

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 29, 2019

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

For the transition period from _____ to _____
Commission File Number: 001-32253

EnerSys

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

23-3058564
(I.R.S. Employer
Identification No.)

2366 Bernville Road
Reading, Pennsylvania 19605
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: 610-208-1991

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	ENS	New York Stock Exchange

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, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Securities Exchange Act of 1934.

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

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 November 1, 2019: 42,285,572 shares

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	September 29, 2019	March 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 424,846	\$ 299,212
Accounts receivable, net of allowance for doubtful accounts: September 29, 2019 - \$14,296; March 31, 2019 - \$10,813	585,106	624,136
Inventories, net	507,081	503,869
Prepaid and other current assets	122,777	109,431
Total current assets	1,639,810	1,536,648
Property, plant, and equipment, net	410,750	409,439
Goodwill	649,236	656,399
Other intangible assets, net	446,464	462,316
Deferred taxes	54,412	40,466
Other assets	90,141	12,925
Total assets	\$ 3,290,813	\$ 3,118,193
Liabilities and Equity		
Current liabilities:		
Short-term debt	\$ 34,351	\$ 54,490
Accounts payable	276,926	292,449
Accrued expenses	254,362	265,994
Total current liabilities	565,639	612,933
Long-term debt, net of unamortized debt issuance costs	1,117,818	971,756
Deferred taxes	76,649	82,112
Other liabilities	211,716	165,375
Total liabilities	1,971,822	1,832,176
Commitments and contingencies		
Equity:		
Preferred Stock, \$0.01 par value, 1,000,000 shares authorized, no shares issued or outstanding at September 29, 2019 and at March 31, 2019	—	—
Common Stock, 0.01 par value per share, 135,000,000 shares authorized, 55,085,136 shares issued and 42,281,834 shares outstanding at September 29, 2019; 54,848,523 shares issued and 42,620,750 shares outstanding at March 31, 2019	551	548
Additional paid-in capital	515,598	512,696
Treasury stock at cost, 12,803,302 shares held as of September 29, 2019 and 12,227,773 shares held as of March 31, 2019	(565,108)	(530,760)
Retained earnings	1,546,419	1,450,325
Contra equity - indemnification receivable	(5,838)	(7,840)
Accumulated other comprehensive loss	(176,147)	(142,682)
Total EnerSys stockholders' equity	1,315,475	1,282,287
Nonredeemable noncontrolling interests	3,516	3,730
Total equity	1,318,991	1,286,017
Total liabilities and equity	\$ 3,290,813	\$ 3,118,193

See accompanying notes.

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

	Quarter ended	
	September 29, 2019	September 30, 2018
Net sales	\$ 762,137	\$ 660,462
Cost of goods sold	564,820	499,582
Gross profit	197,317	160,880
Operating expenses	132,325	96,402
Restructuring, exit and other charges	6,282	1,121
Operating earnings	58,710	63,357
Interest expense	10,097	6,413
Other (income) expense, net	199	(1,325)
Earnings before income taxes	48,414	58,269
Income (benefit) tax expense	(14,284)	10,822
Net earnings	62,698	47,447
Net earnings attributable to noncontrolling interests	—	23
Net earnings attributable to EnerSys stockholders	\$ 62,698	\$ 47,424
Net earnings per common share attributable to EnerSys stockholders:		
Basic	\$ 1.48	\$ 1.13
Diluted	\$ 1.47	\$ 1.11
Dividends per common share	\$ 0.175	\$ 0.175
Weighted-average number of common shares outstanding:		
Basic	42,392,039	42,133,484
Diluted	42,708,082	42,773,706

See accompanying notes.

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

	Six Months Ended	
	September 29, 2019	September 30, 2018
Net sales	\$ 1,542,367	\$ 1,331,392
Cost of goods sold	1,143,538	1,004,652
Inventory adjustment relating to exit activities	—	526
Gross profit	398,829	326,214
Operating expenses	263,129	195,818
Restructuring, exit and other charges	8,654	2,860
Operating earnings	127,046	127,536
Interest expense	20,995	12,929
Other (income) expense, net	(953)	(997)
Earnings before income taxes	107,004	115,604
Income (benefit) tax expense	(4,330)	22,137
Net earnings	111,334	93,467
Net earnings attributable to noncontrolling interests	—	183
Net earnings attributable to EnerSys stockholders	\$ 111,334	\$ 93,284
Net earnings per common share attributable to EnerSys stockholders:		
Basic	\$ 2.62	\$ 2.22
Diluted	\$ 2.59	\$ 2.19
Dividends per common share	\$ 0.35	\$ 0.35
Weighted-average number of common shares outstanding:		
Basic	42,524,189	42,073,015
Diluted	42,913,258	42,673,844

See accompanying notes.

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

	Quarter ended		Six months ended	
	September 29, 2019	September 30, 2018	September 29, 2019	September 30, 2018
Net earnings	\$ 62,698	\$ 47,447	\$ 111,334	\$ 93,467
Other comprehensive (loss) income:				
Net unrealized gain (loss) on derivative instruments, net of tax	3,586	(6,179)	1,257	(5,174)
Pension funded status adjustment, net of tax	237	300	474	600
Foreign currency translation adjustment	(32,199)	(14,150)	(35,410)	(86,313)
Total other comprehensive loss, net of tax	(28,376)	(20,029)	(33,679)	(90,887)
Total comprehensive income	34,322	27,418	77,655	2,580
Comprehensive loss attributable to noncontrolling interests	(131)	(200)	(214)	(539)
Comprehensive income attributable to EnerSys stockholders	\$ 34,453	\$ 27,618	\$ 77,869	\$ 3,119

See accompanying notes.

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

	Six months ended	
	September 29, 2019	September 30, 2018
Cash flows from operating activities		
Net earnings	\$ 111,334	\$ 93,467
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	41,053	27,302
Write-off of assets relating to exit activities and other	9,969	1,073
Derivatives not designated in hedging relationships:		
Net losses	696	622
Cash settlements	(821)	(760)
Provision for doubtful accounts	3,245	132
Deferred income taxes	(20,973)	827
Non-cash interest expense	752	627
Stock-based compensation	8,868	9,129
Gain on disposal of property, plant, and equipment	(119)	(77)
Changes in assets and liabilities, net of effects of acquisitions:		
Accounts receivable	26,763	(1,556)
Inventories	(11,687)	(21,691)
Prepaid and other current assets	(18,214)	(4,238)
Other assets	4,699	(1,369)
Accounts payable	(22,005)	864
Accrued expenses	(18,576)	(20,624)
Other liabilities	(9,922)	304
Net cash provided by operating activities	105,062	84,032
Cash flows from investing activities		
Capital expenditures	(43,378)	(35,500)
Proceeds from disposal of property, plant, and equipment	2,645	189
Net cash used in investing activities	(40,733)	(35,311)
Cash flows from financing activities		
Net repayments on short-term debt	(20,019)	(2,854)
Proceeds from 2017 Revolver borrowings	285,000	84,500
Repayments of 2017 Revolver borrowings	(135,000)	(65,000)
Repayments of 2017 Term Loan	(5,645)	—
Option proceeds	25	8,264
Payment of taxes related to net share settlement of equity awards	(6,250)	(3,384)
Purchase of treasury stock	(34,561)	—
Dividends paid to stockholders	(14,898)	(14,747)
Other	161	30
Net cash provided by financing activities	68,813	6,809
Effect of exchange rate changes on cash and cash equivalents	(7,508)	(32,465)
Net increase in cash and cash equivalents	125,634	23,065
Cash and cash equivalents at beginning of period	299,212	522,118
Cash and cash equivalents at end of period	\$ 424,846	\$ 545,183

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 unaudited consolidated condensed financial statements have been prepared in accordance with generally accepted accounting principles 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 of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments except those otherwise described herein) considered necessary for a fair presentation have been included, unless otherwise disclosed. Operating results for the three months and six months ended September 29, 2019 are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2020.

The Consolidated Condensed Balance Sheet at March 31, 2019 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

The financial statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in the Company's 2019 Annual Report on Form 10-K (SEC File No. 001-32253), which was filed on May 29, 2019 (the "2019 Annual Report").

EnerSys (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 2020 end on June 30, 2019, September 29, 2019, December 29, 2019, and March 31, 2020, respectively. The four quarters in fiscal 2019 ended on July 1, 2018, September 30, 2018, December 30, 2018, and March 31, 2019, 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.

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)", which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). This update requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase of the leased asset by the lessee. This classification will determine whether the lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. Effective April 1, 2019, the Company adopted the new standard under the modified retrospective approach, which resulted in no adjustment to the April 1, 2019 beginning Retained Earnings. There are optional practical expedients and policy elections made available to simplify the transition to the new standard. The Company has elected the following:

- to adopt the optional transition method defined within ASU 2018-11 and not restate comparative prior periods but instead recognize a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption;
- the package of three practical expedients addressing whether a contract contains a lease, lease classification and initial direct costs;
- to combine lease and non-lease components as a single component for all asset classes;
- to use a portfolio approach to determine the incremental borrowing rate; and
- to apply the short-term lease exception to leases that, at the commencement date, has a lease term of 12 months or less and does not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise.

Upon adoption, the Company recorded Right-of-use ("ROU") assets and lease liabilities of approximately \$84,878 and \$87,248, respectively. In addition, capital lease assets and liabilities are now classified as finance lease right-of-use assets and liabilities. The difference between the operating lease assets and lease liabilities primarily relates to unamortized lease incentives and deferred rent recorded in accordance with the previous lease guidance.

Apart from the aforementioned changes, the adoption of this standard did not have a significant impact on the Company's operating results, financial position or cash flows. The discount rates used to calculate the ROU assets and lease liabilities as of the effective date were based on the remaining lease terms as of the effective date. See Note 3, Leases for additional information.

In August 2017, the FASB issued ASU No. 2017-12, "Derivatives and Hedging (Topic 815)": Targeted Improvements to Accounting for Hedging Activities, which amends and simplifies existing guidance in order to allow companies to more accurately present the economic effects of risk management activities in the financial statements. The guidance eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same income

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statement line as the hedged item. The Company adopted the standard effective April 1, 2019 and the adoption did not have any impact on the Company's operating results, financial position or cash flows.

In February 2018, the FASB issued ASU 2018-02, "Income Statement - Reporting Comprehensive Income (Topic 220)". The new standard will allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act ("Tax Act"). The amendments eliminate the stranded tax effects resulting from the Tax Act and will improve the usefulness of information reported to financial statements users. However, because the amendment only relates to the reclassification of the income tax effects of the Tax Act, the underlying guidance that requires that the effect of a change in tax laws or rates be included in income from continuing operations is not affected. The Company adopted this standard effective April 1, 2019 with the election not to reclassify \$478 of stranded tax effects, primarily related to the Company's pension plans, from accumulated other comprehensive income ("AOCI") to retained earnings, as the amount was not material.

Accounting Pronouncements Issued But Not Adopted as of September 29, 2019

In June 2016, the FASB, issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326)": Measurement of Credit Losses on Financial Instruments, which changes the recognition model for the impairment of financial instruments, including accounts receivable, loans and held-to-maturity debt securities, among others. The guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. In contrast to current guidance, which considers current information and events and utilizes a probable threshold, (an "incurred loss" model), ASU 2016-13 mandates an "expected loss" model. The expected loss model: (i) estimates the risk of loss even when risk is remote, (ii) estimates losses over the contractual life, (iii) considers past events, current conditions and reasonable supported forecasts and (iv) has no recognition threshold. The Company is currently assessing the potential impact that the adoption will have on its consolidated financial statements.

2. Revenue Recognition

The Company adopted ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" on April 1, 2018 using the modified retrospective transition method. There was no cumulative effect of adopting the standard at the date of initial application in retained earnings.

The Company's revenues by reportable segments are presented in Note 17.

Service revenues related to the work performed for the Company's customers by its maintenance technicians generally represent a separate and distinct performance obligation. Control for these services passes to the customer as the services are performed. Service revenues for the second quarter of fiscal 2020 and fiscal 2019 amounted to \$61,282 and \$37,105, respectively. Service revenues for the six months of fiscal 2020 and fiscal 2019 amounted to \$122,000 and \$69,200, respectively.

A small portion of the Company's customer arrangements oblige the Company to create customized products for its customers that require the bundling of both products and services into a single performance obligation because the individual products and services that are required to fulfill the customer requirements do not meet the definition for a distinct performance obligation. These customized products generally have no alternative use to the Company and the terms and conditions of these arrangements give the Company the enforceable right to payment for performance completed to date, including a reasonable profit margin. For these arrangements, control transfers over time and the Company measures progress towards completion by selecting the input or output method that best depicts the transfer of control of the underlying goods and services to the customer for each respective arrangement. Methods used by the Company to measure progress toward completion include labor hours, costs incurred and units of production. Revenues recognized over time for the second quarter of fiscal 2020 and fiscal 2019 amounted to \$33,595 and \$16,491, respectively. Revenues recognized over time for the six months of fiscal 2020 and fiscal 2019 amounted to \$75,090 and \$34,895, respectively.

On September 29, 2019, the aggregate transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations was approximately \$65,975, of which, the Company estimates that approximately \$48,576 will be recognized as revenue in fiscal 2020, \$16,621 in fiscal 2021, \$643 in fiscal 2022, \$16 in fiscal 2023 and \$119 in fiscal 2024.

Any payments that are received from a customer in advance, prior to the satisfaction of a related performance obligation and billings in excess of revenue recognized, are deferred and treated as a contract liability. Advance payments and billings in excess of revenue recognized are classified as current or non-current based on the timing of when recognition of revenue is expected. As of September 29, 2019, the current and non-current portion of contract liabilities were \$16,543 and \$6,808, respectively. As of March 31, 2019, the current and non-current portion of contract liabilities were \$15,162 and \$6,360, respectively. Revenues recognized during the second quarter of fiscal 2020 and fiscal 2019, that were included in the contract liability at the beginning of the quarter, amounted to \$3,690 and \$611, respectively. Revenues recognized during the six months of fiscal 2020 and fiscal 2019, that were included in the contract liability at the beginning of the year, amounted to \$8,157 and \$2,597, respectively.

Amounts representing work completed and not billed to customers represent contract assets and were \$46,319 and \$38,778 as of September 29, 2019 and March 31, 2019, respectively.

The Company uses historic customer product return data as a basis of estimation for customer returns and records the reduction of sales at the time revenue is recognized. At September 29, 2019, the right of return asset related to the value of inventory anticipated to be returned from customers was \$2,667 and refund liability representing amounts estimated to be refunded to customers was \$5,213.

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3. Leases

The Company leases manufacturing facilities, distribution centers, office space, vehicles and other equipment under non-cancellable leases with initial terms typically ranging from 1 to 17 years. At contract inception, the Company reviews the terms of the arrangement to determine if the contract is or contains a lease. Guidance in Topic 842 is used to evaluate whether the contract has an identified asset; if the Company has the right to obtain substantially all economic benefits from the asset; and if it has the right to direct the use of the underlying asset. When determining if a contract has an identified asset, the Company considers both explicit and implicit assets, and whether the supplier has the right to substitute the asset. When determining if the Company has the right to obtain substantially all economic benefits from the asset, the Company considers the primary outputs of the identified asset throughout the period of use and determines if it receives greater than 90% of those benefits. When determining if it has the right to direct the use of an underlying asset, the Company considers if it has the right to direct how and for what purpose the asset is used throughout the period of use and if it controls the decision-making rights over the asset.

Lease terms may include options to extend or terminate the lease. The Company exercises its judgment to determine the term of those leases when extension or termination options are present and include such options in the calculation of the lease term when it is reasonably certain that the Company will exercise those options.

The Company has elected to include both lease and non-lease components in the determination of lease payments for all asset classes. Payments made to a lessor for items such as taxes, insurance, common area maintenance, or other costs commonly referred to as executory costs, are also included in lease payments if they are fixed. The fixed portion of these payments are included in the calculation of the lease liability, while any variable portion would be recognized as variable lease expenses, when incurred. Variable payments made to third parties for these, or similar costs, such as utilities, are not included in the calculation of lease payments.

Both finance and operating leases are reflected as liabilities on the commencement date of the lease based on the present value of the lease payments to be made over the lease term. As most of the leases do not provide an implicit rate, the Company has exercised judgment in electing the incremental borrowing rate based on the information available when the lease commences to determine the present value of future payments. Right-of-use assets are valued at the initial measurement of the lease liability, plus any initial direct costs or rent prepayments and reduced by any lease incentives and any deferred lease payments.

Operating lease expense is recognized on a straight-line basis over the lease term. Finance lease expense includes depreciation, which is recognized on a straight-line basis over the expected life of the leased asset, and interest expense, which is recognized following an effective interest rate method.

Short term leases with an initial term of 12 months or less are not presented on the balance sheet and expense is recognized as incurred.

The following table presents lease assets and liabilities and their balance sheet classification:

	Classification	As of September 29, 2019
Operating Leases:		
Right-of-use Assets	Other assets	\$ 77,259
Operating lease current liabilities	Accrued expenses	22,122
Operating lease non-current liabilities	Other liabilities	57,581
Finance Leases:		
Right-of-use Assets	Property, plant, and equipment, net	\$ 10,724
Finance lease current liabilities	Current portion of debt	10,261
Finance lease non-current liabilities	Non-current portion of debt	493

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The components of lease expense for the second quarter and six months ended September 29, 2019 were as follows:

	Classification	Quarter ended September 29, 2019	Six months ended September 29, 2019
Operating Leases:			
Operating lease cost	Operating expenses	\$ 7,260	\$ 14,555
Variable lease cost	Operating expenses	2,122	3,828
Short term lease cost	Operating expenses	1,927	4,111
Finance Leases:			
Depreciation	Operating expenses	\$ 138	\$ 281
Interest expense	Interest expense	10	22
Total		<u>\$ 11,457</u>	<u>\$ 22,797</u>

The following table presents the weighted average lease term and discount rates for leases as of September 29, 2019:

Operating Leases:	
Weighted average remaining lease term (years)	5.41 years
Weighted average discount rate	5.38%
Finance Leases:	
Weighted average remaining lease term (years)	3.45 years
Weighted average discount rate	4.93%

The following table presents future payments due under leases reconciled to lease liabilities as of September 29, 2019:

	Finance Leases	Operating Leases
Six months ended March 31, 2020	\$ 10,195	\$ 13,770
Year ended March 31,		
2021	194	22,752
2022	198	17,436
2023	155	12,390
2024	104	8,264
Thereafter	28	18,526
Total undiscounted lease payments	<u>10,874</u>	<u>93,138</u>
Present value discount	120	13,435
Lease liability	<u>\$ 10,754</u>	<u>\$ 79,703</u>

The following table presents supplemental disclosures of cash flow information related to leases for the second quarter and six months ended September 29, 2019:

	Quarter ended September 29, 2019	Six months ended September 29, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	\$ 10	\$ 22
Operating cash flows from operating leases	7,170	14,383
Financing cash flows from finance leases	138	281
Supplemental non-cash information on lease liabilities arising from right-of-use assets:		
Right-of-use assets obtained in exchange for new finance lease liabilities	\$ —	\$ —
Right-of-use assets obtained in exchange for new operating lease liabilities	2,318	4,946

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4. Acquisition

On December 7, 2018, the Company completed the acquisition of all of the issued and outstanding common stock of Alpha Technologies Services, Inc. (“ATS”) and Alpha Technologies Ltd. (“ATL”), resulting in ATS and ATL becoming wholly-owned subsidiaries of the Company (the “share purchase”). Additionally, the Company acquired substantially all of the assets of Alpha Technologies Inc. and certain assets of Altair Advanced Industries, Inc. and other affiliates of ATS and ATL (all such sellers, together with ATS and ATL, “Alpha”), in each case in accordance with the terms and conditions of certain restructuring agreements (collectively, the “asset acquisition” and together with the share purchase, the “acquisition”). Based in Bellingham, Washington, Alpha is a global industry leader in comprehensive commercial-grade energy solutions for broadband, telecom, renewable, industrial and traffic customers around the world. The initial purchase consideration for the acquisition was \$750,000, of which \$650,000 was paid in cash and the balance was settled by issuing 1,177,630 shares of EnerSys common stock. These shares were issued out of the Company's treasury stock and were valued at \$84.92 per share, which was based on the thirty-day volume weighted average stock price of the Company's common stock at closing, in accordance with the purchase agreement. The 1,177,630 shares had a closing date fair value of \$93,268, based upon the December 7, 2018 closing date spot rate of \$79.20. The total purchase consideration, consisting of cash paid of \$650,000, shares valued at \$93,268 and an adjustment for working capital (due post - closing from seller of \$766), was \$742,502. The Company funded the cash portion of the acquisition with borrowings from the Amended Credit Facility as defined in Note 12. See Note 12 for additional information.

The acquisition expands the Company's footprint in broadband and telecom markets. The goodwill recognized in connection with this transaction reflects the benefits the Company expects to realize from being able to provide a one-stop, fully integrated power solutions offering to its customers, as well as the benefit of cost synergies from alignment of the Alpha group within its own organizational structure.

The results of operations of Alpha have been included in the Company's Americas segment.

The following table represents the fair values assigned to the assets acquired and liabilities assumed and resulting goodwill. The amounts recognized will be finalized as the information necessary to complete the analysis is obtained, but no later than one year from the acquisition date (“the measurement period”).

The acquired assets and assumed liabilities include the following:

Accounts receivable	\$	115,467
Inventories		84,297
Other current assets		6,822
Other intangible assets		332,000
Property, plant and equipment		20,987
Other assets		9,005
Total assets acquired	\$	568,578
Accounts payable		35,803
Accrued liabilities		41,918
Deferred income taxes		56,331
Other liabilities		12,642
Total liabilities assumed	\$	146,694
Net assets acquired	\$	421,884
Purchase price:		
Cash paid for net assets acquired	\$	650,000
Fair value of shares issued for net assets acquired		93,268
Working capital adjustment		(766)
Total purchase consideration		742,502
Less: Fair value of acquired identifiable assets and liabilities		421,884
Goodwill	\$	320,618

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The following table summarizes the estimated fair value of Alpha's identifiable intangible assets and the initial assessment of their respective estimated lives:

	Type	Life in Years	Fair Value
Trademarks	Indefinite-lived	Indefinite	\$ 56,000
Customer relationships	Finite-lived	14	221,000
Technology	Finite-lived	10	55,000
Total identifiable intangible assets			\$ 332,000

The Company recorded the acquisition using the acquisition method of accounting and recognized the assets acquired and liabilities assumed at their fair values as of the date of the acquisition. The excess of the purchase price over the net tangible and intangible assets is recorded to goodwill. Estimated goodwill deductible for tax purposes is \$42,262. The measurement of the fair value of assets acquired and liabilities assumed is substantially complete. The Company continues to gather necessary information to finalize the accounting for income taxes associated with the acquisition, and as such the Company could record additional adjustments to the provisional amount recognized as this additional information is obtained.

The following unaudited summary information is presented on a consolidated pro forma basis as if the acquisition had occurred on April 1, 2017:

	Quarter ended September 30, 2018	Six Months Ended September 30, 2018
Net sales	\$ 818,279	\$ 1,653,571
Net earnings attributable to EnerSys stockholders	61,035	119,748
Net earnings per share attributable to EnerSys stockholders - basic	1.41	2.77
Net earnings per share attributable to EnerSys stockholders - assuming dilution	1.39	2.73

The pro forma amounts include additional interest expense on the debt issued to finance the purchases, amortization and depreciation expense based on the estimated fair value and useful lives of intangible assets and plant assets, and related tax effects. The pro forma results are not necessarily indicative of the combined results had the Alpha acquisition been completed on April 1, 2017, nor are they indicative of future combined results. The remeasurement of Alpha's deferred taxes due to the Tax Act are being excluded in arriving at these pro forma results.

Other Intangible Assets

Information regarding the Company's other intangible assets are as follows:

	Balance as of					
	September 29, 2019			March 31, 2019		
	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Indefinite-lived intangible assets:						
Trademarks	\$ 152,123	\$ (953)	\$ 151,170	\$ 152,484	\$ (953)	\$ 151,531
Finite-lived intangible assets:						
Customer relationships	286,111	(53,690)	232,421	286,664	(42,704)	243,960
Non-compete	3,110	(2,804)	306	3,025	(2,807)	218
Technology	77,661	(15,819)	61,842	77,779	(12,229)	65,550
Trademarks	2,003	(1,278)	725	2,003	(1,236)	767
Licenses	1,196	(1,196)	—	1,477	(1,187)	290
Total	\$ 522,204	\$ (75,740)	\$ 446,464	\$ 523,432	\$ (61,116)	\$ 462,316

The Company's amortization expense related to finite-lived intangible assets was \$7,309 and \$14,625, for the second quarter and six months of fiscal 2020, respectively, compared to \$2,046 and \$4,115 for the second quarter and six months of fiscal 2019, respectively. The expected amortization expense based on the finite-lived intangible assets as of September 29, 2019, is \$14,866 for the remainder of fiscal 2020, \$29,237 in fiscal 2021, \$28,993 in fiscal 2022, \$27,694 in fiscal 2023 and \$24,287 in fiscal 2024.

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Contra Equity - Indemnification Receivable

In connection with the Alpha acquisition in fiscal 2019, the Company recorded an unrecognized tax benefit and related indemnification receivable of \$7,840. The indemnification receivable represents the Seller's obligation to indemnify the Company for the outcome of potential contingent liabilities, including those associated with uncertain tax positions. Due to the expiration of certain statutes of limitations during the second quarter of fiscal 2020, a portion of the unrecognized tax benefit was recognized, resulting in a reduction in the indemnification receivable.

5. Inventories

Inventories, net consist of:

	September 29, 2019	March 31, 2019
Raw materials	\$ 124,761	\$ 138,718
Work-in-process	105,955	129,736
Finished goods	276,365	235,415
Total	<u>\$ 507,081</u>	<u>\$ 503,869</u>

6. Fair Value of Financial Instruments

Recurring Fair Value Measurements

The following tables represent the financial assets and (liabilities) measured at fair value on a recurring basis as of September 29, 2019 and March 31, 2019, and the basis for that measurement:

	Total Fair Value Measurement September 29, 2019	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Lead forward contracts	\$ 701	\$ —	\$ 701	\$ —
Foreign currency forward contracts	38	—	38	—
Total derivatives	<u>\$ 739</u>	<u>\$ —</u>	<u>\$ 739</u>	<u>\$ —</u>

	Total Fair Value Measurement March 31, 2019	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Lead forward contracts	\$ (902)	\$ —	\$ (902)	\$ —
Foreign currency forward contracts	(249)	—	(249)	—
Total derivatives	<u>\$ (1,151)</u>	<u>\$ —</u>	<u>\$ (1,151)</u>	<u>\$ —</u>

The fair values of lead forward contracts are calculated using observable prices for lead as quoted on the London Metal Exchange ("LME") and, therefore, were classified as Level 2 within the fair value hierarchy, as described in Note 1, Summary of Significant Accounting Policies to the Company's consolidated financial statements included in its 2019 Annual Report.

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

Financial Instruments

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

The fair value of the Company's short-term debt and borrowings under the Amended Credit Facility (as defined in Note 12), approximate their respective carrying value, as they are variable rate debt and the terms are comparable to market terms as of the balance sheet dates and are classified as Level 2.

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The Company's 5.00% Senior Notes due 2023 (the "Notes"), with an original face value of \$300,000, were issued in April 2015. The fair value of the Notes represent the trading values based upon quoted market prices and are classified as Level 2. The Notes were trading at approximately 102% and 99% of face value on September 29, 2019 and March 31, 2019, respectively.

The carrying amounts and estimated fair values of the Company's derivatives and Notes at September 29, 2019 and March 31, 2019 were as follows:

	September 29, 2019		March 31, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Derivatives ⁽¹⁾	\$ 739	\$ 739	\$ —	\$ —
Financial liabilities:				
Notes ⁽²⁾	\$ 300,000	\$ 306,000	\$ 300,000	\$ 297,000
Derivatives ⁽¹⁾	—	—	1,151	1,151

(1) Represents lead and foreign currency forward contracts (see Note 7 for asset and liability positions of the lead and foreign currency forward contracts at September 29, 2019 and March 31, 2019).

(2) The fair value amount of the Notes at September 29, 2019 and March 31, 2019 represent the trading value of the instruments.

7. Derivative Financial Instruments

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

Derivatives in Cash Flow Hedging Relationships

Lead Forward Contracts

The Company enters into lead forward contracts to fix the price for a portion of its lead purchases. Management considers the lead forward contracts to be effective against changes in the cash flows of the underlying lead purchases. The vast majority of such contracts are for a period not extending beyond one year. At September 29, 2019 and March 31, 2019, the Company has hedged the price to purchase approximately 54.0 million pounds and 42.0 million pounds of lead, respectively, for a total purchase price of \$49,938 and \$39,218, respectively.

Foreign Currency Forward Contracts

The Company uses foreign currency forward contracts and options to hedge a portion of the Company's foreign currency exposures for lead, as well as other foreign currency exposures so that gains and losses on these contracts offset changes in the underlying foreign currency denominated exposures. The vast majority of such contracts are for a period not extending beyond one year. As of September 29, 2019 and March 31, 2019, the Company had entered into a total of \$45,350 and \$42,318, respectively, of such contracts.

In the coming twelve months, the Company anticipates that \$1,602 of pretax gain relating to lead and foreign currency forward contracts will be reclassified from AOCI as part of cost of goods sold. This amount represents the current net unrealized impact of hedging lead and foreign exchange rates, which will change as market rates change in the future, and will ultimately be realized in the Consolidated Condensed Statements of Income as an offset to the corresponding actual changes in lead costs to be realized in connection with the variable lead cost and foreign exchange rates being hedged.

Derivatives not Designated in Hedging Relationships

Foreign Currency Forward Contracts

The Company also enters into foreign currency forward contracts to economically hedge foreign currency fluctuations on intercompany loans and foreign currency denominated receivables and payables. These are not designated as hedging instruments and changes in fair value of these instruments are recorded directly in the Consolidated Condensed Statements of Income. As of September 29, 2019 and March 31, 2019, the notional amount of these contracts was \$23,676 and \$22,201, respectively.

