EXHIBIT D

ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED MARCH 31, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTIONS 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended March 31, 2003

OR

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

For the transition period from to

Commission File Number 1-11263

Exide Technologies

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**23-0552730**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

210 Carnegie Center, Suite 500 Princeton, New Jersey 08540
Telephone: (609) 627-7200
(Address, including zip code, and telephone number, including area code, of Registrant's Principal Executive Offices)

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

None.

Securities registered pursuant to Section 12(g) of the Act:
Title of each Class
Common Stock, $.01 par value
Preferred Share Purchase Rights

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of September 30, 2002 was approximately $15,060,696. There were 27,383,084 outstanding shares of the Registrant's common stock as of June 19, 2003.

(DOCUMENTS INCORPORATED BY REFERENCE)

None.

EXIDE TECHNOLOGIES

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EXIDE TECHNOLOGIES

PART I

Item 1. *Business*

Overview

Unless otherwise indicated, references to any "fiscal year" means the year ended March 31 of that year (e.g., "fiscal 2003" refers to the period beginning April 1, 2002 and ending March 31, 2003, "fiscal 2002" refers to the period beginning April 1, 2001 and ending March 31, 2002 and "fiscal 2001" refers to the period beginning April 1, 2000 and ending March 31, 2001).

Bankruptcy Considerations

On April 15, 2002 ("Petition Date"), Exide Technologies (together with its subsidiaries unless the context requires otherwise, "Exide" or the "Company") and three of its wholly-owned, U.S. subsidiaries (RBD Liquidation, LLC ("RBD"), Exide Delaware, LLC ("Exide Delaware") and Exide Illinois, Inc. ("Exide Illinois")) filed voluntary petitions for reorganization under Chapter 11 of the federal bankruptcy laws ("Bankruptcy Code" or "Chapter 11") in the United States Bankruptcy Court for the District of Delaware ("Bankruptcy Court") under case numbers 02-11125 through 02-11128. On November 21, 2002, Refined Metals Corporation ("Refined") and Dixie Metals Corporation ("Dixie"), both wholly owned, non-operating subsidiaries of Exide, filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court under case numbers 02-13449 and 02-13450. Refined and Dixie have no employees and negligible, if any, assets. RBD, Exide Delaware, Exide Illinois, Dixie and Refined, together with Exide are hereinafter referred to as the "Debtors." All of the foregoing cases are being jointly administered for procedural purposes before the Bankruptcy Court under case number 02-11125KJC.

The Debtors are currently operating their business as debtors-in-possession pursuant to the Bankruptcy Code.

The Company decided to file itself and certain of its subsidiaries for reorganization under Chapter 11 as it offered the most efficient alternative to restructure its balance sheet and access new working capital while continuing to operate in the ordinary course of business. The Company has a heavy debt burden, caused largely by a debt-financed acquisition strategy and the significant costs of integrating those acquisitions. Other factors leading to the reorganization included the impact of adverse economic conditions on the Company's markets, particularly telecommunications, ongoing competitive pressures and capital market volatility. These factors contributed to a loss of revenues and resulted in significant operating losses and negative cash flows, severely impacting the Company's financial condition and its ability to maintain compliance with debt covenants.

As debtors-in-possession under Chapter 11, the Debtors are authorized to continue to operate as an ongoing business, but may not engage in transactions outside the ordinary course of business without the approval of the Bankruptcy Court. The Company's operations outside of the U.S. are not included in the Chapter 11 proceedings. However, in connection with the Chapter 11 filing, the Company entered into a Standstill Agreement and Fifth Amendment to the Credit and Guarantee Agreement ("Standstill Agreement") with its pre-petition Senior Secured Global Credit Facility lenders, whereby those lenders have agreed to forbear collection of principal payments on foreign borrowings under the Senior Secured Global Credit Facility from non-Debtor subsidiaries until December 2003, subject to earlier termination upon the occurrence of certain events. The principal events which could result in an early termination of the Standstill Agreement are: 1) non-payment of interest and principal obligations related to the European tranche of the Company's Senior Secured Global Credit Facility as and when due; 2) if any significant foreign subsidiaries commence any winding up or liquidation proceeding; 3) breach of financial and other customary negative covenants (as described with respect to the debtor-in-possession credit facility ("DIP Credit Facility"); 4) breach of cross default provisions with respect to the European securitization agreement and 9.125% Senior Notes (Deutsche mark denominated) agreement; and 5) breaches of

representations and warranties. No such events have occurred as of March 31, 2003 or through the date of this report. See Note 11 to the Company's Consolidated Financial Statements appearing elsewhere herein.

On May 10, 2002, the Debtors received final Bankruptcy Court approval for the $250 million DIP Credit Facility. The DIP Credit Facility is being used to supplement cash flows from operations during the reorganization process including the payment of post-petition ordinary course trade and other payables, the payment of certain permitted pre-petition claims, working capital needs, letter of credit requirements and for other general corporate purposes.

Under Section 362 of the Bankruptcy Code, actions to collect pre-petition indebtedness from the Debtors, as well as most other pending pre-petition litigation against the Debtors, are stayed. Absent an order of the Bankruptcy Court, substantially all pre-petition liabilities of the Debtors are subject to settlement under a plan of reorganization to be approved by the Bankruptcy Court. As provided by the Bankruptcy Code, the Debtors initially had the exclusive right to solicit a plan of reorganization for 120 days. The Bankruptcy Court has extended this exclusivity period to August 7, 2003. The Company currently expects to file a plan of reorganization and related disclosure statement with the Bankruptcy Court by September 30, 2003, and plans to seek an appropriate extension of the exclusivity period from the Bankruptcy Court, if necessary. Although the Debtors expect to file a reorganization plan that provides for emergence from bankruptcy as a going concern, there can be no assurance that a reorganization plan will be proposed by the Debtors or confirmed by the Bankruptcy Court, or that any such plan will be successfully implemented.

Under the Bankruptcy Code, the Debtors may also assume or reject executory contracts, including lease obligations, subject to the approval of the Bankruptcy Court and certain other conditions. Parties affected by these rejections may file claims with the Bankruptcy Court in accordance with the reorganization process. Due to the timing of the Chapter 11 proceedings, the Company cannot currently estimate or anticipate what impact the rejection and subsequent claims of executory contracts may have on the reorganization process.

On June 14, 2002, the Debtors filed with the Bankruptcy Court schedules and statements of financial affairs setting forth, among other things, the assets and liabilities of the Debtors as shown by the books and records on the Petition Date, subject to the assumptions contained in certain notes filed in connection therewith. All of the schedules are subject to further amendment or modification. The Bankruptcy Code provides for a claims reconciliation and resolution process. The Bankruptcy Court established April 23, 2003 as the deadline for submission of proofs of claim for general unsecured claims. A motion requesting a separate bar date for certain other claims has been filed. Pre-petition claims against the Debtors must be submitted to the Bankruptcy Court prior to the applicable bar date to be eligible to participate in any distribution of assets from the Debtors in connection with the plan of reorganization. Differences between amounts scheduled by the Debtors in filings with the Bankruptcy Court and claims by creditors will be investigated and resolved in connection with the claims resolution process. That process, however, has only recently commenced and, given the number or creditors and claims filed, will take significant time to complete. As the ultimate number and amount of allowed claims is not presently known, and because any settlement terms of such allowed claims are subject to a confirmed plan of reorganization, the ultimate distribution with respect to allowed claims is not presently ascertainable.

The United States Trustee has appointed an unsecured creditors committee. The official committee and its legal representatives have a right to be heard on all matters that come before the Bankruptcy Court. The Bankruptcy Court determined that the United States Trustee should also appoint an official committee of equity holders, which it has done. The Debtors have appealed the appointment of the equity holders committee to the United States Circuit Court of Appeals for the Third Circuit, where it is currently pending. See Item 3, Legal Proceedings, regarding additional litigation between the Debtors, the equity committee and its members.

At this time, it is not possible to predict the effect of the Chapter 11 reorganization process on the Company's business, various creditors and security holders, or when it may be possible for the Debtors to emerge

from Chapter 11. The Company's future results are dependent upon confirming and implementing, on a timely basis, a plan of reorganization. The Company believes, however, that under any reorganization plan, the Company's common stock would likely be substantially if not completely diluted or cancelled as a result of the conversion of debt to equity or any other compromise of interests. Further, it is also likely that the Company's 10% senior notes and convertible senior subordinated notes will suffer substantial impairment.

The ultimate recovery, if any, by creditors, security holders and/or common shareholders will not be determined until confirmation of a plan of reorganization. No assurance can be given as to what value, if any, will be ascribed in the bankruptcy proceedings to each of these constituencies. Accordingly, Exide urges that appropriate caution be exercised with respect to existing and future investments in any of these securities.

