) a representation whether the stockholder or the beneficial owner, if any, intends, or is, or intends to be part of a group that intends (x) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal or elect the nominee and/or (y) otherwise to solicit proxies from stockholders in support of such proposal or nomination. The Corporation may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the Corporation.

(iii) Anything in the second sentence of subparagraph (a)(ii) of this Section 10 to the contrary notwithstanding, in the event that the number of directors to be elected to the Board is increased and there is no public announcement by the Corporation naming all the nominees for director or specifying the size of the increased Board at least 100 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 10 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary of the Corporation at the principal executive office of the Corporation not later than the close of business on the tenth day following the day on which such public announcement is first made by the Corporation.

(b) *Special Meetings of Stockholders.* Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of such meeting. Nominations of persons for election to the Board may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of such meeting solely (i) by or at the direction of the Board of Directors or (ii) provided that the Board has determined that directors shall be elected at such meeting, by any stockholder of the Corporation that was a stockholder of record at the time of giving the notice provided for in this Section 10, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 10. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board, any such stockholder entitled to vote in such election of directors may nominate a person or persons (as the case may be), for election to such positions as specified in the Corporation's notice of meeting, if the stockholder's notice required by subparagraph (a)(ii) of this Section 10 shall be delivered to the Secretary of the Corporation at the principal executive offices of the Corporation not earlier than the one hundred twentieth day prior to such special meeting and not later than the close of business on the later of the ninetieth day prior to such special meeting or the tenth day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) of the giving of a stockholder's notice as described above.

(c) *General.*

(i) Only such persons who are nominated in accordance with the procedures set forth in this Section 10 shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 10. Except as otherwise provided by law or these Bylaws, the chairman of the meeting shall have the power and duty to finally determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 10 and, if any proposed nomination or business is not in compliance herewith, to declare that such defective proposal or nomination shall be disregarded.

(ii) For purposes of this Section 10, the term "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act, and the meaning of the term "group" shall be within the meaning ascribed to such term under Section 13(d)(3) of the Exchange Act.

(iii) Notwithstanding the foregoing provisions of this Section 10, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 10. Nothing in this Section 10 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

## ARTICLE III

## BOARD OF DIRECTORS

SECTION 1. *General Powers.* The business and affairs of the Corporation shall be managed by the Board, which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by law or by the Certificate of Incorporation directed or required to be exercised or done by the stockholders. No decrease in the authorized number of directors constituting the Board shall shorten the term of any incumbent director.

SECTION 2. *Number and Term of Office.* Subject to the rights, if any, of holders of preferred stock of the Corporation, the Board shall consist of not less than three nor more than eleven members, the exact number of which shall be fixed from time to time by the Board. The Board shall designate the directors to serve as initial Class I, Class II and Class III directors upon the effectiveness of the related provisions of the Fifth Restated Certificate of Incorporation. None of the directors need be stockholders of the Corporation. Except as provided in Section 3 of this Article, each director shall be elected by the vote of the majority of the votes cast with respect to the director at any meeting for the election of directors at which a quorum is present, provided that if, as of a date that is fourteen (14) days in advance of the date the Corporation files its definitive proxy statement (regardless of whether or not thereafter revised or supplemented) with the Securities and Exchange Commission, the number of nominees exceeds the number of directors to be elected, the directors shall be elected by the vote of a plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors. For purposes of this section, a majority of the votes cast means that the number of shares voted for a director must exceed the number of votes cast against that director. The Corporate Governance and Nominating Committee will establish procedures under which a director nominee shall tender his or her contingent resignation to the Nominating and Corporate Governance Committee in advance of an Annual Meeting. If the Director Nominee fails to receive a majority number of votes for re-election in an uncontested election at an Annual Meeting, the Nominating and Corporate Governance Committee will make a recommendation to the Board whether to accept or reject the resignation or whether other action shall be taken. The Board will act on the Committee's recommendation and publicly disclose its decision and the rationale behind it within 90 days from the date of the certification of the election results. The resignation becomes effective only if the director fails to receive a majority number of votes for re-election in an uncontested election at an Annual Meeting and the Board accepts the resignation.