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

Fair Value of Derivative Instruments
September 29, 2019 and March 31, 2019

	Derivatives and Hedging Activities Designated as Cash Flow Hedges		Derivatives and Hedging Activities Not Designated as Hedging Instruments	
	September 29, 2019	March 31, 2019	September 29, 2019	March 31, 2019
Prepaid and other current assets:				
Lead forward contracts	\$ 701	\$ —	\$ —	\$ —
Foreign currency forward contracts	154	—	—	—
Total assets	<u>\$ 855</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Accrued expenses:				
Lead forward contracts	\$ —	\$ 902	\$ —	\$ —
Foreign currency forward contracts	—	8	116	241
Total liabilities	<u>\$ —</u>	<u>\$ 910</u>	<u>\$ 116</u>	<u>\$ 241</u>

The Effect of Derivative Instruments on the Consolidated Condensed Statements of Income
For the quarter ended September 29, 2019

Derivatives Designated as Cash Flow Hedges	Pretax Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Pretax Gain (Loss) Reclassified from AOCI into Income (Effective Portion)
Lead forward contracts	\$ 7,872	Cost of goods sold	\$ 3,173
Foreign currency forward contracts	(64)	Cost of goods sold	(63)
Total	<u>\$ 7,808</u>		<u>\$ 3,110</u>

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Pretax Gain (Loss)
Foreign currency forward contracts	Other (income) expense, net	\$ (730)
Total		<u>\$ (730)</u>

The Effect of Derivative Instruments on the Consolidated Condensed Statements of Income
For the quarter ended September 30, 2018

Derivatives Designated as Cash Flow Hedges	Pretax Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Pretax Gain (Loss) Reclassified from AOCI into Income (Effective Portion)
Lead forward contracts	\$ (11,524)	Cost of goods sold	\$ (3,742)
Foreign currency forward contracts	138	Cost of goods sold	434
Total	<u>\$ (11,386)</u>		<u>\$ (3,308)</u>

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Pretax Gain (Loss)
Foreign currency forward contracts	Other (income) expense, net	\$ 96
Total		<u>\$ 96</u>

**The Effect of Derivative Instruments on the Consolidated Condensed Statements of Income
For the six months ended September 29, 2019**

Derivatives Designated as Cash Flow Hedges	Pretax Gain (Loss) Recognized in AOCI on Derivative (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Pretax Gain (Loss) Reclassified from AOCI into Income (Effective Portion)
Lead forward contracts	\$ 4,496	Cost of goods sold	\$ 2,732
Foreign currency forward contracts	(395)	Cost of goods sold	(280)
Total	\$ 4,101		\$ 2,452

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Pretax Gain (Loss)
Foreign currency forward contracts	Other (income) expense, net	\$ (696)
Total		\$ (696)

**The Effect of Derivative Instruments on the Consolidated Condensed Statements of Income
For the six months ended September 30, 2018**

Derivatives Designated as Cash Flow Hedges	Pretax Gain (Loss) Recognized in AOCI on Derivative (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Pretax Gain (Loss) Reclassified from AOCI into Income (Effective Portion)
Lead forward contracts	\$ (11,009)	Cost of goods sold	\$ (2,719)
Foreign currency forward contracts	720	Cost of goods sold	(803)
Total	\$ (10,289)		\$ (3,522)

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Pretax Gain (Loss)
Foreign currency forward contracts	Other (income) expense, net	\$ (622)
Total		\$ (622)

[Table of Contents](#)**8. Income Taxes**

The Company's income tax provision consists of federal, state and foreign income taxes. The tax provision for the second quarter of fiscal 2020 and 2019 was based on the estimated effective tax rates applicable for the full years ending March 31, 2020 and March 31, 2019, respectively, after giving effect to items specifically related to the interim periods. The Company's effective income tax rate with respect to any period may be volatile based on the mix of income in the tax jurisdictions in which the Company operates, change in tax laws and the amount of the Company's consolidated income before taxes.

On May 19, 2019, a public referendum held in Switzerland approved the Federal Act on Tax Reform and AHV (Old-Age and Survivors Insurance) Financing (TRAF) as adopted by the Swiss Federal Parliament on September 28, 2018. The Swiss tax reform measures are effective January 1, 2020. Certain provisions of the TRAF were enacted during the current quarter. Significant changes in the tax reform include the abolishment of preferential tax regimes for holding companies, domicile companies and mixed companies at the cantonal level. The transitional provisions of the TRAF allow companies to elect tax basis adjustments to fair value, which is used for tax depreciation and amortization purposes resulting in a deduction over the transitional period. The Company recorded a deferred tax asset of \$21,000 during the second quarter of fiscal 2020, related to the amortizable goodwill, subject to final negotiations with the Swiss federal and cantonal tax authority.

The consolidated effective income tax rates for the second quarter of fiscal 2020 and 2019 were (29.5)% and 18.6%, respectively and for the six months of fiscal 2020 and 2019 were (4.0)% and 19.1%, respectively. The rate decrease in the second quarter and six months of fiscal 2020 compared to the comparable prior year periods is primarily due to Swiss tax reform and changes in the mix of earnings among tax jurisdictions.

Foreign income as a percentage of worldwide income is estimated to be 72% for fiscal 2020 compared to 68% for fiscal 2019. The foreign effective income tax rates for the six months of fiscal 2020 and 2019 were (2.4)% and 11.1%, respectively. The rate decrease compared to the prior year period is primarily due to Swiss tax reform and changes in the mix of earnings among tax jurisdictions. Income from the Company's Swiss subsidiary comprised a substantial portion of the Company's overall foreign mix of income and was taxed at an effective income tax rate of approximately 6% in both the current and prior year quarter of fiscal 2020 and fiscal 2019.

9. Warranty

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

	Quarter ended		Six months ended	
	September 29, 2019	September 30, 2018	September 29, 2019	September 30, 2018
Balance at beginning of period	\$ 56,179	\$ 49,689	\$ 54,568	\$ 50,602
Current period provisions	6,475	6,181	13,994	11,017
Costs incurred	(7,227)	(7,920)	(13,175)	(12,301)
Foreign currency translation adjustment	(491)	(217)	(451)	(1,585)
Balance at end of period	\$ 54,936	\$ 47,733	\$ 54,936	\$ 47,733

10. Commitments, Contingencies and Litigation

Litigation and Other Legal Matters

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

European Competition Investigations

Certain of the Company's European subsidiaries had received subpoenas and requests for documents and, in some cases, interviews from, and have had on-site inspections conducted by, the competition authorities of Belgium, Germany and the Netherlands relating to conduct and anticompetitive practices of certain industrial battery participants.

The Company settled the Belgian regulatory proceeding in February 2016 by acknowledging certain anticompetitive practices and conduct and agreeing to pay a fine of \$1,962, which was paid in March 2016. During the second quarter of fiscal 2019, the Company also paid \$1,272 towards certain aspects related to this matter, which are under appeal. As of September 29, 2019 and March 31, 2019, the Company did not have a reserve balance for these matters.

In June 2017, the Company settled a portion of its previously disclosed proceeding involving the German competition authority relating to conduct involving the Company's motive power battery business and agreed to pay a fine of \$14,811, which was paid in July 2017. As of September 29, 2019 and March 31, 2019, the Company did not have a reserve balance relating to this matter. Also, in March 2019, the Company settled the remaining portion of its previously disclosed proceeding involving the German competition authority relating to conduct involving the Company's reserve power battery business and agreed to pay a fine of \$7,258, which was paid in April 2019. As of September 29, 2019 and March 31, 2019, the Company had a reserve balance of \$0 and \$7,258, respectively.

The foregoing estimate of losses is based upon currently available information for these proceedings. However, the precise scope, timing and time period at issue, as well as the final outcome of the investigations or customer claims, remain uncertain. Accordingly, the Company's estimate may change from time to time, and actual losses could vary.

Environmental Issues

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

The Company is responsible for certain cleanup obligations at the former Yuasa battery facility in Sumter, South Carolina, that predates its ownership of this facility. This manufacturing facility was closed in 2001 and the Company established a reserve for this facility, which was \$1,060 and \$1,081 as of September 29, 2019 and March 31, 2019, respectively. Based on current information, the Company's management believes this reserve is adequate to satisfy the Company's environmental liabilities at this facility. This facility is separate from the Company's current metal fabrication facility in Sumter.

Lead and Foreign Currency Forward Contracts

To stabilize its lead costs and reduce volatility from currency movements, the Company enters into contracts with financial institutions. The vast majority of such contracts are for a period not extending beyond one year. Please refer to Note 7 - Derivative Financial Instruments for more details.

[Table of Contents](#)**11. Restructuring, Exit and Other Charges***Restructuring Plans*

During fiscal 2018, the Company announced restructuring programs to improve efficiencies primarily related to supply chain and general operations in EMEA. The Company estimates that the total charges for these actions will amount to approximately \$7,400, primarily from cash charges for employee severance-related payments and other charges. The Company estimates that these actions will result in the reduction of approximately 80 employees upon completion. During fiscal 2018, the Company recorded non-cash restructuring charges of \$69 and cash charges of \$2,260 and an additional \$3,104 during fiscal 2019. The Company incurred \$1,350 in costs against the accrual in fiscal 2018 and an additional \$2,844 in fiscal 2019. During the six months of fiscal 2020, the Company recorded restructuring charges of \$248 and incurred \$425 in costs against the accrual. As of September 29, 2019, the reserve balance associated with these actions is \$865. The Company expects to be committed to an additional \$1,700 in restructuring charges related to this action, which it expects to complete in fiscal 2021.

During fiscal 2019, the Company announced restructuring programs to improve efficiencies of its operations in EMEA. The Company estimates that the total charges for these actions will amount to approximately \$2,500, from charges primarily for employee severance-related payments to approximately 35 employees. During fiscal 2019, the Company recorded restructuring charges of \$347 and incurred \$83 in costs against the accrual. During the six months of fiscal 2020, the Company recorded restructuring charges of \$537 and incurred \$632 in costs against the accrual. As of September 29, 2019, the reserve balance associated with these actions is \$156. The Company expects to complete these actions in fiscal 2021.

During fiscal 2019, the Company announced restructuring programs to improve efficiencies of its operations in the Americas. The Company estimates that the total charges for these actions will amount to approximately \$4,100, from cash and non-cash charges primarily for employee severance-related payments to approximately 85 employees. During fiscal 2019, the Company recorded restructuring charges of \$1,970, non-cash charges of \$2,095 and incurred \$1,480 in costs against the accrual. During the six months of fiscal 2020, the Company incurred \$484 in costs against the accrual. As of September 29, 2019, the reserve balance associated with this action is \$10. The Company expects to complete these actions in fiscal 2020.

During fiscal 2019, the Company announced a restructuring program to improve efficiencies of its operations in Asia and to convert its India operations from mainly reserve power production to motive power production. The Company estimates that the total charges for these actions will amount to approximately \$5,300, from cash charges primarily for employee severance-related payments to approximately 150 employees and non-cash charges related to the write-off of fixed assets. During fiscal 2019, the Company recorded cash restructuring charges of \$2,772 and non-cash charges of \$771 and incurred \$1,683 in costs against the accrual. During the six months of fiscal 2020, the Company recorded restructuring charges of \$631, non-cash charges of \$130 and incurred \$1,697 in costs against the accrual. As of September 29, 2019, the reserve balance associated with this action is \$70. The Company expects to complete this action in fiscal 2020.

During fiscal 2020, the Company announced a restructuring program to improve efficiencies of its operations in the Americas. The Company estimates that the total charges for these actions will amount to approximately \$1,400, from cash charges primarily for employee severance-related payments to approximately 50 employees. During the six months of fiscal 2020, the Company recorded restructuring charges of \$1,126 and incurred \$687 in costs against the accrual. As of September 29, 2019, the reserve balance associated with this action is \$441. The Company expects to complete this action in fiscal 2020.

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

	Employee Severance	Other	Total
Balance as of March 31, 2019	\$ 2,356	\$ 596	\$ 2,952
Accrued	2,369	173	2,542
Costs incurred	(3,229)	(696)	(3,925)
Foreign currency impact	(24)	(3)	(27)
Balance as of September 29, 2019	<u>\$ 1,472</u>	<u>\$ 70</u>	<u>\$ 1,542</u>

Exit Charges

During fiscal 2019, the Company committed to a plan to close its facility in Targovishte, Bulgaria, which produced diesel-electric submarine batteries. Management determined that the future demand for batteries of diesel-electric submarines was not sufficient given the number of competitors in the market. Of the estimated total charges of \$30,000 for all these actions, the Company had recorded charges amounting to \$20,242 in fiscal 2019, relating to severance and inventory and fixed asset write-offs. The Company recorded an additional \$1,325 relating to non-cash charges during the six months of fiscal 2020.

In keeping with its strategy of exiting the manufacture of batteries for diesel-electric submarines, during the second quarter of fiscal 2020, the Company also sold certain licenses and assets for \$2,031 and recorded a net gain of \$892, which is reported in exit charges.

During the second quarter of fiscal 2020, the Company wrote off \$5,441 of assets at its Kentucky and Tennessee plants, as a result of its strategic product mix shift from traditional flooded batteries to maintenance free lead acid and lithium batteries.

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During the six months of fiscal 2019, as part of the aforementioned program to convert its India operations from mainly reserve power production to motive power production the Company also recorded a non-cash write-off of reserve power inventories of \$526, which was reported in cost of goods sold.

Richmond, Kentucky Plant Fire

On September 19, 2019, a fire broke out in the battery formation area of the Company's Richmond, Kentucky motive power production facility. The Company maintains insurance policies for both property damage and business interruption and is in the early stages of assessing damage. Based on its initial assessment, the Company has written off \$1,934 for the damage caused to its fixed assets and inventories. The Company also recorded a receivable of \$1,934 related to its initial claims for recovery from its property and casualty insurance carriers.

12. Debt

The following summarizes the Company's long-term debt as of September 29, 2019 and March 31, 2019:

	September 29, 2019		March 31, 2019	
	Principal	Unamortized Issuance Costs	Principal	Unamortized Issuance Costs
5.00% Senior Notes due 2023	\$ 300,000	\$ 2,185	\$ 300,000	\$ 2,497
Amended Credit Facility, due 2022	822,625	2,622	677,315	3,062
	<u>\$ 1,122,625</u>	<u>\$ 4,807</u>	<u>\$ 977,315</u>	<u>\$ 5,559</u>
Less: Unamortized issuance costs	4,807		5,559	
Long-term debt, net of unamortized issuance costs	<u>\$ 1,117,818</u>		<u>\$ 971,756</u>	

5.00% Senior Notes

The Notes bear interest at a rate of 5.00% per annum and have an original face value of \$300,000. Interest is payable semiannually in arrears on April 30 and October 30 of each year and commenced on October 30, 2015. The Notes will mature on April 30, 2023, unless earlier redeemed or repurchased in full. The Notes are unsecured and unsubordinated obligations of the Company. The Notes are fully and unconditionally guaranteed (the "Guarantees"), jointly and severally, by certain of its subsidiaries that are guarantors (the "Guarantors") under the Amended Credit Facility. The Guarantees are unsecured and unsubordinated obligations of the Guarantors.

2017 Credit Facility and Subsequent Amendment

In fiscal 2018, the Company entered into a credit facility (the "2017 Credit Facility"). The 2017 Credit Facility scheduled to mature on September 30, 2022, comprised a \$600,000 senior secured revolving credit facility ("2017 Revolver") and a \$150,000 senior secured term loan ("2017 Term Loan"). The Company utilized the borrowings from the 2017 Credit Facility to repay its pre-existing credit facility.

In fiscal 2019, the Company amended the 2017 Credit Facility (as amended, the "Amended Credit Facility") to fund the Alpha acquisition. The Amended Credit Facility consists of \$449,105 senior secured term loans (the "Amended 2017 Term Loan"), including a CAD 133,050 (\$99,105) term loan and a \$700,000 senior secured revolving credit facility (the "Amended 2017 Revolver"). The amendment resulted in an increase of the 2017 Term Loan and the 2017 Revolver by \$299,105 and \$100,000, respectively.

As of September 29, 2019, the Company had \$389,000 outstanding under the Amended 2017 Revolver and \$433,625 under the Amended 2017 Term Loan.

Subsequent to the amendment, the quarterly installments payable on the Amended 2017 Term Loan are \$5,645 beginning December 31, 2018, \$8,468 beginning December 31, 2019 and \$11,290 beginning December 31, 2020 with a final payment of \$320,000 on September 30, 2022. The Amended Credit Facility may be increased by an aggregate amount of \$325,000 in revolving commitments and / or one or more new tranches of term loans, under certain conditions. Both the Amended 2017 Revolver and the Amended 2017 Term Loan bear interest, at the Company's option, at a rate per annum equal to either (i) the London Interbank Offered Rate ("LIBOR") or Canadian Dollar Offered Rate ("CDOR") plus (i) LIBOR plus between 1.25% and 2.00% (currently 1.50% and based on the Company's consolidated net leverage ratio) or (ii) the U.S. Dollar Base Rate (which equals, for any day a fluctuating rate per annum equal to the highest of (a) the Federal Funds Effective Rate plus 0.50%, (b) Bank of America "Prime Rate" and (c) the Eurocurrency Base Rate plus 1%; provided that, if the Base Rate shall be less than zero, such rate shall be deemed zero) (iii) the CDOR Base Rate equal to the higher of (a) Bank of America "Prime Rate" and (b) average 30-day CDOR rate plus 0.50%. Obligations under the Amended Credit Facility are secured by substantially all of the Company's existing and future acquired assets, including substantially all of the capital stock of the Company's United States subsidiaries that are guarantors under the Amended Credit Facility and up to 65% of the capital stock of certain of the Company's foreign subsidiaries that are owned by the Company's United States subsidiaries.

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The Amended Credit Facility allows for up to two temporary increases in the maximum leverage ratio from 3.50x to 4.00x for a four quarter period following an acquisition larger than \$250,000. Effective December 7, 2018 through December 27, 2019, the maximum leverage ratio has been increased to 4.00x.

The current portion of the Amended 2017 Term Loan of \$33,888 is classified as long-term debt as the Company expects to refinance the future quarterly payments with revolver borrowings under the Amended Credit Facility.

Short-Term Debt

As of September 29, 2019 and March 31, 2019, the Company had \$34,351 and \$54,490, respectively, of short-term borrowings. The weighted average interest rate on these borrowings was approximately 4% at September 29, 2019 and March 31, 2019.

Letters of Credit

As of September 29, 2019 and March 31, 2019, the Company had standby letters of credit of \$4,306 and \$3,955, respectively.

Debt Issuance Costs

Amortization expense, relating to debt issuance costs, included in interest expense was \$374 and \$314, respectively, for the quarters ended September 29, 2019 and September 30, 2018 and \$752 and \$627 for the six months ended September 29, 2019 and September 30, 2018. Debt issuance costs, net of accumulated amortization, totaled \$4,807 and \$5,559, respectively, at September 29, 2019 and March 31, 2019.

Available Lines of Credit

As of September 29, 2019 and March 31, 2019, the Company had available and undrawn, under all its lines of credit, \$425,615 and \$546,960, respectively, including \$118,921 and \$87,685, respectively, of uncommitted lines of credit as of September 29, 2019 and March 31, 2019.

13. Retirement Plans

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

	United States Plans		International Plans	
	Quarter ended		Quarter ended	
	September 29, 2019	September 30, 2018	September 29, 2019	September 30, 2018
Service cost	\$ —	\$ —	\$ 227	\$ 252
Interest cost	154	157	364	457
Expected return on plan assets	(114)	(135)	(518)	(535)
Amortization and deferral	51	36	245	304
Net periodic benefit cost	\$ 91	\$ 58	\$ 318	\$ 478

	United States Plans		International Plans	
	Six months ended		Six months ended	
	September 29, 2019	September 30, 2018	September 29, 2019	September 30, 2018
Service cost	\$ —	\$ —	\$ 462	\$ 507
Interest cost	308	316	740	927
Expected return on plan assets	(226)	(257)	(1,056)	(1,087)
Amortization and deferral	103	92	498	616
Net periodic benefit cost	\$ 185	\$ 151	\$ 644	\$ 963

14. Stock-Based Compensation

As of September 29, 2019, the Company maintains the 2017 Equity Incentive Plan ("2017 EIP"). The 2017 EIP reserved 4,173,554 shares of common stock for the grant of various classes of nonqualified stock options, restricted stock units, market condition-based on total shareholder return ("TSR") and performance condition-based share units ("PSU") and other forms of equity-based compensation.

The Company recognized stock-based compensation expense associated with its equity incentive plans of \$4,994 for the second quarter of fiscal 2020 and \$4,788 for the second quarter of fiscal 2019. Stock-based compensation expense was 8,868 for the six months of fiscal 2020

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and \$9,129 for the six months of fiscal 2019. The Company recognizes compensation expense using the straight-line method over the vesting period of the awards.

During the six months of fiscal 2020, the Company granted to non-employee directors 32,460 restricted stock units, pursuant to the 2017 EIP. The awards vest immediately upon the date of grant and are settled in shares of common stock, six months after termination of service as a director.

During the six months of fiscal 2020, the Company granted to management and other key employees 284,109 non-qualified stock options that vest ratably over three years from the date of grant, 62,512 PSUs and 51,063 TSRs units that cliff vest three years from the date of grant, and 301,321 restricted stock units that vest ratably over four years from the date of grant.

Common stock activity during the six months of fiscal 2020 included the vesting of 162,119 restricted stock units, 171,980 TSRs and the exercise of 661 stock options.

As of September 29, 2019, there were 825,153 non-qualified stock options, 888,525 restricted stock units, 207,340 TSRs and 102,006 PSUs outstanding.

15. Stockholders' Equity and Noncontrolling Interests

Common Stock

The following demonstrates the change in the number of shares of common stock outstanding during the six months ended September 29, 2019:

Shares outstanding as of March 31, 2019	42,620,750
Purchase of treasury stock	(581,140)
Shares issued towards equity-based compensation plans, net of equity awards surrendered for option price and taxes	242,224
Shares outstanding as of September 29, 2019	<u>42,281,834</u>

Treasury Stock

During the six months ended September 29, 2019, the Company purchased 581,140 shares for \$34,561. At September 29, 2019 and March 31, 2019, the Company held 12,803,302 and 12,227,773 shares as treasury stock, respectively. During the six months ended September 29, 2019, the Company also issued 5,611 shares out of its treasury stock, valued at \$62.55 per share, on a LIFO basis, to participants under the Company's Employee Stock Purchase Plan.

Accumulated Other Comprehensive Income ("AOCI")

The components of AOCI, net of tax, as of September 29, 2019 and March 31, 2019, are as follows:

	March 31, 2019	Before Reclassifications	Amounts Reclassified from AOCI	September 29, 2019
Pension funded status adjustment	\$ (20,791)	\$ —	\$ 474	\$ (20,317)
Net unrealized (loss) gain on derivative instruments	(130)	3,129	(1,872)	1,127
Foreign currency translation adjustment	(121,761)	(35,196)	—	(156,957)
Accumulated other comprehensive (loss) income	<u>\$ (142,682)</u>	<u>\$ (32,067)</u>	<u>\$ (1,398)</u>	<u>\$ (176,147)</u>

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The following table presents reclassifications from AOCI during the second quarter ended September 29, 2019:

Components of AOCI	Amounts Reclassified from AOCI	Location of (Gain) Loss Recognized on Income Statement
Derivatives in cash flow hedging relationships:		
Net unrealized gain on derivative instruments	\$ (3,110)	Cost of goods sold
Tax expense	736	
Net unrealized gain on derivative instruments, net of tax	<u>\$ (2,374)</u>	
Defined benefit pension costs:		
Prior service costs and deferrals	\$ 296	Net periodic benefit cost, included in other (income) expense, net - See Note 13
Tax benefit	(59)	
Net periodic benefit cost, net of tax	<u>\$ 237</u>	

The following table presents reclassifications from AOCI during the second quarter ended September 30, 2018:

Components of AOCI	Amounts Reclassified from AOCI	Location of (Gain) Loss Recognized on Income Statement
Derivatives in cash flow hedging relationships:		
Net unrealized loss on derivative instruments	\$ 3,308	Cost of goods sold
Tax benefit	(777)	
Net unrealized loss on derivative instruments, net of tax	<u>\$ 2,531</u>	
Defined benefit pension costs:		
Prior service costs and deferrals	\$ 340	Net periodic benefit cost, included in other (income) expense, net - See Note 13
Tax benefit	(40)	
Net periodic benefit cost, net of tax	<u>\$ 300</u>	

The following table presents reclassifications from AOCI during the six months ended September 29, 2019:

Components of AOCI	Amounts Reclassified from AOCI	Location of (Gain) Loss Recognized on Income Statement
Derivatives in Cash Flow Hedging Relationships:		
Net unrealized gain on derivative instruments	\$ (2,452)	Cost of goods sold
Tax expense	580	
Net unrealized gain on derivative instruments, net of tax	<u>\$ (1,872)</u>	
Defined benefit pension costs:		
Prior service costs and deferrals	\$ 601	Net periodic benefit cost, included in other (income) expense, net - See Note 13
Tax benefit	(127)	
Net periodic benefit cost, net of tax	<u>\$ 474</u>	

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The following table presents reclassifications from AOCI during the six months ended September 30, 2018:

<u>Components of AOCI</u>	<u>Amounts Reclassified from AOCI</u>	<u>Location of (Gain) Loss Recognized on Income Statement</u>
Derivatives in Cash Flow Hedging Relationships:		
Net unrealized loss on derivative instruments	\$ 3,522	Cost of goods sold
Tax benefit	(827)	
Net unrealized loss on derivative instruments, net of tax	<u>\$ 2,695</u>	
Defined benefit pension costs:		
Prior service costs and deferrals	\$ 708	Net periodic benefit cost, included in other (income) expense, net - See Note 13
Tax benefit	(108)	
Net periodic benefit cost, net of tax	<u>\$ 600</u>	

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The following demonstrates the change in equity attributable to EnerSys stockholders and nonredeemable noncontrolling interests during the six months ended September 29, 2019:

<i>(In Thousands, Except Per Share Data)</i>	Preferred Stock	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Contra-Equity	Total EnerSys Stockholders' Equity	Non-redeemable Non-Controlling Interests	Total Equity
Balance at March 31, 2019	\$ —	\$ 548	\$ 512,696	\$ (530,760)	\$ 1,450,325	\$ (142,682)	\$ (7,840)	\$ 1,282,287	\$ 3,730	\$ 1,286,017
Stock-based compensation	—	—	3,874	—	—	—	—	3,874	—	3,874
Exercise of stock options	—	3	35	—	—	—	—	38	—	38
Shares issued under equity awards (taxes paid related to net share settlement of equity awards), net	—	—	(6,081)	—	—	—	—	(6,081)	—	(6,081)
Purchase of common stock	—	—	—	(23,029)	—	—	—	(23,029)	—	(23,029)
Other	—	—	(80)	—	—	—	—	(80)	—	(80)
Net earnings	—	—	—	—	48,636	—	—	48,636	—	48,636
Dividends (\$0.175 per common share)	—	—	133	—	(7,632)	—	—	(7,499)	—	(7,499)
Other comprehensive income:										
Pension funded status adjustment (net of tax benefit of \$68)	—	—	—	—	—	237	—	237	—	237
Net unrealized gain (loss) on derivative instruments (net of tax benefit of \$720)	—	—	—	—	—	(2,329)	—	(2,329)	—	(2,329)
Foreign currency translation adjustment	—	—	—	—	—	(3,128)	—	(3,128)	(83)	(3,211)
Balance at June 30, 2019	\$ —	\$ 551	\$ 510,577	\$ (553,789)	\$ 1,491,329	\$ (147,902)	\$ (7,840)	\$ 1,292,926	\$ 3,647	\$ 1,296,573
Stock-based compensation	—	—	4,994	—	—	—	—	4,994	—	4,994
Exercise of stock options	—	—	(13)	—	—	—	—	(13)	—	(13)
Shares issued under equity awards (taxes paid related to net share settlement of equity awards), net	—	—	(169)	—	—	—	—	(169)	—	(169)
Purchase of common stock	—	—	—	(11,532)	—	—	—	(11,532)	—	(11,532)
Reissuance of treasury stock towards employee stock purchase plan	—	—	—	213	—	—	—	213	—	213
Contra equity - adjustment to indemnification receivable for acquisition related tax liability	—	—	—	—	—	—	2,002	2,002	—	2,002
Net earnings	—	—	—	—	62,698	—	—	62,698	—	62,698
Dividends (\$0.175 per common share)	—	—	209	—	(7,608)	—	—	(7,399)	—	(7,399)
Other comprehensive income:										
Pension funded status adjustment (net of tax benefit of \$59)	—	—	—	—	—	237	—	237	—	237
Net unrealized gain (loss) on derivative instruments (net of tax expense of \$1,112)	—	—	—	—	—	3,586	—	3,586	—	3,586
Foreign currency translation adjustment	—	—	—	—	—	(32,068)	—	(32,068)	(131)	(32,199)
Balance at September 29, 2019	\$ —	\$ 551	\$ 515,598	\$ (565,108)	\$ 1,546,419	\$ (176,147)	\$ (5,838)	\$ 1,315,475	\$ 3,516	\$ 1,318,991

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The following demonstrates the change in equity attributable to EnerSys stockholders and nonredeemable noncontrolling interests during the six months ended September 30, 2018:

<i>(In Thousands, Except Per Share Data)</i>	Preferred Stock	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Contra-Equity	Total EnerSys Stockholders' Equity	Non-redeemable Non-Controlling Interests	Total Equity
Balance at March 31, 2018	\$ —	\$ 546	\$ 477,288	\$ (560,991)	\$ 1,320,549	\$ (41,717)	\$ —	\$ 1,195,675	\$ 5,436	\$ 1,201,111
Stock-based compensation	—	—	4,341	—	—	—	—	4,341	—	4,341
Exercise of stock options	—	2	6,795	—	—	—	—	6,797	—	6,797
Shares issued under equity awards (taxes paid related to net share settlement of equity awards), net	—	—	(3,453)	—	—	—	—	(3,453)	—	(3,453)
Other	—	—	(152)	—	—	—	—	(152)	—	(152)
Net earnings	—	—	—	—	45,860	—	—	45,860	160	46,020
Dividends (\$0.175 per common share)	—	—	141	—	(7,512)	—	—	(7,371)	—	(7,371)
Other comprehensive income:										
Pension funded status adjustment (net of tax benefit of \$68)	—	—	—	—	—	300	—	300	—	300
Net unrealized gain (loss) on derivative instruments (net of tax expense of \$306)	—	—	—	—	—	1,005	—	1,005	—	1,005
Foreign currency translation adjustment	—	—	—	—	—	(71,664)	—	(71,664)	(499)	(72,163)
Balance at July 1, 2018	\$ —	\$ 548	\$ 484,960	\$ (560,991)	\$ 1,358,897	\$ (112,076)	\$ —	\$ 1,171,338	\$ 5,097	\$ 1,176,435
Stock-based compensation	—	—	4,788	—	—	—	—	4,788	—	4,788
Exercise of stock options	—	—	1,469	—	—	—	—	1,469	—	1,469
Shares issued under equity awards (taxes paid related to net share settlement of equity awards), net	—	—	69	—	—	—	—	69	—	69
Other	—	—	(1)	—	—	—	—	(1)	—	(1)
Net earnings	—	—	—	—	47,424	—	—	47,424	23	47,447
Dividends (\$0.175 per common share)	—	—	187	—	(7,563)	—	—	(7,376)	—	(7,376)
Other comprehensive income:										
Pension funded status adjustment (net of tax benefit of \$40)	—	—	—	—	—	300	—	300	—	300
Net unrealized gain (loss) on derivative instruments (net of tax benefit of \$1,899)	—	—	—	—	—	(6,179)	—	(6,179)	—	(6,179)
Foreign currency translation adjustment	—	—	—	—	—	(13,927)	—	(13,927)	(223)	(14,150)
Balance at September 30, 2018	\$ —	\$ 548	\$ 491,472	\$ (560,991)	\$ 1,398,758	\$ (131,882)	\$ —	\$ 1,197,905	\$ 4,897	\$ 1,202,802

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

	Quarter ended		Six months ended	
	September 29, 2019	September 30, 2018	September 29, 2019	September 30, 2018
Net earnings attributable to EnerSys stockholders	\$ 62,698	\$ 47,424	\$ 111,334	\$ 93,284
Weighted-average number of common shares outstanding:				
Basic	42,392,039	42,133,484	42,524,189	42,073,015
Dilutive effect of:				
Common shares from exercise and lapse of equity awards, net of shares assumed reacquired	316,043	640,222	389,069	600,829
Diluted weighted-average number of common shares outstanding	42,708,082	42,773,706	42,913,258	42,673,844
Basic earnings per common share attributable to EnerSys stockholders	\$ 1.48	\$ 1.13	\$ 2.62	\$ 2.22
Diluted earnings per common share attributable to EnerSys stockholders	\$ 1.47	\$ 1.11	\$ 2.59	\$ 2.19
Anti-dilutive equity awards not included in diluted weighted-average common shares	1,005,326	409,425	831,068	286,755

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17. Business Segments

The Company's three reportable segments, based on geographic regions, are as follows:

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

Summarized financial information related to the Company's reportable segments for the second quarter and six months ended September 29, 2019 and September 30, 2018, is shown below:

	Quarter ended		Six months ended	
	September 29, 2019	September 30, 2018	September 29, 2019	September 30, 2018
Net sales by segment to unaffiliated customers				
Americas	\$ 524,939	\$ 388,574	\$ 1,042,049	\$ 781,148
EMEA	182,803	203,997	386,001	414,491
Asia	54,395	67,891	114,317	135,753
Total net sales	<u>\$ 762,137</u>	<u>\$ 660,462</u>	<u>\$ 1,542,367</u>	<u>\$ 1,331,392</u>
Net sales by product line				
Reserve power	\$ 426,822	\$ 313,338	\$ 862,665	\$ 637,356
Motive power	335,315	347,124	679,702	694,036
Total net sales	<u>\$ 762,137</u>	<u>\$ 660,462</u>	<u>\$ 1,542,367</u>	<u>\$ 1,331,392</u>
Intersegment sales				
Americas	\$ 8,864	\$ 7,888	\$ 17,428	\$ 13,746
EMEA	37,842	35,039	74,723	67,126
Asia	5,084	8,055	12,042	15,669
Total intersegment sales ⁽¹⁾	<u>\$ 51,790</u>	<u>\$ 50,982</u>	<u>\$ 104,193</u>	<u>\$ 96,541</u>
Operating earnings by segment				
Americas	\$ 52,137	\$ 48,306	\$ 106,493	\$ 96,042
EMEA	13,295	13,829	29,006	31,032
Asia	(440)	2,343	201	3,848
Restructuring charges - Americas	(541)	—	(1,126)	—
Restructuring and other exit charges - EMEA	(32)	(1,007)	(1,326)	(2,199)
Restructuring charges - Asia	(268)	(114)	(761)	(661)
Inventory adjustment relating to exit activities - Asia	—	—	—	(526)
Fixed asset write-off relating to exit activities and other - Americas	(5,441)	—	(5,441)	—
Total operating earnings ⁽²⁾	<u>\$ 58,710</u>	<u>\$ 63,357</u>	<u>\$ 127,046</u>	<u>\$ 127,536</u>

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

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

Goodwill

The changes in the carrying amount of goodwill by reportable segment during fiscal 2020 are as follows:

	Americas	EMEA	Asia	Total
Balance at March 31, 2019	\$ 470,194	\$ 143,269	\$ 42,936	\$ 656,399
Foreign currency translation adjustment	(538)	(4,732)	(1,893)	(7,163)
Balance as of September 29, 2019	<u>\$ 469,656</u>	<u>\$ 138,537</u>	<u>\$ 41,043</u>	<u>\$ 649,236</u>

18. Subsequent Events

On November 6, 2019, the Board of Directors approved a quarterly cash dividend of \$0.175 per share of common stock to be paid on December 27, 2019, to stockholders of record as of December 13, 2019.