The Consolidated Financial Statements contained herein have been prepared on a going concern basis, which assumes continuity of operations and realization of assets and satisfaction of liabilities in the ordinary course of business. The ability of the Company to continue as a going concern is predicated upon, among other things, confirmation of a bankruptcy reorganization plan on a timely basis, compliance with the provisions of both the DIP Credit Facility and other ongoing borrowing arrangements, the ability to generate cash flows from operations and, where necessary, obtaining financing sources sufficient to satisfy the Company's future obligations as well as contingencies as described in Note 17. The Standstill Agreement expires on December 18, 2003, and the DIP Credit Facility expires 30 days prior to the expiration of the Standstill Agreement (but no later, if the Standstill Agreement is extended, than February 15, 2004). If the Debtors do not have a plan of reorganization confirmed by the Bankruptcy Court before the expiration of these agreements, the Company will have to request extensions of such agreements. There can be no assurance that the Company will be able to have a plan confirmed by that time or obtain extensions. Failure to have a plan of reorganization confirmed by the Bankruptcy Court prior to the expiration of the Standstill Agreement or the DIP Credit Facility or to be able to obtain such extensions or failure to maintain compliance with the covenants in such agreements would result in an event of default which, absent cure within defined grace periods or obtaining appropriate waivers, would restrict the Company's access to funds necessary to maintain its operations and assist in funding of its reorganization plan. As a result of the Chapter 11 filing and consideration of various strategic alternatives, including possible asset sales, the Company would expect that any reorganization plan will result in material changes to the carrying amount of assets and liabilities in the Consolidated Financial Statements. The Consolidated Financial Statements do not, however, include adjustments, if any, to reflect the possible future effects on the recoverability and classification of recorded assets or the amounts and classifications of liabilities that may result from the outcome of these uncertainties.

General Discussion of Business

Exide Technologies is a Delaware corporation organized in 1966 to succeed to the business of a New Jersey corporation founded in 1888. Exide's principal executive offices are located at 210 Carnegie Center, Suite 500, Princeton, NJ 08540.

The Company is one of the largest manufacturers of lead acid batteries in the world, with fiscal 2003 net sales of approximately $2.4 billion. The Company's European, North American and Asia Pacific operations represented approximately 52%, 44% and 4%, respectively, of fiscal 2003 net sales. Exide manufactures and supplies lead acid batteries for transportation and industrial applications worldwide.

On September 29, 2000, the Company acquired GNB Technologies, Inc. ("GNB"), a U.S. and Pacific Rim manufacturer of both industrial and transportation batteries, from Pacific Dunlop Limited. The acquired GNB operations are located in the U.S., Australia, New Zealand, Canada, Europe, Japan, South Asia, China, India and the Middle East. The former GNB businesses manufacture industrial batteries in North America, including those

used in both motive and network power applications under various brands such as Absolyte®, Marathon®, Sprinter®, Champion® and Pacific Chloride®. The former GNB operations also manufacture transportation batteries under the Champion®, Stowaway® and National® brands, among others, including private label brands, and is a supplier to automotive original equipment manufacturers in North America and the Pacific Rim.

Financial Information about Segments

For fiscal 2003, the Company was primarily engaged in the manufacture, distribution and sale of lead acid batteries in three global business segments: Transportation, Motive Power and Network Power. See Note 27 to the Company's Consolidated Financial Statements.

Narrative Description of Business

The Company's strategic focus is the manufacture and supply of lead acid batteries, associated equipment and services for transportation, industrial and military applications globally. Exide has three primary business segments: Transportation, Motive Power and Network Power.

Transportation Segment

Transportation batteries represented approximately 63% of the Company's net sales for fiscal 2003.

Transportation batteries include starting, lighting and ignition (SLI) batteries for cars, trucks, off-road vehicles, agricultural and construction vehicles, motorcycles, recreational vehicles, boats, and other applications. The market for transportation batteries is divided between sales to original equipment manufacturers ("OEM"s) and aftermarket customers. In North America, Exide is the second largest manufacturer of transportation batteries. In Europe, Exide is the largest manufacturer of transportation batteries. The Company markets its products under various trademarks.

The Company's primary North American transportation aftermarket battery products include the following:

- *Exide®* — enhanced power cold cranking amps and a 72 month warranty
- *Exide NASCAR Select®* — officially licensed by NASCAR
- *Exide Select Orbital®* — can be recharged in less time than needed for conventional batteries, and has high power output and superior vibration resistance compared with a conventional lead acid battery
- *Champion®* — enhanced power cold cranking amps and a 72 month warranty
- *Champion Trailblazer®* — targeted at light trucks and sport utility vehicles

In Europe, Exide has five major Company-owned brands: Exide® and Tudor®, promoted as pan-European brands, and Deta®, Centra™ and Fulmen®, which have strong local awareness levels. The Company generally offers transportation batteries in five basic categories:

- Basic Model — marketed under private label brand names in France, Germany and Spain, under the Basic™ name in Italy and under various names in other markets
- Upgrade Model — marketed under the Classic® mark, which carries a 24 month warranty and marketed under the Equipe™ name in France, the Classic® name in Germany, the Leader™ name in Italy, the Tudor® name in Spain and under various other names in other markets
- Premium Model — marketed under the Ultra™ brand in the United Kingdom, the Formula™ name in France, the Top Start Plus™ name in Germany, the Ultra™ name in Italy, the Millennium 3™ name in Spain and under various other names in other markets
- *STR/STE™* — approved for use by BMW and was included in some models beginning with the 2000 model year
- *Maxxima™* — the equivalent of the Exide Select Orbital®

Batteries used for marine and recreational vehicles include the following:

• Stowaway Nautilus®	employ technology to satisfy the power requirements of large engines, sophisticated electronics and on-board accessories
• Exide Select Orbital® Marine	brings all the advantages of Exide's patented spiral wound technology to the marine market, and maintains nearly a full charge during the off-season, and can be quickly recharged. This battery is also sealed, making it ideal for closed environments (such as inside a boat hull)
• Stowaway Powercycler®	a completely sealed, VRLA battery with AGM technology and prismatic plates that offers features and benefits similar to the Exide Select Orbital®, and was the first sealed, AGM battery introduced in the marine battery market
• Nautilus® Gold Dual Purpose Stowaway® Dual Purpose	a combination battery, replacing separate starting and deep cycle batteries in two-battery marine and recreational vehicle systems
• Nautilus® Mega Cycle® Stowaway® Deep Cycle	a high performance, dual terminal battery

Most of the Company's transportation batteries are vented, maintenance-free lead acid batteries. However, the Company's *Exide Select Orbital®* and *Maxxima™* batteries have a patented spiral wound technology and state-of-the-art recombinant design. Additionally, the Company's STR/STE™ batteries use recombination technology to allow a lead acid battery to be installed in the passenger compartment of an automobile with reduced fluid loss and acid fumes under normal operating conditions.

Original Equipment Manufacturer (OEM) Market

The OEM market consists of the sale of batteries to manufacturers of automobiles and light trucks, commercial vehicles, heavy-duty trucks, buses and off-road agricultural and construction vehicles.

The Company's major OEM customers include DaimlerChrysler, Ford Motor Company, Toyota, Kenworth, Peterbilt, John Deere International, Case/New Holland, Fiat, Volkswagen Group, the PSA group (Peugeot S.A./ Citroen), Renault/Nissan and BMW.

The factors affecting the OEM market include consumer demand for passenger cars, light trucks and sport utility vehicles, consolidation in the automotive industry, globalization of OEM procurement activities and competition.

Aftermarket

The Company sells aftermarket batteries in North America through automotive parts and specialty retailers, OEM dealer networks, mass merchandisers, car and truck dealers, and wholesale distributors who supply service stations, repair shops, automotive and farm-equipment dealers, and small retailers. The Company also provides transportation batteries for commercial applications, such as trucks, farm equipment, tractors and off-road vehicles, as well as batteries for marine, lawn and garden and motorcycle applications.

The Company's North American aftermarket operations include a Company-owned branch network. This branch network, throughout the United States and Canada, sells and distributes batteries and other products to local auto parts retailers, service stations, repair shops, fleet operators, battery specialists and installers. Exide's branches may also deliver batteries to the Company's national account customers' retail stores and OEM dealers and collect used and spent batteries for recycling.

The Company sells aftermarket batteries in Europe primarily through battery wholesalers, OEM dealer networks, hypermarkets, service installers, European purchasing groups and oil companies. Wholesalers and OEM dealers have traditionally represented the majority of this market, but supermarket chains, replacement-parts stores (represented by purchasing groups) and hypermarkets have become increasingly important. Battery wholesalers now sell and distribute batteries to a network of automotive parts retailers, service stations, independent retailers and supermarkets throughout Europe.

The Company's major aftermarket customers include NAPA, Wal-Mart, Sam's Club, Kmart, CSK Inc., ADI, Kwik Fit and many other leading aftermarket battery distributors. Exide is also a supplier of authorized replacement batteries for DaimlerChrysler, Mopar, Freightliner and John Deere International.

Demand for conventional automotive replacement batteries is influenced by the following principal factors: (1) the number of vehicles in use; (2) average battery life; (3) the average age of vehicles and their operating environment; (4) weather conditions; and (5) population growth and overall economic conditions. Aftermarket demand is not affected by the cyclical nature of new vehicle demand. The replacement market is also larger in general than the original equipment segment, since automotive batteries tend to require replacement every three to five years.

Motive Power Segment

Sales of motive power batteries represented approximately 20% of the Company's net sales for fiscal 2003. Exide is a market leader in this segment of the worldwide industrial battery market.

Product reliability and responsive customer service are very important attributes in the motive power market.