SECTION 3. *Resignation; Vacancies; Removal.* Any director may resign at any time by giving written notice to the Board, the Chairman of the Board or the Secretary of the Corporation. Such resignation shall take effect at the time specified therein or, if the time is not specified, upon receipt by the Corporation thereof; and, unless otherwise specified therein, acceptance of such resignation shall not be necessary to make it effective.

Vacancies occurring in the Board for any reason and newly created directorships may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director. Any director elected to fill a vacancy shall hold office for a term that shall coincide with the term of the class to which such director shall have been elected.

Any director may be removed as provided in the DGCL, the Certificate of Incorporation or the 2004 Securityholder Agreement.

SECTION 4. *Meetings.* (a) *Annual Meetings*. As soon as practicable after each annual election of directors, the Board shall meet for the purpose of organization and the transaction of other business, unless it shall have transacted all such business by written consent pursuant to Section 5 of this Article III.

(b) *Other Meetings.* Other meetings of the Board shall be held at such times as the Board or the Chairman of the Board shall from time to time determine.

(c) *Notice of Meetings.* The Secretary shall give notice to each director of each special meeting at least one business day prior thereto, which notice shall state the time, place and purpose of such meeting. Notice of each such meeting shall be given to each director prior to such meeting.

(d) *Place of Meetings.* The Board may hold its meetings at such place or places, within or without the State of Delaware, as the Board or the Chairman of the Board may from time to time determine, or as shall be designated in the respective notices or waivers of notice thereof.

(e) *Quorum and Manner of Acting.* A majority of the total number of directors (but not less than one) shall constitute a quorum for the transaction of business at any meeting of the Board, and the vote of a majority of those directors present at any such meeting at which a quorum is present shall be necessary for the passage of any resolution or act of the Board, except as otherwise expressly required by law or these Bylaws. In the absence of a quorum for any such meeting, a majority of the directors present thereat may adjourn such meeting from time to time until a quorum shall be present.

(f) *Organization.* At each meeting of the Board, one of the following shall act as chairman of the meeting and preside, in the following order of precedence:

(i) the Chairman of the Board;
(ii) the Vice Chairman of the Board; or
(iii) any director chosen by a majority of the directors present.

The Secretary or, in the case of his absence, any person (who shall be an Assistant Secretary, if an Assistant Secretary is present) whom the chairman shall appoint shall act as secretary of such meeting and keep the minutes thereof.

SECTION 5. *Directors' Consent in Lieu of Meeting.* Any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting if all members of the Board or such committee, as the case may be, consent thereto in writing, and the writing or writings (including a true and correct copy of all documents referred to therein) are filed with the minutes of the proceedings of the Board or committee.

SECTION 6. *Action by Means of Telephone or Similar Communications Equipment.* Any one or more members of the Board, or of any committee thereof, may participate in a meeting of the Board or any such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting.

SECTION 7. *Committees.* The Board may, by resolution passed by a majority of the Board, designate one or more committees, each committee to consist of one or more directors of the Corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of any such committee. In the absence or disqualification of a member of a committee, and in the absence of a designation by the Board of an alternate member to replace the absent or disqualified member, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any absent or disqualified member. Any committee, to the extent allowed by law and provided in the resolution establishing such committee or such other resolution as shall have been adopted by the Board, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation. Each committee shall keep regular minutes and report to the Board when required.

SECTION 8. *Compensation of Directors.* Directors, as such, may receive, pursuant to a resolution of the Board, fees and other compensation for their services as directors, including, without limitation, their services as members of committees of the Board.