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On September 30, 2019, the Company completed the acquisition of all of the equity of N Holding AB (aka NorthStar) for \$78,000 in cash consideration and the assumption of \$104,500 in debt, which was funded using existing cash and credit facilities. NorthStar, headquartered in Stockholm, Sweden, through its direct and indirect subsidiaries, manufactures and distributes thin plate pure lead (TPPL) batteries and battery enclosures.

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

Forward-looking statements involve risks, uncertainties and assumptions. Although we do not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy. Actual results may differ materially from those expressed in these forward-looking statements due to a number of uncertainties and risks, including the risks described in the Company's 2019 Annual Report on Form 10-K (the "2019 Annual Report") and other unforeseen risks. You should not put undue reliance on any forward-looking statements. These statements speak only as of the date of this Quarterly Report on Form 10-Q, even if subsequently made available by us on our website or otherwise, and we undertake no obligation to update or revise these statements to reflect events or circumstances occurring after the date of this Quarterly Report on Form 10-Q.

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

- general cyclical patterns of the industries in which our customers operate;
- the extent to which we cannot control our fixed and variable costs;
- the raw materials in our products may experience significant fluctuations in market price and availability;
- certain raw materials constitute hazardous materials that may give rise to costly environmental and safety claims;
- legislation regarding the restriction of the use of certain hazardous substances in our products;
- risks involved in our operations such as disruption of markets, changes in import and export laws, environmental regulations, currency restrictions and local currency exchange rate fluctuations;
- our ability to raise our selling prices to our customers when our product costs increase;
- the extent to which we are able to efficiently utilize our global manufacturing facilities and optimize our capacity;
- general economic conditions in the markets in which we operate;
- competitiveness of the battery markets and other energy solutions for industrial applications 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;
- our expectations concerning indemnification obligations;
- 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, strategic gains, and cost savings may be significantly harder to achieve, if at all, or may take longer to achieve;
- potential goodwill impairment charges, future impairment charges and fluctuations in the fair values of reporting units or of assets in the event projected financial results are not achieved within expected time frames;
- our debt and debt service requirements which may restrict our operational and financial flexibility, as well as imposing unfavorable interest and financing costs;
- our ability to maintain our existing credit facilities or obtain satisfactory new credit facilities;
- adverse changes in our short and long-term debt levels under our credit facilities;
- our exposure to fluctuations in interest rates on our variable-rate debt;
- our ability to attract and retain qualified management and personnel;
- our ability to maintain good relations with labor unions;
- credit risk associated with our customers, including risk of insolvency and bankruptcy;
- our ability to successfully recover in the event of a disaster affecting our infrastructure, supply chain, or our facilities, such as the Richmond, Kentucky facility, including, but not limited to, satisfactory resolution of insurance coverage and claims for both property damage, business interruption and other insurable losses, strategy for business interruption and revenue loss;

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- 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” and “primary working capital percentage” in its evaluation of business segment cash flow and financial position performance. These disclosures have limitations as an analytical tool, should not be viewed as a substitute for cash flow determined in accordance with GAAP, and should not be considered in isolation or as a substitute for analysis of the Company’s results as reported under GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies. Management believes that this non-GAAP supplemental information is helpful in understanding the Company’s ongoing operating results.

Overview

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

We operate and manage our business in three geographic regions of the world—Americas, EMEA and Asia, as described below. Our business is highly decentralized with manufacturing locations throughout the world. More than half of our manufacturing capacity is located outside the United States, and approximately 40% of our net sales were generated outside the United States. The Company currently 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, U.S.A.;
- **EMEA**, which includes Europe, the Middle East and Africa, with our segment headquarters in Zug, Switzerland; and
- **Asia**, which includes Asia, Australia and Oceania, with our segment headquarters in Singapore.

We did not change our reportable segments this quarter as previously disclosed. We are continuing to make our evaluation based on more current information.

Alpha Acquisition

On December 7, 2018, the Company completed the acquisition of all of the issued and outstanding common stock of Alpha Technologies Services, Inc. (“ATS”) and Alpha Technologies Ltd. (“ATL”), resulting in ATS and ATL becoming wholly-owned subsidiaries of the Company (the “share purchase”). Additionally, the Company acquired substantially all of the assets of Alpha Technologies Inc. and certain assets of Altair Advanced Industries, Inc. and other affiliates of ATS and ATL (all such sellers, together with ATS and ATL, “Alpha”), in each case in accordance with the terms and conditions of certain restructuring agreements (collectively, the “asset acquisition” and together with the share purchase, the “acquisition”). Based in Bellingham, Washington, Alpha is a global industry leader in the comprehensive commercial-grade energy solutions for broadband, telecom, renewable, industrial and traffic customers around the world. The initial purchase consideration for the acquisition was \$750.0 million of which \$650.0 million was paid in cash and the balance was settled by issuing 1,177,630 shares of EnerSys common stock. These shares were issued out of the Company’s treasury stock and were valued at \$84.92 per share, which was based on the thirty-day volume weighted average stock price of the Company’s common stock at closing, in accordance with the purchase agreement. The 1,177,630 shares had a closing date fair value of \$93.3 million, based upon the December 7, 2018 closing date spot rate of \$79.20. The total purchase consideration, consisting of cash paid of \$650.0 million, shares valued at \$93.3 million and adjustment for working capital (due from seller of \$0.8 million) was \$742.5 million.

The results of operations of Alpha have been included in the Company’s Americas segment.

NorthStar Acquisition

On September 30, 2019, we completed the acquisition of NorthStar, headquartered in Stockholm, Sweden, for \$78.0 million in cash consideration and the assumption of \$104.5 million in debt, which was funded using existing cash and credit facilities. NorthStar, through its direct and indirect subsidiaries, manufactures and distributes thin plate pure lead (TPPL) batteries and battery enclosures.

Economic Climate

Recent indicators suggest a slowdown in economic activity among all the different geographical regions in which we do business.

[Table of Contents](#)**Volatility of Commodities and Foreign Currencies**

Our most significant commodity and foreign currency exposures are related to lead and the Euro, respectively. Historically, volatility of commodity costs and foreign currency exchange rates have caused large swings in our production costs. As the global economic climate changes, we anticipate that our commodity costs and foreign currency exposures may continue to fluctuate as they have in the past several years.

Customer Pricing

Our selling prices fluctuated during the last several years to offset the volatile cost of commodities. Approximately 30% of our revenue is currently subject to agreements that adjust pricing to a market-based index for lead. During fiscal 2019, our selling prices rose in response to increased lead and other commodity costs. Lead prices rose for the most part of fiscal 2018, peaked in the first quarter of fiscal 2019 and then declined sequentially in every quarter in fiscal 2019. In the first half of our fiscal 2020, our selling prices declined in response to declining commodity costs. Based on current commodity markets, we will likely see continued year over year benefits from declining commodity costs, with some related reduction in our selling prices in the upcoming year.

Liquidity and Capital Resources

We believe that our financial position is strong, and we have substantial liquidity with \$425 million of available cash and cash equivalents and available and undrawn credit lines of approximately \$426 million at September 29, 2019 to cover short-term liquidity requirements and anticipated growth in the foreseeable future.

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.

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

Results of Operations**Net Sales**

Net sales increased \$101.6 million or 15.4% in the second quarter of fiscal 2020 as compared to the second quarter of fiscal 2019. This increase was the result of a 22% increase due to the Alpha acquisition, partially offset by a 4% decrease in organic volume, a 2% decrease in foreign currency translation impact and a 1% decrease in pricing.

Net sales increased \$210.9 million or 15.8% in the six months of fiscal 2020 as compared to the six months of fiscal 2019. This increase was the result of a 22% increase due to the Alpha acquisition, partially offset by a 3% decrease in organic volume, a 2% decrease in foreign currency translation impact and a 1% decrease in pricing.

Segment sales

	Quarter ended September 29, 2019		Quarter ended September 30, 2018		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Americas	\$ 524.9	68.9%	\$ 388.6	58.8%	\$ 136.3	35.1 %
EMEA	182.8	24.0	204.0	30.9	(21.2)	(10.4)
Asia	54.4	7.1	67.9	10.3	(13.5)	(19.9)
Total net sales	\$ 762.1	100.0%	\$ 660.5	100.0%	\$ 101.6	15.4 %

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	Six months ended September 29, 2019		Six months ended September 30, 2018		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Americas	\$ 1,042.0	67.6%	\$ 781.1	58.7%	\$ 260.9	33.4 %
EMEA	386.0	25.0	414.5	31.1	(28.5)	(6.9)
Asia	114.3	7.4	135.8	10.2	(21.5)	(15.8)
Total net sales	\$ 1,542.3	100.0%	\$ 1,331.4	100.0%	\$ 210.9	15.8 %

The Americas segment's net sales increased \$136.3 million or 35.1% in the second quarter of fiscal 2020 as compared to the second quarter of fiscal 2019, primarily due to a 38% increase from the Alpha acquisition, partially offset by a 1% decrease each in organic volume, pricing and foreign currency translation impact. Net sales increased \$260.9 or 33.4% in the six months of fiscal 2020 as compared to the six months of fiscal 2019, primarily due to a 38% increase from the Alpha acquisition, partially offset by a 3% decrease in organic volume and a 1% decrease each in pricing and foreign currency translation impact.

The EMEA segment's net sales decreased \$21.2 million or 10.4% in the second quarter of fiscal 2020 as compared to the second quarter of fiscal 2019, primarily due to a 5% decrease in foreign currency translation impact, a 4% decrease in organic volume and a 1% decrease in pricing. Net sales decreased \$28.5 or 6.9% in the six months of fiscal 2020 as compared to the six months of fiscal 2019, primarily due to a 5% decrease due to foreign currency translation impact and a 1% decrease each in organic volume and pricing.

The Asia segment's net sales decreased \$13.5 million or 19.9% in the second quarter of fiscal 2020 as compared to the second quarter of fiscal 2019, primarily due to a 17% decrease in organic volume and a 3% decrease in foreign currency translation impact. Net sales decreased \$21.5 or 15.8% in the six months of fiscal 2020 as compared to the six months of fiscal 2019, primarily due to a 12% decrease in organic volume and a 4% decrease in foreign currency translation impact.

Product line sales

	Quarter ended September 29, 2019		Quarter ended September 30, 2018		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Reserve power	\$ 426.8	56.0%	\$ 313.4	47.4%	\$ 113.4	36.2 %
Motive power	335.3	44.0	347.1	52.6	(11.8)	(3.4)
Total net sales	\$ 762.1	100.0%	\$ 660.5	100.0%	\$ 101.6	15.4 %

	Six months ended September 29, 2019		Six months ended September 30, 2018		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Reserve power	\$ 862.6	55.9%	\$ 637.4	47.9%	\$ 225.2	35.4 %
Motive power	679.7	44.1	694.0	52.1	(14.3)	(2.1)
Total net sales	\$ 1,542.3	100.0%	\$ 1,331.4	100.0%	\$ 210.9	15.8 %

Net sales of our reserve power products in the second quarter of fiscal 2020 increased \$113.4 million or 36.2% compared to the second quarter of fiscal 2019. The increase was primarily due to a 46% increase from the Alpha acquisition, partially offset by a 7% decrease in organic volume, a 2% decrease in foreign currency translation impact and a 1% decrease in pricing. The decrease in organic volume is primarily from the deferral of spending by telecom and broadband customers and the conclusion of a large enclosure order a year ago. Net sales increased \$225.2 or 35.4% in the six months of fiscal 2020 as compared to the six months of fiscal 2019, primarily due to a 47% increase from the Alpha acquisition, partially offset by a 9% decrease in organic volume, a 2% decrease in foreign currency translation impact and a 1% decrease in pricing.

Net sales of our motive power products segment in the second quarter of fiscal 2020 decreased by \$11.8 million or 3.4% compared to the second quarter of fiscal 2019. The decrease was primarily due to a 2% decrease in foreign currency translation impact and a 1% decrease in pricing. Net sales decreased \$14.3 or 2.1% in the six months of fiscal 2020 as compared to the six months of fiscal 2019, primarily due to a 3% decrease in foreign currency translation impact and a 1% decrease in pricing, partially offset by a 2% increase in organic volume.

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Gross Profit

	Quarter ended September 29, 2019		Quarter ended September 30, 2018		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Gross Profit	\$ 197.3	25.9%	\$ 160.9	24.4%	\$ 36.4	22.7%

	Six months ended September 29, 2019		Six months ended September 30, 2018		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Gross Profit	\$ 398.8	25.9%	\$ 326.2	24.5%	\$ 72.6	22.3%

Gross profit increased \$36.4 million or 22.7% in the second quarter and increased \$72.6 million or 22.3% in the six months of fiscal 2020 compared to the comparable periods of fiscal 2019. Gross profit, as a percentage of net sales, increased 150 basis points and 140 basis points in the second quarter and six months of fiscal 2020 compared to the second quarter and six months of fiscal 2019, respectively. This increase in the gross profit margin in both the second quarter and six months, is largely a function of declines in commodity costs relative to pricing, as well as the impact of Alpha's higher margins, partially offset by higher manufacturing costs.

Operating Items

	Quarter ended September 29, 2019		Quarter ended September 30, 2018		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Operating expenses	\$ 132.3	17.4%	\$ 96.5	14.6%	\$ 35.8	37.3%
Restructuring charges	\$ 6.3	0.8%	\$ 1.1	0.2%	\$ 5.2	NM

	Six months ended September 29, 2019		Six months ended September 30, 2018		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Operating expenses	\$ 263.1	17.1%	\$ 195.8	14.7%	\$ 67.3	34.4%
Restructuring charges	\$ 8.7	0.6%	\$ 2.9	0.2%	\$ 5.8	NM

NM = not meaningful

Operating expenses, as a percentage of sales, increased 280 basis points and 240 basis points in the second quarter and six months of fiscal 2020, respectively, compared to the comparable periods of fiscal 2019. Excluding the impact of the foreign currency translation, the increase in dollars reflects the inclusion of Alpha and the additional investments in new product development.

Selling expenses, our main component of operating expenses, were 44.3% and 44.7% of total operating expenses in the second quarter and six months, respectively, compared to 47.9% and 48.7% of total operating expenses in the second quarter and six months of fiscal 2019.

Restructuring, Exit and Other Charges

Included in our second quarter of fiscal 2020 operating results are restructuring charges of \$0.5 million in the Americas and \$0.3 million in Asia, all of which relate to improving operational efficiencies in the respective regions. Also included in the second quarter of fiscal 2020 operating results are non-cash exit charges of \$0.7 million in EMEA, relating to the closure of our facility in Targovishte, Bulgaria.

In keeping with our strategy of exiting the manufacture of batteries for diesel-electric submarines, during the second quarter of fiscal 2020, we sold certain licenses and assets for \$2.0 million and recorded a net gain of \$0.9 million, which is reported as other exit charges.

During the second quarter of fiscal 2020, we wrote off \$5.5 million of assets at our Kentucky and Tennessee plants, as a result of our strategic product mix shift from traditional flooded batteries to maintenance free lead acid and lithium batteries.

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Included in our second quarter of fiscal 2019 operating results are restructuring charges of \$1.0 million in EMEA and \$0.1 million in Asia. The charges in the EMEA relate to improving efficiencies of our general operations, while charges in Asia relate to a strategic shift in our India operations from reserve power production to motive power production.

Richmond, Kentucky Plant Fire

On September 19, 2019, a fire broke out in the battery formation area of our Richmond, Kentucky motive power production facility. We maintain insurance policies for both property damage and business interruption and are in the early stages of assessing damage. Based on our initial assessment, we have written off \$1.9 million for the damage caused to our fixed assets and inventories. We also recorded a receivable of \$1.9 million, related to our initial claims for recovery from our property and casualty insurance carriers.

Operating Earnings

	Quarter ended September 29, 2019		Quarter ended September 30, 2018		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales ⁽¹⁾	In Millions	Percentage of Total Net Sales ⁽¹⁾	In Millions	%
Americas	\$ 52.1	9.9 %	\$ 48.3	12.4 %	\$ 3.8	7.9 %
EMEA	13.3	7.3	13.8	6.8	(0.5)	(3.9)%
Asia	(0.4)	(0.8)	2.3	3.5	(2.7)	NM
Subtotal	65.0	8.5	64.4	9.8	0.6	(0.8)
Restructuring charges - Americas	(0.5)	(0.1)	—	—	(0.5)	NM
Restructuring and other exit charges - EMEA	—	—	(1.0)	(0.5)	1.0	(96.8)
Restructuring charges - Asia	(0.3)	(0.5)	(0.1)	(0.2)	(0.2)	NM
Fixed asset write-off relating to exit activities and other - Americas	(5.5)	(1.0)	—	—	(5.5)	NM
Total operating earnings	\$ 58.7	7.7 %	\$ 63.3	9.6 %	\$ (4.6)	(7.3)%

NM = not meaningful

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

	Six months ended September 29, 2019		Six months ended September 30, 2018		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales ⁽¹⁾	In Millions	Percentage of Total Net Sales ⁽¹⁾	In Millions	%
Americas	\$ 106.5	10.2 %	\$ 96.1	12.3 %	\$ 10.4	10.9 %
EMEA	29.0	7.5	31.0	7.5	(2.0)	(6.5)%
Asia	0.2	0.2	3.8	2.8	(3.6)	(94.8)
Subtotal	135.7	8.8	130.9	9.8	4.8	3.6
Restructuring charges - Americas	(1.1)	(0.1)	—	—	(1.1)	NM
Restructuring and other exit charges - EMEA	(1.3)	(0.3)	(2.2)	(0.5)	0.9	(39.7)
Restructuring charges - Asia	(0.8)	(0.7)	(0.7)	(0.5)	(0.1)	15.1
Fixed asset write-off relating to exit activities and other - Americas	(5.5)	(0.5)	—	—	(5.5)	NM
Inventory write-off relating to exit activities - Asia	—	—	(0.5)	(0.4)	0.5	NM
Total operating earnings	\$ 127.0	8.2 %	\$ 127.5	9.6 %	\$ (0.5)	(0.4)%

NM = not meaningful

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

Operating earnings decreased \$4.6 million or 7.3% and decreased \$0.5 million or 0.4% in the second quarter and six months of fiscal 2020, respectively, compared to the second quarter and six months of fiscal 2019. Operating earnings, as a percentage of net sales, decreased 190 basis points and 140 basis points in the second quarter and six months of fiscal 2020, respectively, compared to the second quarter and six months of fiscal 2019, primarily due to ERP execution challenges at our Richmond, Kentucky, facility which continued to result in missed sales opportunities and higher manufacturing costs as well as the decline in our organic volume across all the regions.

The Americas segment's operating earnings, excluding restructuring, exit and other charges, decreased 250 basis points and 210 basis points in the second quarter and six months of fiscal 2020, respectively, compared to the second quarter and six months of fiscal 2019. The decrease

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is primarily due to ERP execution challenges at our Richmond, Kentucky, facility which continued to result in missed sales opportunities, tariffs and higher manufacturing costs. This negative impact was partially offset by the impact of lower commodity costs and Alpha's contribution to operating earnings of \$18 million or 12.6% of its sales for the second quarter and \$35 million or 11.8% of its sales for the six months of fiscal 2020.

The EMEA segment's operating earnings, excluding restructuring and other exit charges, increased 50 basis points in the second quarter and remained flat in the six months of fiscal 2020, compared to the second quarter and six months of fiscal 2019 due to lower commodity costs offset by lower pricing.

The Asia segment's operating earnings, excluding restructuring charges, decreased 430 basis points and 260 basis points in the second quarter and six months of fiscal 2020, respectively, compared to the second quarter and six months of fiscal 2019 primarily due to lower organic volume caused by the slowdown in the Chinese economy.

Interest Expense

	Quarter ended September 29, 2019		Quarter ended September 30, 2018		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Interest expense	\$ 10.1	1.3%	\$ 6.4	1.0%	\$ 3.7	57.5%

	Six months ended September 29, 2019		Six months ended September 30, 2018		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Interest expense	\$ 21.0	1.4%	\$ 12.9	1.0%	\$ 8.1	62.4%

Interest expense of \$10.1 million in the second quarter of fiscal 2020 (net of interest income of \$0.6 million) was \$3.7 million higher than the interest expense of \$6.4 million in the second quarter of fiscal 2019 (net of interest income of \$0.5 million). Interest expense of \$21.0 million in the six months of fiscal 2020 (net of interest income of \$1.1 million) was \$8.1 million higher than the interest expense of \$12.9 million in the six months of fiscal 2019 (net of interest income of \$1.4 million).

The increase in interest expense in the second quarter and six months of fiscal 2020 is primarily due to higher average debt. Our average debt outstanding was \$1,059.8 million in both the second quarter and six months of fiscal 2020 compared to \$628.3 million and \$619.8 million in the second quarter and six months of fiscal 2019. The increased borrowings were primarily to fund the Alpha acquisition in the third quarter of fiscal 2019.

Included in interest expense are non-cash charges for deferred financing fees of \$0.4 million and \$0.7 million in the second quarter and six months of fiscal 2020 compared to \$0.3 million and \$0.6 million, in the second quarter and six months of fiscal 2019.

Other (Income) Expense, Net

	Quarter ended September 29, 2019		Quarter ended September 30, 2018		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Other (income) expense, net	\$ 0.2	—%	\$ (1.3)	(0.2)%	\$ 1.5	NM

NM = not meaningful

	Six months ended September 29, 2019		Six months ended September 30, 2018		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Other (income) expense, net	\$ (1.0)	(0.1)%	\$ (0.9)	(0.1)%	\$ (0.1)	(4.4)%

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Other (income) expense, net in the second quarter of fiscal 2020 was expense of \$0.2 million compared to income of \$1.3 million in the second quarter of fiscal 2019. Other (income) expense, net in the six months of fiscal 2020 was income of \$1.0 million compared to income of \$0.9 million in the six months of fiscal 2019. Foreign currency impact resulted in a loss of \$0.2 million and a gain of \$1.1 million, in the second quarter and six months of fiscal 2020, respectively, compared to a foreign currency gain of \$1.8 million and \$2.2 million in the second quarter and six months of fiscal 2019.

Earnings Before Income Taxes

	Quarter ended September 29, 2019		Quarter ended September 30, 2018		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Earnings before income taxes	\$ 48.4	6.4%	\$ 58.2	8.8%	\$ (9.8)	(16.9)%

	Six months ended September 29, 2019		Six months ended September 30, 2018		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Earnings before income taxes	\$ 107.0	6.9%	\$ 115.5	8.7%	\$ (8.5)	(7.4)%

As a result of the above, earnings before income taxes in the second quarter of fiscal 2020 decreased \$9.8 million, or 16.9%, compared to the second quarter of fiscal 2019 and decreased \$8.5 million or 7.4%, in the six months of fiscal 2020, compared to the six months of fiscal 2019.

Income Tax (Benefit) Expense

	Quarter ended September 29, 2019		Quarter ended September 30, 2018		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Income tax (benefit) expense	\$ (14.3)	(1.8)%	\$ 10.8	1.6%	\$ (25.1)	NM
Effective tax rate	(29.5)%		18.6%		(48.1)%	

	Six months ended September 29, 2019		Six Months Ended September 30, 2018		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Income tax (benefit) expense	\$ (4.3)	(0.3)%	\$ 22.1	1.7%	\$ (26.4)	NM
Effective tax rate	(4.0)%		19.1%		(23.1)%	

NM = not meaningful

The Company's income tax provision consists of federal, state and foreign income taxes. The tax provision for the second quarter of fiscal 2020 and 2019 was based on the estimated effective tax rates applicable for the full years ending March 31, 2020 and March 31, 2019, respectively, after giving effect to items specifically related to the interim periods. Our effective income tax rate with respect to any period may be volatile based on the mix of income in the tax jurisdictions in which we operate, change in tax laws and the amount of our consolidated income before taxes.

On May 19, 2019, a public referendum held in Switzerland approved the Federal Act on Tax Reform and AHV (Old-Age and Survivors Insurance) Financing (TRAF) as adopted by the Swiss Federal Parliament on September 28, 2018. The Swiss tax reform measures are effective January 1, 2020. Certain provisions of the TRAF were enacted during the current quarter. Significant changes in the tax reform include the abolishment of preferential tax regimes for holding companies, domicile companies and mixed companies at the cantonal level. The transitional provisions of the TRAF allow companies to elect tax basis adjustments to fair value, which is used for tax depreciation and amortization purposes resulting in a deduction over the transitional period. We recorded a deferred tax asset of \$21.0 million during the second quarter of fiscal 2020, related to the amortizable goodwill, subject to final negotiations with the Swiss federal and cantonal tax authority.

The consolidated effective income tax rates for the second quarters of fiscal 2020 and 2019 were (29.5)% and 18.6%, respectively and were (4.0)% and 19.1% for the six months of fiscal 2020 and 2019, respectively. The rate decrease in the second quarter and six months of fiscal

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2020 compared to the comparable prior year periods is primarily due to Swiss tax reform and changes in the mix of earnings among tax jurisdictions.

Foreign income as a percentage of worldwide income is estimated to be 72% for fiscal 2020 compared to 68% for fiscal 2019. The foreign effective income tax rates for the six months of fiscal 2020 and 2019 were (2.4)% and 11.1%, respectively. The rate decrease compared to the prior year period is primarily due to Swiss tax reform and changes in the mix of earnings among tax jurisdictions. Income from the Company's Swiss subsidiary comprised a substantial portion of our overall foreign mix of income and is taxed at an effective income tax rate of approximately 6% in both the current and prior year quarter of fiscal 2020 and fiscal 2019.

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 2019 Annual Report. The adoption of ASC 842 did not result in a material change to our current critical accounting estimates. See *Recently Adopted Accounting Pronouncements* in Note 1 - Basis of Presentation, to the Consolidated Condensed Financial Statements, for further information on the adoption of ASC 842.

Liquidity and Capital Resources

Cash Flow Analysis

Operating activities provided cash of \$105.1 million in the six months of fiscal 2020 compared to \$84.0 million in the comparable period of fiscal 2019. In the six months of fiscal 2020, cash provided by operating activities was primarily from net earnings of \$111.3 million, depreciation and amortization of \$41.1 million, non-cash charges relating to restructuring, exit and other charges of \$10.0 million, stock-based compensation of \$8.9 million, provision for doubtful debts of \$3.2 million and non-cash interest of \$0.8 million, partially offset by deferred taxes of \$21.0 million resulting from the Swiss Tax Reform. Cash provided by earnings adjusted for non-cash items were partially offset by the increase in primary working capital of \$6.9 million, net of currency translation changes. Accrued expenses decreased by \$18.5 million primarily for payments of \$7.3 million related to the German competition authority matter (See Note 10 to the Consolidated Condensed Financial Statements included in this Quarterly Report on Form 10-Q) and \$6.1 million paid to the seller in connection with the Alpha acquisition, for certain reimbursable pre-acquisition items. Prepaid and other current assets increased by \$18.2 million, primarily due to contract assets of \$8.0 million, \$4.0 million receivable from the Seller (Alpha) and insurance receivable of \$1.9 million relating to the Richmond plant claim. Other liabilities decreased by \$10.0 million due to income taxes.

In the six months of fiscal 2019, cash provided by operating activities was primarily from net earnings of \$93.4 million, depreciation and amortization of \$27.3 million, stock-based compensation of \$9.1 million, non-cash charges relating to write-off of assets of \$1.1 million, non-cash interest of \$0.6 million and provision for deferred taxes of \$0.8 million. Cash provided by earnings as adjusted for non-cash items were partially offset by the increase in primary working capital of \$22.3 million, net of currency translation changes, and an outflow of \$4.2 million relating to prepaid assets and \$20.6 million relating to accrued expenses for income tax payments.

As explained in the discussion of our use of "non-GAAP financial measures," we monitor the level and percentage of primary working capital to sales. 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 \$815.3 million (yielding a primary working capital percentage of 26.7%) at September 29, 2019, \$835.6 million (yielding a primary working capital percentage of 26.2%) at March 31, 2019 and \$666.0 million at September 30, 2018 (yielding a primary working capital percentage of 25.2%). The primary working capital percentage of 26.7% at September 29, 2019 is 50 basis points higher than that for March 31, 2019, and 150 basis points higher than that for the prior year period. The increase in primary working capital compared to the prior year period is primarily due to the inclusion of the Alpha primary working capital components, while the increase of 50 basis points increase from March 31, 2019 is primarily due to the build up of inventories partially offset by a decrease in accounts receivable and payable, due to lower seasonal sales.