The largest application for motive power batteries is the materials handling industry, including forklifts, electric counter balance trucks, pedestrian pallet trucks, low level order pickers, turret trucks, tow tractors, reach trucks and very narrow aisle (VNA) trucks. Other market segments include scrubber/dryer and sweeper machines in the floor cleaning market, scissor lifts, access platforms and telescopic zooms in the access market, buggies and carts in the golf market, mobility equipment in the wheelchair market, mining locomotives, electric road vehicles, electric boats and non-military submersible vehicles. Exide also offers a complete range of battery chargers and associated equipment for the operation and maintenance of battery-powered vehicles.

Exide's motive power batteries are composed of two-volt cells assembled in numerous configurations and sizes to provide capacities ranging from 30 Ah to 1500 Ah. The Company also manufactures and markets a range of 6 and 12 volt monobloc batteries. Exide offers conventional vented lead acid technology utilizing tubular positive-plate and flat plate cell design. Exide also offers a range of lead acid battery technologies to meet a wide spectrum of customer application requirements.

In North America, motive power products are sold primarily to independent lift truck dealers or directly to national accounts or end users. The motive power battery market in Europe is divided into the OEM market, comprised of the manufacturers of electric vehicles, and the replacement market, which includes large users of such electric vehicles as well as original equipment dealer networks. The majority of the Company's sales in Europe are directly to OEMs.

Motive power products and services are distributed in North America by Company-owned sales and service locations which are augmented by a network of independent manufacturers' representatives who provide local service on their own behalf. In Europe, the Company distributes motive power products and services through Company-owned sales and service organizations in each country and utilizes distributors and agents for export of products from Europe to the rest of the world.

In North America, the Company's primary customers include Nacco, Crown, Wal-Mart, Kroger and Target. In Europe, our major original equipment motive power customers include the Linde Group, Junghreinrich Group, Atlet and BT Rolatruc. Motive power products in Europe are also sold to a wide range of customers in the aftermarket, ranging from large industrial concerns and retail distributors to small warehouse and manufacturing operations.

The European and North American motive power markets are influenced by the demand for materials handling equipment. Customer demand for materials handling equipment has a strong historical correlation to general economic conditions. The general economic environment in fiscal 2003 has reduced the overall demand for materials handling equipment and replacement batteries.

Network Power Segment

Sales of network power batteries represented approximately 17% of the Company's net sales for fiscal 2003.

Network power (also known as standby or stationary) batteries are used for back-up power applications to ensure continuous power supply in case of main (primary) power failure or outage. Today's examples of where network power batteries are used to provide backup power include telecommunications, computers, hospitals, process control, air traffic control, security systems, utility, railway and military applications. Network power batteries also serve as uninterruptible power supplies (UPS) used in computer installations for banks, airlines and back-up servers for the internet. Other telecommunications applications include central and local switching systems, satellite stations, optical fiber repeating boxes, cable TV transmission boxes and radio transmission stations. In these applications, the batteries are usually packaged with a 48V DC power system.

There are two primary network power lead acid battery technologies: valve-regulated (VRLA, or sealed) and vented (flooded). There are two types of VRLA technologies—GEL and AGM. These technologies are described as follows:

VRLA: GEL: This technology utilizes a gel electrolyte. VRLA batteries have replaced other types of network power batteries because they enhance safety, reduce maintenance and can be used in both vertical and horizontal positions. The Sonnenschein® gel technology offers the advantages of high reliability and long life. The gel product range offers a wide range of capabilities such as heat resistance, deep discharge resistance, long shelf life and high cyclic performance.

VRLA: AGM: This technology utilizes an electrolyte immobilized in an absorbent glass mat separator. This technology is particularly well adapted to high rate applications and can offer up to a 20-year design life.

Vented (Flooded): This technology is used in applications requiring high reliability but with the ability to allow for regular maintenance. The basic construction involves positive flat or tubular positive plates. Transparent containers and accessible internal construction are features of these batteries that allow end users to check the battery's physical condition.

Customers for network power batteries for telecommunications applications include manufacturers of switches and other equipment and the system operators. UPS battery customers consist of system manufacturers and end users. Performance in this market is impacted by the demand for computer systems. Other customers served by Exide include electrical generating companies, as well as government and military users.

The Company offers a global product line which is being marketed under the following five brands associated with product type and technology:

- Absolyte®: Large 2-volt cells, incorporating AGM technology, for long duration (e.g. telecommunications) and short duration applications
- Marathon®: Multi-cell AGM monobloc batteries for long duration applications
- Sprinter®: Multi-cell AGM monobloc batteries for short duration applications
- Sonnenschein®: Multi-cell monoblocs and 2-volt cells, incorporating primarily Gel technology
- Classic®: Primarily 2-volt and some multi-cell vented (or flooded) products for a wide range of applications

Exide's major network power battery customers for telecommunications services include AT&T, China Unicom, Cingular, Nippon Telegraph and Telephone (NTT), Singapore Telecom, Telecom Italia, Telefonica of Spain and Verizon. Major telecommunications manufacturing customers include Alcatel, Ericsson, Marconi, Emerson, Nortel, Motorola and Nokia. UPS manufacturing and end user customers include MGE and Siemens. Exide is also one of the leading suppliers of submarine batteries to the navies of Denmark, France, Germany, Italy, Norway, Singapore, Spain, Sweden and Turkey. Exide is the sole supplier to the U.S. Navy for submarine batteries.

Given the importance of service and technical assistance, the Company generally ships network power batteries directly to system suppliers and UPS manufacturers who include the batteries in their original equipment and distribute products to end users. Batteries are also shipped directly to end users for both systems and replacement. The Company also promotes its products through technical seminars, trade shows and technical literature.

Demand for telecommunications batteries is driven by the growth in broadband and worldwide deployment of cellular and wireless mobile communication systems and the need for safe and reliable back-up power. The dramatic telecommunications industry downturn has resulted in weak demand for network power batteries since September 2001.

Quality

The Company recognizes that product performance and quality are critical to its success and the Company has undertaken a company-wide quality improvement effort. In April 2001, the Company launched its EXCELL (Exide's Customer-focused Excellence Lean Leadership) program to systematically eliminate waste and implement the concepts of continuous flow and customer pull throughout the entire Exide supply chain. The EXCELL initiative is intended to implement lean production techniques and process improvements. The EXCELL program and Quality Management System (QMS), now being implemented worldwide, incorporates best practices to improve product quality, workplace safety and regulatory compliance. The best practices include Kaizen (continuous improvement); mistake proofing; quality control process charting; total productive maintenance; business process improvement; one piece flow; standard work; quick changeover; and visual factory.

The Company's quality effort begins in the design phase with an in-depth understanding of customer and application requirements. The Company's batteries are designed to the required performance, industry and customer quality standards, using design processes, tools and materials to achieve reliability and durability. The Company's commitment to quality continues through the manufacturing process. The Company has quality audit processes and standards in each of its production and distribution facilities. The Company has established Employee Lead Quality Continuous Improvement Teams, and many of the Company's plants have established quality-related incentive plans for hourly employees. The Company's quality program extends throughout the entire product lifecycle and operation in service. The Company offers warranties on its products and in-service product evaluations, and conducts customer satisfaction surveys.

Most of the Company's major production facilities are approved under ISO 9000, QS 9000 or equivalent quality standards. Also, the Company has obtained ISO 14001 certification at eight of its manufacturing plants, including TS16949 certification at three of these facilities. The Company has received quality certifications from a number of OEM and aftermarket customers.

Research and Development

The Company is committed to developing new and technologically advanced products, services and systems that provide superior performance and value to customers. To support this commitment, the Company focuses on developing opportunities across Exide's global businesses.

The Company has focused its global research and development activities into one location in Europe. Scientists and engineers at this facility are currently focused on projects to enhance the lead acid battery technology for the benefit of the entire Company.

In addition, the Company also operates a number of product and process-development centers of excellence around the world. These centers work cooperatively to define and improve the Company's product design and production processes. By leveraging this network, the Company is able to transfer technologies, product and process knowledge among its various operating facilities, thereby adapting best practices from around the world for use throughout the Company.

In addition to the Company's in-house efforts, Exide is forming alliances and collaborative partnerships to pursue system technology development. One example of this strategy is a collaborative agreement with Siemens VDO Automotive AG to develop energy-management systems for 14- and 42-volt automotive electrical and electronic architectures for the global OEM market.

The Company has established arrangements with Lear Corporation and Valeo in the transportation area and various development activities targeted at the industrial and military markets.

Patents, Trademarks and Licenses

The Company owns or has a license to use various trademarks that are valuable to Exide's business. At present the Company owns more than 800 trademarks and licenses the right to use fewer than 50 trademarks worldwide. While the Company believes these trademarks and trade names enhance the brand recognition of the Company's products, and are therefore important to its business, the Company does not believe any of these individually are material to Exide's business. Exide Electronics Group, Inc., an unaffiliated company, is licensed to use the Exide® name on certain devices. These licenses are not, however, material to the conduct of the Company's business or results of operations. The Company licenses the Champion mark from Federal Mogul Corporation for use on certain transportation and industrial batteries.

The Company has generated a large number of patents in the operation of its business and currently owns all or a partial interest in more than 800 patents worldwide. The Company also has more than 1,000 applications for patents pending. Although the Company believes its patents and patent applications collectively are important to the Company's business, and that technological innovation is important to its market competitiveness, currently no patent individually is material to operation of the business or Exide's financial condition.

At the present time, the Company is not engaged to any significant extent in commercialization of its technology or brand names.