SECTION 9. *Reliance Upon Books and Records.* A member of the Board, or a member of any committee designated by the Board shall, in the performance of such person's duties, be fully protected in relying in good faith upon records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of the Corporation's officers or employees, or committees of the Board, or by any other person as to matters the member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

## ARTICLE IV

## OFFICERS

SECTION 1. *Executive Officers.* The executive officers of the Corporation shall be a Chairman of the Board, a Vice Chairman of the Board, a Chief Executive Officer, a Chief Financial Officer, a Treasurer and a Secretary and may include one or more Vice Presidents, one or more Assistant Secretaries and one or more Assistant Treasurers. Any two or more offices may be held by the same person.

SECTION 2. *Authority and Duties.* All officers, as between themselves and the Corporation, shall have such authority and perform such duties in the management of the Corporation as may be provided in these Bylaws or, to the extent not so provided, by resolution of the Board.

SECTION 3. *Term of Office, Resignation and Removal.* (a) All officers shall be elected or appointed by the Board and shall hold office for such term as may be determined by the Board. Each officer shall hold office until his successor has been elected or appointed and qualified or his earlier death or resignation or removal in the manner hereinafter provided. The Board may require any officer to give security for the faithful performance of his duties.

(b) Any officer may resign at any time by giving written notice to the Board or to the Chairman of the Board or the Secretary of the Corporation, and such resignation shall take effect at the time specified therein or, if the time when it shall become effective is not specified therein, at the time it is accepted by action of the Board. Except as aforesaid, acceptance of such resignation shall not be necessary to make it effective.

(c) All officers shall be subject to removal, with or without cause, at any time by the Board. The Board may, from time to time, delegate the powers and duties of any officer to any other officer or agent of the Corporation.

SECTION 4. *Vacancies.* Any vacancy occurring in any office of the Corporation, for any reason, shall be filled by action of the Board. Any officer appointed or elected by the Board to fill any vacancy shall serve only until such time as the unexpired term of his predecessor expires unless reelected or reappointed by the Board.

SECTION 5. *Chairman of the Board.* The Chairman of the Board shall have the power to call special meetings of the stockholders, to call special meetings of the Board and to preside at all meetings of the stockholders and all meetings of the Board.

SECTION 6. *Vice Chairman of the Board.* The Vice Chairman of the Board shall perform such duties as the Board or the Chairman of the Board shall prescribe, and in the absence or disability of the Chairman of the Board, perform the duties and exercise the powers of the Chairman of the Board.

SECTION 7. *Chief Executive Officer.* The Chief Executive Officer shall be the chief executive officer of the Corporation and shall have general and active management and control of the business and affairs of the Corporation subject to the control of the Board, and shall see that all orders and resolutions of the Board are carried into effect.

SECTION 8. *Chief Financial Officer.* The Chief Financial Officer shall be the chief financial officer of the Corporation and shall perform such duties as the Board shall prescribe.

SECTION 9. *Vice Presidents.* Vice Presidents, if any, in order of their seniority or in any other order determined by the Board, shall generally assist the Chief Executive Officer and perform such other duties as the Board or the Chief Executive Officer shall prescribe, and in the absence or disability of the Chief Executive Officer, perform the duties and exercise the powers of the Chief Executive Officer.

SECTION 10. *Treasurer.*The Treasurer, if any, shall have the care and custody of all the funds of the Corporation and shall deposit the same in such banks or other depositories as the Board, or any officer or officers, or any officer and agent jointly, duly authorized by the Board, shall, from time to time, direct or approve. He shall disburse the funds of the Corporation under the direction of the Board or the Chief Executive Officer. He shall keep a full and accurate account of all moneys received and paid on account of the Corporation and shall render a statement of his accounts whenever the Board shall require. He shall perform all other necessary acts and duties in connection with the administration of the financial affairs of the Corporation and shall generally perform all the duties usually appertaining to the office of treasurer of a corporation.

SECTION 11. *Assistant Treasurers.* Assistant Treasurers, if any, in order of their seniority or in any other order determined by the Board, shall generally assist the Treasurer and perform such other duties as the Board or the Treasurer shall prescribe, and, in the absence or disability of the Treasurer, shall perform the duties and exercise the powers of the Treasurer.