Primary working capital and primary working capital percentages at September 29, 2019, March 31, 2019 and September 30, 2018 are computed as follows:

	(\$ in Millions)					
Balance At ⁽¹⁾	Trade Receivables	Inventory	Accounts Payable	Total	Quarter Revenue Annualized	Primary Working Capital %
September 29, 2019	\$ 585.1	\$ 507.1	\$ (276.9)	\$ 815.3	\$ 3,048.5	26.7%
March 31, 2019	624.1	503.9	(292.4)	835.6	3,186.4	26.2
September 30, 2018	519.5	396.4	(249.9)	666.0	2,641.8	25.2

⁽¹⁾ The Company acquired Alpha on December 7, 2018, as disclosed in Note 4 to the Consolidated Condensed Financial Statements included in this Quarterly Report on Form 10-Q. Therefore, the Primary working capital and related calculations as of September 30, 2018 do not include Alpha's primary working capital and its components.

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Investing activities used cash of \$40.7 million in the six months of fiscal 2020 which primarily consisted of capital expenditures of \$43.4 million, relating to plant improvements.

Investing activities used cash of \$35.3 million in the six months of fiscal 2019 and primarily consisted of capital expenditures relating to plant improvements.

Financing activities provided cash of \$68.8 million in the six months of fiscal 2020. During the six months of fiscal 2020, we borrowed \$285.0 million under the Amended 2017 Revolver and repaid \$135.0 million of the Amended 2017 Revolver. Repayment on the Amended 2017 Term Loan was \$5.6 million and net payments on short-term debt were \$20.0 million. Treasury stock open market purchases were \$34.6 million, payment of cash dividends to our stockholders were \$14.9 million and payment of taxes related to net share settlement of equity awards were \$6.2 million.

Financing activities provided cash of \$6.8 million in the six months of fiscal 2019. During the six months of fiscal 2019, we borrowed \$84.5 million under the 2017 Revolver and repaid \$65.0 million. Payment of cash dividends to our stockholders were \$14.7 million and payment of taxes related to net share settlement of equity awards were \$3.4 million. Proceeds from stock options were \$8.3 million and net payments on short-term debt were \$2.9 million.

Currency translation had a negative impact of \$7.5 million on our cash balance in the six months of fiscal 2020 compared to a negative impact of \$32.5 million in the six months of fiscal 2019. In the six months of fiscal 2020, principal currencies in which we do business such as the Euro, Swiss franc, Polish zloty and British Pound weakened versus the U.S. dollar.

As a result of the above, total cash and cash equivalents increased by \$125.6 million to \$424.8 million, in the six months of fiscal 2020 compared to an increase by \$23.1 million to \$545.2 million, in the comparable period of fiscal 2019.

Debt and Compliance with Debt Covenants

In fiscal 2019, we amended our then existing credit facility (as amended, the "Amended Credit Facility"). The Amended Credit Facility consists of \$449.1 million senior secured term loans (the "Amended 2017 Term Loan"), including a CAD 133.0 million (\$99.1 million) term loan and a \$700.0 million senior secured revolving credit facility (the "Amended 2017 Revolver"). The Amended Credit Facility has a maturity date of September 30, 2022.

During the current quarter, we borrowed on the Amended 2017 Revolver and repatriated additional funds from our international subsidiaries to finance the acquisition of NorthStar, which was completed subsequent to the end of the quarter.

All obligations under our Amended Credit Facility are secured by, among other things, substantially all of our U.S. assets. The Amended Credit Facility contains various covenants which, absent prepayment in full of the indebtedness and other obligations, or the receipt of waivers, limit our ability to conduct certain specified business transactions, buy or sell assets out of the ordinary course of business, engage in sale and leaseback transactions, pay dividends and take certain other actions. There are no prepayment penalties on loans under this credit facility.

We are in compliance with all covenants and conditions under our credit agreement and our 5.00% Senior Notes due 2023. We believe that we will continue to comply with these covenants and conditions, and that we have the financial resources and the capital available to fund the foreseeable organic growth in our business and to remain active in pursuing further acquisition opportunities. See Note 8 to the Consolidated Financial Statements included in our 2019 Annual Report and Note 12 to the Consolidated Condensed Financial Statements included in this Quarterly Report on Form 10-Q for a detailed description of our debt.

Contractual Obligations and Commercial Commitments

A table of our obligations is contained in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations — Contractual Obligations of our 2019 Annual Report for the year ended March 31, 2019. As of September 29, 2019, except for presentation changes resulting from the adoption of ASC 842 effective our first quarter of fiscal 2020, we had no significant changes to our contractual obligations table contained in our 2019 Annual Report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risks

Our cash flows and earnings are subject to fluctuations resulting from changes in raw material costs, foreign currency exchange rates and interest rates. 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.

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Counterparty Risks

We have entered into lead forward purchase contracts and foreign exchange forward and purchased option contracts to manage the risk associated with our exposures to fluctuations resulting from changes in raw material costs and foreign currency exchange rates. The Company's agreements are with creditworthy financial institutions. Those contracts that result in a liability position at September 29, 2019 are \$0.8 million (pre-tax). Those contracts that result in an asset position at September 29, 2019 are \$1.5 million (pre-tax) and the vast majority of these will settle within one year. The impact on the Company due to nonperformance by the counterparties has been evaluated and not deemed material.

Interest Rate Risks

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

A 100 basis point increase in interest rates would have increased interest expense, on an annualized basis, by approximately \$8.7 million on the variable rate portions of our debt.

Commodity Cost Risks – Lead Contracts

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

Date	\$'s Under Contract (in millions)	# Pounds Purchased (in millions)	Average Cost/Pound	Approximate % of Lead Requirements (1)
September 29, 2019	\$ 49.9	54.0	\$ 0.92	7%
March 31, 2019	39.2	42.0	0.93	7
September 30, 2018	67.5	68.9	0.98	12

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

For the remaining two quarters of this fiscal year, we believe approximately 64% of the cost of our lead requirements is known. This takes into account the hedge contracts in place at September 29, 2019, lead purchased by September 29, 2019 that will be reflected in future costs under our FIFO accounting policy, 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 \$15 million and \$32 million, in the second quarter and six months of fiscal 2020.

Foreign Currency Exchange Rate Risks

We manufacture and assemble our products globally in the Americas, EMEA and Asia. Approximately 40% of our sales and expenses are transacted in foreign currencies. Our sales revenue, production costs, profit margins and competitive position are affected by the strength of the currencies in countries where we manufacture or purchase goods relative to the strength of the currencies in countries where our products are sold. Additionally, as we report our financial statements in U.S. dollars, our financial results are affected by the strength of the currencies in countries where we have operations relative to the strength of the U.S. dollar. The principal foreign currencies in which we conduct business are the Euro, Swiss franc, British pound, Polish zloty, Chinese renminbi and Mexican peso.

We quantify and monitor our global foreign currency exposures. Our largest foreign currency exposure is from the purchase and conversion of U.S. dollar based lead costs into local currencies in Europe. Additionally, we have currency exposures from intercompany financing and intercompany and third party trade transactions. On a selective basis, we enter into foreign currency forward contracts and purchase option contracts to reduce the impact from the volatility of currency movements; however, we cannot be certain that foreign currency fluctuations will not impact our operations in the future.

We hedge approximately 5% - 10% of the nominal amount of our known foreign exchange transactional exposures. We primarily enter into foreign currency exchange contracts to reduce the earnings and cash flow impact of the variation of non-functional currency denominated receivables and payables. The vast majority of such contracts are for a period not extending beyond one year.

Gains and losses resulting from hedging instruments offset the foreign exchange gains or losses on the underlying assets and liabilities being hedged. The maturities of the forward exchange contracts generally coincide with the settlement dates of the related transactions. Realized and unrealized gains and losses on these contracts are recognized in the same period as gains and losses on the hedged items. We also selectively hedge anticipated transactions that are subject to foreign exchange exposure, primarily with foreign currency exchange contracts, which are designated as cash flow hedges in accordance with Topic 815 - Derivatives and Hedging.

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At September 29, 2019 and September 30, 2018, we estimate that an unfavorable 10% movement in the exchange rates would have adversely changed our hedge valuations by approximately \$3.5 million and \$2.5 million, respectively.

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. We completed the Alpha acquisition on December 7, 2018 and are in the process, but have not yet concluded our assessment of the effectiveness of our internal control over financial reporting including Alpha. Accordingly, pursuant to the SEC's general guidance that an assessment of a recently acquired business may be omitted from the scope of an assessment in the year of acquisition, the scope of our assessment of the effectiveness of our disclosure controls and procedures does not include Alpha. For the second quarter and six months of fiscal 2020, Alpha accounted for \$146.0 million and \$297.1 million, respectively, of our total net sales and as of September 29, 2019 had total assets of \$949.2 million.

(b) Internal Control Over Financial Reporting. The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated any change 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) and determined that there was no change in our internal control over financial reporting during the quarter to which this report relates that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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

From time to time, we are involved in litigation incidental to the conduct of our business. See Litigation and Other Legal Matters in Note 10 - Commitments, Contingencies and Litigation to the Consolidated Condensed Financial Statements, which is incorporated herein by reference.

Item 1A. Risk Factors

In addition to the other information set forth in this Form 10-Q, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our 2019 Annual Report for the year ended March 31, 2019, which could materially affect our business, financial condition or future results.

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

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

Purchases of Equity Securities

Period	(a) Total number of shares (or units) purchased	(b) Average price paid per share (or unit)	(c) Total number of shares (or units) purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares (or units) that may be purchased under the plans or programs (1) (2)
July 1 – July 28, 2019	—	\$ —	—	\$ 20,535,323
July 29 – August 25, 2019	207,347	56.32	204,797	9,002,889
August 26 – September 29, 2019	—	—	—	9,002,889
Total	<u>207,347</u>	<u>\$ 56.32</u>	<u>204,797</u>	

(1) The Company's Board of Directors has authorized the Company to repurchase up to such number of shares as shall equal the dilutive effects of any equity based award granted during such fiscal year under the 2017 Equity Incentive Plan and the number of shares exercised through stock option awards during such fiscal year.

(2) On November 8, 2017, the Company announced the establishment of a \$100 million stock repurchase authorization, with no expiration date which has a remaining authorization of \$59.1 million as of September 29, 2019. The authorization is in addition to the existing stock repurchase programs.

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 the Company's Registration Statement on Form S-1 (File No. 333-115553) filed on July 13, 2004).
3.2	Third Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-32253) filed on August 3, 2016).
10.1	Share Purchase Agreement, dated September 30, 2019, by and among EnerSys, Altor Fund II GP Limited, and the persons listed as minority sellers therein (filed herewith).
10.2	EnerSys Voluntary Deferred Compensation Plan for Executives as amended and restated effective April 1, 2020 (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 - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

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

ENERSYS (Registrant)

By /s/ Michael J. Schmidlein

Michael J. Schmidlein

Chief Financial Officer

Date: November 6, 2019

ALTOR FUND II GP LIMITED
THE MINORITY SELLERS
AND
ENERSYS ENERGY PRODUCTS INC.

SHARE PURCHASE AGREEMENT
REGARDING
N HOLDING AB

18 SEPTEMBER 2019

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SHARE PURCHASE AGREEMENT

This share purchase agreement is entered into on 18 September 2019

BETWEEN:

- (1) Altor Fund II GP Limited, a company duly incorporated and organised under the laws of Jersey, having its principal office at 11–15 Seaton Place, St Helier, Jersey JE4 OQH Channel Islands as general partner of Altor Fund II (No. 1) Limited Partnership, Altor Fund II (No. 2) Limited Partnership and Altor Fund II (No. 3) Limited Partnership and as investment manager to Altor Fund II (No. 4) Limited (“**Altor**”);
- (2) the persons listed as minority sellers in Appendix A (the “**Minority Sellers**”); and
- (3) EnerSys Energy Products Inc., a corporation duly incorporated and organised under the laws of Delaware, having its principal office at 2366 Bernville Road, Reading, PA 19605, USA (the “**Buyer**”).

Altor and the Minority Sellers are hereinafter individually referred to as a “**Seller**” and jointly as the “**Sellers**”.

1. Background

- 1.1 N Holding AB, Reg. No. 556726-7835 (the “**Company**”), is a limited company duly incorporated and organised under the laws of Sweden, with a share capital of SEK 92,100,788 divided into 183,696,624 shares (together with the Convertible Loan, the “**Shares**”).
- 1.2 The Sellers wish to sell, and the Buyer wishes to purchase the Shares on the terms and conditions set out in this Agreement.
- 1.3 The business of the Group is to develop, manufacture and sell sealed lead acid batteries (the “**Business**”).
- 1.4 The Buyer has arranged, for a buyer’s representations and warranties insurance in the name of and for the benefit of the Buyer, without recourse against the Sellers (except in case of fraud or wilful misconduct from the Sellers), on terms and conditions as separately agreed, and entered into between the Buyer and the insurer as notified to the Sellers prior to Signing.

2. Definitions And Interpretation

2.1 Definitions

In this Agreement, the following definitions are used:

“**Accounting Principles**” means the accounting principles, which are in accordance with (a) Applicable Laws and (b) generally accepted accounting principles in Sweden including IFRS;

“**Accounts**” means the consolidated audited annual accounts of the Group and the statement from the auditor of the Company for the financial year ending on 31 December 2018 including statements of income, shareholders equity, and cash flows set forth in [Appendix 6.5](#);

“**Action**” means (a) any lawsuit or arbitration or (b) claim, demand, formal inquiry, audit, notice of violation, proceeding, litigation, citation, summons, subpoena or formal investigation of any nature, civil, criminal, administrative, regulatory or otherwise by any Governmental Authority;

“**Affiliate**” means (a) a closely related person (Sw. *närstående*) as defined in the Companies Act, or (b) a person that, directly or indirectly, controls or is controlled by another person or under common control with another person by representing, alone or acting jointly with others, a majority of the votes and/or shares or otherwise have the right to elect or remove the majority of the board of such person;

“**Agreement**” means this share purchase agreement, including all the appendices attached to it;

“**Anti-Corruption Law**” means all Applicable Laws relating to bribery or corruption in any jurisdiction including the U.S. Foreign Corrupt Practices Act, 15 U.S.C. §§ 78dd-1, et seq., or any other law implementing the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions affecting or otherwise governing bribery and corruption (domestic or foreign);

“**Antitrust Event**” means that an Order has been issued by a U.S., Swedish or European Union Governmental Authority declaring that Closing of the Transactions is prohibited pursuant to Antitrust Laws;

“**Antitrust Laws**” means any Applicable Law or Order relating to antitrust, competition, trade or merger control;

“**Applicable Law**” means, with respect to any person, any law, regulation, code, directive, judgement or other legally binding requirement, decision or rule of any Government Authority applicable from time to time to such person in any jurisdiction, including the Treaties constituting the European Community, the European Union and the European Economic Area;

“**Balance Sheet Date**” means 31 December 2018;

“**Banks**” means Danske Bank A/S, Danske Bank A/S Danmark, Sverige Filial, Proventus Capital Partners III KB and Proventus Capital Partners III AB (publ);

“**Bank Pledges**” means the pledges and guarantees provided by the Group Companies to the Banks as listed in [Appendix 5.2](#);

“**Business**” has the meaning set out in [Section 1.3](#);

“**Business Day**” means a day when banks are open for general banking business in Sweden and Reading, Pennsylvania, not including days when bank services only are available via the Internet;

“**Claim**” means any claim made by the Buyer against any of the Sellers in respect of a Loss;

“**Closing**” means the completion of the Transactions;

“**Closing Bank Debt**” means the aggregate amount of outstanding financial indebtedness of the Group Companies (including any accrued but unpaid interest, break-fees, pre-payment fees and any other amounts payable in connection with the repayment of such financial indebtedness at Closing by the relevant Group Companies (including any fees or costs associated with the termination of any interest-rate or foreign-exchange swap agreements entered into in connection with the Facilities Agreements)) under the Facilities Agreements, estimated to be USD 107,009,212;

“**Closing Date**” has the meaning set out in [Section 5](#);

“**Closing Deferral Event**” means (i) an Antitrust Event or (ii) an OSHA Event which has occurred and is continuing on 30 September 2019;

“**Company**” has the meaning set out in [Section 1.1](#);

“**Companies Act**” means the Swedish Companies Act (Sw. *Aktiebolagslag*);

“**Connected Person**” means, in relation to any person, a person who has the power to control the first person including (a) in the case of an individual, a spouse, sibling or child of the first person or a sibling or child of the first person’s spouse, and (b) in the case of a Group Company or other body corporate, another body corporate that controls that corporate body or is controlled by the same person that controls that corporate body, and each of their respective directors, officers, managers and trustees;

“**Consultancy Agreement**” means a consultancy agreement to which a Group Company is a party with any Minority Seller or other person but not including any agreement with lawyers or other professional advisors, IT consultants or any other person providing technical or engineering services in the normal course of business;

“**Contracts**” means all contracts, leases, deeds, mortgages, licenses, instruments, notes, indentures, joint ventures and all other agreements and legally binding arrangements, whether written or oral;

“**Convertible Loan**” means the EUR 3,800,000 convertible loan granted by Altor to the Company and convertible into shares in the Company;

“**Cybersecurity Requirements**” means all Applicable Laws relating to security of network and information systems and security breach and incident reporting requirements including Data Protection Law;

“**Data**” means proprietary or confidential data, including customer data and Personal Data held by any person;

“**Data Breach**” means a breach of security leading to accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, Personal Data transmitted, stored or otherwise processed;

“**Data Protection Laws**” means all Applicable Laws for (a) the protection of Personal Data including, all Applicable Laws implementing the EU Data Protection Directive (Directive 95/46/EC) and, as from May 25, 2018, Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, repealing Directive 95/46/EC (the General Data Protection Regulation), (b) relating to data breach notification, (c) imposing security requirements for the protection of Personal Data, (d) the secure disposal of Personal Data, and (e) cross-border transfers of Personal Data;

“**Data Room**” means the virtual data room hosted by Merrill containing information and documentation relating to the Group Companies and their business, including questions and answers (Q&A), the content, as of the date hereof, of which is set out in the index attached hereto as [Appendix B](#) (a USB containing the Data Room, as of the date hereof, will be added to [Appendix B](#) after the Signing Date);

“**Disclosed Information**” means (a) the information contained in the written materials and recorded calls made available by the Sellers or their Representatives to the Buyer or its Representatives in the Data Room including, without limitation (i) the information memorandum prepared by Daiwa Corporate Advisory Limited dated May 2019, (ii) the Vendor Legal Due Diligence Report, (iii) a vendor assist financial and tax report prepared by Ernst & Young, (iv) a vendor environment, health and safety due diligence report prepared by Environmental Resources Management Limited, (v) an information memorandum prepared by Daiwa Corporate Advisory Limited regarding the Group Companies’ operations and financial affairs, and (vi) a market study prepared by McKinsey & Company, in each case no later than 24 hours prior to Signing; (b) the written answers provided prior to Signing by the Sellers or their Representatives to the written questions asked by the Buyer or its Representatives in the Due Diligence, and (c) the R&W Insurance Bring-Down Statement delivered prior to Closing, in relation to the Warranties made on Closing;

“**Due Diligence**” means the due diligence investigation performed by the Buyer and its Representatives prior to the Signing Date of the Group Companies and their business, during which the Buyer and its Representatives, inter alia, have had access to the Data Room, made site visits to the Group Companies’ premises and held meetings with the management of the Group Companies and the Sellers’ Representatives;

“**Encumbrance**” means any lien, option, pledge, mortgage, deed of trust, security interest, charge, easement, encroachment, right of way, right of first refusal, or any other similar restriction or encumbrance of any kind having a similar effect, including any restriction on voting or receipt of income whether arising by agreement or operation of Applicable Law or otherwise (for the avoidance of doubt, excluding the Consulting and Development Agreement made between the U.S. Subsidiary and Electric Applications Incorporated dated 11 August 2016, and the Cooperative Research and Development Agreement with Electric Applications Incorporated executed by Electric Applications Incorporated on 19 March 2018, true, accurate and complete copies of which has been provided to the Buyer in the Data Room);

“**Enhanced Severance Payment**” means a payment made (i) to any of the nine employees referenced in Section 15 (Severance Obligations) of the Vendor Legal Due Diligence Report; and (ii); pursuant to the documents produced to the Buyer in the Data Room in N Holding AB folder number 4.2.1.15.12 and Northstar Battery Company LLC folders number 4.1.3.10.11 and 4.1.3.10.12, by reason of the termination of their employment (other than a voluntary termination) after Closing;

“**Environmental Law**” means any present Applicable Law, relating to protection of human health, worker health or safety or the environment, relating to Hazardous Substances or relating to liability for actual or threatened danger to human health, worker health or safety or the environment, including (a) the following statutes, as amended, and any regulation promulgated pursuant thereto: the U.S. Comprehensive Environmental Response, Compensation and Liability Act, the U.S. Emergency Planning and Community Right-To-Know Act, the U.S. Hazardous Materials Transportation Act, the Resource Conservation and Recovery Act (including to sub-title I relating to underground storage tanks), the U.S. Solid Waste Disposal Act, the Clean Water Act, U.S. the Clean Air Act, the U.S. Toxic Substances Control Act, the U.S. Safe Drinking Water Act, the U.S. Occupational Safety and Health Act, the U.S. Federal Water Pollution Control Act, the U.S. the Federal Insecticide, Fungicide and Rodenticide Act, the U.S. Endangered Species Act, the U.S. National Environmental Policy Act, the U.S. Rivers and Harbors Appropriation Act, the EU Registration, Evaluation and Authorization of Chemicals (REACH) Regulation (1907/2006), the EU Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (2002/95/EC) (RoHS) and similar Laws, and (b) any present Applicable Law conditioning transfer of property (i) approval of a Governmental Authority of the environmental condition of the property, or (ii) notification or disclosure of Releases of Hazardous Substances or other environmental condition of the property to any Governmental Authority or other person;

“**Equity Bridge**” means the calculation set out in Appendix 4.1;

“**ERISA**” means the U.S. Employee Retirement Income Security Act of 1974, as amended;

“**Facilities Agreements**” means (i) the senior facilities agreement originally entered into on 13 January 2017 (as amended and acceded to from time to time) between, among others the Company, SiteTel Sweden AB, the U.S. Subsidiary, Danske Bank A/S and Danske Bank A/S Danmark, Sverige Filial, including all ancillary documents thereto constituting a “Finance Document” (as defined therein) thereunder, and (ii) the second lien facilities agreement originally entered into on 13 January 2017 (as amended and acceded to from time to time) between, among others the Company, SiteTel Sweden AB, the U.S. Subsidiary, Proventus Capital Partners III KB and Proventus Capital Partners III AB (publ), including all ancillary documents thereto constituting a “Finance Document” (as defined therein) thereunder;

“**Fundamental Warranties**” means the Warranties in Section 6.3 (*Corporate Existence and Power*) and Section 6.4 (*Capitalization and Title*);

“**Group**” means the group in which the Company is the parent company;

“**Group Company**” means the Company or any of the Subsidiaries and “**Group Companies**” means the Company and the Subsidiaries, collectively;

“**Governmental Authority**” means any government, legislative, administrative, judicial or taxation authority in any jurisdiction including any national or local government and any governmental agency, court, tribunal or commission and ombudsman or any other body or entity exercising regulatory authority pursuant to any legislation and including, for the avoidance of doubt, the European Union and the European Commission, and any federal, state or local government of the United States, and respective agencies and instrumentalities;

“**Hazardous Substances**” means any and all substances (whether solid, liquid or gas) defined, listed or otherwise classified as pollutants, contaminants, hazardous wastes, hazardous substances, hazardous materials, extremely hazardous substances or words of similar meaning or regulatory effect under any present Environmental Laws because they may have a negative impact on the environment or human health;

“**IFRS**” means the standards and interpretations issued or adopted by the International Accounting Standards Board, comprising International Financial Reporting Standards, International Accounting Standards and interpretations developed by the IFRS Interpretations Committee or the former Standing Interpretations Committee;

“**Indebtedness**” means, with respect to the Group Companies, (a) all indebtedness for borrowed money or in respect of loans, advances or the issuance or sale of debt securities, (b) obligations for the deferred purchase price of property or services having the commercial effect of a borrowing, (c) long or short-term obligations evidenced by notes, bonds, debentures or other similar instruments, (d) obligations under any interest rate, currency swap or other hedging Contract, (e) capital lease, synthetic lease, or sale leaseback obligations, (f) reimbursement obligations under any letter of credit, banker’s acceptance, surety bonds, off-balance sheet arrangements or similar transactions, (g) borrowed money secured by an Encumbrance on the assets of the Group Companies (for the avoidance of doubt excluding receivables sold on a non-recourse basis), (h) Closing Bank Debt, (i) Convertible Loan, (j) guarantees made by any Group Company on behalf of any third party in respect of obligations of the kind referred to in the foregoing clauses (a) through (i), and (k) any unpaid interest, prepayment penalties, premiums, costs and fees that would arise or become due as a result of the prepayment of any of the obligations referred to in the foregoing clauses (a) through (j);

“**Intellectual Property Rights**” means rights in inventions, patents (including issued patents, patent applications, utility models, and all other related rights), trademarks (including any trademarks, services marks, marks, logos, insignias, trade dress, symbols, business names, trade names, designs, and any other identifier used in commerce for any goods or services and indicia of origin, and all of the goodwill associated with any of the foregoing), domain names, copyrights (including copyrights in software, middleware, firmware, database rights, semiconductor design topography, mask works, and all rights related to any of the foregoing, including rights of authorship, use, publication, publicity, reproduction, distribution, performance, transformation, moral rights and rights of ownership), in each case, whether registered or not and including applications for the registration of such rights, and all similar and equivalent rights or forms of protection in any part of the world;

“**Interim Financial Statements**” has the meaning set out in [Section 6.5.2](#);

“**IT Systems**” has the meaning set out in [Section 6.16.9](#);

“**Key Employees**” means the employees listed in [Appendix 6.10.1](#);

“**Known Leakage**” has the meaning set out in [Section 4.2.3](#);

“**Leakage**” means any of the following events provided that such events have occurred after the Locked-Box Date and up to the Closing Date:

- (a) any dividend or distribution, declared, paid or made by any of the Group Companies to any Seller or any Seller’s Affiliate;
- (b) any other payment or repayment in respect of any share capital, loan capital or other securities (including any loan notes or convertibles) of any of the Group Companies to any Seller or any Seller’s Affiliate;
- (c) any transfer of value or provision of future benefit made by any of the Group Companies to or for the benefit of any Seller or any of its Connected Person in respect of:
 - (i) any management, consultancy, service or other fee or other compensation including director’s fees, bonus or incentive payment;
 - (ii) any royalty payment;
 - (iii) any payment for any goods or services provided to or for the benefit of a Seller or any of its Connected Persons;
 - (iv) any waiver, release, forgiveness or discount by any of the Group Companies of any liability or obligation owed to the Group Company by a Seller or any of its Connected Persons;
 - (v) any Encumbrance created over any of the assets of any of the Group Companies in favour of a Seller or any of its Connected Persons in respect of the obligations or liabilities of a Seller,

but in the case of sub-paragraphs (i) – (iv) excluding transactions made in the normal course of business on arm’s length terms;

- (a) any other transfer of value (Sw. *värdeöverföring*) in accordance with Chapter 17 Section 1 of the Companies Act;
- (b) any payment by any Group Company regarding transaction bonuses, change of control, severance or other payments to any directors or employees of the Group or the Sellers or their Representatives arising solely as a result of the Transactions excluding, for the avoidance of doubt, an Enhanced Severance Payment;
- (c) any payment by any of the Group Companies in connection with introduction, negotiation, preparation or completion of the Transactions including brokerage or finder’s fees or other commissions, and legal and other professional or consultancy fees, unless adequate provision for such payment has been made in the Interim Financial Statements;
- (d) fees (but for the avoidance of doubt, not principal, interest or customary commitment fees) payable under the Facilities Agreements in connection with repayment of the Closing Bank Debt, to the extent not already accounted for in the Equity Bridge to calculate the Purchase Price, meaning that there shall be no double counting of fees and should the effect of any fee be reduced by a payment of principal, interest or other fee accounted for in the in the Equity Bridge to calculate the Purchase Price, only the net effect of the fee shall be Leakage;
- (e) any payment or assumption of any liability by any Group Company to pay any Taxes arising as a consequence of any of the matters referred to in items (a)-(g) above;
- (f) any agreement to do any of the matters referred to in items (a)-(g) above,

but in each case excluding any Permitted Leakage and Tax recoverable by a Group Company;

“**Leakage Claim**” means any claim by the Buyer for payment of Leakage;

“**Leased Real Property**” has the meaning set out in Section 6.12.8;

“**Leases**” has the meaning set out in Section 6.12.8;

“**Locked-Box Date**” means June 30, 2019;

“**Loss**” means:

- (a) any direct loss of the Buyer or any direct or reasonably foreseeable indirect loss of a Group Company, resulting from a breach of the Warranties; or
- (b) any direct loss of the Buyer or a Group Company, resulting from a breach of the covenants or other undertakings hereunder,

calculated on a USD-by-USD basis (i.e. not using multiples to reflect such loss impact on the Purchase Price);

“**Material Adverse Effect**” shall be construed to mean something having a material adverse impact on (a) the condition, assets, operations, results, financial condition or prospects of the Group taken as a whole or (b) the ability of the Sellers to perform their respective obligations under this Agreement, excluding any effect resulting from (i) general economic conditions, (ii) any economic conditions affecting the industry in which the Group Companies conduct their business generally, or (iii) any failure, in and of itself, by any Group Company to meet any internal or public projections, forecasts or estimates of revenue or earnings and seasonal changes in the results of operations of the business of any Group Company (provided that the underlying causes of such failure shall not be excluded);

“**Material Agreements**” has the meaning set out in Section 6.8.1;

“**Material Customer**” has the meaning set out in Section 6.20.1;

“**Material IP Contracts**” has the meaning set out in Section 6.8.1(e);

“**Material Software**” has the meaning set out in Section 6.16.7;

“Material Supplier” has the meaning set out in Section 6.20.1;

“Object Code” means one or more computer instructions in machine readable form (whether or not packaged in directly executable form), including any such instructions that are readable in a virtual machine, whether or not derived from Source Code, together with any partially compiled or intermediate code that may result from the compilation, assembly or interpretation of any Source Code, and any other object code or executable code, including firmware, compiled or interpreted programmable logic, libraries, objects, bytecode, machine code, and middleware;

“Open License Terms” means the terms in any license, distribution model or other agreement for Software, libraries or other code (including middleware and firmware) (a **“Work”**) which require, as a condition of use, reproduction, modification and/or distribution of the Work (or any portion thereof) or of any other Software, libraries or other code (or a portion of any of the foregoing) in each case that is incorporated into or includes, relies on, linked to or with, derived from in any manner (in whole or in part), or distributed with a Work (collectively, **“Related Software”**), any of the following: (a) the making available of source code or any information regarding the Work or any Related Software, (b) the granting of permission for creating modifications to or derivative works of the Work or any Related Software, (c) the granting of a royalty-free license, whether express, implied, by virtue of estoppel or otherwise, to any person under Intellectual Property Rights (including patents) regarding the Work alone, any Related Software alone or the Work or Related Software in combination with other hardware or software, or (d) the imposition of any restrictions on future patent licensing terms, or other abridgement or restriction of the exercise or enforcement of any Intellectual Property Rights through any means. By means of example only, Open License Terms includes any versions of the following agreements, licenses or distribution models: (i) the GNU General Public License (GPL), (ii) Lesser/Library GPL (LGPL), (iii) the Common Development and Distribution License (CDDL), (iv) the Artistic License (including PERL), (v) the Netscape Public License, (vi) the Sun Community Source License (SCSL) or the Sun Industry Standards License (SISL), (vii) the Apache License, (viii) the Common Public License, (ix) the Affero GPL (AGPL), (x) the Berkley Software Distribution (BSD), (xi) the Mozilla Public License (MPL), or (xii) any licenses that are defined as **“Open Source Initiative”** licenses as listed on the open source.org website. For avoidance of doubt, less restrictive free or open source licensing and distribution models such as those obtained under the MIT, Boost Software License, and the Beer-Ware Public Software licenses or any similar licenses, and any licenses that are more restrictive or commonly referred to as **“copyleft”** licenses or any other licenses under which such Software or other materials are distributed or licensed as **“free software,”** **“open source software,”** or under similar terms, are all **“Open License Terms”**;

“Open Source Software” means any software, libraries or other code that is licensed under or is otherwise subject to Open License Terms;

“Order” means any order, decision, judgment, injunction, ruling, decree or writ of any Governmental Authority;

“OSHA Event” means that an Order has been issued by a U.S. Governmental Authority declaring that the utilization of a material part of the U.S. Subsidiary’s factory located on 4000 E Continental Way in Springfield MO is prohibited as a consequence of the violations set out in the Citation and Notification of Penalty issued by the US Department of Labor pursuant to inspection number 1255562;

“Owned Property” has the meaning set out in Section 6.12.1;

“Party” means any of the Sellers or the Buyer, and **“Parties”**, means the Sellers and the Buyer, collectively;

“Permits” means any license, permit, registration, clearance, exemption, approval, authorization, certificate, variance qualification or similar document or authority that is required by Applicable Law for the Group Companies to conduct the Business as conducted at the Signing Date and own or lease, operate and use its assets as owned, leased, operated and used at the Signing Date;

“Permitted Leakage” means:

- (a) a conversion of the Convertible Loan into shares in the Company;
- (b) any payment made or liability, cost or expense incurred by any Group Company in connection with any matter undertaken at the written request, or with the prior written consent, of the Buyer;

- (c) any transactions between Group Companies;
- (d) any payments or benefits provided pursuant to (i) employment agreements, Consultancy Agreements, severance arrangements or pensions arrangements, that have been fairly disclosed in the Disclosed Information not later than 24 hours prior to Signing and that do not arise solely as a result of the Transactions including any Enhanced Severance Payment, or (ii) Applicable Law related to employment;
- (e) any remaining severance entitlement made pursuant to the Termination Agreement dated 18 January 2019 and produced to the Buyer in the Data Room in N Holding AB folder number 4.1.1.2.1;
- (f) any payment made pursuant to the arrangement disclosed to the Buyer in the Data Room in Northstar Battery Company LLC folder number 4.1.1.6.4.2;
- (g) the board member remuneration set out in the Equity Bridge;
- (h) any transactions contemplated by this Agreement; and
- (i) any Tax becoming payable at any time by any Group Company as a consequence of any of the matters referred to in items (a)-(h) above.