On March 14, 2003, the Company served notices to reject certain executory contracts with Yuasa Battery (America), Inc. and affiliates, now known as EnerSys, Inc. ("EnerSys"), including that certain Trademark and Trade Name License Agreement dated June 10, 1991 (the "Trademark License") pursuant to which the Company had licensed to EnerSys use of the "Exide" trademark for use on certain industrial battery products in the United States and 37 foreign countries. EnerSys has objected to the rejection of certain of the executory contracts, including the Trademark License. If the Bankruptcy Court permits the Company to reject the Trademark License, EnerSys will likely lose all rights to use the "Exide" trademark and such rights will be restored to the Company.

Manufacturing, Raw Materials and Suppliers

Lead is the primary material by weight used in the manufacture of lead acid batteries, representing approximately one-fourth of the cost of goods produced. The Company obtains substantially all of its North American lead requirements through the operation of Exide's six secondary lead recycling plants, which reclaim lead by recycling spent lead acid batteries. In North America, spent batteries are obtained for recycling from the Company's customers and through the Company-owned branch networks. In Europe, the Company's lead requirements are principally obtained from third party suppliers.

The Company uses both polyethylene and absorbed glass microfibre ("AGM") separators. The polyethylene separator is solely purchased from Daramic, Inc ("Daramic"), with supply agreements expiring in December 2009. The agreements restrict the Company's ability to source separators from other suppliers unless there is a technical benefit that Daramic cannot provide. In addition, the agreements provide for substantial minimum annual purchase commitments. There is no real second source that could readily provide the volume of polyethylene separators used by the Company. As a result, any major disruption in supply from Daramic would have an adverse impact on the Company. In May 2002, Daramic filed a motion in the Bankruptcy Court to compel the Company to accept or reject the supply agreements. Following negotiation with Daramic, the Company paid approximately $10 million due with respect to the period prior to the Company's Chapter 11 filing and, pursuant to Bankruptcy Court approval, accepted the contracts with certain agreed upon amendments. There are a number of suppliers from whom the Company purchases AGM separators.

Other key raw materials and components in the production of batteries include lead oxide, acid, plastics and chemicals, which are generally available from multiple sources. The Company has not experienced any material stoppage or disruption in production as a result of the unavailability, or delays in the availability, of raw materials.

Competition

Transportation Segment

The North American and European transportation markets are highly competitive. The manufacturers in these markets compete on price, quality, technical innovation, service and warranty. Well-recognized brand names are also important for aftermarket customers who do not purchase private label batteries. Most sales are made without long-term contracts.

In the North American transportation aftermarket, the Company believes Johnson Controls has the largest market position, followed by Exide. Other principal competitors in this market are Delphi Automotive Systems and East Penn. Price competition in this market has been severe in recent years. Competition is strongest in the mass merchandiser channel where large customers use their buying power to command lower prices.

The Company's largest competitors in the North American OEM market are Johnson Controls and Delphi Automotive Systems. Due to technical and production qualification requirements, OEMs change battery suppliers less frequently than aftermarket customers but, because of their purchasing size, can influence market participants to compete on price and other terms.

Exide has the largest market position in Europe in automotive batteries, both aftermarket and original equipment. The Company's next largest single competitor in the automotive markets is Johnson Controls, as a result of recent acquisitions, followed by Delphi and Fiamm. The European battery markets, particularly in the automotive OEM area, have undergone severe price competition.

The Company expects competition to remain intense. Exide seeks to maintain and grow its market position and customer base through strong brands, product technology, quality, customer service and a competitive cost structure.

Motive Power Segment

Exide has the largest market share for motive power products on a global basis. The Hawker Battery Group, acquired in 2001 by EnerSys, is number two in Europe. Other competitors in Europe include Fiamm, Hoppecke, BAE and MIDAC. Exide estimates it ranks second to EnerSys in market share in North America. In North America, the other major competitors are C&D Technologies and East Penn. In Asia, JSB, Shinkobe, Yuasa and Hitachi are the major competitors, with Yuasa being the market leader. In countries such as Brazil, China and India, local manufacturing is required and Exide is currently serving these markets on a limited basis through export sales.

Quality, product performance, in-service reliability, delivery and price are important differentiators in the motive power market. Well-known brands are also important and Exide's Chloride Motive Power, Deta®, GNB, Tudor® and Sonnenschein® are among the leading brands in the world.

Network Power Segment

EnerSys, following the acquisition of Hawker Battery Group in 2001, has the largest market share on a global basis with Exide ranking second in the world.

Exide estimates it ranks third to C&D Technologies and EnerSys in North America and maintains the leading share in Europe. In Asia, Yuasa has a market leadership position. Competition for network power batteries has intensified given the decline in industry demand and overcapacity resulting in aggressive competition in most industry segments.

Quality, reliability, delivery and price are important differentiators in the network power market, along with technical innovation and responsive service. Well-known brands are also important and Exide's Absolyte®, Sonnenschein®, Marathon®, Sprinter® and Classic™ are among the leading brands in the world.

The Company is implementing a plant rationalization and overhead reduction program, as well as lean manufacturing and strategic sourcing initiatives, to better enable it to respond to the changing market conditions.

Environmental, Health and Safety Matters

As a result of its global manufacturing, distribution and recycling operations, the Company is subject to numerous federal, state and local environmental, occupational safety and health laws and regulations, as well as similar laws and regulations in other countries in which the Company operates (collectively "EH&S laws"). For a discussion of the legal proceedings relating to environmental matters, see Item 3, Legal Proceedings.

Employees

Total worldwide employment was approximately 16,100 at March 31, 2003, compared to 17,300 at March 31, 2002, reflecting the impact of the Company's ongoing restructuring actions and cost reduction efforts.

North America

As of March 31, 2003, the Company employed approximately 1,600 salaried employees and approximately 4,100 hourly employees in North America. Approximately 30% of such salaried employees are engaged in sales, service, marketing and administration and approximately 70% in manufacturing and engineering. Approximately 30% of the Company's hourly employees are represented by unions. Relations with the unions are generally good. Contracts covering approximately 400 of the Company's union employees expire in fiscal 2004, and the remainder thereafter.

Europe and Rest of World

As of March 31, 2003, the Company employed approximately 3,600 salaried employees and approximately 6,800 hourly employees outside of North America, primarily in Europe. Approximately 18% of such salaried employees are engaged in sales, service, marketing and administration and approximately 82% in manufacturing and engineering. The Company's hourly employees are generally represented by unions. Relations with the unions are generally good. Contracts covering most of the Company's union employees expire on various dates through fiscal 2006.

Backlog

The Company's network power and motive power order backlog at March 31, 2003 was approximately $76.0 million and $35.0 million, respectively. The Company expects to fill virtually all of the March 31, 2003 backlog during fiscal 2004. The Company's transportation backlog at March 31, 2003 was not significant.

Financial Information About Foreign and Domestic Operations and Export Sales

See Note 27 to the Company's Consolidated Financial Statements appearing elsewhere herein.

Item 2. *Properties*

The chart below lists the location of the Company's principal facilities. All of the facilities are owned unless otherwise indicated. Substantially all of the Company's owned and leased properties in the U.S. are subject to liens or security interests under the DIP Credit Facility and/or the pre-petition Senior Secured Global Credit Facility, and two owned facilities located in England are subject to liens under the pre-petition Senior Secured Global Credit Facility. The leases for leased facilities expire at various dates through 2016.

Location	Approximate Square Footage		Use
North America:			
Alpharetta, GA	66,500	(leased)	Executive Offices
Aurora, IL	43,200	(leased)	Executive Offices
Baton Rouge, LA	176,000		Secondary Lead Smelting
Bristol, TN	631,000		Battery Manufacturing
Cannon Hollow, MO	137,000		Secondary Lead Smelting
City Of Industry, CA	159,000	(leased)	Distribution Center
Fort Erie, Canada	90,000		Distribution Center
Fort Smith, AR	223,000	(leased)	Industrial Battery Manufacturing
Frisco, TX	132,000		Secondary Lead Smelting
Kankakee, IL	270,000		Industrial Battery Manufacturing and Distribution
Kansas City, KS	140,000		Industrial Battery Manufacturing
Lampeter, PA	82,000		Battery Plastics Manufacturing
Manchester, IA	286,000		Battery Manufacturing Distribution Center
Muncie, IN	174,000		Secondary Lead Smelting
Princeton, NJ	18,000	(leased)	Executive Offices
Reading, PA	125,000		Secondary Lead Smelting and Poly Reprocess
Reading, PA	77,000		Distribution Center
Salina, KS	260,000	(leased)	Battery Manufacturing
Salina, KS	100,000	(leased)	Distribution Center
Shreveport, LA	280,000	(leased)	Battery Manufacturing
Sumner, WA	50,000		Distribution Center
Vernon, CA	220,000		Secondary Lead Smelting
Europe and Other:			
Sydney, Australia	230,000		Industrial Battery Manufacturing/ Distribution Center
Elizabeth, South Australia	145,000		Automotive Battery Manufacturing
Bolton, England	274,000		Industrial Battery Manufacturing
Auxerre, France	341,000		Automotive Battery Manufacturing
Gennevilliers, France	60,000		Executive Offices
Gennevilliers, France	20,000		Research and Executive Offices
Lille, France	410,000		Industrial Battery Manufacturing
Nanterre, France	206,000		Automotive Battery Manufacturing
Peronne, France	106,000		Plastics Manufacturing
Bad Lauterberg, Germany	1,303,000		Manufacturing, Administrative and Warehouse
Budingen, Germany	928,000		Industrial Battery Manufacturing and Administration
Weiden, Germany	1,087,000		Industrial Battery Manufacturing
Canonica d'Adda, Italy	203,000		Automotive Battery Manufacturing
Casalnuovo, Italy	5,155,908		Industrial Battery
Fumane di Valipolicella, Italy	65,000		Industrial Battery Manufacturing
Romano Di Lombardia, Italy	266,000	(leased)	Automotive Battery Manufacturing
Lower Hutt, New Zealand	90,000		Automotive Battery Manufacturing
Poznan, Poland (five)	847,500		Automotive Battery Manufacturing
Castanheira do Riatejo, Portugal	1,873,000		Industrial Battery Manufacturing
Azuqueca de Henares, Spain	1,783,000		Automotive Battery Manufacturing
Bontmati, Spain	63,000		Secondary Lead Smelting
La Cartuja, Spain	1,670,000		Industrial Battery Manufacturing
Cubas de la Sagra, Spain	1,860,000		Secondary Lead Smelting
Malpica, Spain	213,000		Automotive Battery Manufacturing
Manzanares, Spain	438,000		Automotive Battery Manufacturing
San Esteban de Gormaz, Spain	63,000		Secondary Lead Smelting
Torrejon, Spain	65,000		Industrial Battery Manufacturing