SECTION 12. *Secretary.* The Secretary shall, to the extent requested by the Board, attend all meetings of the Board and all meetings of the stockholders and shall record all votes and the minutes of all proceedings in a book to be kept for that purpose, and shall perform like duties for any standing committees when required. He shall give or cause to be given notice of all meetings of the stockholders and of the Board, and shall perform such other duties as may be prescribed by the Board or the Chief Executive Officer, under whose supervision he shall act. He shall keep in safe custody the seal of the Corporation and affix the same to any duly authorized instrument requiring it and, when so affixed, it shall be attested by his signature or by the signature of the Treasurer or an Assistant Secretary, or an Assistant Treasurer. He shall keep in safe custody the certificate books and stockholder records and such other books and records as the Board may direct and shall perform all other duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the President or the Board.

SECTION 13. *Assistant Secretaries.* Assistant Secretaries, if any, in order of their seniority or in any other order determined by the Board, shall generally assist the Secretary and perform such other duties as the Board or the Secretary shall prescribe, and, in the absence or disability of the Secretary, shall perform the duties and exercise the powers of the Secretary.

## ARTICLE V

## INDEMNIFICATION

SECTION 1. *Indemnification.* (a) The Corporation shall, to the fullest extent permitted by the DGCL, indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonable incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(b) The Corporation shall, to the fullest extent permitted by the DGCL, indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation, unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

(c) The Corporation may (and shall, with respect to any director, officer or employee who is a beneficiary of any directors and officers insurance or indemnity policy maintained from time to time by the Corporation or any of its subsidiaries), to the fullest extent permitted by the DGCL, advance to any person who is or was a director, officer, employee or agent of the Corporation (or to the legal representative thereof) any and all expenses (including, without limitation, attorneys' fees and disbursements and court costs) reasonably incurred by such person in respect of any proceeding to which such person (or a person of whom such person is a legal representative) is made a party or threatened to be made a party by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation or, while a director, officer, employee or agent of the Corporation, is or was serving at the request of the Corporation as a director, officer, trustee, partner, member, employee, other fiduciary or agent of another corporation or a partnership, joint venture, limited liability company, trust or other enterprise, including service with respect to employee benefit plans or public service or charitable organizations; *provided* , *however* , that, to the extent the DGCL requires, the payment of such expenses in advance of the final disposition of the proceeding shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such person, to repay all amounts so advanced if it shall ultimately be determined that such person is not entitled to be indemnified against such expense under this Article V or otherwise. The Corporation by provision in these Bylaws or by agreement may accord any such person the right to, or regulate the manner of providing to any such person, such advancement of expenses to the fullest extent permitted by the DGCL.

(d) The indemnification and advancement of expenses provided by or granted pursuant to the other subsections of this Article V shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under the Certificate of Incorporation, any other bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office.

(e) The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of the DGCL.

(f) For purposes of this Article V, references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents so that any person who is or was a director, officer, employee or agent of such constituent corporation or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article V with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

(g) For purposes of this Article V, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to any employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves service by, such director, officer, employee or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation", as referred to in this Article V.

(h) The indemnification and advancement of expenses provided by, or granted pursuant to, this Article V shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

## ARTICLE VI

## CONTRACTS, CHECKS, DRAFTS, BANK ACCOUNTS, ETC.

SECTION 1. *Execution of Documents.* The Board (or any duly authorized committee thereof to the extent permitted by law) shall designate the officers, employees and agents of the Corporation who shall have power to execute and deliver deeds, contracts, mortgages, bonds, debentures, checks, drafts and other orders for the payment of money and other documents for and in the name of the Corporation, and each such officer, employee and agent, without further action by the Board, may delegate such power (including authority to redelegate) in writing, to other officers, employees or agents of the Corporation; and, unless so designated or expressly authorized by these Bylaws, no officer or agent or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable pecuniarily for any purpose or to any amount.