“Personal Data” means any information relating a natural person who can be identified or who is identifiable from that information including a natural person’s name, street address, telephone number, email address, photograph, driver’s license number, passport number, credit card number, bank information, or account number;

“Public Official” means any employee, official or agent of any Governmental Authority or a government owned or controlled enterprise, or other person holding a legislative, administrative or judicial office in any jurisdiction, whether appointed or elected, any person exercising a public function, and any employee, official or agent of a public international organisation;

“Purchase Price” means the purchase price for the Shares set out in Section 4.1;

“Receivables” has the meaning set out in Section 6.6.1;

“Registered Group Company IP” has the meaning set out in Section 6.16.1;

“Release” means any release, deposit, discharge, emission, leaking, leaching, spilling, seeping, migrating, injecting, pumping, pouring, emptying, escaping, dumping, disposing or other movement of Hazardous Substances in the environment;

“Representatives” means, with respect to any person, from time to time, any of such person’s directors, officers, employees, agents, legal advisors, accountants, other professional advisors, consultants, and any other person or joint venture partner who represents or performs personal or other services for or on behalf of that person;

“Restricted Business” means the development, manufacture or sale of lead acid batteries;

“Restricted Territory” means any countries into which any Group Company has made sales at any time within 24 months prior to the Signing Date;

“R&W Insurance” has the meaning set out in Section 10.2.1;

“R&W Insurance Bring Down” means a review immediately prior to the Closing by the individuals referred to in the definition of Sellers’ Knowledge of the Warranties that are made as of the Closing Date with the purpose of identifying and disclosing any facts and circumstances constituting a breach of any of those Warranties;

“**R&W Insurance Bring-Down Statement**” means the statement prepared by the Sellers in good faith and to be delivered to the Buyer pursuant to Section 5.2(b)(vi) following the R&W Insurance Bring Down, which shall describe any breaches of the Warranties made as of the Closing Date identified in the R&W Insurance Bring Down;

“**R&W Insurer**” means Euclid Transactional, LLC;

“**Sellers’ Knowledge**” means the actual knowledge of Hans Lidén, Per Werin, Peter Karsberg, Joel Gibson, Joseph Labarge Jr and Sandra McNamer;

“**Seller Representative**” means Altor acting on behalf of all Sellers in certain matters hereunder;

“**Shares**” has the meaning set out in Section 1.1;

“**Signing**” means the signing of this Agreement by the Parties;

“**Signing Date**” means the date of signing of this Agreement;

“**Source Code**” means one or more statements in human readable form, including comments and definitions, which are generally formed and organized according to the syntax of a computer or programmable logic programming language (including such statements in batch or scripting languages) and all other source code, together with any and all text, diagrams, graphs, charts, flow-charts, presentations, manuals and other information that describe the foregoing;

“**Subsidiary**” means each of the Company’s, direct or indirect, subsidiaries as listed in Appendix 6.4.5, and “**Subsidiaries**” means all such subsidiaries, collectively;

“**Surviving Provisions**” means Sections 12-19;

“**Taxes**” means any and all (a) taxes, charges, withholdings, levies imposts and duties or other like assessments or charges of any kind whatsoever in the nature of taxes imposed by any governmental taxing authority (including those related to income, net income, gross income, receipts, capital, windfall profit, severance, property (real and personal), production, sales, goods and services, use, business and occupation, license, excise, registration, franchise, employment, payroll (including social security contributions), deductions at source, withholding, alternative or add-on minimum, intangibles, ad valorem, transfer, gains, stamp, customs, duties, transaction, title, capital, paid-up capital, profits, premium, value added, recording, inventory and merchandise, business privilege, environmental), (b) interest, penalties, fines, additions to tax or additional amounts imposed by any governmental taxing authority in connection with (i) any item described in clause (a) or (ii) the failure to comply with any requirement imposed with respect to any Tax Return, and (c) liability in respect of any items described in clause (a) and/or (b) payable by reason of contract (including any Tax Sharing Agreement), assumption, transferee, successor or similar liability, bulk sales or similar liability, operation of law (for the U.S. Subsidiary, including pursuant to Treasury Regulation Section 1.1502-6 (or any predecessor or successor thereof or any analogous or similar Law)) or otherwise;

“**Tax Return**” shall mean any return, declaration, form, report, claim, informational return (including all Forms 1099 for the U.S. Subsidiary and similar forms in other jurisdictions), or statement filed or required to be filed with any Governmental Authority with respect to Taxes, including any schedule or attachment thereto or amendment thereof;

“**Tax Sharing Agreement**” shall mean any Tax indemnity agreement, Tax sharing agreement, Tax allocation agreement or similar contract or arrangement, whether written or unwritten (including without limitation, any such agreement, contract or arrangement included in any purchase or sale agreement, merger agreement, joint venture agreement or other document);

“**Third Party Claim**” means any claim by a third party (including tax and other authorities) against any of the Group

Companies which could lead to a breach of any of the Warranties;

“**Third Party Software**” means, with respect to any proprietary software of the Group Companies, all of the following that are not owned by any of the Group Companies: (a) software that is used in, incorporated into, embedded in, combined with, linked with, distributed with, provided to any person as a service in connection with, provided via a network as a service or application in connection with, or made available with, such business product, including any software that is referenced or required to be present or available in such proprietary software from which any of the business products inherits, links, or otherwise calls functionality (including libraries or other shared-source repositories), and (b) any and all Intellectual Property Rights that are embodied in such product, excluding, in each case, any Open Source Software;

“**Transactions**” means the sale and purchase of the Shares as contemplated by this Agreement and the transactions contemplated by the other Transaction Documents;

“**Transaction Documents**” means this Agreement and the certificates, agreements, and other documents contemplated by this Agreement;

“**U.S. Employee Benefit Plan**” means any employee benefit plan as defined in Section 3(3) of ERISA and any other similar material written fringe benefit, incentive, bonus, employment, retention, change in control, termination or severance plan, program, fund, agreement or arrangement, whether or not subject to ERISA, maintained (or contributed to or required to be contributed to) by the U.S. Subsidiary or any Group Company, or any of their respective Affiliates, in which any U.S. Employee or former U.S. Employee participates or is a party, but excluding any rights pursuant to Applicable Law or customary employment arrangements;

“**U.S. Employee**” means each individual employed by the U.S. Subsidiary;

“**U.S. Subsidiary**” means NorthStar Battery Company, LLC;

“**U.S. Tax Code**” means the U.S. Internal Revenue Code of 1986, as amended;

“**Vendor Legal Due Diligence Report**” means the red flag vendor legal due diligence report prepared by Wigge & Partners Advokat KB dated 13 February 2019 and made available to the Buyer in the Data Room; and

“**Warranties**” means the warranties (Sw. *garantier*) of the Sellers set out in Section 6.

2.2 Construction and Interpretation

In this Agreement:

- (a) “**person**” shall include any individual, firm, company, corporation, partnership or other entity having legal personality or any Governmental Authority; including in each case the successors of each such person;
- (b) “**ordinary course of business**” shall mean the ordinary course of business of the Group, in accordance with past practice;
- (c) “**material**” shall be construed as something having a material impact on the condition, assets, operations, results and prospects of the Group, taken as a whole;
- (d) “**fairly disclosed**” shall mean a disclosure of a fact, matter or circumstance in a manner and to the extent that such disclosure has allowed a professional buyer or any of its Representatives to reasonably identify such fact, matter or circumstance and the Warranty or Warranties to which it relates provided that this shall not limit that a disclosure in one section or folder in the Data Room is fairly disclosed in respect of Warranties using other headings in this Agreement;

- (e) “**control**”, in relation to person, shall mean any direct or indirect influence which, if exercised, would give another person (whether acting alone or with others) the power to secure that the actions or affairs of that person are conducted in accordance with the wishes of the person exercising control including, in the case of a corporate body, ownership of more than half of the capital or business assets or the right to exercise more than half of the voting rights or the power to appoint more than half of the members of the board of directors or supervisory board of the second party or persons, and the term “**controlled**” shall be construed accordingly;
- (f) “**including**” shall, where the context permits, be construed as if it were followed by the words “without limitation”;
- (g) a reference to ‘**and/or**’ shall be deemed to include a reference to each of the adjoining terms both individually and collectively;
- (h) a reference to ‘**USD**’ shall mean the lawful currency of the United States; and
- (i) a Warranty which is stated to be given by the Sellers on their own behalf, is given individually and severally (and not jointly).

3. Sale and Purchase

- 3.1 Upon the terms and subject to the conditions set out in this Agreement, the Sellers agree to sell, and the Buyer agrees to purchase the Shares, free and clear of any Encumbrances together with all rights attached to them.
- 3.2 The Shares shall be transferred to the Buyer on the Closing Date.
- 3.3 The Sellers hereby waive any right of first refusal or any pre-emption rights with respect to any Shares whether under the Company’s articles of association or any agreement, and release any other Encumbrance affecting the Shares to which they are entitled with effect from Closing.

4. Purchase Price

4.1 The Purchase Price

The purchase price for the Shares shall be the aggregate of:

- (a) USD 80,067,870; less
- (b) an amount equal to any Leakage of which the Seller Representative is aware (the “**Known Leakage**”), being USD 2,106,889,

(i.e. USD 77,960,981 in aggregate, distributed with USD 11,999,938 on the Convertible Loan and USD 65,961,043 on the remaining Shares, calculated in accordance with Appendix 4.1, as per the Locked Box Date in respect of Section 4.1(a) and as per Closing in respect of Section 4.1(b)).

4.2 Payment of the Purchase Price

- 4.2.1 The Purchase Price shall be paid, by the Buyer at Closing in immediately available funds (without deduction, set-off, withholding or counterclaim) in USD to the Seller Representative’s account with Royal Bank of Scotland; Reference: Altor Fund II GP Ltd – Invest; sort code: 16-10-28; account No. 1028-50491191 (Bic: RBOSJESX; IBAN: GB37RBOS16102850491191) or to such other account as designated by the Seller Representative.
- 4.2.2 For the purposes of Section 10, the Purchase Price shall be deemed to have been distributed among the Sellers in accordance with Appendix 4.2.2.

4.2.3 No later than three (3) Business Days prior to the Closing Date, the Seller Representative shall deliver to the Buyer a statement executed by an authorized officer of the Seller Representative containing the amount of the Closing Bank Debt, as of Closing. Should Closing be postponed due to Sections 5.3(c) or 5.5, such statement shall include an update or confirmation of the amount of Closing Bank Debt and Known Leakage.

5. Closing

5.1 Closing shall take place at the offices of Wigge & Partners Advokat KB at Birger Jarlsgatan 25 in Stockholm at 10.00 a.m. Stockholm time on 30 September 2019 (unless Closing has been postponed to a new Closing Date in accordance with Sections 5.3(c) or 5.5, the "Closing Date"), and shall be deemed to be effective as of 12:01 am on the Closing Date .

5.2 Immediately prior to Closing, the Seller Representative and the Buyer shall, unless they are aware of any Closing Deferral Event, confirm that no Closing Deferral Event is continuing. At Closing:

(a) the Buyer shall:

- (i) pay the Purchase Price in accordance with Section 4.2.1 above;
- (ii) cause shareholders' meetings (including preparing minutes and other documentation) to be held in the Group Companies at which the Buyer shall appoint new board members and auditor (as applicable) and submit the relevant documents to each relevant authority;
- (iii) procure that the relevant Group Companies repay all outstanding amounts (including e.g. interest, fees, break costs, the bank's cost and expenses etc.) as incurred by the Group Companies in relation to the Facilities Agreements in order for the Bank Pledges to be released; and
- (iv) procure that the premium under the R&W Insurance is paid and deliver to the Seller Representative documents evidencing such payment.

(a) the Sellers shall:

- (i) transfer the Shares (including the Convertible Loan and all rights thereunder) and deliver to the Buyer, against payment of the Purchase Price, the share certificates (if any) representing the Shares (other than the Convertible Loan), duly endorsed to the Buyer, together with any dividend coupons pertaining thereto;
- (ii) procure that the Buyer is entered as owner of the Shares (other than the Convertible Loan) in the share register of the Company and deliver the updated share register to the Buyer;
- (iii) ensure, if requested by the Buyer, that all board members of the Group Companies appointed by the Sellers retire from their respective offices;
- (iv) if requested by the Buyer, cause the Group Companies to issue powers of attorney, enabling the persons appointed by the Buyer to sign for and on behalf of the Group Companies until new signatories have been duly registered;
- (v) cause the Group Companies to terminate the Facilities Agreements upon Closing and procure that the Banks release the Bank Pledges, in connection with the Buyer's fulfilment of the Closing action specified in Section 5.2(a)(iii) above;
- (vi) deliver the R&W Insurance Bring Down Statement; and
- (vii) notify the Company of the transfer of the Convertible Loan and all rights thereunder to the Buyer.

The events set out in Section 5.2 shall be regarded as one transaction and all documents to be executed and delivered by the Parties at Closing shall be deemed to have been taken and executed simultaneously. Prior to consummation of all actions, no action shall be deemed consummated and the transfer of the Shares is completed once all actions have been consummated.

- 5.3** If the Sellers, on the one hand, or the Buyer, on the other hand, fails to comply with any of their respective obligations under Section 5.2, then the Sellers (in the event of a default by the Buyer) or the Buyer (in the event of a default by the Sellers) shall be entitled in its sole discretion to:
- (a) terminate this Agreement, which, however, shall not prejudice such Party's right to indemnification with respect to the defaults which have occurred and shall not affect the Surviving Provisions, which shall survive such termination;
 - (b) effect the Closing so far as is practicable which, however, shall not prejudice such Party's right to indemnification with respect to the defaults which have occurred; or
 - (c) specify a new date for the Closing, which shall be a Business Day no more than twenty (20) Business Days after the Closing Date, in which case the provisions of this Section 5.3 (except for this Section 5.3(c)) shall apply to the Closing so deferred.
- 5.4** If this Agreement is terminated pursuant to Section 5.3(a), the Parties undertake to take, and procure that the Company takes, any and all reasonable measures and give all necessary assistance to undo and achieve the reversal of any actions already undertaken pursuant to Section 5.2. To the extent required, the Parties shall engage in good faith discussions among each other to find a solution for the reversal of any actions in a manner, to the greatest extent possible, ensuring that the Parties after such reversal are in the same position as if no actions hereunder had taken place and achieving the structure that was in place prior to entering into this Agreement.
- 5.5** In the event of a Closing Deferral Event, Closing shall be postponed until the third Business Day after such Closing Deferral Event is no longer continuing.
- 5.6** The Seller Representative and the Buyer shall keep each other informed of any actual, threatened or pending OSHA Event or Antitrust Event. Each Party shall use its commercially reasonable best efforts (which shall not include any obligation to provide additional capital by any Party) to challenge, resolve, mitigate, settle or obtain waivers of any OSHA Event or Antitrust Event. In connection therewith, if any Action is instituted (or threatened to be instituted) challenging that the Transactions are in violation of any Antitrust Law, the Sellers and the Buyer shall cooperate and use its commercially reasonable efforts to contest and resist any such Action, and to have vacated, lifted, reversed, or overturned any Order, whether temporary, preliminary or permanent, that is in effect and that prohibits, prevents, or restricts consummation of the Transactions. In connection with and without limiting the foregoing, the Buyer agree to use its commercially reasonable best efforts and to take promptly commercially reasonable steps necessary to avoid or eliminate each and every impediment under any Antitrust Laws that may be asserted by any federal, state and local and non-United States antitrust or competition authority, so as to enable the parties to close the Transactions as expeditiously as possible, provided that no provision of this Agreement, shall impose an obligation on the Buyer to offer, accept, or agree to sell, license, divest (including any sale, license, divestiture, hold separate, or other disposition of any asset, relationship, contractual right, or arrangement) any material assets of the Buyer or any of the Group Companies.
- 5.7** In the event that Closing has been postponed pursuant to Section 5.5 above and the relevant Closing Deferral Event is still continuing on 30 June 2020, the Seller Representative (on its own behalf and on behalf of the Minority Sellers) and the Buyer shall be entitled, each in its sole discretion, to give written notice of termination of this Agreement with immediate effect. The Buyer and the Sellers shall not be entitled to any compensation of any kind due to the termination, except for compensation due to breach of the Agreement by a Party prior to such termination (for the avoidance of doubt, including any breach of Section 5.6) and shall not affect the Surviving Provisions, which shall survive such termination.

6. Warranties of the Sellers

- 6.1** The Buyer has, prior to the Signing Date, conducted the Due Diligence.
- 6.2** Subject to the qualifications and limitations set out herein and subject to what has been fairly disclosed to the Buyer or its Representatives in the Disclosed Information or this Agreement, the Sellers make the following Warranties (Sw. garantier) to the Buyer, all of which are made as of Signing and Closing unless otherwise explicitly stated herein.

6.3 Corporate Existence and Power

- 6.3.1 Each Seller (a) that is a legal entity warrants, on its own behalf, (i) that it is duly organized and validly existing under the laws of its jurisdiction of incorporation and (ii) that the execution by such Seller of each Transaction Document to which such Seller is a party and the consummation by such Seller of the Transactions has been duly authorised by all necessary corporate action and (b) who is a natural person, represents and warrants that such Seller is of sound mind and understands the purpose and effect of the Transaction Documents and the Transactions .
- 6.3.2 Each Seller warrants, on its own behalf, that it (i) has not initiated any negotiations with any creditors regarding its composition; (ii) is not insolvent; and (iii) has not filed (or to the actual knowledge of such Seller have had filed against it) any petition for its winding-up, company re-organisation or bankruptcy, in each case within the meaning of Applicable Law.
- 6.3.3 Each Seller warrants, on its own behalf, that the execution and delivery of, and the performance by such Seller of its obligations under, this Agreement or the completion of the Transactions, does not (for the avoidance of doubt other than pursuant to any merger or anti-trust approval): (i) result in a breach by it of Applicable Law or require it to obtain the consent of any Government Authority; (ii) result in the creation or imposition of any Encumbrance against or upon any of the equity interests or any assets or properties of any Group Company; or (ii) if such Seller is a legal entity, result in a breach of any provision of its articles of association or any other constitutional document.
- 6.3.4 Each Seller warrants, on its own behalf that it has the requisite power and authority (or, in the case of each such Seller that is a natural person, capacity) to enter into, execute and deliver each Transaction Document to which it is a party and to perform its, his, or her obligations hereunder and thereunder, including to complete the Transactions, and the Transaction Documents constitute, when executed by or on behalf of such Seller, lawful, valid and binding obligations of such Seller in accordance with their respective terms.
- 6.3.5 Each Group Company is duly incorporated or organized, validly existing, and solely with respect to the U.S. Subsidiary, is in good standing, under the laws of the applicable jurisdiction of each Group Company's incorporation or organization. Each Group Company has full corporate power and authority to own, operate or lease the properties and assets now owned, operated or leased by such Group Company and to carry on its respective business in the name manner as it is carried on the date of this Agreement. The copies of each Group Company's constitutional documents, each as amended to the Signing Date and made available to the Buyer in the Data Room, are true, complete and correct, and no amendments thereto are pending. No Group Company has filed or, to the Sellers' Knowledge, have had filed against it, any petition for winding-up, company re-organisation or bankruptcy.
- 6.3.6 Each Group Company has the corporate power and authority to enter into, execute and deliver and perform the Transaction Documents to which such Group Company is a party and to perform its obligations thereunder. The execution and delivery of the Transaction Documents to which such Group Company is a party, the performance by such Group Company of its obligations thereunder, and the consummation of the Transactions have been duly authorized by all requisite action on the part of such Group Company. The Transaction Documents to which such Group Company is a party (a) to be executed at Closing shall be, when executed, duly executed and delivered by such Group Company and (b) constitute legal, valid and binding obligations of such Group Company, enforceable against such Group Company in accordance with their respective terms.
- 6.3.7 To the Sellers' Knowledge, there is no Action or Order pending or threatened that is reasonably likely to prevent or delay the consummation of the Transactions.

6.4 Capitalisation and Title

- 6.4.1 Each Seller warrants, on its own behalf, that it owns its respective Shares, as set out opposite such Seller's name in the columns headed "Shares" in Appendix A and that such Shares are not subject to any Encumbrances which have not been (or will not be) waived or released in connection with the Transactions.
- 6.4.2 The Shares (other than the Convertible Loan) represent the entire issued share capital of the Company and the Shares are validly issued and fully paid.
- 6.4.3 There are no (a) option agreements, rights of first refusal or similar Contract which will be triggered by the Transactions or (b) voting trusts, stockholder agreements, proxies or other agreements or understandings in effect with respect to the voting, ownership or transfer of any of the Shares or equity interest of the Group Companies, which will not be waived or terminated at Closing.

- 6.4.4 Other than pursuant to the Convertible Loan, there are no outstanding arrangements or commitments which call for the issue or transfer of any shares, warrants, convertible debentures or other securities of the Company or the Subsidiaries.
- 6.4.5 The Company directly owns and has full title, free and clear from any Encumbrances which have not been (or will not be) waived or released in connection with the Transactions as listed in Appendix 6.4.5 to the equity in SiteTel Sweden AB. Other than SiteTel Sweden AB, the Company does not own, or have any interest in any equity interest directly in any other person. SiteTel Sweden AB directly owns and has full title, free and clear from any Encumbrances which have not been (or will not be) waived or released in connection with the Transactions to the equity in the U.S. Subsidiary, Sitetel Shanghai, Co. Ltd, Northstar Battery DMCC, Dubai, and NS Asia Pacific SDN BHD as listed and indicated in Appendix 6.4.5. Other than as set forth in Section 6.4.5 and Appendix 6.4.5, no Group Company owns, or has any interest in any equity interest, directly or indirectly, in any other person.
- 6.4.6 No share certificates have been issued in any Group Company except for SiteTel Sweden AB.
- 6.4.7 No Group Company (i) is involved in any negotiations with any creditors regarding its composition; (ii) is insolvent; or (iii) has filed (or to the Sellers' Knowledge, is subject to any filing against it of) any petition for its winding-up, company re-organisation or bankruptcy, in each case within the meaning of Applicable Law.

6.5 Accounts

- 6.5.1 The Accounts, as set out in Appendix 6.5.1, give a true and fair view (Sw. *rättvisande bild* (as defined in the Swedish Annual Report Act (Sw. *Årsredovisningslagen*)) of the financial position and the results of the operations, shareholders equity and cash flows of the Group Companies on a consolidated basis at the dates and for the time periods indicated and have been prepared in accordance with the Accounting Principles applied in a manner consistent with past practice for the two (2) prior audited annual accounts.
- 6.5.2 The consolidated unaudited balance sheet for the Group at 30 June, 2019 and the related statements of income for the six (6) month period then ended (the "**Interim Financial Statements**") are provided in the Data Room and attached as Appendix 6.5.2.
- 6.5.3 The Interim Financial Statements do not materially misstate the financial position and results of operations of the Group Companies at the date and for the time period indicated and have subject to normal year-end adjustments and absence of notes been prepared by the management of the Group Companies in accordance with the Accounting Principles, consistent with the Accounts. The Accounts and Interim Financial Statements were derived from the books and records of the Group Companies.
- 6.5.4 The Group Companies maintain in all material respects accurate books and records reflecting their assets and liabilities and maintain proper and adequate internal accounting and record-keeping controls that to the Sellers' Knowledge provide reasonable assurance that: (a) transactions are recorded as necessary to permit preparation of financial statements and to maintain asset accountability; (b) the recorded accounting for assets is compared with the existing assets at regular intervals and appropriate action is taken with respect to any differences; (c) accounts, notes and other receivables are recorded accurately and do not include any amounts for which there is no contractual commitment to pay; (d) accounts, notes and other receivables and inventory are recorded accurately, and proper and adequate procedures are implemented to effect the collection of accounts, notes and other receivables on a current and timely basis; and (e) the Group Companies maintain records in accordance with statutory records retention requirements, in accordance with the Accounting Principles and Applicable Law.

6.6 Accounts Receivable and Accounts Payable

- 6.6.1 All accounts receivable of the Group Companies (the "**Receivables**") have arisen from bona fide transactions in the ordinary course of business and appropriate reserves in respect thereof (other than in respect of Receivable arising after the Locked Box Date) are reflected in the Interim Financial Statements in accordance with the Accounting Principles. The amount carried for doubtful accounts and allowances disclosed in the Interim Financial Statements was calculated in all material respects in accordance with the Accounting Principles, however taking into account the purpose for which they have been prepared and that the Interim Financial Statements are not audited accounts. Since the date of the Interim Financial Statements there have not been any write-offs as uncollectible of any Receivables.

6.6.2 The accounts payable of the Group Companies (a) are properly reflected on the Interim Financial Statements in accordance with the Accounting Principles (or have arisen in the ordinary course of business since the date of the Interim Financial Statements), however taking into account the purpose for which they have been prepared and that the Interim Financial Statements are not audited accounts and (b) arose from bona fide transactions in the ordinary course of business. There are no unpaid invoices or bills representing amounts alleged to be owed by any Group Companies, or other alleged obligations of any Group Company, which any Group Company has disputed or determined to dispute or refuses to pay.

6.7 Taxes

6.7.1 All Tax Returns relating to Tax required to be filed by any Group Company during the last three (3) years have been timely filed with the appropriate Governmental Authority and such Tax Returns are true, correct and complete. True, accurate and complete copies of such Tax Returns have been provided to the Buyer in the Data Room.

6.7.2 All Tax that is due for payment by any Group Company (whether or not shown to be due on such Tax Return) has been timely paid by the relevant Group Company. All Tax required to be withheld or deducted on behalf of another person by any Group Company has been withheld or deducted by the relevant Group Company, and the relevant Group Company has duly accounted for and delivered any such withholdings or deductions to the relevant authorities, as required by Applicable Law.

6.7.3 For all Tax assessed but not yet due by any Group Company or required to be paid by Applicable Law that is attributable to any Tax period ending on or before the Balance Sheet Date (or the portion up until such date of any Tax period commencing before, but ending after, such date, calculated as if such Tax period ended on such date), appropriate and adequate reserves have been made in the Accounts.

6.7.4 For all Tax assessed but not yet due by any Group Company or required to be paid by Applicable Law that is attributable to any Tax period ending on or before the Locked Box Date (or the portion up until such date of any Tax period commencing before, but ending after, such date, calculated as if such Tax period ended on such date), in all material respects appropriate and adequate reserves have been made in the Interim Financial Statements, in accordance with and to the extent required by the Accounting Principles.

6.7.5 There are no ongoing tax audits or, to the Sellers' Knowledge, threatened with respect to any Group Company.

6.7.6 No Group Company has received in the past three (3) years a written notice from any Governmental Authority that the Group Company is required to pay Taxes or file Tax Returns in a jurisdiction in which the Group Company does not pay Taxes or file Tax Returns.

6.7.7 No Group Company is involved in or subject to any proceeding or litigation relating to any Tax and, to the Sellers' Knowledge, no investigation, proceeding or litigation relating to any Tax is threatened against any Group Company.

6.7.8 No Group Company has executed or filed with any Governmental Authority any Contract or other document extending or having the effect of extending the statute of limitations for assessment, collection or other imposition of any Tax.

6.7.9 The U.S. Subsidiary has not engaged in any transaction (a) which is a "reportable transaction", (b) which is a "listed transaction" or (c) a "significant purposes of which is the avoidance or evasion of United States federal income tax" within the meanings of Section 6662, 6662A, 6011, 6012, 6111, or 6707A of the U.S. Tax Code or Treasury Regulations promulgated thereunder or pursuant to notices or other guidance published by the Internal Revenue Service (irrespective of the effective date).

6.7.10 No Group Company is liable for Taxes of any other person as a result of successor liability, transferee liability or joint or several liability (including pursuant to Treasury Regulation Section 1.1502-6 or any similar provision of non-U.S. laws). No Group Company is a party to any Tax Sharing Agreement.

6.7.11 No Group Company will be required to include in taxable income an item of income or exclude from taxable income an item of deduction for any period after the Closing Date as a result of (a) a transaction occurring on or before the Closing Date reported as an instalment sale or open transaction or any similar doctrine; (b) any prepaid amounts paid or received on or prior to the Closing Date or any deferred revenue realized on or prior to the Closing Date; (c) a change in method of accounting or use of an improper method of accounting with respect to a period prior to Closing; or (d) an agreement entered into with any Governmental Authority on or prior to the Closing.

6.7.12 The U.S. Subsidiary has not distributed stock of another person, or had its stock distributed by another person in a transaction intended or purported to be governed, in whole or in part, by Section 355 of the U.S. Tax Code or Section 361 of the U.S. Tax Code.