In addition, the Company also leases distribution outlets in the U.S. and Europe.

The Company believes that its facilities are in good operating condition, adequately maintained, and suitable to meet the Company's present needs.

Item 3. ***Legal Proceedings***

Bankruptcy Considerations

As of the Petition Date, substantially all pending litigation against the Debtors was stayed. To the extent any of the Debtors are ultimately found liable with respect to such litigation, the Debtors believe the claim resulting therefrom would constitute a general unsecured claim against the Debtors, the treatment of which would be governed by any plan of reorganization confirmed by the Bankruptcy Court. Litigation against the Company's non-Debtor subsidiaries has not been stayed and will not be affected by the bankruptcy proceedings.

Former Senior Executives and Battery Quality Matters

On March 23, 2001, the Company reached a plea agreement with the U.S. Attorney for the Southern District of Illinois, resolving an investigation into a scheme by former officers and certain corporate entities involving fraudulent representations and promises in connection with the distribution, sale and marketing of automotive batteries between 1994 and 1997. Under the terms of that settlement, the Company agreed to pay a fine of $27.5 million over five years, to five-years' probation and to cooperate with the U.S. Attorney in her prosecution of Arthur M. Hawkins, Douglas N. Pearson and Alan E. Gauthier, former senior executives of the Company. The payment terms of the plea agreement are dependent upon the Company's compliance with the plea agreement during the five-year probation period. Generally, the terms of the probation would permit the U.S. Government to reopen the case against the Company if the Company violates the terms of the plea agreement or other provisions of law. The plea agreement was lodged with the U.S. District Court for the Southern District of Illinois, and accepted on February 27, 2002. The Company reserved $31.0 million for this matter, including expected costs and out-of-pocket expenses, in the first quarter of fiscal 2001, and an additional $1.0 million in the third quarter of fiscal 2002. At March 31, 2003, approximately $27.5 million of this reserve remains and is classified as a Liability subject to compromise in the Consolidated Financial Statements. As a result of the imposition of the automatic stay arising upon the Company's Chapter 11 filing, the Company has not made installment payments of its $27.5 million fine. The Company is uncertain as to the effect of these non-payments and the bankruptcy filing with respect to the plea agreement. On June 10, 2002, the United States Attorney's Office for the Southern District of Illinois filed a claim as a general unsecured creditor for $27.9 million.

The Company is currently involved in litigation with the former senior executives referenced above. The former senior executives made claims to enforce separation agreements, reimbursements of legal fees and other contracts, and the Company has filed claims and counterclaims asserting fraud, breach of fiduciary duties, misappropriation of corporate assets and civil conspiracy. In addition, the Company has filed actions in the Bankruptcy Court against the former senior executives to recover certain payments of legal fees that the Company was required to advance to such individuals prior to the Petition Date.

The Company has filed two claims with its insurers for reimbursement of the amounts paid to the former executives, and believes it is entitled to obtain substantial reimbursement for those amounts. However, the Company has not recognized any receivables for such reimbursements at March 31, 2003.

The Company has completed an investigation and determined that due to a deviation from manufacturing procedures approximately 950,000 automotive aftermarket batteries sold during 2001 and 2002 in North America did not contain one minor feature of several advertised for the batteries. In all cases the batteries performed in accordance with their labeled specifications. The feature was reinstated and the Company has discussed the situation with certain customers. The Company cannot predict at this time the effects of this matter on its business, but the remediation that has been offered is not material to its financial condition, cash flows or results of operations.

Private Party Lawsuits

Active Lawsuits

In June 2002, the following lawsuit was filed in Louisiana state court: *Hardy et. al. v. Ducote Wrecking, et. al.* The case was filed as a putative class action for damages brought by two employees of Ducote Wrecking & Demolition, an independent contractor performing multiple maintenance projects at the Company's Baton Rouge, Louisiana facility. The plaintiffs allege that while they were engaged in work at the Company's facility, they were intentionally exposed to and poisoned by lead, acid, and other heavy metals. Plaintiffs named the Company's insurance carriers and supervisory employee as defendants, along with Ducote. The case was removed to the U.S. District Court for the Western District of Louisiana. Plaintiffs filed a motion to remand, which was denied by the Court in a January 2003 decision. In the same January 2003 decision, the Court dismissed the Company's supervisory employee and the independent contractor defendant from the litigation. The Court also has denied plaintiffs' motion for class certification. The Company's insurer has issued a reservation of rights as to the Company's coverage for the alleged claims.

On April 11, 2003, the following lawsuit was filed in the Delaware Court of Chancery by the official committee of equity holders and its members: *Kandathil et. al. v. Exide*. The complaint seeks to compel the Company to convene a meeting of stockholders. On April 21, 2003, the Debtors filed a complaint against the official committee of equity holders and its members in the Bankruptcy Court seeking to enjoin their attempts to compel the Company to convene a meeting of stockholders. Hearings on the two complaints are currently scheduled for July 2003.

On June 6, 2002, McKinsey & Company International filed suit against Exide Holding Europe, S.A., Compagnie Europeene D'accumulateurs, S.A., Euro Exide Corporation Ltd., Exide Italia S.r.l, Deutsche Exide GmbH and Exide Transportation Holding Europe, S.L. in the U.S. District Court for the Southern District of New York, seeking to compel arbitration of McKinsey's request for payment of approximately $5 million for consulting services allegedly incurred by Exide. This matter was subsequently resolved through a confidential settlement which did not have a material effect on the Company's results of operations.

Exide is a defendant in an arbitration proceeding initiated in October of 2001 by Margulead Limited ("Margulead"). In June of 1997, GNB, now an operating division of Exide, entered into an agreement with Margulead, which Margulead contended obligated the Company to build a facility to test and develop certain lead acid battery recycling technology allegedly developed by Margulead. Exide terminated the contract in 1998. Exide contended, in part, that the Margulead process was not ready for pilot plant implementation and also failed to meet success criteria. Margulead claimed approximately $13 million in damages. The Company denied that it was liable and defended the matter in the arbitration. An arbitration decision was rendered on May 7, 2003, determining that the contract was unenforceable and that neither party was entitled to damages or costs. Margulead asked the arbitrator to reconsider the decision. Margulead also has advised the Company that it intends to appeal the arbitrator's decision. The Company does not believe it is likely that Margulead will succeed in any reconsideration or appeal of the arbitrator's decision.

In November 2002, the following lawsuit was filed in the Ontario Court of Justice: *Exide Canada, Inc., v. Lorne Hilts et. al.* This lawsuit was initiated by Exide Canada, Inc. against former officers, employees and a former logistics services vendor seeking in excess of $2 million Canadian in damages on multiple grounds including breach of trust, breach of contract and fraud. Defendant Hilts filed a counterclaim against Exide Canada for severance and other benefits and seeks damages in an amount exceeding $840 thousand Canadian. Defendant Ryad counterclaimed against Exide Canada alleging breach of contract and against Exide Technologies alleging it induced Exide Canada to breach its contract with Ryad for certain logistics services. Ryad seeks damages against each defendant in an amount exceeding $8.5 million Canadian. The Company believes that the counterclaims are without merit and is vigorously defending itself.

The Company's preliminary review of these active claims suggest they are without merit, and, to the extent the Company is a party to these active lawsuits, it plans to vigorously defend itself. The Company does not believe any reserves are currently warranted for these claims. See Critical Accounting Policies and Estimates, Litigation, in Item 7 of this Report.