SECTION 2. *Deposits.* All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation or otherwise as the Board, or any officer of the Corporation to whom power in this respect shall have been given by the Board, shall direct.

SECTION 3. *Proxies in Respect of Stock or other Securities of Other Corporations.* The Board shall designate the officers of the Corporation who shall have authority from time to time to appoint an agent or agents of the Corporation to exercise in the name and on behalf of the Corporation the powers and rights that the Corporation may have as the holder of stock or other securities in any other corporation, and to vote or consent in respect of such stock or securities. Such designated officers may instruct the person or persons so appointed as to the manner of exercising such powers and rights, and such designated officers may execute or cause to be executed in the name and on behalf of the Corporation and under its corporate seal, or otherwise, such written proxies, powers of attorney or other instruments as they may deem necessary or proper in order that the Corporation may exercise such powers and rights.

## ARTICLE VII

## SHARES AND TRANSFER OF SHARES

SECTION 1. *Certificates for Shares.* Every owner of shares of stock of the Corporation shall be entitled to have a certificate certifying the number and class of shares of stock of the Corporation owned by him, which certificate shall be in such form as may be prescribed by the Board. Certificates shall be issued in consecutive order and shall be numbered in the order of their issue, and shall be signed by or in the name of, the Corporation by the Chairman of the Board, the Vice Chairman of the Board, the Chief Executive or a Vice President and by the Secretary, Treasurer or an Assistant Secretary. Such signatures shall be in such form as may be prescribed by the Board.

SECTION 2. *Stock Ledger.* A stock ledger in one or more counterparts shall be kept, in which shall be recorded the name of each Person owning the shares evidenced by each certificate for stock of the Corporation issued, the number of shares of stock evidenced by each such certificate, the date thereof and, in the case of cancellation, the date of cancellation. Except as otherwise expressly required by law, the person in whose name shares of stock stand on the stock ledger of the Corporation shall be deemed the owner thereof for all purposes as regards the Corporation.

SECTION 3. *Transfer of Stock.* (a) The transfer of shares of stock and the certificates evidencing such shares of stock of the Corporation shall be governed by Article 8 of Subtitle I of Title 6 of the Delaware Code (the Uniform Commercial Code), as amended from time to time.

(b) Registration of transfers of shares of stock of the Corporation shall be made only on the books of the Corporation upon request of the registered holder thereof, or of his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary of the Corporation, and upon the surrender of the certificate or certificates for such shares of stock properly endorsed or accompanied by a stock power duly executed.

SECTION 4. *Addresses of Stockholders.* Each stockholder shall designate to the Secretary of the Corporation an address at which notices of meetings and all other corporate notices may be given to it, and, if any stockholder shall fail to so designate such an address, corporate notices may be given to it at its post office address, if any, as the same appears on the share record books of the Corporation or at its last known post office address.

SECTION 5. *Lost, Destroyed and Mutilated Certificates.* A holder of any shares of stock of the Corporation shall promptly notify the Corporation of any loss, destruction or mutilation of any certificate or certificates evidencing all or any such shares of stock. The Board may, in its discretion, cause the Corporation to issue a new certificate in place of any certificate theretofore issued by it and alleged to have been mutilated, lost, stolen or destroyed, upon the surrender of the mutilated certificates or, in the case of loss or destruction of the certificate, upon satisfactory proof of such loss or destruction, and the Board may, in its discretion, require the owner of the lost or destroyed certificate or its legal representative to give the Corporation a bond sufficient to indemnify the Corporation against any claim made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

SECTION 6. *Regulations.* The Board may make such rules and regulations as it may deem expedient, not inconsistent with these Bylaws, concerning the issue, transfer and registration of certificates for stock of the Corporation.