6.8 Material Agreements

6.8.1 A true, correct, and complete copy of each of the following contracts in force as at the Signing Date has been provided in the Data Room (save for general terms & conditions and policies available on the internet and included in the agreements only by reference) (the “**Material Agreements**”):

- (a) any partnership agreements, joint venture agreements or other similar agreement which involves sharing of revenues, profits, losses, costs or liabilities by any Group Company with any other person;
- (b) any Contract pursuant to which a Group Company is to or has received any conditional equity or capital contribution, in each case that may involve a repayment obligation;
- (c) any agreement or commitment relating to Indebtedness in excess of USD 500,000 or pursuant to which any Group Company has assumed, guaranteed, or granted security over any of its assets for Indebtedness of any other person that is not a Group Company;
- (d) any Contract with a Material Supplier in respect of its supply of goods or services to the Business or Material Customer in respect of its purchase of goods or services from the Business, in each case with a duration in excess of two years and annual purchase or sales under such agreement in excess of USD 100,000;
- (e) any Contract that includes licensing of Intellectual Property Rights, whether as licensor or licensee, of any Intellectual Property Rights (excluding standard off-the-shelf commercial software, software shrink-wrap and click wrap licenses) with a contemplated annual consideration in excess of USD 100,000 (“**Material IP Contracts**”);
- (f) any acquisition or divestiture of any company, business or shares during the last three (3) years under which any obligations of any Group Company have not terminated or lapsed;
- (g) any Contract with another person limiting or restricting the ability of Group Company to enter into or engage in any market or line of business, in a manner that would materially adversely affect the Business;
- (h) any Contract under which a Group Company has directly or indirectly made any advance, loan, mortgage, note, bond, extension of credit or capital contribution to or for the benefit of, or other investment in, any person, in each case, other than with respect to trade receivables owing to a Group Company in the ordinary course of business;
- (i) any Contract with sales agents or marketing agents for the marketing or sale of the products or services of a Group Company, with an annual consideration to such agent in excess of USD 100,000;
- (j) any Contract containing a so-called “most favoured nation”, “take or pay”, “meets competition” or “most favoured customer” clause;
- (k) any Contract to manufacture for any third party in such third party’s name any product or component;
- (l) any sole source or exclusive supplier Contract for goods or services supplied to a Group Company;
- (m) any currency or interest rate swap, collar or hedge Contract;
- (n) any lease Contract related to any equipment, vehicle or other tangible personal property used by a Group Company in an annual amount in excess of USD 100,000;
- (o) any Contract under which a Group Company is a lessor or sublessor of, or makes available for use by any third party, any tangible personal property owned or leased by a Group Company;
- (p) any Contracts made in the last five years with respect to the purchase or sale of real property;
- (q) any Contracts with a Governmental Authority for the delivery of goods or services to such Governmental Authority with a contemplated consideration payable under such Contract in excess of USD 100,000; and

- (r) any other Contract, whether or not made in the ordinary course of business, that contemplates an exchange of consideration by or to a Group Company with an aggregate value greater than USD 1,000,000 per year and a duration in excess of two years,

6.8.2 The Material Agreements are valid and binding in accordance with their respective terms.

6.8.3 No Group Company nor, to the Sellers' Knowledge any counterparty, is in material default under any Material Agreement. No Group Company has given or been given, written notice of intention to terminate, modify, or otherwise take action that would be materially adverse to a Group Company of any Material Agreement to which it is a party (other than Huawei and Exide), and to the Sellers' Knowledge, no counterparty to any Material Agreement intends to give such written notice.

6.8.4 To the Sellers' Knowledge, no event or circumstance has occurred and is continuing that constitutes an event of default which results in or permits an early termination of any Material Agreement. No Group Company has received or sent any written notice alleging any material breach or material default under any Material Agreement.

6.8.5 Each Seller warrants on its own behalf, that no Contract in respect of any Indebtedness owed to such Seller, between such Seller, on the one hand, and any of the Group Companies, on the other, will be outstanding immediately after Closing, except for employment agreements (or agreements related thereto), director appointments and Consultancy Agreements with the Minority Sellers or other Contract which are made in the ordinary course of business.

6.9 Affiliated Transactions

There are no Contracts between the Sellers or their Affiliates, on the one hand, and the Group Companies, on the other hand that have not been entered into in the ordinary course of business and on arm's length terms.

6.10 Employees and Pensions

6.10.1 A true, correct, and complete copy of (a) each employment agreement between a Group Company and each Key Employee, as listed in Appendix 6.10.1, and (b) each Consultancy Agreement with an annual compensation paid or payable in excess of USD 100,000, in each case as of the Signing Date, has been provided in the Data Room and such agreements are valid and in force. All other employees in the Group Companies are, to the Sellers' Knowledge, employed on terms and conditions customary within the respective employer Group Company's field of business.

6.10.2 All U.S. Employees are employed on an at-will basis.

6.10.3 No Key Employee has given, or been given, written notice of termination of employment, and to the Sellers' Knowledge, no Key Employee intends to give such written notice.

6.10.4 The Group Companies have fulfilled their obligations to inform and negotiate with any trade unions during the last three (3) years. There are no, and has not been during the last three (3) years, any strikes or other labour disputes between any Group Company and any of its current or former employees or their unions. There are no such strikes or labour disputes pending, or to the Sellers' Knowledge, threatened.

6.10.5 No Group Company is liable at the Signing Date make any payment to a director or employee or former director or employee by way of damages or compensation for loss of office or employment or for redundancy or unfair or wrongful dismissal.

6.10.6 All Group Companies have at all times complied with their pension undertakings pursuant to any company pension insurance policy binding upon it or individual or collective agreements with concerned employees for such insurance policies. All pension insurance premiums required to be paid by any Group Company for the purpose of pension, retirement, health care, disability or life insurance benefits of such Group Company have been fully and timely paid and there are no debts relating to any such matter.

6.10.7 A true, correct, and complete copy of each Contract, effective as of the Signing Date, under which any Group Company is liable to make payments for providing pension, health care, disability or life insurance benefits except for such obligations which follows from Applicable Law have been provided in the Data Room.

- 6.10.8 A true, correct, and complete copy of the only incentive bonus, profit sharing, stock option plan and other incentive scheme presently in force as of the Signing Date with respect to any employee in any Group Company have been provided in the Data Room.
- 6.10.9 A true, correct, and complete copy of the only Contracts under which any employee of any Group Company is entitled to any bonus or similar benefit payable by any Group Company, solely as a result of the Transactions have been provided in the Data Room.
- 6.10.10 No Group Company is, nor has been in the last three (3) years, bound by any collective bargaining agreement and there are no pending or to the Sellers' Knowledge, threatened union representation campaigns, elections or proceedings or questions concerning union representation involving any employees of the Group Companies.
- 6.10.11 A true, correct, and complete list of each U.S. Employee Benefit Plan as of the Signing Date has been provided in the Data Room or described in the Disclosed Information. With respect to each U.S. Employee Benefit Plan as of the Signing Date, true, correct, and complete copies of the following have been provided in the Data Room: (a) where the U.S. Employee Benefit Plan has been reduced to writing, the plan document together with all amendments; (b) where the U.S. Employee Benefit Plan has not been reduced to writing, a written summary of all material plan terms; (c) if applicable, copies of any trust agreements, custodial agreements, insurance policies, administrative agreements and similar agreements, actuarial and financial statements, and investment management or investment advisory agreements; (d) copies of any summary plan descriptions, summaries of material modification, employee handbooks or similar employee communications; (e) in the case of any plan that is intended by the US Subsidiary to be qualified under U.S. Tax Code Section 401(a), a copy of the most recent determination, opinion or advisory letter from the Internal Revenue Service, and a copy of any pending request for such determination; (f) in the case of any plan for which Forms 5500 are required to be filed, a copy of the two most recently filed Forms 5500, with schedules attached; (g) any other material notices and disclosures required to be filed with a Governmental Authority within the last two (2) years; (h) a list of individuals receiving continuation coverage under Section 601 et seq. of ERISA; (i) copies of the most recent compliance testing information (including non-discrimination testing and top-heavy testing); (j) copies of any material correspondence in the past two (2) years related to any current and prior audits or inquiries by a Governmental Authority; (k) any current fidelity bond and fiduciary liability insurance policies; and (l) any filings in the past two (2) years with any Governmental Authority under any amnesty, voluntary compliance, self-correction or similar program sponsored by any Governmental Authority.
- 6.10.12 Each U.S. Employee Benefit Plan that is intended by the US Subsidiary to be qualified under U.S. Tax Code Section 401(a) has received a determination from the Internal Revenue Service that such U.S. Employee Benefit Plan is so qualified, and each trust created under a U.S. Employee Benefit Plan that is intended by the US Subsidiary to be a qualified plan has been determined by the Internal Revenue Service to be exempt from tax under the provisions of Section 501(a) of the U.S. Tax Code, or is entitled to rely upon an advisory or opinion letter or notification issued by the Internal Revenue Service with respect to the form of such plan and trust, and, to Sellers' Knowledge, nothing has occurred since the date of such determination that could reasonably be expected to adversely affect the qualified status of any such U.S. Employee Benefit Plan.
- 6.10.13 Each U.S. Employee Benefit Plan, including any associated trust or fund, has been administered in all material respects in accordance with the terms of such U.S. Employee Benefit Plan, and complies, in all material respects, in both form and operation with all requirements of the U.S. Tax Code, ERISA, the U.S. Patient Protection and Affordable Care Act, as amended and as applicable, and all other Applicable Laws, and, to the Sellers' Knowledge, nothing has occurred with respect to any U.S. Employee Benefit Plan that has subjected any Group Company to (a) a penalty or other liability under Section 502 of ERISA; (b) a material excise tax under the U.S. Tax Code; (c) liability to the U.S. Pension Benefit Guaranty Corporation (other than premium payments); (d) liability for a material non-exempt prohibited transaction under U.S. Tax Code Section 4975 or Section 406 of ERISA; or (e) any tax penalty under U.S. Tax Code Section 4980H, except such occurrence as would not have a Material Adverse Effect. Each U.S. Employee Benefit Plan that is a qualified defined contribution plan meets, in all material respects, the document and disclosure requirements for and is an ERISA Section 404(c) Plan within the meaning of the applicable U.S. Department of Labor regulations.
- 6.10.14 All required contributions to, and premium payments on account of, each U.S. Employee Benefit Plan have been made on a timely basis in accordance with ERISA and the U.S. Tax Code.
- 6.10.15 There is, to the Sellers' Knowledge no pending or threatened Action relating to a U.S. Employee Benefit Plan, other than routine claims in the ordinary course of business for benefits provided by U.S. Employee Benefit Plans. No U.S. Employee Benefit Plan is, or, within the past two (2) years, has been the subject of an examination or audit by a Governmental Authority.

- 6.10.16 Except as required under Section 601 et seq. of ERISA and Section 4980B of the U.S. Tax Code or other Applicable Law, no U.S. Employee Benefit Plan provides benefits or coverage in the nature of medical, health, life or disability insurance following retirement or other termination of employment. No Group Company, nor any other person that would be considered a single employer with a Group Company under Section 414(b) or (c) of the U.S. Tax Code or ERISA, has during the last two (2) years sponsored, maintained, participated in, had an obligation to contribute or contributed to, a plan subject to Title IV of ERISA or U.S. Tax Code Section 412, including any “multiemployer plan” as defined in Section 4001(a)(8) of ERISA, or any “multiple employer welfare arrangement” within the meaning of Section 3(40) of ERISA.
- 6.10.17 Each U.S. Employee Benefit Plan that constitutes a “nonqualified deferred compensation plan” (as defined in Section 409A(d)(1) of the U.S. Tax Code and regulations) that is subject to Section 409A of the U.S. Tax Code complies in all material respects with and has been administered in all material respects in compliance with the requirements of Section 409A of the U.S. Tax Code and regulations (including notices, rulings, and proposed and final regulations) promulgated thereunder. No Group Company has any obligation to gross up, indemnify or otherwise reimburse any individual for any excise taxes, interest or penalties incurred under Section 409A of the U.S. Tax Code.
- 6.10.18 The Group Companies are now and have during the last three (3) years been in compliance in all material respects with all Applicable Laws pertaining to employment and employment practices to the extent they relate to the Group Companies’ employees and applicants for employment, including all laws relating to labour relations, equal employment opportunities, fair employment practices, employment discrimination, harassment, retaliation, reasonable accommodation, disability rights or benefits, immigration, wages, hours, overtime compensation, child labour, hiring, promotion and termination of employees, working conditions, meal and break periods, privacy, health and safety, workers’ compensation, leaves of absence and unemployment insurance. All individuals characterized and treated by the Group Companies as consultants or independent contractors are, to the Sellers’ Knowledge, properly classified as independent contractors under Applicable Laws. All U.S. Employees are classified as exempt under the Fair Labour Standards Act and state and local wage and hour laws are, to the Sellers’ Knowledge, properly classified. To the Sellers’ Knowledge, there are no Actions pending or threatened in writing to be brought or filed against any of the Group Companies by or with any court, Governmental Authority or arbitrator in connection with the employment of any current or former applicant, employee, consultant or independent contractor of the Group Companies, including, without limitation, any claim relating to unfair labour practices, labour grievances, employment discrimination, harassment, retaliation, equal pay, wages and hours or any other employment related matter arising under Applicable Law.
- 6.10.19 A true, correct and complete list as at the date indicated therein of each current employee of each Group Company, including the following information, to the extent applicable and permitted to be disclosed under Applicable Law: (i) date(s) of hire or engagement by the Group Company, (ii) position and title (if any), (iii) current rate of compensation (including bonuses, commissions and incentive compensation, if any), (iv) job designation (i.e., salaried or hourly and full-time or part-time), (v) the number of accrued vacation days, (vi) employment status (i.e., active or on leave) and, if applicable, the anticipated date of return to active employment, and (vii) which Group Company each such employee is employed by or contracted with, has been provided in the Data Room.
- 6.10.20 Other than pursuant to Applicable Law, no Employee is entitled to payment for any accrued and unpaid sick pay entitlement.

6.11 Environment

The Group Companies comply with and have for the last three (3) years complied in all material respects with all Environmental Laws and no Group Company has received written notice of any judicial or administrative proceedings or investigations against it in relation to Environmental Laws. There are no locations or premises within any real property now or previously owned leased or operated by the Group Companies where there in the last two (2) years has been a Release by a Group Company in violation of Environmental Law that (a) requires any material action pursuant to any Environmental Law or any Contract entered into with any other person or (b) has resulted in or would reasonably be expected to result in any material liability under any Environmental Law. The Group Companies have not in the last two (2) years given any release or waiver of liability that would waive or impair any claim based on the presence of Hazardous Substances in, on or under any real property against any person, including against a previous owner of any real property or against any person who may be potentially responsible for the presence of Hazardous Substances in, on or under any such real property. No Hazardous Substances have during the last two (2) years been spilled, disposed, stored, discharged or released by a Group Company at real property now or previously owned leased or operated by the Group Companies except in compliance in all material respects with Environmental Laws, and there are to the Sellers’ Knowledge no Hazardous Substances in, on, under, emanating from, or migrating from or onto any portion of any real property now or previously owned leased or operated by the Group Companies that has resulted in contamination in excess of applicable federal, state or local limits or requires material remediation under any Environmental Law. No underground storage tanks are located at any real property currently

owned or operated by Group Companies. True, complete, and correct copies of all material reports, investigations, audits, and inspections during the last two (2) years pertaining or relating to Hazardous Substances in connection with any real property now or previously owned or operated by the Group Companies have been provided in the Data Room. The Group Companies are in all material respects in compliance with the European Union's Registration, Evaluation and Authorization of Chemicals (REACH) Directive. The Group Companies are in all material respects in compliance with the Directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment 2002/95/EC (RoHS). The Group Companies have not during the last two (2) years received any written notice that any real property currently owned or operated is listed or is proposed for listing on the National Priorities List pursuant to Comprehensive Environmental Response, Compensation, and Liability Act, the Comprehensive Environmental Response, Compensation and Liability Information System List, any registry of contaminated land sites or on any similar list of sites in any jurisdiction requiring investigation or clean-up, and no Encumbrances have been filed against either the personal or real property of the Group Companies under any Environmental Law or Order issued with respect thereto. The Group Companies are to the Sellers' Knowledge not aware of any current or proposed requirements under Environmental Law (including pursuant to any notices or letters from any Governmental Authority) which would require material capital expenditures in the next twelve (12) months which are not shown on the Interim Financial Statements, other than such capital expenditures as may be required pursuant to the OSHA Notice; substantially in line with the amounts set out in the Capex Plan or otherwise described in the Disclosed Information, or which would not result in a material effect.

6.12 Real Property

- 6.12.1 A list of all real property owned by any Group Company has been provided in the Data Room (individually, an “**Owned Property**” and collectively, the “**Owned Properties**”).
- 6.12.2 The applicable Group Company has good, marketable and insurable title to each Owned Property, free and clear of all material Encumbrances except as fairly disclosed in the Data Room. No Group Company has granted any outstanding options, rights of first offer or rights of first refusal to purchase any Owned Property or any portion thereof or interest therein in favour of any person.
- 6.12.3 No Group Company has leased or otherwise granted to any person the right to use or occupy any portion of any Owned Property other than customary easements and similar rights.
- 6.12.4 There are no eminent domain, condemnation or other similar proceedings pending or, to the Sellers' Knowledge, threatened against or otherwise affecting any portion of an Owned Property, and no Group Company has received any written notice of the same. The current use of each Owned Property in the conduct of business does not violate in any material respects any instrument of record or agreement affecting an Owned Property, and to the Sellers' Knowledge there is no material violation of any covenant, condition, restriction, easement or Order of any Governmental Authority having jurisdiction over any Owned Property or the use or occupancy thereof.
- 6.12.5 To Sellers' Knowledge, each Owned Property is in all material respects in compliance with all applicable building, zoning, subdivision, health and safety and other land use and similar Applicable Laws affecting the Owned Property, and no Group Company has received (a) any written notice of any material violation or claimed material violation by any of them of any such laws with respect to any Owned Property which have not been resolved; or (b) any written notice of proposed or threatened proceedings to change or redefine the zoning classification or other governmental restrictions applicable to any Owned Property.
- 6.12.6 To Sellers' Knowledge, (a) there are no proposed special assessments, or proposed material changes in property tax or land use affecting the Owned Property; and (b) the Owned Property is not subject to any so-called “recapture agreement” involving any refund or any payment for sewer extension, oversizing utility, road services or contiguity agreement, lighting or like expense or charge.
- 6.12.7 Each Owned Property and the improvements located on each Owned Property, are reasonably adequate to service the normal operations of the relevant Group Company at each Owned Property as conducted in the last twelve (12) months and, all Permits required to carry out the normal operation of each Owned Property substantially as operated in the last twelve (12) months have been obtained and are in full force and effect.

6.12.8 A true, correct, and complete copy of all Contracts for real property leased, occupied or subleased by any Group Company (save for lease agreements entered into by Group Companies other than the Company, Sitetel Sweden AB and the US Subsidiary, that are not material to the Group), (the “**Leased Real Property**”) (the contracts pursuant to which such Leased Real Property is leased being the “**Leases**”) has been provided in the Data Room. With respect to the Leases and any other agreement pertaining to the Leased Real Property, no Group Company, nor to the Sellers’ Knowledge any counterparty is in material breach of any of the Leases. Each Lease to which a Group Company is a party (a) is a legal and binding obligation of such Group Company, and, to the Sellers’ Knowledge each counterparty thereto and (b) is in full force and effect, enforceable against the Group Company and, to the Sellers’ Knowledge, the counterparty thereto, in accordance with the terms thereof. No Group Company has sublet, assigned, encumbered or hypothecated any leasehold interest in any of the Leases.

6.12.9 No written notice of breach or termination has been sent or received or is, to the Sellers’ Knowledge, threatened, in respect of any Lease.

6.13 Personal Property and Sufficiency of Assets

6.13.1 The Group Companies have good and marketable title to, or a valid leasehold interest in, all tangible assets and properties that (a) are reflected on the Accounts or (b) were acquired since the Balance Sheet Date (the “**Personal Property**”), except in each case for assets and properties disposed of since the Balance Sheet Date.

6.13.2 The Personal Property together with its intangible assets and any assets, services or rights available to the relevant Group Company under valid leases, licenses or service agreements or similar arrangements, is in all material respects sufficient for the conduct of the business of the Group Companies as currently conducted.

6.13.3 The Group Companies own or have valid rights to and, at the Closing will own or have valid rights to, all of the assets (including Intellectual Property Rights), rights, properties and services that are necessary to operate the business of the Group Companies immediately after the Closing Date substantially in the manner as it is being conducted by the Group Companies as of the Signing Date and as of immediately prior to the Closing.

6.14 Litigation of the Group Companies

6.14.1 No Group Company is engaged in or is a party to any material Action. To the Sellers’ Knowledge, no material Action by or against a Group Company is expected or threatened in writing. During the last two (2) years there have been no material Actions against a Group Company. During the last two (2) years, no Group Company has initiated, or threatened to initiate, any material Action against another person. No Group Company is subject to any outstanding material adverse Order.

6.14.2 There is no Action or Order pending or, to the Sellers’ Knowledge, threatened, against or affecting such Seller or any of their respective Affiliates that is reasonably likely to delay or prevent the consummation of the Transactions (including any Action that questions the legality or propriety of the Transactions or that could reasonably be expected to enjoin, prevent, hinder, alter or delay the consummation of any of the Transactions).

6.15 Compliance with Law and Permits

6.15.1 A true, correct, and complete copy of the Group Companies’ material Permits have been provided in the Data Room, each such Permit is valid and in full force and effect, and no such Permit has been revoked.

6.15.2 Each Group Company holds all material Permits necessary to conduct the business as conducted by such Group Company on the Signing Date or that are necessary to entitle such Group Company to own or lease, operate and use its assets as currently owned, leased, operated or used. No loss, revocation, termination or similar action with respect to any material Permit held by a Group Company is pending or, to the Sellers’ Knowledge, has been threatened by a Governmental Authority, except for normal expirations in accordance with the terms thereof or Applicable Laws with respect to which the Group Companies have applied, or will timely apply, for renewals or replacements. Each Group Company is, and for the last three (3) years has been, in compliance with the terms and conditions of all material Permits held by them in all material respects. To the Seller’s Knowledge, none of the material Permits held by the Group Companies will (a) be terminated or impaired or become terminable as a result of the Transactions or (b) require any change in the terms or conditions of any such Permits as a result of the Transactions.

- 6.15.3 The Group Companies comply with and have during the previous three (3) years, complied in all material respects with all Applicable Law. During the last three (3) years, no Group Company has (a) been charged with or been under formal investigation by any Governmental Authority with respect to, a material violation of any Applicable Law, and (b) received any written communication from any Governmental Authority or any other person regarding any actual or alleged material violation of, or failure to comply in any material respect with, any Applicable Law and no Governmental Authority has indicated to any Group Company in writing that it intends to initiate an material Action against a Group Company asserting that the Group Company is not in compliance in all material respects with any Applicable Law.
- 6.15.4 To the Sellers' Knowledge, each Group Company has the right under Applicable Law to carry on its respective business in all material respects as it has been during the last three (3) years and is currently conducted.
- 6.15.5 Each Group Company is duly licensed or qualified to do business as a foreign corporation under the laws of each other jurisdiction in which its properties or the transactions of the business by any Group Company makes such license or qualification necessary, except where the failure to be so licensed or qualified could not reasonably be expected to have a Material Adverse Effect.

6.16 Intellectual Property and IT

- 6.16.1 Appendix 6.16.1 sets forth a complete and correct list of (a) each issuance, registration or application for Intellectual Property Rights held by a Group Company used in the Business as currently conducted on the Signing Date, including identification of the Group Company holding such rights (the "**Registered Group Company IP**"). The Group holds, either by ownership or valid licences all Intellectual Property Rights required to conduct the Business as currently conducted on the Signing Date. No Registered Group Company IP is the subject to any judgment or to the Sellers' Knowledge any pending threats, notice, claim, dispute, challenge, opposition, cancellation or nullity proceeding, involving the ownership, validity or enforceability of any Registered Group Company IP. None of the Group Companies has received any written claim or demand, and there is no claim, action, suit, or other proceeding pending or to the Sellers' Knowledge threatened challenging the validity of, or such entity's ownership of or right to use, any Registered Group Company IP.
- 6.16.2 The Group Companies are the sole owners of all right, title and interest in and to the Registered Group Company IP in each case, free and clear of any Encumbrances that will not be released in connection with the Transactions, and have a valid and enforceable right to use all other material Intellectual Property Rights used in or necessary for the conduct of the business of the Group Companies as currently conducted. The registrations for all Registered Group Company IP are valid, subsisting in accordance with Applicable Law and are not withdrawn, cancelled or abandoned.
- 6.16.3 The Group Companies do not jointly, license, or claim any right, title or interest with any other person of any Intellectual Property Rights owned by or purported to be owned by the Group Companies.
- 6.16.4 No Group Company is infringing the Intellectual Property Rights of any other person nor is to the Sellers Knowledge any third party infringing the Intellectual Property Rights of any Group Company. No Group Company has made or intends to make any claim against any third party regarding the use of Intellectual Property Rights owned or held by any of the Group Companies and there is no ongoing claim or to the Sellers Knowledge threatened claim against any Group Company relating to Intellectual Property Rights of any other person which relates to the misuse of Intellectual Property Rights by any Group Company.
- 6.16.5 The Group Companies have paid all application and renewal fees relating to the Registered Group Company IP that have become due. The Group Companies, and to the Sellers' Knowledge, their agents, and their patent counsel have materially complied with any duty of candour and disclosure to the patent office in the relevant jurisdiction with respect to all patents and patent applications and have made no material misrepresentations in connection with the prosecution or maintenance of any patent or patent application.
- 6.16.6 Each Group Company has taken, and currently takes, commercially reasonable measures to protect and maintain the value, confidentiality, and security, of the trade secrets and all other confidential and proprietary information owned by the Group Companies. To the Sellers' Knowledge, no current or former consultant or independent contractor is in violation of any confidentiality obligation owed to any Group Company.

- 6.16.7 Appendix 6.16.7 includes a complete and correct list of all material proprietary software developed by or for the Group Companies and not commercially available from third party vendors that is currently used in or related to the business of the Group Companies as currently conducted as per the Signing Date (collectively, the “**Material Software**”). None of the Group Companies has during the last two (2) years received written notice alleging that the use of any material software (including Material Software) by any of the Group Companies is in violation or breach of any Open License Terms or any terms and conditions of the licenses associated with the Third Party Software components. The Group Companies, as applicable, are in actual possession of and have ownership, possession, and control over a complete and correct copy of all Source Code and Object Code, for all Material Software. None of the Material Software owned by the Group Companies is designed to intentionally cause (a) disruption of the operation of, or disabling of, the operation of the code, (b) facilitation of unauthorized access by any other person or the dissemination of any confidential information or Personal Data to any unauthorized person, or (c) damage to any other software or hardware or person.
- 6.16.8 The Sellers have made available to the Buyer in the Data Room, true, complete and correct copies of, all Material IP Contracts. No Group Company nor, to the Sellers’ Knowledge, any counterparty, is in material default under any of the Material IP Contracts. No Group Company has given, or been given, written notice of a breach of or termination of any Material IP Contract, and to the Sellers’ Knowledge no counterparty to any such Material IP Contract intends to give such written notice.
- 6.16.9 The Group Companies have the rights, either by ownership or under valid licenses or other agreements, to all material information technology systems (including software and hardware) used in connection with the operation of the Business as conducted on the Signing Date (the “IT Systems”). All IT Systems owned by or leased or licensed by or for the Group Companies, and used in connection with, the business of the Group Companies are in reasonable working order and to the Sellers’ Knowledge in all material respects sufficient for the conduct of the business of the Group Companies as currently conducted on the Signing Date. At Closing, the Buyer will have all ownership or lease or license rights or other rights of use to all IT Systems that are required for the conduct of the business of the Group Companies in all material respects as currently conducted on the Signing Date.
- 6.16.10 The Group Companies have taken commercially reasonable steps and implemented commercially reasonable security, disaster recovery, and business continuity procedures and plans, in each case consistent in all material respects with Cybersecurity Requirements, to protect the IT Systems from unauthorized access and the integrity of all Data stored therein (including all trade secrets, confidential and proprietary information and personal information). To the Sellers’ Knowledge, there have been no unauthorized intrusions or breaches of or theft from the security of the IT Systems.
- 6.16.11 The Group Companies have rights to use as currently used on the Signing Date all databases, datasets and Data used in or necessary for the conduct of the business of the Group Companies. There has been no material disruption to the commercial or operational activities of the Group (including performance reductions or breakdowns) or, to the Sellers’ Knowledge, losses of data which has had (or is having) a Material Adverse Effect on the Business and which has been caused by any failure or breakdown of the IT Systems.

6.17 Data Privacy

- 6.17.1 Each Group Company has (a) collected, stored and processed all Personal Data to which it has had access in compliance in all material respects with all Data Protection Laws, and (b) filed all material notifications with the relevant Governmental Authority with regard to all Personal Data that it holds or processes required by Data Protection Laws.
- 6.17.1 There has been no disclosure of Personal Data by any Group Company in material breach of any Data Protection Law.
- 6.17.2 To the Sellers’ Knowledge, no Group Company has suffered any Data Breach or received written notice that a Data Breach affecting any Personal Data held by or on behalf of the Company has occurred.
- 6.17.3 No Group Company has received any written notice that it has committed any material breach of or failed to observe or perform in any material respect any provision of any Data Protection Law and, to the Sellers’ Knowledge, there are no circumstances which may give rise to the giving of any such notice.
- 6.17.4 Each Group Company has in place information security policies and systems reasonably sufficient for the protection the Personal Data held by the Group Companies which are enforced and enable the Group Companies to comply with Data Protection Law.

6.18 Insurance

- 6.18.1 A true, correct, and complete copy of all material insurance policies held by, or for the benefit of, any Group Company have been provided in the Data Room. All such policies are in full force and effect in accordance with their terms.
- 6.18.2 The relevant Group Companies have timely paid the premiums of such insurance policies in accordance with their terms and, to the Sellers' Knowledge, no circumstances have arisen which would render any of the policies void or unenforceable.
- 6.18.3 No written notice of cancellation or termination has been received by a Group Company with respect to any Group Company insurance policy and no Group Company is in default in any material respect with respect to any provision contained in any Group Company insurance policy.
- 6.18.4 No Group Company has any pending insurance material claim, or has had any material insurance claims during the last two (2) years, and to the Sellers' Knowledge, no facts or circumstances exist which are reasonably likely to give rise to a material claim under any of the Group Companies' insurance policies.
- 6.18.5 No Group Company has reached or exceeded its policy limits for any insurance policies in effect. For the last two (2) years, no insurer under any such policy has cancelled or generally disclaimed liability or indicated in writing any intent to do so or not renew any material insurance policy or bond covering the Group Companies.

6.19 Ethical Practices and Anti-Corruption Laws

- 6.19.1 No Group Company has at any time during the last three (3) years done anything in material breach of any Anti-Corruption Law.
- 6.19.2 No Group Company has offered or given, directly or indirectly, anything of value (including facilitating or "grease" payments) to (a) any Public Official, (b) any political party or political party official, or any candidate for political office, or (c) to any intermediary or other person while knowing or being aware of a high probability that all or a portion of such money or thing of value may be offered, given or promised, directly or indirectly, to any such person, in each such case as known or reasonably suspected to either (a) induce or influence the person to perform a function or duty improperly, or (b) reward the person for the improper performance of such a function or duty, or (c) induce the person improperly to use his, her or its influence with any Governmental Authority to affect or influence any act or decision of such Governmental Authority for the benefit of a Group Company, or (d) improperly secure any business advantage for a Group Company or otherwise in order to improperly assist a Group Company in obtaining or retaining business, or (e) constitute a bribe, illegal kickback or illegal payment.
- 6.19.3 Each Group Company has maintained and operated policies and procedures adequate to prevent a breach of any Anti-Corruption Law by any of its directors, officers or employees, maintained and operated reasonable financial controls to detect and prevent any payment or gift by any of its directors, officers or employees in breach of any Anti-Corruption Law.
- 6.19.4 No Group Company has for the last three (3) years received any written notice of any investigation of any conduct of any of its directors, officers or employees in connection with any breach of Anti-Corruption Law.