Stayed Pre-Petition Lawsuits

The following lawsuits allege that Exide and its predecessors allowed hazardous materials used in the battery manufacturing process to be released from certain of its facilities, allegedly resulting in personal injury and/or property damage. On August 25, 1999 several cases were filed in the Circuit Court for Greenville County, South Carolina and are currently pending: *Joshua Lollis v. Exide*; *Buchanan v. Exide*; *Agnew v. Exide*; *Patrick Miller v. Exide*; *Kelly v. Exide*; *Amanda Thompson v. Exide*; *Jonathan Talley v. Exide*; *Smith v. Exide*; *Lakeisha Talley v. Exide*; *Brandon Dodd v. Exide*; *Prince v. Exide*; *Andriae Dodd v. Exide*; *Dominic Thompson v. Exide*; *Snoddy v. Exide*; *Antoine Dodd v. Exide*; *Roshanda Talley v. Exide*; *Fielder v. Exide*; *Rice v. Exide*; *Logan Lollis v. Exide*; and *Dallis Miller v. Exide*. In January 2002, counsel that brought the South Carolina actions filed additional claims in the Circuit Court for Greenville County, South Carolina. The following lawsuits of this type are currently pending in the Court of Common Pleas for Berks County, Pennsylvania: *Grillo v. Exide*, filed on May 24, 1995; *Blume v. Exide*, filed on March 4, 1996; *Esterly v. Exide*, filed on May 30, 1995; and *Saylor v. Exide*, filed on October 18, 1996. The following lawsuit of this type is currently pending in the United States District Court for the Southern District of Indiana: *Strange v. Exide*. Finally, the following lawsuit of this type is pending in the Circuit Court of Shelby County, Tennessee: *Cawthon v. Exide, et al.* All these cases have been stayed.

In July 2001, Pacific Dunlop Holdings (US), Inc. ("PDH") and several of its foreign affiliates under the various agreements through which Exide and its affiliates acquired GNB, filed a complaint in the Circuit Court for Cook County, Illinois alleging breach of contract, unjust enrichment and conversion against Exide and three of its foreign affiliates. The plaintiffs maintain they are entitled to approximately $17.0 million in cash assets acquired by the defendants through their acquisition of GNB. In December 2001, the Court denied the defendants' motion to dismiss the complaint, without prejudice to re-filing the same motion after discovery proceeds. The defendants have filed an answer and counterclaim. On July 8, 2002, the Court authorized discovery to proceed as to all parties except Exide. In August 2002, the case was removed to the U.S. Bankruptcy Court for the Northern District of Illinois and in October 2002, the parties presented oral arguments, in the case of PDH, to remand the case to Illinois state court and, in the case of Exide, to transfer the case to the U.S. Bankruptcy Court for the District of Delaware. On February 4, 2003, the U.S. Bankruptcy Court for the Northern District of Illinois transferred the case to the U.S. Bankruptcy Court in Delaware, where plaintiffs' motion to abstain or remand will be heard. To the extent this action implicates Exide's interests, the Company plans to vigorously defend the action and pursue the counterclaim.

In December 2001, PDH filed a separate action in the Circuit Court for Cook County, Illinois seeking recovery of approximately $3.1 million for amounts allegedly owed by Exide under various agreements between the parties. The claim arises from letters of credit and other security allegedly provided by PDH for GNB's performance of certain of GNB's obligations to third parties that PDH claims Exide was obligated to replace. Exide's answer contested the amounts claimed by PDH and Exide filed a counterclaim. Although this action has been consolidated with the Cook County suit concerning GNB's cash assets, the claims relating to this action are currently subject to the automatic bankruptcy stay, and have been transferred to the U.S. Bankruptcy Court for the District of Delaware.

Between March and September 2002, the following cases were filed in the U.S. District Court for the Middle District of Louisiana: *Joseph et. al. v. Exide*; *Andrews et. al. v. Exide*; and *Armstead v. Exide*. These actions seek monetary damages and injunctive relief for alleged racial discrimination in the Company's Shreveport and Baton Rouge, Louisiana plants. The *Joseph* and *Andrews* cases have been consolidated and all three lawsuits have been stayed.

In February 2001, the following lawsuit was filed in the U.S. District Court for the Northern District of California: *Flaherty v. Exide, et. al.* Plaintiff contends the Company is responsible, in part, for contamination resulting from alleged disposal of hazardous substances at plaintiff's property. The suit contains claims predicated on CERCLA, private nuisance, public nuisance, trespass, negligence, equitable indemnity, contribution, injunctive relief under RCRA and declaratory relief under state law. The Company has filed counterclaims against plaintiff and other potentially responsible parties.

The Company's preliminary review of these claims suggests they are without merit and the Company plans to vigorously defend itself with regard to the stayed pre-petition lawsuits. The Company expects that all of these lawsuits will be compromised upon confirmation of a plan of reorganization by the Bankruptcy Court. See Critical Accounting Policies and Estimates, Litigation, in Item 7 of this Report.

Environmental Matters

As a result of its multinational manufacturing, distribution and recycling operations, the Company is subject to numerous federal, state and local environmental, occupational safety and health laws and regulations, as well as similar laws and regulations in other countries in which the Company operates (collectively "EH&S laws"). The Company is exposed to liabilities under such EH&S laws arising from its past handling, release, storage and disposal of hazardous substances and hazardous wastes. The Company previously has been advised by the U.S. Environmental Protection Agency or state agencies that it is a "Potentially Responsible Party" ("PRP") under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") or similar state laws at 91 federally defined Superfund or state equivalent sites. At 44 of these sites, the Company has paid its share of liability. The Company is currently paying its share of liability at one site. The Company expects its liability will be compromised upon confirmation of a plan of reorganization by the Bankruptcy Court as to a number of additional Superfund sites. In most instances, the Company's remaining obligations are not expected to be significant because its portion of any potential liability appears to be minor or insignificant in relation to the total liability of all identified PRPs that are financially viable. The Company's share of the anticipated remediation costs associated with all of the Superfund sites where it has been named a PRP, based on the Company's estimated volumetric contribution of waste to each site, is included in the environmental remediation reserves discussed below.

Of those sites for which the Company has not completed payment of its share of liability, it currently has greater than 50% liability at three Superfund sites, and allocated liability that exceeds five percent at an additional seven sites that averages approximately 22%. Because the Company's liability under such statutes may be imposed on a joint and several basis, the Company's liability may not necessarily be based on volumetric allocations and could be greater than the Company's estimates. The Company believes, however, that its PRP status at these Superfund sites will not have a material adverse effect on the Company's business or financial condition because, based on the Company's experience, it is reasonable to expect that the liability will be roughly proportionate to its volumetric contribution of waste to the sites.

The Company is also involved in the assessment and remediation of various other properties, including certain Company owned or operated facilities. Such assessment and remedial work is being conducted pursuant to applicable EH&S laws with varying degrees of involvement by appropriate legal authorities. Where probable and reasonably estimable, the costs of such projects have been accrued by the Company, as discussed below. In addition, certain environmental matters concerning the Company are pending in various courts or with certain environmental regulatory agencies.

While the ultimate outcome of the foregoing environmental matters is uncertain, after consultation with legal counsel, the Company does not believe the resolution of these matters, individually or in the aggregate, will have a material adverse effect on the Company's financial condition, cash flows or results of operations.

The Company has established reserves for on-site and off-site environmental remediation costs and believes that such reserves are adequate. As of March 31, 2003, the amount of such reserves on the Company's consolidated balance sheet was $78.3 million. Of this amount, $66.4 million was included in Liabilities subject to compromise. Because environmental liabilities are not accrued until a liability is determined to be probable and reasonably estimable, not all potential future environmental liabilities have been included in the Company's environmental reserves and, therefore, additional earnings charges are possible. Also, future findings or changes in estimates could have a material effect on the recorded reserves and cash flows.

In the U.S., the Company has advised each state and federal authority with whom it has negotiated plans for environmental investigations or remediation of the Debtors' Chapter 11 filing as required by those agreements or applicable rules. In some cases these authorities may require the Company to undertake certain agreed remedial activities under a modified schedule, or may seek to negotiate or require modified remedial activities. Such requests have been received at several sites and are the subject of ongoing discussions. At this time no requests or directives have been received which, individually or in the aggregate, would materially alter the Company's reserves or have a material adverse effect on the Company's financial condition, cash flows or results of operations.

Tampa, Florida

The Tampa site is a former secondary lead smelter, lead oxide production facility, and sheet lead-rolling mill that operated from 1943 to 1989. Under a RCRA Part B Closure Permit and a Consent Decree with the State of Florida, Exide is required to investigate and remediate certain historic environmental impacts to the site. Cost estimates for remediation (closure and post-closure) range from $12.5 million to $20.5 million depending on final State of Florida requirements. The remediation activities are expected to occur over the course of several years.

Columbus, Georgia

The Columbus site is a former secondary lead smelter that was decommissioned in 1999, which is part of a larger facility that includes an operating lead acid battery manufacturing facility. Groundwater remediation activities began in 1988. Costs for supplemental investigations, remediation and site closure are currently estimated at $13.5 million.

Sonalur, Portugal

The Sonalur facility is an active secondary lead smelter. Materials from past operations present at the site are stored in aboveground concrete containment vessels and in underground storage deposits. The Company is in the process of obtaining additional site characterization data to evaluate remediation alternatives agreeable to local authorities. Costs for remediation are currently estimated at $3.5 to $7.0 million.

Other

In February 2002, the Company's principal French subsidiary was notified by local competition authorities that in connection with certain sales of batteries by several French manufacturers in 1996 and 1997, the subsidiary is alleged to have violated local competition laws. The civil investigative agency in the case has recommended a fine be imposed on the Company for 5.9 million Euros, but the Company does not believe that the subsidiary acted improperly and intends to defend this matter vigorously. A judicial decision with respect to this matter is expected within the next 90 days.