## ARTICLE VIII
## MISCELLANEOUS

SECTION 1. *Notice.* Except as otherwise required by law, all notices required to be given pursuant to these Bylaws shall be in writing and may be effectively given by hand delivery, first class mail (postage prepaid), prepaid overnight courier, facsimile transmission or electronic mail. Any such notice shall be addressed to the Person to whom notice is to be given at such Person's address as it appears on the records of the Corporation. The notice shall be deemed given (a) if by hand delivery, when received by the Person to whom notice is to be given or by any Person accepting such notice on behalf of such Person, (b) if by mail, on the fourth business day after being deposited in first class mail, (c) if by overnight courier, on the first business day after being dispatched, (d) if by facsimile transmission, when directed to a number at which the Person to whom notice is to be given has consented to receive notice by facsimile transmission; or (e) if by electronic mail, when directed to an electronic mail address at which the Person to whom notice is to be given has consented to receive notice by electronic mail. Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders given by the Corporation under any provision of the DGCL, the Certificate of Incorporation or these Bylaws shall be effective if given by a form of facsimile transmission or electronic mail consented to by the stockholder to whom the notice is to be given. Any such consent shall be revocable by the stockholder by written notice to the Corporation. Any such consent shall be deemed revoked if (a) the Corporation is unable to deliver by facsimile transmission or electronic mail two consecutive notices given by the Corporation in accordance with such consent and (b) such inability becomes actually known to the Secretary or an Assistant Secretary of the Corporation or to the transfer agent, or other Person responsible for the giving of notice; *provided* , *however* , the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action. An affidavit of the Secretary or an Assistant Secretary of the Corporation or of the transfer agent or other agent of the Corporation that the notice has been given in writing or by a form of facsimile transmission or electronic mail shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

SECTION 2. *Waiver of Notice.* Whenever notice is required to be given under any provision of these Bylaws, a written waiver of notice, signed by the Person entitled to notice, or waiver by facsimile transmission or electronic mail by such Person, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a Person at a meeting shall constitute a waiver of notice of such meeting, except when the Person attends a meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, directors or members of a committee of directors need be specified in any written waiver of notice.

SECTION 3. *Seal.* The Board may provide a corporate seal, which shall be in the form of a circle and shall bear the full name of the Corporation and the words and figures "CORPORATE SEAL 2000 DELAWARE".

SECTION 4. *Fiscal Year.* The fiscal year of the Corporation shall end on March 31 of each year, unless changed by resolution of the Board.

SECTION 5. *Definition.* For purposes of these Bylaws:

"*Person*" means an individual, a partnership, a joint venture, a corporation, an association, a trust, an estate or other entity or organization, including a government or any department or agency thereof.

"*2004 Securityholder Agreement*" means the 2004 Securityholder Agreement dated as of the date thereof, among the Corporation and the other parties signatory thereto.

## ARTICLE IX
## AMENDMENTS

These Bylaws may be altered, amended or repealed, in whole or in part, or new Bylaws may be adopted, either by the Board or by the stockholders of the Corporation upon the affirmative vote of the holders of at least 66 $^{2}/_{3}$% of the outstanding capital stock entitled to vote thereon.

**Exhibit 31.1**

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

I, John D. Craig, certify that:

1. I have reviewed this 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.

ENERSYS

By /s/ John D. Craig

John D. Craig
Chairman, President and Chief Executive Officer

Date: February 6, 2013

**Exhibit 31.2**

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

I, Michael J. Schmidtlein, certify that:

1. I have reviewed this 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.

ENERSYS

By /s/ Michael J. Schmidtlein

Michael J. Schmidtlein
Senior Vice President Finance & Chief Financial Officer

Date: February 6, 2013

**Exhibit 32.1**

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18. U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of EnerSys on Form 10-Q for the quarterly period ended December 30, 2012 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.

ENERSYS

By /s/ John D. Craig

John D. Craig
Chairman, President and Chief Executive Officer

By /s/ Michael J. Schmidtlein

Michael J. Schmidtlein
Senior Vice President Finance & Chief Financial Officer

Date: February 6, 2013