6.20 Ordinary Course and Absence of Certain Events

- 6.20.1 The Business has been carried out in the ordinary course of business as a going concern between the Locked-Box Date and the Signing Date. Between the Locked-Box Date and the Signing Date no Group Company has:
- (a) (i) accelerated, terminated, materially modified or cancelled any Material Agreement to which any Group Company is a party or by which it is bound, or (ii) entered into any new Material Agreement;
 - (b) terminated or materially changed, adopted, amended or modified any (i) employment, severance, retention or other agreement with any current Key Employee; or (ii) U.S. Employee Benefit Plans;
 - (c) (i) granted any material bonuses, whether monetary or otherwise, or materially increased any wages, salary, severance, pension or other compensation or benefits in respect of its current or former employees, officers, directors, independent contractors or consultants, other than customary increases in the ordinary course of business, as provided for in any written agreements or required by Applicable Law, (ii) changed the terms of employment for any Key Employee, or (iii) taken any action to accelerate the vesting or payment of any compensation or benefit for any current or former employee, officer, director, independent contractor or consultant;

- (d) instituted any material Action or settled or waived any material Action or right other than in relation to the collection of trade debts, in the ordinary course of business or as instructed by its respective insurance providers;
- (e) issued, sold or otherwise disposed of any equity interests or granted any options, warrants or other rights to purchase or obtain (including upon conversion, exchange or exercise) any equity interest in any Group Company;
- (f) materially changed any method of accounting or accounting practice of the Company, except as required by Applicable Law or as disclosed in the notes to the Accounts;
- (g) materially changed any Group Company's cash management practices and their respective policies, practices and procedures with respect to collection of accounts receivable, establishment of reserves for uncollectible accounts, accrual of accounts receivable, prepayment of expenses, payment of trade accounts payable, accrual of other expenses, deferral of revenue and acceptance of customer deposits;
- (h) incurred, assumed or guaranteed any financial indebtedness, except in the ordinary course of business or pursuant to utilisations under the Facilities Agreements;
- (i) adopted any plan of merger, consolidation, reorganization, liquidation or dissolution or filed a petition in bankruptcy under any provisions of Applicable Law regarding bankruptcy or consented to the filing of any bankruptcy petition against it under any similar Applicable Law;
- (j) made any capital investment in, or granted any loan to, any other person (other than another Group Company) in excess of USD 250,000;
- (k) made any material capital expenditures in excess of USD 250,000 or reasonably required to carry out any requests by any Governmental Authority (including the outstanding OSHA notice fairly disclosed in the Disclosed Information (the "**OSHA Notice**")) or in respect of amounts in line with the capex plan included in the business plan provided in the Disclosed Information (the "**Capex Plan**");
- (l) revoked, or carried out an early termination of any material Permit;
- (m) granted any material Encumbrance upon any of the properties, equity interest or assets, tangible or intangible of any Group Company other than in the ordinary course of business;
- (n) entered into a new line of business or abandoned or discontinued an existing line of business;
- (o) carried out any action to make, change or rescind any Tax election or amend any Tax Return;
- (p) entered into any Contract to do any of the foregoing.

6.21 Customers and Suppliers

6.21.1 Appendix 6.21 sets forth (i) a true, correct, and complete list of the ten (10) largest customers of the Group (by revenue) during the 12 month period ending on 30 June 2019 (each a "**Material Customer**") and (ii) a true and correct list of the ten (10) largest suppliers of the Group in terms of purchases during the 12 month period ending on 30 June 2019 (each a "**Material Supplier**"). No Material Customer (other than Huawei and Exide) or Material Supplier (other than Seitek) has ceased, failed to renew or materially altered its relationship with a Group Company or to the Sellers Knowledge has threatened to cease or materially alter such relationship. No Material Customer (other than Huawei and Exide) has notified a Group Company in writing that it intends to stop, or materially decrease the rate of, buying products and services from the Group Companies. No Material Supplier (other than Seitek) has notified a Group Company in writing that it intends to stop, or materially decrease the rate of, supplying materials, products or services to the Group Companies.

6.22 Warranties and Liabilities

6.22.1 Taken as a whole, there has during the last three (3) years not been any material defects in design, materials or workmanship with respect to products fabricated, modified, applied, sold or otherwise delivered or services performed by or on behalf of a Group Company, materially in excess of the standard in the relevant market in which the Group operates and for which adequate reserves have not been made in the Interim Financial Statements.

- 6.22.2 No product sold or otherwise delivered by or on behalf of a Group Company has during the last two (2) years been the subject of any general (as opposed to certain individual products or batch of products) recall, post-sale notice or warning or similar action instituted by any Governmental Authority or as a result of any requirement of Applicable Law or undertaken by a Group Company on a voluntary basis or upon a customer request, and to the Sellers' Knowledge, no such general (as opposed to certain individual products or batch of products) post-sale notice or warning or recall is threatened.
- 6.22.3 No product sold, leased or delivered and no service performed by or on behalf of a Group Company is subject to any guaranty, warranty or other indemnity entered into by a Group Company, except for the applicable terms and conditions of sale, lease or service entered into in the ordinary course of business.
- 6.22.4 Taken as a whole, no products have been sold, leased or delivered, and no services have been performed with the benefit of any guarantee or warranty that is materially more beneficial to the customer or end-user than the guarantees and warranties generally provided by either the Group Companies for comparable products or other suppliers of comparable products in comparable circumstances, for which adequate reserves have not been made in the Interim Financial Statements.
- 6.22.5 There is no pending (or, to the Sellers' Knowledge, threatened) Action alleging any material liability or obligation (whether or not covered by insurance) of any of the Group Companies as a result of any defect or other deficiency with respect to any product fabricated, modified, applied, sold or otherwise delivered or any service performed by or on behalf of a Group Company materially in excess of the reserves made in the consolidated annual accounts of the Group. For the Group's production taken as a whole, the Group Companies are, and for the past three (3) years have been, in compliance in all material respects with all applicable legal design or safety standards relating to the products and services sold or offered for sale by the Group Companies.

6.23 Broker and Professional Fees

No Group Company has incurred or become liable for any broker's commission, finder's fee or other similar fees relating to the Transactions (for the avoidance of doubt excluding any legal fees payable to Wigge & Partners Advokat KB for legal advice to the Group unrelated to the Transactions).

6.24 Bank Accounts.

A true, correct, and complete list of the names and locations of all banks, trust companies, savings and loan associations and other financial institutions at which the any Group Company maintains accounts of any nature (or at which an account is maintained to which the any Group Company has access or as to which deposits are made on behalf of any Group Company) have been provided to the Buyer in the Data Room.

6.25 Information

- 6.25.1 The material in the Data Room has been compiled and prepared in good faith with the aim that these documents should in all material respects give a fair representation of the Group Companies' business. To the Sellers' Knowledge, the information provided in the Data Room is in all material respects true, accurate and not misleading.
- 6.25.2 The warranty set out in Section 6.25.1 above, does not extend to cover the documents in the folders "Transaction Documents" and "Information".

6.26 No other Warranties

- 6.26.1 The Buyer agrees that the Sellers have not made, and the Buyer has not relied on any, express or implied representation or warranty other than the Warranties and no action or omission by the Sellers or any of the Group Companies shall be construed as implying any representation or warranty and the Buyer shall consequently not be able to make any claim not relating to the Warranties, e.g. if the Shares should fail to meet the Buyer's expectations in any other respect.
- 6.26.2 No Warranty shall be construed as extending to the accuracy of any forecasts, financial projections or other forward-looking statements provided to the Buyer or its Representatives

7. Covenants of the Sellers and Leakage

7.1 Conduct of Business

7.1.1 Subject to Section 7.1.2 and Applicable Law, between the Signing Date and the Closing Date, the Sellers shall procure that the business of the Group is conducted in the ordinary course of business and in the best interest of the Group Companies as a going concern. The Sellers shall procure that no Group Company, without the prior consent of the Buyer, shall:

- (a) terminate or agree to amend the terms of any Material Agreement to the extent that it would have a Material Adverse Effect;
- (b) terminate, or materially change the terms of employment of any of the Key Employees;
- (c) materially increase the rates of compensation (including bonuses) to the employees of the Group Companies, except pursuant to prior agreements or which otherwise is made in the ordinary course of business;
- (d) institute any material litigation, arbitration or settle or waive any material claim or right other than in relation to the collection of trade debts, in the ordinary course of business or as instructed by its insurance providers;
- (e) amend any constitutional documents (other than as required to carry out a conversion of the Convertible Loan into shares in the Company);
- (f) split, combine or reclassify any Shares or equity interest of any Subsidiary;
- (g) declare or pay any dividends or distributions on or in respect of any equity interests in the Company or redeem, purchase or acquire any equity interests in the Company;
- (h) acquire by merger or consolidation, or by purchase of a substantial portion of the assets or stock of, or by any other manner, any business or any person or any division thereof, except for purchases in the ordinary course of business;
- (i) carry out any material capital expenditures in excess of USD 250,000 or reasonably required to carry out any requests by any Governmental Authority (including the OSHA Notice) or in respect of amounts in line with the Capex Plan;
- (j) transfer, assign or grant a new license or sublicense of any rights under or with respect to any Registered Group Company IP (including Material Software) or Material IP Contracts; or
- (k) agree or commit to do any of the foregoing.

7.1.2 Section 7.1.1 shall not apply in respect of:

- (a) any act or omission which is reasonably necessary in order to comply with Applicable Law;
- (b) any act or omission in accordance with any request or consent from the Buyer after the Signing Date or as a result of any consent unreasonably withheld, delayed or conditioned by the Buyer;
- (c) any act or omission which is reasonably necessary to discharge any obligation pursuant to any Contract or Permit;
- (d) any act or omission by a Group Company in an emergency or other extraordinary situation with the intention of minimising any adverse effect thereof;
- (e) any conversion of the Convertible Loan into shares in the Company and any steps taken in order to carry out such conversion (including any reduction and subsequent increase of the share capital of the Company to facilitate the conversion); or
- (f) any matter provided for in this Agreement or which is fairly disclosed in the Disclosed Information not later than 24 hours prior to Signing.

7.2 Leakage

7.2.1 Provided that Closing has occurred, each Seller undertakes to pay an amount to the Buyer in cash equal to the value or amount of:

- (a) any Leakage received by such Seller or any of its Affiliates; and
- (b) its pro rata portion in relation to the proceeds distributed to each Seller in accordance with Appendix 4.2.2, of any Leakage which is not covered by Section 7.1.1(a)

in each case less the amount of any Known Leakage which has already reduced the Purchase Price in accordance with Section 4.1(b) but otherwise without any deduction or set-off whatsoever.

- 7.2.2 None of the provisions of Section 10.3 shall apply to a Leakage Claim, provided however that each Seller's liability is individual, i.e. the Sellers' liability shall not be joint, save that in respect of a Leakage Claim under Section 7.2.1(b), Altor shall be jointly liable together with the Minority Sellers, other than Kaupthing, but no Minority Seller shall be jointly liable together with any other Seller.
- 7.2.3 The liability of each of the Sellers for Leakage Claims shall terminate twelve months following Closing except in relation to any Leakage Claim of which notice has previously been given to the Sellers.
- 7.2.4 Notwithstanding the provisions of Section 7.2.3, nothing in this Agreement shall have the effect of limiting, restricting or excluding the liability of a Seller in respect of a Leakage Claim arising as a result of its or his or her own fraud.
- 7.2.5 In the event that the Sellers disputes a Leakage Claim, the Sellers shall give notice of the dispute to the Buyer stating the reasons for the dispute. If the Sellers fail to provide such notice within five Business Days of the Buyer's demand for payment, the Seller shall be deemed to have accepted the validity of the Leakage Claim. The Buyer and the Sellers shall use all reasonable efforts to resolve the dispute but if they have not resolved it within 20 Business Days of the date on which the Sellers' notice of dispute is delivered to the Buyer, either the Sellers or the Buyer may refer the dispute to any independent firm of chartered accountants (the "**Independent Expert**") on whose appointment the Buyer and the Seller shall agree or, in default of such agreement within five Business Days of any proposal for such appointment, as shall be appointed by the Stockholm Chamber of Commerce on the application of either the Sellers Representative or the Buyer. The Independent Expert shall determine only the Leakage Claim but not any dispute involving the interpretation of any provision of this Agreement.
- 7.2.6 The Independent Expert shall act as an expert and not as arbitrator, and its decision shall be final and binding in the absence of manifest error. The fees of the Independent Expert shall be borne by the Sellers and the Buyer in equal shares. If either of the Buyer or the Sellers shall fail to pay its share of such fees, the other Party may in its absolute discretion pay such fees on the defaulting Party's behalf and the defaulting Party shall immediately upon demand reimburse the Party making the payment.

7.3 Restrictive Covenants

- 7.3.1 In consideration of the purchase of the Shares, each of Altor and Kaupthing ehf (reg. no. 560882-0419) ("**Kaupthing**") undertake to the Buyer to comply fully with the provisions of this Section 7.3.
- 7.3.2 Altor and Kaupthing shall not without the prior written consent of the Buyer (which shall not be unreasonably withheld) for a period of two (2) years from Closing (a) directly or indirectly carry on a Restricted Business, within the Restricted Territory, (b) directly or indirectly (whether alone or in conjunction with or on behalf of some other person) solicit or entice away from any Group Company any of its directors or its Key Employees (who are directors or Key Employees at the time of soliciting or enticing such person) engaged in a technical, managerial, supervisory, sales or marketing capacity otherwise than as a consequence of such person responding to advertisement made to the general public advertising the position; and (c) have any business dealings with (whether alone or in conjunction with or on behalf of some other person) a supplier to any Group Company, if such dealings are carried out for the purpose of causing such supplier to cease supplying, or materially reduce its supply of goods or services to the Group.
- 7.3.3 Nothing in this Section 7.3 shall prevent Altor or Kaupthing from (a) owning or acquiring for the purposes of investment not more than ten (10) per cent of any class of shares or other securities of any undertaking, (b) owning, acquiring or participating in a business or the shares or other securities of any undertaking if that business or that undertaking's business is not competing with or attempting to compete with the business carried on by the Group as of the Closing Date, or (c) acquiring and retaining any business or the shares or other securities of any undertaking if not more than 10 per cent of that business or that undertaking's business is a Restricted Business or the sole or principal reason for doing so is not the acquisition of an interest in a Restricted Business; or (d) retaining any interest (including increasing its interest to protect its pro rata ownership) in any competing business held at Closing.

- 7.3.4 Each of Altor and Kaupthing acknowledges that it considers that each of the restrictions contained in Section 7.3 to be reasonable and are necessary for the protection of the goodwill, know how, technical and confidential information of each Group Company but if any such restriction shall be void or voidable but would be valid and enforceable if some part or parts of it were deleted, such restriction shall apply with such modification as may be necessary to make it valid and enforceable.
- 7.3.5 Without limiting any other rights or remedies that the Buyer may have, each of the Sellers acknowledges and agrees that damages alone may not be an adequate remedy for any breach of the terms of this Section 7.3 by a Seller to which such restrictions apply, and that the Buyer shall be entitled to seek remedies of injunction, specific performance or other analogous form of relief for any threatened or actual breach of this Section 7.3.

8. Warranties of the Buyer

The Buyer makes the following warranties to the Sellers.

8.1 Corporate Existence and Power

- 8.1.1 The Buyer is duly incorporated and validly existing under the laws of the jurisdiction in which the Buyer is incorporated and has the requisite power and authority to enter into and perform this Agreement and any other undertaking to be executed by the Buyer pursuant to this Agreement.
- 8.1.2 The Buyer has not filed (or has had filed against it), any petition for winding-up, company re-organisation or bankruptcy. The Buyer is not insolvent under Applicable Law nor has it made any assignment in favour of, or initiated any negotiations with respect to, a compromise or arrangement with its creditors.

8.2 Authorisation

The Transaction Documents to be executed by the Buyer or its owners pursuant to this Agreement, have been duly authorised by all necessary corporate action, and any requirements in relation to any Governmental Authority in connection with the execution of the Transaction Documents or the completion of the Transactions have been performed or obtained. This Agreement, and any other documents to be executed by the Buyer or its owners pursuant to this Agreement will, when executed, constitute valid and binding obligations of such person, enforceable in accordance with their terms.

8.3 Buyer's Knowledge

The Buyer is not aware of any material breach of a Fundamental Warranty.

8.4 R&W Insurance

The Buyer confirms that the R&W Insurer has accepted to have no claims or any recourse against any Seller in respect of a breach of the Warranties, except to the extent a Loss compensated under the R&W Insurance arises out of fraud or wilful misconduct by such Seller.

9. Covenants of the Buyer

- 9.1** The Buyer undertakes, subject to the respective auditors of the Group Companies not recommending against discharge, to procure at the next annual shareholders' meeting of each of the Group Companies that those board members of the Group Companies who have resigned on or before the Closing Date and the managing director or each Group Company (as applicable) are granted discharge from liability for their administration up and until the date of their respective resignation.
- 9.2** The Buyer shall within twenty (20) Business Days following the Closing Date register information regarding the new beneficial owner (Sw. verklig huvudman) of the Group Companies (as applicable) with the Swedish Companies Registration Office.

10. Liability

10.1 Indemnification

- 10.1.1** Subject to Section 10.2, in the event of a breach of any of the Warranties or the covenant in Section 7.1, the Buyer shall, as its sole and exclusive remedy, be entitled to a reduction of the Purchase Price with an amount corresponding to the Loss calculated on a USD-by-USD basis (i.e. not using multiples to reflect such loss impact on the Purchase Price). It is specifically agreed that the Sellers' liability in relation to the Shares is exclusively governed by the Warranties and thus no remedy whatsoever under the Sale of Goods Act (Sw. *Köplagen*) or under any other statute, law or legal principle, including the right to rescind this Agreement, shall be available to the Buyer.
- 10.1.2** The Sellers hereby waive any claim that they may have against any of the employees of the Group Companies that are not Sellers, relating to any misrepresentation, inaccuracy or omission in or from any information or advice supplied or given by that employee for the purpose of assisting the Sellers to give any of the Warranties or to negotiate and prepare this Agreement. The Sellers agree that such employee may enforce the benefit of the provisions of this Section 10.1.2 in his or her or its own name whether or not the Buyer is a party to the proceedings.

10.2 R&W Insurance

- 10.2.1** The Buyer has entered into a representations & warranties insurance in the name of the Buyer in respect of the Warranties with an insurance limit of USD 25,000,000 and an insurance retention in an amount of USD 1,000,000 (if such amount is reached, any amount exceeding USD 500,000 shall be payable by the R&W Insurer) and on the further terms and conditions set forth in Appendix 10.2.1 (the "**R&W Insurance**").
- 10.2.2** Notwithstanding anything in this Agreement to the contrary, but subject to Section 10.2.3 as between the Parties, the Buyer's sole remedy in case of a breach of the Warranties shall be to seek compensation from the R&W Insurer, and the Buyer shall not be entitled to pursue any action, make any Claim or seek any recourse whatsoever against any of the Sellers for a breach of a Warranty (regardless of whether the Buyer is compensated out of the R&W Insurance or not). The Buyer undertakes to ensure that the R&W Insurer does not have any claim or right of subrogation or recourse towards any Seller except to the extent a Loss compensated under the R&W Insurance arises out of fraud or wilful misconduct by such Seller.
- 10.2.3** Notwithstanding Section 10.2.2, the Buyer shall be entitled to seek compensation from the relevant Sellers in respect of Claims for either fraud by such Seller or a breach of the Fundamental Warranties in excess of the higher of (i) the R&W insurance limit and (ii) USD 25,000,000, in which case the Buyer may direct a Claim against the Sellers in breach for such excess, however under no circumstances shall any individual Seller's liability hereunder exceed the proceeds distributable to such Seller in accordance with Appendix 4.2.2.
- 10.2.4** For the avoidance of doubt, if a representation and warranties insurance policy is for any reason not obtained by the Buyer or is obtained but subsequently terminated by either party thereto, or does not become effective, the Buyer shall regardless of such circumstances, not have the right to make any Claim against the Sellers, except as set out in Section 10.2.3.

10.3 Limitation of Liability

Each Seller's liability in respect of any breach of any of the Warranties, covenants or agreements made or to be performed by the Seller pursuant to this Agreement is subject to the following limitations:

- 10.3.1 Each Seller's liability shall be individual, i.e. the Sellers' liability shall not be joint. Claims made against the Sellers or a group of Sellers (for the joint Warranties or where more than one Seller has breached the individual Warranties) shall be allocated pro rata in relation to the proceeds distributed to each Seller in accordance with Appendix 4.2.2.
- 10.3.2 No Claim shall entitle the Buyer to a reduction of the Purchase Price unless notice in writing of any such Claim (accompanied by reasonable particulars thereof specifying the nature of the Claim and, as far as practicable, the amount of the Claim) has been given to the Sellers within sixty (60) Business Days from the date when the Buyer or, provided that Closing has occurred, the relevant Group Company reasonably should have become aware of the circumstances giving rise to the Claim and in any event no later than: (i) if the Claim relates to the Fundamental Warranties or the Warranty in Section 6.7 (Taxes) within eighty four (84) months from the Closing Date; (ii) if the Claim relates to any other Warranties within twenty four (24) months from the Closing Date.
- 10.3.3 For the purposes of this Agreement, a liability, which is contingent, shall not constitute a Loss unless and until such contingent liability becomes an actual liability and is due and payable, provided that if written notice is given while the Loss is contingent, indemnification may be sought once the Loss materialises.
- 10.3.4 Any Claim which may be made, which has not been previously satisfied, settled or withdrawn, shall be deemed to have been waived and withdrawn twelve (12) months subsequent to when notice of the Claim was served by the Buyer pursuant Section 10.3.2, unless a notice of arbitration in respect thereof has been served by the Buyer pursuant to Section 20 before the expiry of such twelve (12) month period against the relevant Seller.
- 10.3.5 To the extent there are any corresponding savings by or net quantifiable financial benefits to the Buyer or any Group Company arising from a Loss, the Sellers shall not be liable for the portion of the Loss that is covered by such saving or benefit. For example, if any Loss is a tax-deductible item or relates to an untaxed reserve, the recoverable Loss shall be reduced by an amount equivalent to the Loss multiplied by the actual corporate tax rate applicable in the relevant jurisdiction of the Group Company (or, as the case may be, the Buyer) during the relevant financial year.
- 10.3.6 No Claim may be made and no liability shall arise if and to the extent that:
- (a) such Claim is based on facts, matters or circumstances which have been fairly disclosed to the Buyer or its Representatives in the Disclosed Information, in this Agreement, during the Due Diligence or otherwise through the information disclosed to the Buyer or its Representatives, or that is otherwise known to the Buyer or its Representatives or which was reasonably available to the Buyer or its Representatives in generally available databases or public records or any similar source in the jurisdiction of incorporation of any Group Company, in each case (i) prior to Signing in relation to the Warranties made on Signing, and (ii) prior to Closing in relation to the Warranties made on Closing;
 - (b) a provision or allowance for the Loss has been made in the Accounts or the Interim Financial Statements, or the same is otherwise taken into account or reflected in the Accounts or the Interim Financial Statements;
 - (c) such Claim occurs as a result of: (i) the passing of or interpretation of any legislation not in force at the Signing Date or which takes effect retroactively; (ii) a change in generally accepted accounting principles not in force at the Signing Date or which takes effect retroactively; (iii) an increase in the tax rate in force on the Signing Date or which takes effect retroactively; or (iv) a change in the generally established practices (including interpretation of Applicable Law) of any government authority;
 - (d) such Claim is recoverable under an insurance policy or would have been recoverable had the insurance protection level, which existed up to Closing, been continued;
 - (e) such Loss has been recovered, or is recoverable, by the Buyer or its Affiliates from any third party or to the extent such Loss has been, or is to be, remedied by the Sellers or their respective Affiliates;
 - (f) such Claim would not have arisen but for an act, omission (including a failure to mitigate any loss) or transaction carried out by or upon the request of the Buyer, or persons deriving title from the Buyer before or after the Closing Date or any of the Group Companies after the Closing Date;
 - (g) the Buyer elects to only make a Claim against a single Seller or a limited group of Sellers for a Claim which each Seller, or a wider group of Sellers, could be made responsible for hereunder; and

- (h) in relation to the Warranties set out in Section 6.11 (Environment), such Claim has arisen as a result of any measure caused or accelerated, directly or indirectly, by the Buyer, its Affiliates or any Group Company (as concerns a Group Company – following the Closing), by initiating any activities (including, without limitation, procuring environmental audits or studies, performing drillings or diggings, or approaching any authorities) unless such activities are required to avoid imminent danger to human health or consequences under criminal law, or in order to comply with a non-appealable Order from an authority or a court.

10.3.7 The Buyer shall, and shall procure that the Group Companies shall use reasonable efforts to mitigate any Loss.

11. Third Party Claims and Recovery

11.1.1 The Buyer shall in order to preserve its right to bring a Claim against the Sellers upon the event of a Third Party Claim:

- (a) in no event later than forty (40) Business Days after the Buyer or (subject to Closing having occurred) any Group Company becomes aware of the relevant fact or set of circumstances, give notice thereof to the Seller Representative;
- (b) give the Seller Representative full access to the personnel of the Buyer and/or the relevant Group Company, as the case may be, and to any relevant premises, accounts, documents and records within their respective possession, and to take copies thereof, in order to enable the Sellers to examine the basis of any potential Third Party Claim; and
- (c) subject to the Seller Representative (on behalf of the relevant Seller(s)) or the relevant Seller in writing accepting full liability for the Third Party Claim (to the extent the Buyer is entitled to bring a Claim against such Seller):
 - (i) not make any admission of liability and not agree to settle or compromise any Third Party Claim with any person, body or authority in relation thereto, without obtaining the prior written consent of the Seller Representative;
 - (ii) upon the Seller Representative's request, allow the Sellers the right to dispute and defend such Third Party Claim in the name of the relevant Group Company, which shall include the right to make any counterclaim available to the relevant Group Company, and to properly conduct any litigation resulting therefrom.

11.1.2 If the Sellers make any payment to the Buyer as a settlement of a Claim and the Buyer or any of the Group Companies have the right to recover or receives recovery from a third party any amount that has formed the basis of such Claim, the Buyer shall be deemed hereunder to have assigned such right to recovery to the Seller Representative, or if such amounts were received, immediately transfer such funds to such bank account as designated by the Seller Representative.

12. Confidentiality

Each Party undertakes not to use or disclose the existence of this Agreement or any information therein unless: (i) required to do so by law or pursuant to any Order of court or other competent authority or tribunal; (ii) required to do so by any applicable stock exchange regulations or the regulations of any other recognised market place; (iii) such disclosure has been consented to by the Seller Representative and/or the Buyer (as applicable) in writing (such consent not to be unreasonably withheld); (iv) to its professional advisers who are bound to such Party by a duty of confidentiality which applies to any information disclosed; or (v) disclosed by the Buyer to a provider of debt financing for the Transactions. If a Party becomes required, in circumstances contemplated by (i) or (ii) to disclose any information, the disclosing Party shall use its reasonable endeavours to consult with the Seller Representative or the Buyer (as the case may be) prior to any such disclosure. Notwithstanding the above, Altor and its Affiliates or advisors shall have the right to use and disclose the existence and the financial terms of this Agreement to current, potential and future investors, in each case with an intention to maintain confidentiality of such disclosed information.

13. Announcements

All press releases, public announcements and public relations activities by the Parties with regard to this Agreement or the transaction contemplated by it shall be mutually approved by the Buyer and the Seller Representative in advance of such release or announcement. A Party shall, however, not be prevented from, after reasonable consultation with the Buyer and the Seller Representative, disclosing such information which is required under Applicable Law or stock exchange regulations.

14. Costs

Each Seller and the Buyer will bear their own costs, fees and expenses, including legal fees and expenses, incurred in connection with the negotiations, preparation and execution of the Transactions or matters ancillary thereto.

15. Entire Agreement and Amendments

This Agreement represents the entire understanding and agreement between the Parties with respect to the subject matter hereof and supersedes all prior negotiations, understandings and agreements with respect to the subject matter hereof. This Agreement may only be amended by an instrument in writing duly executed by the Parties.

16. Seller Representative

16.1.1 Altor shall for at least 24 months following Closing, act as the Seller Representative in accordance with this Section 16.

16.1.2 The Seller Representative is duly authorized by each Seller, on its behalf, to:

- (a) receive any payment relating to the Transactions;
- (b) enter into any agreement or document relating to the Transactions;
- (c) deliver and accept receipt of any notice, request, or other communication relating to this Agreement and any other agreement or document relating to the Transactions; and
- (d) agree to amend this Agreement or any other agreement or document relating to the Transactions.

16.1.3 From Closing, without inquiry or independent verification, the Buyer may rely upon any action of the Seller Representative in accordance with this clause as the act of the Sellers, in all matters referred to in this Agreement, and the appointment of the Seller Representative shall be conclusively binding on each Seller in favour of the Buyer.

16.1.4 Provided that the Buyer provides a copy to the Seller Representative without undue delay after receipt of such decisions, communications or writings, the Buyer shall be entitled to disregard any decisions, communications or writings made, given or executed by any Seller in connection with this Agreement and the Transactions within the period ending 24 months after the Closing Date unless the same is made, given or executed by the Seller Representative.

17. Notices

17.1 Any notices or other communications in connection with this Agreement shall be made in writing and in the English language and shall be deemed to have been received by a Party when:

- (a) if sent by post, unless actually received earlier, on the third (3rd) Business Day after posting, (if posted within Sweden) or the tenth (10th) Business Day (if posted to or from a place outside Sweden); or
- (b) if sent by courier, unless actually received earlier, on the seventh (7th) Business Day after sending.

17.2 All such notices and communications shall be addressed as set out below or to such other addresses as may be given by written notice in accordance with this Section 17.2.

If to the Sellers:

Altor Fund II GP Limited
Attention: Mathew Hauge / Andy
Jeanne
11–15 Seaton Place
St Helier, Jersey JE4 OQH
The Channel Islands

With a copy, which shall not
constitute a notice, to:

Wigge & Partners Advokat KB
Attention: Anders Morén
Birger Jarlsгатan 25
111 45 Stockholm
Sweden

If to the Buyer:

Energys Energy Products Inc.
Attention: The General Counsel
2366 Bernville Rd
Reading, PA 19605,
USA

With a copy, which shall not constitute a notice, to:

Reed Smith LLP
Attention: Peter Teare
Broadgate Tower
London EC2A 2RS
England

18. Assignments

No Party may assign, delegate, sub-contract, or otherwise transfer or pledge or grant any other security interest in or over any of its rights or obligations under this Agreement without the prior written consent of (a) Buyer and the Seller Representative in the case of such an action by a Seller, and (b) the Seller Representative in the case of such an action by the Buyer. Notwithstanding the above, the Buyer may pledge or grant security interests over its rights under this Agreement to a reputable third party debt provider for the purpose of financing the Transactions.

19. Further Assurance

Each Party shall (at its/his/her own expense) execute and deliver all such documents and do all such things as may be reasonably required from time to time to give full effect to the provisions of this Agreement.

20. Governing Law and Disputes

20.1 This Agreement shall be governed by and construed in accordance with the substantive laws of Sweden. Except for a Leakage Claim which shall be resolved in accordance with Section 7.2, any dispute, controversy or claim arising out of or in connection with this Agreement, or the breach, termination or invalidity of the Agreement, shall be finally settled by arbitration in accordance with the Arbitration Rules of the Arbitration Institute of the Stockholm Chamber of Commerce. The arbitral tribunal shall consist of three (3) arbitrators. In each case, the place of arbitration shall be Stockholm, Sweden and the language to be used in the arbitral proceedings shall be English.