From 1957 to 1982, the Company's French subsidiary, CEAC, operated a plant using crocidolite asbestos fibers in the formation of battery cases, which, once formed, encapsulated the fibers. Approximately 1,500 employees worked in the plant over the period. Since 1982, the French governmental agency responsible for worker illness claims has received 34 employee claims alleging asbestos-related illnesses, and no such claims have been filed since August 2001. For some of those claims, CEAC is obligated to and has indemnified the agency in accordance with French law for approximately $132 thousand, $169 thousand and $260 thousand in calendar years 2001, 2002 and 2003, respectively. In addition, CEAC has been adjudged liable to indemnify the agency for approximately $45 thousand, $78 thousand, and $200 thousand during the same periods to date for the dependents of four such claimants. Although the Company cannot predict the number or size of any future claims, after consultation with legal counsel the Company does not believe resolution of the current or any future claims, individually or in the aggregate, will have a material adverse effect on the Company's financial condition, cash flows or results of operations.

The Company is involved in various other claims and litigation incidental to the conduct of its business. Based on consultation with legal counsel, the Company does not believe that any such claims or litigation to which the Company is a party, either individually or in the aggregate, will have a material adverse effect on the Company's financial condition, cash flows or results of operations.

Item 4. ***Submission of Matters to a Vote of Security Holders***

None.

PART II

Item 5. ***Market for Registrant's Common Equity and Related Stockholder Matters***

The Company's common stock is currently traded on the over-the-counter market and quoted on the OTC Bulletin Board under the symbol "EXDTQ". Prior to delisting on February 15, 2002, the Company's common stock had been traded on the New York Stock Exchange. The following table presents the high and low sales prices for the Company's common stock, while it was listed on the New York Stock Exchange and the high and low bid prices (which may not represent actual transactions) thereafter, and dividends declared for the quarters indicated. The Company's Board of Directors suspended payment of dividends on the common stock on November 8, 2001.

	Fiscal Year Ended March 31		
	Prices		
	High	Low	Dividends Declared (per share)
2002:			
First Quarter	$12.300	$7.600	$0.02
Second Quarter	11.000	3.650	0.02
Third Quarter	3.890	0.390	—
Fourth Quarter	1.490	0.320	—
2003:			
First Quarter	$ 1.060	$0.110	$ —
Second Quarter	0.700	0.420	—
Third Quarter	0.590	0.270	—
Fourth Quarter	0.490	0.280	—

The last reported bid price of the common stock on the OTC Bulletin Board on June 19, 2003 was $0.32 per share. As of June 19, 2003 the Company had 27,383,084 shares of its common stock outstanding and there were 750 record holders of common stock.

Item 6. ***Selected Financial Data (in thousands, except per share data):***

The following table sets forth selected financial data for Exide. You should read this information in conjunction with the Company's Consolidated Financial Statements and Notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" that appear elsewhere in this document. Certain prior years selected financial information has been reclassified to conform to the fiscal 2003 presentation. See Note 3 to the Consolidated Financial Statements herein.

	Fiscal Year Ended March 31,				
	1999	2000	2001	2002	2003
Statement of Operations Data					
Net sales	$2,374,278	$2,194,447	$2,432,102	$2,428,550	$2,361,101
Gross profit	508,492	485,578	534,479	463,919	516,541
Selling, marketing and advertising expenses	283,874	271,791	291,068	290,957	261,299
General and administrative expenses	169,744	145,770	157,459	178,842	175,177
Restructuring and impairment	—	39,336	97,400	33,122	25,658
Interest expense, net	111,679	103,988	117,652	136,241	105,788
Income (loss) before reorganization items, income tax, extraordinary loss and cumulative effect of change in accounting principle (3)	(105,673)	(123,548)	(154,330)	(304,797)	(77,346)
Reorganization items, net	—	—	—	—	36,370
Income taxes	23,001	10,769	8,632	(1,422)	26,969
Income (loss) before extraordinary loss and cumulative effect of change in accounting principle	(126,693)	(136,042)	(164,585)	(303,586)	(140,885)
Extraordinary loss (1)	(301)	—	—	—	—
Cumulative effect of change in accounting principle (2)	—	—	—	(496)	—
Net income (loss)	$ (126,994)	$ (136,042)	$ (164,585)	$ (304,082)	$ (140,885)
Basic and diluted net income (loss) per share	$ (5.98)	$ (6.40)	$ (7.02)	$ (11.35)	$ (5.14)
Balance Sheet Data (at period end)					
Working capital (deficit) (4)	$ 301,663	$ 213,468	$ 183,618	$ (951,866)	$ (376)
Property, plant and equipment, net	543,702	443,344	632,935	530,220	533,375
Total assets	2,195,816	1,901,461	2,298,925	1,915,868	2,367,191
Total debt	1,205,806	1,118,385	1,347,046	1,413,272	1,804,903
Common stockholders' equity (deficit)	134,135	(66,376)	(256,639)	(555,742)	(695,369)
Other Financial Data					
Cash provided by (used in):					
Operating activities (5)	$ 77,219	$ 95,648	$ 90,190	$ (6,665)	$ (239,858)
Investing activities	(22,356)	(12,623)	(355,920)	(58,462)	(39,095)
Financing activities	(70,238)	(73,987)	259,468	73,720	278,882
Capital expenditures	76,211	63,953	69,495	61,323	45,878
Cash dividend per share	$ 0.08	$ 0.08	$ 0.08	$ 0.04	$ —

(1) During fiscal 1999, the Company recorded a loss of $301 with no income tax effect resulting from a modification of debt in connection with entering into bond swap agreements for $4,430 (principal amount) of its 10% Senior Notes.

(2) The cumulative effect of change in accounting principle resulted from the adoption by the Company of SFAS 133 on April 1, 2001.

(3) Fiscal 2002 expenses included goodwill impairment charges of $105,000 and loss on debt-to-equity conversion of $13,873. Fiscal 2003 expenses included goodwill impairment charges of $37,000.

(4) Working capital (deficit) is calculated as current assets less current liabilities, which at March 31, 2002 reflects the reclassification of certain long-term debt as current. At March 31, 2003, working capital (deficit) excludes liabilities of the Debtors classified as subject to compromise.
(5) Cash used in operating activities in fiscal 2003 includes the repurchase of uncollected securitized accounts receivable under the terminated U.S. and European securitization programs of $117,455 and $124,793, respectively.

On April 1, 2001, the Company adopted the non-amortization provisions of Statement of Financial Accounting Standards ("SFAS") No. 142 "Goodwill and Other Intangible Assets". As a result of the adoption of SFAS 142, results for fiscal years 2003 and 2002 do not include certain amounts of amortization of goodwill that are included in prior years' results. See Note 8 to the Company's Consolidated Financial Statements for additional information.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Overview

On April 15, 2002, Exide Technologies and three of its wholly-owned, U.S. filed voluntary petitions for reorganization under Chapter 11. On November 21, 2002, two of the Company's other wholly-owned subsidiaries filed for reorganization pursuant to Chapter 11.

The Company decided to file itself and certain of its subsidiaries for reorganization under Chapter 11 as it offered the most efficient alternative to restructure its balance sheet and access new working capital while continuing to operate in the ordinary course of business. The Company has a heavy debt burden, caused largely by a debt-financed acquisition strategy and the significant costs of integrating those acquisitions. Other factors leading to the reorganization included the impact of adverse economic conditions on the Company's markets, particularly telecommunications, ongoing competitive pressures and capital market volatility. These factors contributed to a loss of revenues and resulted in significant operating losses and negative cash flows, severely impacting the Company's financial condition and its ability to maintain compliance with debt covenants.

The Company's operations outside of the U.S. are not included in the Chapter 11 proceedings.

On May 10, 2002, the Debtors received final Bankruptcy Court approval of the $250 million DIP Credit Facility. The DIP Credit Facility requires maintenance of certain financial covenants and other restrictions on matters such as indebtedness, guarantees and future asset sales.

Under the Bankruptcy Code, actions against the Debtors to collect pre-petition indebtedness, as well as most other pending litigation against the Debtors, are stayed. In addition, the Debtors may also assume or reject executory contracts, including lease obligations, subject to the approval of the Bankruptcy Court and certain other conditions (see Item 1 Business, Overview.).

At this time, it is not possible to predict the effect of the Chapter 11 reorganization process on the Company's business, various creditors and security holders, or when it may be possible for the Debtors to emerge from Chapter 11. The Company's future results are dependent upon its confirming and implementing, on a timely basis, a plan of reorganization. The Company believes, however, that under any reorganization plan, the Company's common stock would likely be substantially, if not completely, diluted or cancelled as a result of the conversion of debt to equity or any other compromise of interests. Further, it is also likely that the Company's 10% senior notes and convertible senior subordinated notes will suffer substantial impairment.

Factors Which Affect Our Financial Performance

Competition. The global transportation, motive power and network power battery markets, particularly in North America and Europe, are highly competitive. In recent years, competition has continued to intensify and

the Company continues to come under increasing pressure for price reductions. This competition has been exacerbated by excess capacity and fluctuating lead prices as well as low-priced Asian imports impacting our markets.