20.2 The Parties undertake and agree that all arbitral proceedings conducted with reference to this Section will be kept strictly confidential. This confidentiality undertaking shall cover all information disclosed in the course of such arbitral proceedings, including that arbitral proceedings have been initiated, as well as any decision or award that is made or declared during the proceedings. Information covered by this confidentiality undertaking may not, in any form, be disclosed to a third party without the written consent of the other Party. This notwithstanding, a Party shall not be prevented from disclosing such information in order to safeguard in the best possible way its rights in connection with the dispute, or if obliged to do so pursuant to statute, regulation, a decision by an authority, a stock exchange agreement or similar.

(signatures follow)

EnerSys Voluntary Deferred Compensation Plan for Executives

Effective April 1, 2009, as amended effective August 5, 2010, and May 26, 2011. The Plan has been further amended and restated effective April 1, 2020 to reflect the removal of Market Share Units as an investment option.

1. DEFINITIONS

For purposes of this Plan, unless otherwise clearly apparent from the context, the following phrases and terms shall have the indicated meanings:

1.1 “Beneficiary” means the person or persons designated pursuant to Section 2.2. For purposes of the preceding sentence the term “person” shall include an individual, trust, or estate. In default of a valid Beneficiary designation, a Participant’s Beneficiary shall be a Participant’s estate.

1.2 “Board” means the board of directors of the Company.

1.3 “Bonus” means any compensation relating to services performed during any Plan Year payable to a Participant as an Employee under any of the Company’s bonus or cash compensation incentive plans; provided that compensation that is paid or payable during such Plan Year shall not be deemed a Bonus under the Plan.

1.4 “Bonus Deferrals” means the deferrals elected by the Participant pursuant to Section 3.1 hereof.

1.5 “Change in Control” means an event that constitutes a Change in Control under the Long-Term Incentive Plan provided that such event shall not constitute a Change in Control under this Plan unless such event also constitutes a change in control of the Company within the meaning of Code Section 409A.

1.6 “Code” means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

1.7 “Committee” means the Compensation Committee of the Board or such other committee as may be appointed by the Board to administer this Plan. Such term also includes the full Board to the extent it takes action with respect to administrative or operational matters relating to the Plan.

1.8 “Common Stock” means the common stock of the Company, par value \$0.01 per share.

1.9 “Company” shall mean EnerSys and any successor thereto.

1.10 “Deferral Account” means an account established on the books of the Company for the purpose of recording amounts credited with respect to Bonus Deferrals on behalf of a Participant, Matching Amounts (if any), and any income, expenses, gains, or losses with respect thereto. There are three types of Deferral Accounts under the Plan, the Investment Fund Deferral Account, the Stock Unit Deferral Account, and the Market Share Unit Deferral Account.

1.11 “Deferral Election” means an irrevocable election, on a form prescribed by the Committee, by a Participant to defer receipt of a portion of such Participant’s Bonus for a specific Plan Year.

1.12 “Disability” means an inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, as determined by the Committee.

1.13 “Effective Date” means April 1, 2009.

1.14 “Employee” means an individual who is a common law employee of any Employer.

1.15 “Employer” means the Company or any Subsidiary that the Board has selected as eligible to have certain of its management and highly compensated personnel participate in the Plan.

1.16 “ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

1.17 “Exchange Act” means the Securities Exchange Act of 1934, as amended.

1.18 “Investment Funds” means the investment alternatives the Committee establishes from time to time for tracking the investment returns to be credited to Participants’ Investment Fund Deferral Accounts.

1.19 “Investment Fund Deferral Account” means the Deferral Account that is maintained with respect to the portion of a Participant’s Bonus Deferrals that such reflects the tracking of the investment returns based on the Participant’s allocation of investments in the Investment Funds, and any hypothetical expenses and earnings or losses with respect thereto.

1.20 “Long-Term Incentive Plan” means the EnerSys 2004, 2006, 2010, or 2017 Equity Incentive Plan, as applicable. Such term shall also mean any other successor or comparable plan or program as designated by the Committee and approved by the Board from time to time.

1.21 “Market Share Unit” means a form of Stock Unit (as defined in the Long-Term Incentive Plan) that entitles a Participant to receive, at the end of the applicable Performance Period, between zero and two shares of Common Stock, based on the change in price of the Company’s Common Stock over such Performance Period.

1.22 “Market Share Unit Deferral” means that portion of a Participant’s Bonus Deferral that such Participant has elected to allocate in Market Share Units.

1.23 “Market Share Unit Deferral Account” means an account established on a Participant’s behalf with respect to such Participant’s Market Share Unit Deferral, the Matching Amount and any earnings or losses with respect thereto.

1.24 “Matching Amount” means, with respect to the amount of a Stock Unit Deferral or Market Share Unit Deferral for a Plan Year by a Participant, the amount contributed to a Participant’s Stock Unit Deferral Account or Market Share Unit Deferral Account, as applicable, pursuant to Section 4.1

1.25 “Participant” means an individual who (i) has properly and timely completed such Participant’s elections pursuant to Section 2.2 and (ii) is an Employee or, if not, has a balance standing to his or her credit in one or more Deferral Accounts with respect to Plan Years in which such individual was an Employee. Such term also includes a deceased Participant’s Beneficiary, who is entitled to a Plan benefit, until such benefit is paid.

1.26 “Payout Factor” means, for each Market Share Unit that is contributed to a Participant’s Market Share Unit Deferral Account, the Share Price at the end of the Performance Period of such Market Share Unit divided by the Share Price on the date of such contribution, with the quotient rounded to the nearest hundredth (two places after the decimal); provided, however, that if the Payout Factor equals more than 2.00, the Payout Factor shall be 2.00.

1.27 “Performance Period” means, with respect to a particular Market Share Unit, the three-year period beginning on the last day of the Plan Year in which the Participant earned the Bonus to which such Market Share Unit relates. With respect to a Market Share Unit that is contributed to a Participant’s Market Share Unit Deferral Account as a Matching Amount on a Market Share Unit Deferral, the Performance Period shall be the vesting period set forth in Section 4.2(b).

1.28 “Plan” means this EnerSys Voluntary Deferred Compensation Plan for Executives.

1.29 “Plan Year” means the Company’s 12-month fiscal year or such other 12-month period as the Committee may designate from time to time.

1.30 “Share Price” means, for each Market Share Unit that is contributed to a Participant’s Market Share Unit Deferral Account, the average of the closing share prices of the Company’s Common Stock during the 90 calendar days immediately preceding the end of the Performance Period of such Market Share Unit or the date of such contribution, as applicable; provided that if there were no trades on the last date of such Performance Period or date of contribution, as applicable, the closing prices during the 90 calendar days immediately preceding the most recent date on which there were trades shall be used.

1.31 “Stock Unit Deferral” means that portion of a Participant’s Bonus Deferral that such Participant has elected to allocate in Stock Units.

1.32 “Stock Unit Deferral Account” means an account established on a Participant’s behalf with respect to such Participant’s Stock Unit Deferral, the Matching Amount, and any earnings or losses with respect thereto.

1.33 “Stock Units” means Stock Units (as defined in the Long-Term Incentive Plan) awarded to a Participant pursuant to the terms of the Long-Term Incentive Plan. As used herein, the term “Stock Units” shall refer only to those Stock Units that are not Market Share Units.

1.34 “Subsidiary” means a subsidiary corporation, as defined in Code Section 424(f), that is a subsidiary of the Company.

1.35 “Termination” means a Participant’s “separation from service” within the meaning of Treas. Reg. § 1.409A-1(h).

1.36 “Valuation Date” means any day that the New York Stock Exchange or any successor to its business is open for trading.

2.ELIGIBILITY AND PARTICIPATION

2.1 Eligibility for Participation: Participation in the Plan is limited to those individuals that the Committee selects. To be eligible to make Bonus Deferrals for a Plan Year the individual must be in a select group of management and highly compensated Employees, as determined by the Committee in its sole discretion. From that group, the Committee shall select, in its sole discretion, the Employees who shall be eligible to make Bonus Deferrals for such Plan Year. The Company’s Chief Executive Officer shall at all times be deemed eligible to make Bonus Deferrals in accordance with the terms of the Plan.

2.2 Commencement of Participation: Each Participant shall be provided an opportunity to irrevocably designate, prior to each Plan Year (or, in the Participant’s first year of eligibility, within 30 days following the date the Participant became eligible), his or her elections pursuant to Article 3. Notwithstanding the foregoing, a Participant may make an election with respect to a Bonus that is “performance-based compensation” (as defined in Treas. Reg. § 1.409A-1(e)) on or before the date that is six months from the end of the applicable Plan Year (or the date such compensation has become “readily ascertainable” (as defined in Treas. Reg. § 1.409A-2(a)(8)), if earlier. Such Participant must make such designation in the manner authorized by the Committee and such designation must be accompanied by, as applicable:

- (a) an irrevocable authorization to defer receipt of a percentage of a Bonus with respect to a Plan Year as a Bonus Deferral as elected under Section 3.1;
- (b) an irrevocable election to allocate such Bonus Deferral to an Investment Fund Deferral Account, to a Stock Unit Deferral Account, or for periods prior to April 1, 2020 to a Market Share Unit Deferral Account;
- (c) a designation of a Beneficiary; and
- (d) a designation as to the form and timing of the distribution of the Participant’s vested Deferral Accounts for such Plan Year as provided under Sections 6.1 and 6.2.

2.3 Cessation of Participation: A Participant shall cease to be an active Participant on the earliest of:

- (a) the date that the Plan terminates,
- (b) the date that the Participant ceases to be eligible to participate in the Plan under Section 2.1, or
- (c) the date that the Participant receives a complete distribution of his Deferral Accounts.

A former active Participant shall be deemed a Participant for all purposes except with respect to the right to make deferrals, as long as he or she maintains a Deferral Account.

3.DEFERRAL OF COMPENSATION

3.1 Bonus Deferrals: Each Participant eligible to make Bonus Deferrals may authorize the Company, in the manner described in Section 2.2, to defer a percentage of his or her Bonus that would otherwise be payable for services performed in a Plan Year. Such Bonus Deferrals shall be a stated percentage of the Participant’s Bonus for such period, up to 100 percent as designated by the Participant. A Participant must make an election to defer a Bonus in accordance with Section 2.2. A Participant must make a new election to defer a Bonus for each subsequent Plan Year.

3.2 Crediting of Bonus Deferrals: A Participant’s Bonus Deferrals shall be credited to such Participant’s Deferral Accounts as of the date that the Bonus would otherwise be paid to the Participant if the Participant was not deferring such Bonus.

3.3 Vesting of Bonus Deferrals: Each Participant shall always be 100% vested in each of such Participant’s Bonus Deferrals in such Participant’s Deferral Accounts.

4.EMPLOYER CONTRIBUTIONS

4.1 Matching Amount: On the same day that a Bonus is credited to a Participant's Stock Unit Deferral Account as a Stock Unit Deferral or Market Share Unit Deferral Account as a Market Share Unit Deferral on behalf of such Participant, the Company shall credit on behalf of such Participant, with respect to such Stock Unit Deferral or Market Share Unit Deferral, a Matching Amount. The Matching Amount shall be an amount equal to the lesser of \$150,000 or 20 percent of such Participant's Stock Unit Deferral or Market Share Unit Deferral amount. The Matching Amount shall be made in the form of Stock Units or Market Share Units in accordance with the Participant's election pursuant to Section 2.2(b).

4.2 Vesting of Matching Amounts:

(a) With respect to a Stock Unit that is credited to a Participant's Stock Unit Deferral Account as a Matching Amount on a Stock Unit Deferral, a Participant shall vest in such Stock Unit three years from the last day of the Plan Year in which the Participant earned the Bonus to which such Stock Unit Deferral relates; provided that the Participant is continuously employed by the Company from the date of crediting through such vesting date. Subject to Section 4.2(c) below, any Stock Unit contributed to a Participant's Stock Unit Deferral Account as a Matching Amount that fails to vest because the employment condition set forth in the preceding sentence is not satisfied shall be forfeited as of the Participant's Termination.

(b) With respect to a Market Share Unit that is credited to a Participant's Market Share Unit Deferral Account as a Matching Amount on a Market Share Unit Deferral, a Participant shall vest in such Market Share Unit three years from the last day of the Plan Year in which the Participant earned the Bonus to which such Market Share Unit Deferral relates; provided that the Participant is continuously employed by the Company from the date of crediting through such vesting date. Subject to Section 4.2(c) below, any Market Share Unit contributed to a Participant's Market Share Unit Deferral Account as a Matching Amount that fails to vest because the employment condition set forth in the preceding sentence is not satisfied shall be forfeited as of the Participant's Termination.

(c) Notwithstanding the foregoing, with respect to both Stock Units and Market Share Units contributed to a Participant's Deferral Account as Matching Amounts:

(i) upon a Change in Control where the holders of the Company's Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control, all outstanding but unvested Matching Amounts shall become 100% vested; or

(ii) upon a Termination due to death or Permanent Disability (as defined in the Long-Term Incentive Plan), a voluntary Termination for Good Reason (as defined in the Long-Term Incentive Plan), or an involuntary Termination without Cause (as defined in the Long-Term Incentive Plan) in each case on or within two years after a Change in Control (other than a Change in Control described in Section 4.2(c)(i) above) (such Termination on or within two years after such Change in Control, a "Change in Control Termination"), all outstanding but unvested Matching Amounts shall become 100% vested.

5. INVESTMENT OF DEFERRALS

5.1 Establishment of Accounts: The Company shall establish the following Deferral Accounts for each Participant (but only to the extent the Participant has amounts to be allocated to such Deferral Account):

- (a) an Investment Fund Deferral Account,
- (b) a Stock Unit Deferral Account, and
- (c) a Market Share Unit Deferral Account.

Each Participant shall receive periodic statements (no less frequently than annually) reflecting the balances in his or her Accounts.

5.2 Obligation of the Company: Individual benefits under the Plan are payable as they become due solely from the general assets of the Company. To the extent a Participant, or any person, acquires a right to receive payments under this Plan, such right shall be no greater than the right of any general creditor of the Company. Neither this Plan, nor any action taken pursuant to the terms of this Plan, shall be considered to create a fiduciary relationship between the Company and the Participant, or any other persons, or to require the establishment of a trust of which the assets are beyond the claims of any general creditor of the Company.

5.3 Establishment of Investment Funds: The Committee will establish multiple deemed Investment Funds that the

Committee will cause to be maintained for determining the investment return to be credited to each Participant's Investment Fund Deferral Account. The Committee may change the number, identity, or composition of the Investment Funds from time to time. Each Participant will indicate the Investment Funds for allocation of the amounts credited to his or her Investment Fund Deferral Account. Each Participant's Investment Fund Deferral Account will be increased or decreased by the net amount of investment earnings or losses that it would have achieved had it actually been invested in the deemed investments. The Company is not required to purchase or hold any of the deemed Investment Funds. Investment Fund elections must be made in a minimum of 1% increments and in such other manner as the Committee will specify. A Participant may change his or her Investment Fund election periodically in the manner provided by the Committee. Any such change shall become effective as soon as administratively practicable following the date the Committee receives notice of such change in the form prescribed by the Committee.

5.4 Crediting Investment Results: No less frequently than as of each Valuation Date, each Participant's Investment Fund Deferral Account will be increased or decreased to reflect investment results and any expenses with respect thereto. Each Participant's Investment Fund Deferral Account will be credited with the investment return of the Investment Funds in which the Participant elected to be deemed to participate. The credited investment return is intended to reflect the actual performance of the Investment Funds net of any applicable investment management fees or administrative expenses determined by the Committee. Notwithstanding the above, the amount of any payment of Plan benefits pursuant to Article 5 or upon Plan termination shall be determined as of the Valuation Date preceding the date of payment.

5.5 Stock Unit Deferral Account: All amounts that a Participant elects to defer to a Stock Unit Deferral Account and any Matching Amounts attributable thereto, shall be credited in Stock Units. The number of Stock Units credited to a Participant's Stock Unit Deferral Account shall be determined based upon the closing price of Common Stock on the date of crediting.

5.6 Market Share Unit Deferral Account:

(a) All amounts that a Participant elects to defer to a Market Share Unit Deferral Account and any Matching Amounts attributable thereto, shall be initially credited in Market Share Units. The number of Market Share Units initially credited to a Participant's Market Share Unit Deferral Account shall be determined based upon the closing price of Common Stock on the date of crediting with the value of a Market Share Unit determined in the same manner as used by the Company for SEC disclosure purposes.

(b) All amounts that a Participant elects to defer to a Market Share Unit Deferral Account and any Matching Amounts attributable thereto shall convert to a number of Stock Units on the last day of the Performance Period based upon the product obtained by multiplying the applicable number of Market Share Units times the applicable Payout Factor.

(c) In the event of a Change in Control described in Section 4.2(c)(i) prior to the last date of a Performance Period, all amounts deferred to a Market Share Unit Deferral Account and any Matching Amounts attributable thereto shall convert to a number of Stock Units on the date of the Change in Control based upon the product obtained by multiplying the applicable number of Market Share Units times the applicable Payout Factor determined by substituting the date of the Change in Control for the last date of the Performance Period.

(d) In the event of a Change in Control Termination described in Section 4.2(c)(ii) prior to the last date of a Performance Period, all amounts deferred to a Market Share Unit Deferral Account and any Matching Amounts attributable thereto shall convert to a number of Stock Units on the date of the Change in Control Termination based upon the product obtained by multiplying the applicable number of Market Share Units times the applicable Payout Factor determined by substituting the date of the Change in Control Termination for the last date of the Performance Period.

5.7 Dividends: If the Company declares and pays a dividend or distribution on Common Stock in the form of cash, then a number of additional Stock Units or Market Share Units shall be credited to the Participant as of the payment date for such dividend or distribution equal to the result of dividing (i) the product of the total number of Stock Units or Market Share Units in the Participant's Deferral Account as of the payment date for such dividend or distribution times the per share amount of such dividend or distribution, by (ii) the Fair Market Value of one share of Common Stock (as defined in the Long-Term Incentive Plan) as of the payment date for such dividend or distribution.

6. PAYMENT AND AMOUNT OF BENEFITS

6.1 Form of Distribution:

(a) Each Participant shall elect the form and timing of the distribution with respect to each of his or her Deferral Accounts in the manner authorized by the Committee, provided that a Participant may elect to receive distributions from his or her Deferral Accounts in a lump sum or in up to 10 annual installments.

(b) If the Participant elects an annual installment distribution, the amount of each installment shall be determined by multiplying the Participant's remaining Account balance by a fraction, the numerator of which is one and the denominator of which is the number of years remaining in the installment period.

(c) Distributions of a Participant's Stock Unit Deferral Account shall be made in the form of Common Stock in an amount equal to one share of Common Stock payable for each Stock Unit.

(d) Distributions of a Participant's Market Share Unit Deferral Account that have converted to Stock Units in accordance with Section 5.6 shall be made in the form of Common Stock in an amount equal to one share of Common Stock payable for each Stock Unit.

(e) In the event a Participant fails to elect the form of distribution with respect to any of his or her Deferral Accounts, the form of distribution thereof shall be a lump sum.

6.2 Time of Distribution: Each Participant shall elect the timing of the distribution with respect to his or her vested Deferral Account in the manner that the Committee may authorize. A Participant shall make a separate election as to the timing of payment with respect to each Deferral Account specified in Section 6.1 above. The Participant's election(s) shall indicate that payment shall be made (in the case of a lump sum election) or shall commence (in the case of an annual installment election):

(a) within 60 days following the Participant's Termination; provided, however, that if the Performance Period for any vested amounts in the Participant's Market Share Unit Deferral Account ends after the date of such Termination, such amounts shall be distributed within 60 days following the last date of such Performance Period (or, if earlier, the date of a Change in Control described in Section 4.2(c)(i));

(b) in a specific month and year, but, with respect to the distribution of a Stock Unit Deferral Account or Market Share Unit Deferral Account, in no event earlier than three years from the last day of the Plan Year in which the Participant earned the Bonus to which the Bonus Deferrals in such Stock Unit Deferral Account or Market Share Unit Deferral Account relate; provided, however, that if a Participant elects his or her distribution to be made or commenced in accordance with this paragraph (b), and such date falls before the Participant's Termination, the distribution shall be delayed until a date within 60 days following the Participant's Termination; or

(c) within 60 days following the earlier of (i) a Change in Control or (ii) the Participant's Termination; provided that if after such Change in Control, outstanding and unvested Matching Amounts remain in the Participant's Deferral Account, such amounts, if any, shall be distributed, if at all, within 60 days following the applicable vesting date set forth in Section 4.2; and further provided that if the Performance Period for any vested amounts in the Participant's Market Share Unit Deferral Account ends after the date of such Change in Control or Termination, such amounts shall be distributed within 60 days following the last date of such Performance Period (or, if earlier, the date of a Change in Control described in Section 4.2(c)(i) or Change in Control Termination described in Section 4.2(c)(ii)).

(d) In the event a Participant fails to elect the timing of distribution with respect to any of his or her Deferral Accounts, the timing of distribution thereof shall be in accordance with Section 6.2(a).

(a) Notwithstanding the foregoing, if a Participant is deemed to be a "specified employee" within the meaning of that term under Code Section 409A(a)(2)(B), then with regard to any distribution under this Section 6.2 that is required to be delayed pursuant to Code Section 409A(a)(2)(B), such distribution shall not be made prior to the earlier of (i) the expiration of the six-month period measured from the date of the Participant's Termination, or (ii) the date of the Participant's death (the "Delay Period"). Within 10 days following the expiration of the Delay Period, all distributions delayed pursuant to this paragraph (whether they would have otherwise been payable in a lump sum or in installments in the absence of such delay) shall be made to the Participant in a lump sum, and any remaining distributions due shall be made in accordance with the normal distribution dates specified for them herein.

6.3 Change in Form or Time of Distribution: A Participant may change his or her form and timing election applicable to the distribution of a Deferral Account provided that such request for change (i) does not take effect until at least 12 months after the date on which the request is made, (ii) in the case of a change to a distribution to be made at a specified time, is made at least 12 consecutive months prior to the date that such distribution would otherwise have been made or commenced, and (iii) the first payment with respect to such new election is deferred for a period of not less than five years beyond the date such distribution would otherwise have been made.

6.4 Distribution Upon Death or Disability: Notwithstanding the provisions of Sections 6.1, 6.2, and 6.3, upon a Participant's death or Termination due to Disability, all vested amounts credited to such Participant's Deferral Accounts shall be

paid to the Participant, in a lump-sum payment, as soon as administratively feasible, but in no event later than 60 days, after the occurrence of such death or Termination due to Disability (subject to any required delay pursuant to Code Section 409A as set forth in Section 6.2(e)); provided that if the Performance Period for any vested amounts in the Participant's Market Share Unit Deferral Account ends after the date of such Termination, such amounts shall be distributed within 60 days following the last date of such Performance Period (or, if earlier, the date of a Change in Control described in Section 4.2(c)(i)).

7.FINANCING

In the event that, in its discretion, the Company purchases an asset(s) or insurance policy or policies insuring the life of the Employee to allow the Company to recover the cost of providing benefits, in whole or in part hereunder, neither the Employee, Beneficiary, nor any other beneficiary shall have any rights whatsoever therein in such assets or in the proceeds therefrom. The Company shall be the sole owner and beneficiary of any such assets or insurance policy and shall possess and may exercise all incidents of ownership therein. No Participant shall have any right or interest in any such policy or the proceeds thereof or in any other specific fund or asset of the Company because of the Plan. The Company's obligation to make payments under the Plan shall be contractual only and all payments hereunder shall be made from its general assets at the time and in the manner provided for in the Plan. The rights of Participants to benefit payments hereunder shall be no greater than those of a general creditor.

8.ADMINISTRATION

8.1 Administration: Responsibility for establishing the requirements for participation and for administration of the Plan shall be vested in the Committee, which shall have the full and exclusive discretionary authority to interpret the Plan, to determine all benefits and to resolve all questions arising from the administration, interpretation, and application of their provisions, either by general rules or by particular decisions, including determinations as to whether a claimant is eligible for benefits, the amount, form and timing of benefits, and any other matter (including any question of fact) raised by a claimant or identified by the Committee. The Committee may delegate administrative tasks as necessary to persons who are not Committee members. All decisions of the Committee shall be conclusive and binding upon all affected persons.

8.2 Plan Expenses: The Company shall bear all expenses of administering the Plan. No employee shall receive any remuneration for service in such capacity but the Company shall reimburse the Committee or its members for any amounts paid or incurred in connection with administering the Plan.

8.3 Liability: The Company shall indemnify and hold harmless the members of the Committee against any and all claims, loss, damage, expense, or liability arising from any action or failure to act with respect to this Plan, except in the case of gross negligence or willful misconduct.

9.AMENDMENT OR TERMINATION

9.1 Plan Amendment: The Plan may be amended or otherwise modified by the Committee, in whole or in part, provided that no amendment or modification shall divest any Participant of any vested amount previously credited to such Participant's Deferral Account under Article 3 and 4 or of the amount and method of crediting earnings to such Deferral Account under Article 5 of the Plan as of the date of such amendment.

9.2 Termination of the Plan: The Committee reserves the right to terminate the Plan at any time in whole or in part. In the event of any such termination, the Company shall pay benefits in the form and at the time elected by the Participant pursuant to Article 6 of the Plan. Earnings or losses with respect thereto shall continue to be allocated under Article 5 after the termination of the Plan until the Participant's benefits have been paid in full.

10.CLAIMS PROCEDURE

10.1 Claim: Any person claiming a benefit, requesting an interpretation or ruling under the Plan, or requesting information under the Plan shall present the request in writing to the Committee, which shall respond in writing as soon as practicable.

10.2 Denial of Claim: If the claim or request is denied, the written notice of denial shall state:

- (a) the reasons for denial, with specific reference to the Plan provisions on which the Committee based the denial;
- (b) a description of any additional material or information required and an explanation of why it is necessary; and
- (c) an explanation of the Plan's claim review procedure.

10.3 Review of Claim: Any person whose claim or request is denied or who has not received a response within 30 days may request review by notice given in writing to the Committee. The Committee shall review the claim or request and the Committee may, but shall not be required to, grant the claimant a hearing. On review, the claimant may have representation, examine pertinent documents, and submit issues and comments in writing.

10.4 Final Decision: The Committee shall normally make its review decision within 60 days. If the Committee requires an extension of time for a hearing or other special circumstances, the Committee shall notify the claimant and the time limit shall be 120 days. The decision shall be in writing and shall state the reasons and the relevant Plan provisions. All decisions on review shall be final and bind all parties concerned.

10.5 Attorney's Fees and Expenses: In the event a Participant's claim for benefits under this Plan is denied and the Participant successfully appeals the denial of such claim under the foregoing procedures, the Company shall pay or reimburse the reasonable legal fees and expenses directly incurred by the Participant in connection with his or her appeal subject to a maximum payment or reimbursement of one-third of the balance of the Participant's Deferral Accounts. Any such legal fees and expenses shall be paid to, or on behalf of, the Participant no later than 30 days following the Participant's written request for the payment of such legal fees and expenses, provided the Participant supplies the Committee with evidence of the fees and expenses incurred by the Participant that the Committee, in its sole discretion, determines is sufficient.

10.6 Interest on Delayed Payments: In the event a Participant's claim for benefits under this Plan is denied and the Participant successfully appeals the denial of such claim under the foregoing procedures, the Company shall pay to the Participant interest on the portion of the Participant's benefits that were not otherwise paid when due because of the initial denial of the claim. For purposes of the preceding sentence, interest shall accrue at an annual rate equal to the prime rate as quoted in the Wall Street Journal as of the date the benefits would otherwise have been paid if the claim had not initially been denied, plus five percent, and shall be adjusted as necessary to reflect any partial payment or payments of the amounts owed to the Participant.

11.MISCELLANEOUS

11.1 Non-Alienation of Benefits: No amount payable under the Plan shall be subject to assignment, transfer, sale, pledge, encumbrance, alienation, or charge by a Participant or the Beneficiary of a Participant except as may be required by law.

11.2 Limitation of Rights: Neither the establishment of this Plan, nor any modification thereof, nor the creation of a Deferral Account, nor the payment of any benefits shall be construed as giving:

- (a) any Participant, Beneficiary, or any other person, any legal or equitable right against the Company unless such right shall be specifically provided for in the Plan or conferred by affirmative action of the Committee in accordance with the terms and provisions of the Plan; or
- (b) any Participant or any other person, the right to be retained in the service of the Company, and all Participants and other employees shall remain subject to termination to the same extent as if the Plan had never been adopted.

11.3 Participant's Rights Unsecured: The right of any Participant or Beneficiary to receive payment under the provisions of the Plan shall be as an unsecured claim against the Company, as the case may be, and no provisions contained in the Plan shall be construed to give any Participant or Beneficiary at any time a security interest in the Participant's Deferral Accounts or any asset of the Company. The liabilities of the Company to any Participant or Beneficiary pursuant to the Plan shall be those of a debtor pursuant to such contractual obligations as are created by the Plan. Amounts, if any, which may be set aside by the Company for accounting purposes shall not in any way be held in trust for, or be subject to the claims of, a Participant or Beneficiary.

11.4 Incapacity: In the event that the Committee shall find that a Participant or other person entitled to benefits hereunder is unable to care for his or her affairs because of illness or accident, the Committee may direct that any benefit payment due him or her, unless claim shall have been made therefor by a duly appointed legal representative, be paid to the Participant's spouse, child, parent or other blood relative, or to a person with whom he or she resides, and any such payment so made shall be a complete discharge of the liabilities of the Company and the Plan therefor.

11.5 Withholding: There shall be deducted from all payments under this Plan the amount of any taxes required to be withheld by any Federal, state, or local government. The Participants and their Beneficiaries, distributees, and personal representatives will bear any and all Federal, foreign, state, local, or other income or other taxes imposed on amounts paid under this Plan.

11.6 Severability: Should any provision of the Plan or any regulations adopted thereunder be deemed or held to be unlawful or invalid for any reason, such fact shall not adversely affect the other provisions or regulations unless such invalidity shall render impossible or impractical the functioning of the Plan and, in such case, the appropriate parties shall adopt a new provision or

regulation to take the place of the one held illegal or invalid.

11.7 Adjustments: In the event of a stock split, stock dividend, recapitalization, or other event described in Section 16 of the Long-Term Incentive Plan, the provisions of such Section 16 shall apply to any Stock Units and Market Share Units credited to a Participant's Deferral Account, provided that any such adjustment shall be consistent with the requirements of Code Section 409A and the guidance promulgated thereunder.

11.8 No Rights: Neither the Participant nor any other person shall have any rights as a stockholder of the Company with respect to any Stock Units and Market Share Units credited to such Participant's Deferral Account until shares of Common Stock are issued to such Participant or such Participant's Beneficiary in satisfaction thereof.

11.9 Controlling Law: The Plan shall be governed by the laws of the Commonwealth of Pennsylvania except to the extent preempted by ERISA and any other law of the United States.

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.

By /s/ Michael J. Schmidtlein

Michael J. Schmidtlein
Chief Financial Officer

Date: November 6, 2019

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

I certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of EnerSys on Form 10-Q for the quarterly period ended September 29, 2019, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of EnerSys.

By /s/ David M. Shaffer

David M. Shaffer
Chief Executive Officer

By /s/ Michael J. Schmidlein

Michael J. Schmidlein
Chief Financial Officer

Date: November 6, 2019