Exchange Rates. The Company is exposed to foreign currency risk in most European countries, principally from fluctuations in the Euro and British Pound. The Company is also exposed, although to a lesser extent, to foreign currency risk in Australia and the Pacific Rim. Movements of exchange rates against the U.S. dollar can result in variations in the U.S. dollar value of non-U.S. sales. In some instances, gains in one currency may be offset by losses in another. Movements in European currencies impacted the Company's results for the periods presented herein.

Markets. The Company is subject to concentrations of customers and sales in a few geographic locations and is dependent on customers in certain industries, including the automotive, telecommunications and material handling markets. Economic difficulties experienced in these markets and geographic locations have and continue to impact the Company's financial results.

Weather. Unusually cold winters or hot summers accelerate automotive battery failure and increase demand for automotive replacement batteries.

Interest rates. The Company is exposed to fluctuations in interest rates on its variable rate debt.

Lead. Lead is the primary material by weight used in the manufacture of batteries, representing approximately one-fourth of the Company's cost of goods sold. The market price of lead fluctuates. Generally, when lead prices decrease, customers may seek disproportionate price reductions from the Company, and when lead prices increase, customers may resist price increases.

Critical Accounting Policies and Estimates

The Company's discussion and analysis of its financial condition and results of operations are based upon the Company's Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. On an ongoing basis, the Company evaluates its estimates based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The Company believes the following critical accounting policies and estimates affect the preparation of its Consolidated Financial Statements.

Inventory Reserves. The Company writes down its inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of the inventory and the estimated market value based upon assumptions of future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required. During the third quarter of fiscal 2002 the Company began a company-wide effort to reduce inventory levels. Based on those findings, the Company concluded that it would not recover the carrying costs of certain of this excess inventory. This excess inventory has been written down to its estimated recoverable value. As this effort continues, the Company may determine that actual recoveries differ from those estimated.

Valuation of Long-lived Assets. The Company's long-lived assets include property, plant and equipment, goodwill and identified intangible assets. Long-lived assets (other than goodwill and indefinite lived intangible

assets) are depreciated over their estimated useful lives, and are reviewed for impairment whenever changes in circumstances indicate the carrying value may not be recoverable. Goodwill and indefinite-lived intangible assets are reviewed for impairment on both an annual basis and whenever changes in circumstances indicate the carrying value may not be recoverable. The fair value of goodwill and indefinite-lived intangible assets are based upon the Company's estimates of future cash flows and other factors including discount rates to determine the fair value of the respective assets. If these assets or their related assumptions change in the future, the Company may be required to record impairment charges. An erosion of future business results in any of the Company's business units could create impairment in goodwill or other long-lived assets and require a significant write down in future periods.

Employee Benefit Plans. The Company's pension plans and postretirement benefit plans are accounted for using actuarial valuations required by SFAS No. 87, "Employers' Accounting for Pensions ("SFAS 87")" and SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions ("SFAS 106")". The Company considers accounting for employee benefit plans critical because management is required to make significant subjective judgments about a number of actuarial assumptions, including discount rates, compensation growth, long-term return on plan assets, retirement, turnover, health care cost trend rates and mortality rates. Depending on the assumptions and estimates used, the pension and postretirement benefit expense could vary within a range of outcomes and have a material effect on reported results. In addition, the assumptions can materially affect accumulated benefit obligations and future cash funding. For a detailed discussion of the Company's retirement benefits, see Employee Benefit Plans herein and Note 12 to the Consolidated Financial Statements.

Deferred Taxes. The Company records a valuation allowance to reduce its deferred tax assets to the amount that is more likely than not to be realized. While the Company has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for valuation allowances, if the Company were to determine that it would be able to realize deferred tax assets in the future in excess of the Company's net recorded amount, an adjustment to the deferred tax asset would increase income in the period such determination was made. Likewise, should the Company determine that it would not be able to realize all or part of its net deferred tax assets in the future, an adjustment to the deferred tax asset would decrease income in the period such determination was made.

Warranty Reserves. The Company recognizes a provision for the estimated cost of product warranties in the period in which the related revenue is recognized. While the Company engages in product quality programs and processes, including independent testing of product performance and compliance to ratings, the Company's warranty obligations are affected by product failure rates and customers' in-store return policies and procedures. In addition, should actual product return rates or the lag between the date of sale and claim/return date differ from the Company's estimates, revisions to estimated warranty reserves would be required.

Environmental Reserves. The Company is subject to numerous environmental laws and regulations in all the countries in which it operates. In addition, the Company can be held liable for investigation and remediation of sites impacted by its past operating activities. In certain countries including the United States, the Company maintains reserves for the reasonable cost of addressing these liabilities. These estimates are determined through a combination of methods, including outside estimates of likely expense and the Company's historical experience in the management of these matters.

Because environmental liabilities are not accrued until a liability is determined to be probable and reasonably estimable, not all potential future environmental liabilities have been included in the Company's environmental reserves and, therefore, additional charges are possible. Also future findings or changes in estimates could result in either an increase or decrease in the reserves and have a significant impact on the Company's liquidity.

Purchase Commitments. The Company has three worldwide supply agreements expiring in December 2009 to purchase its battery separators. The supply agreements were entered into in fiscal 2000 with Daramic, the

party that purchased the Company's battery separators manufacturing operation, as a condition of the sale of those operations. At the time of the sale, the agreements contained minimum annual purchase commitments in excess of the Company's requirements. Accordingly, the Company established a reserve, and reduced the gain on sale of the manufacturing operations, for commitments in excess of the Company's requirements and for the contractual purchase prices in excess of market. The Company currently has a reserve for the incremental purchase requirements over the remaining life of the agreement in excess of the Company's projected requirements. Whenever there is a significant change in the Company's unit volume outlook based on changes to its business plan, this reserve will be adjusted.

Litigation. The Company has legal contingencies that have a high degree of uncertainty. When a contingency becomes probable and reasonably estimable, a reserve is established. Numerous lawsuits have been filed against the Company for which the liabilities are not probable and/or reasonably estimable. Consequently, no reserves have been established for these matters. If future litigation or other resolution of these matters result in liability to the Company, such liability could have a significant impact on the Company's future results and liquidity.

Going Concern and Bankruptcy Reporting. The accompanying Consolidated Financial Statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business, and with respect to fiscal 2003, in accordance with Statement of Position 90-7, "Financial Reporting by Entities in Reorganization under the Bankruptcy Code" ("SOP 90-7").

The ability of the Company to continue as a going concern is predicated upon, among other things, confirmation of a bankruptcy reorganization plan on a timely basis, compliance with the provisions of both the DIP Credit Facility and other ongoing borrowing arrangements, the ability to generate cash flows from operations and, where necessary, obtaining financing sources sufficient to satisfy the Company's future obligations as well as certain contingencies described in Note 17. Based upon business plans updated in June 2003, the Company obtained amendments to its existing financial covenants in order to maintain compliance during fiscal 2004. The Standstill Agreement expires on December 18, 2003 and the DIP Credit Facility expires 30 days prior to the expiration of the Standstill Agreement, (but no later, if the Standstill Agreement is extended, than February 15, 2004). If the Debtors do not have a plan of reorganization confirmed by the Bankruptcy Court before the expiration of these agreements, the Company will have to request extensions of such agreements. There can be no assurance that the Company will be able to have a plan confirmed by that time or obtain extensions. Failure to have a plan of reorganization confirmed by the Bankruptcy Court prior to the expiration of the Standstill Agreement or the DIP Credit Facility or to be able to obtain such extensions or failure to maintain compliance with the covenants in such agreements would result in an event of default which, absent cure within defined grace periods or obtaining appropriate waivers, would restrict the Company's access to funds necessary to maintain its operations and assist in funding of its reorganization plan. As a result of the Chapter 11 filing, and consideration of various strategic alternatives, including possible asset sales, the Company would expect that any reorganization plan will result in material changes to the carrying amount of assets and liabilities in the Consolidated Financial Statements.

The Consolidated Financial Statements do not, however, include adjustments, if any, to reflect the possible future effects on the recoverability and classification of recorded assets or the amounts and classifications of liabilities that may result from the outcome of these uncertainties. In addition, since the Company and certain of its U.S. subsidiaries filed for protection under the Bankruptcy Code subsequent to March 31, 2002, the accompanying Consolidated Financial Statements as of March 31, 2002 and for the fiscal years ended March 31, 2002 and 2001 have not been prepared in accordance with SOP 90-7, and do not include disclosures of liabilities subject to compromise.

Upon emergence from bankruptcy, the amounts reported in subsequent financial statements will materially change due to the restructuring of the Company's assets and liabilities as a result of any plan of reorganization and the application of the provisions of SOP 90-7 with respect to reporting upon emergence from Chapter 11 ("fresh start" accounting). Changes in accounting principles required under generally accepted accounting principles ("GAAP") within twelve months of emerging from bankruptcy are required to be adopted at the date of emergence. Additionally, the Company may choose to make changes in accounting practices and policies at that time. For all these reasons, the financial statements for periods subsequent to emergence from Chapter 11 will not be comparable with those of prior periods.

Recently Issued Accounting Standards. In 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143"). SFAS 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. The Company will adopt SFAS 143 effective April 1, 2003. The provisions of SFAS 143 address financial accounting and reporting requirements for obligations associated with the retirement of tangible long-lived assets and the associated retirement costs and requires companies to record an asset and related liability for the cost associated with the retirement of long-lived tangible assets if a legal liability to retire the asset exists. The Company is in the process of finalizing its evaluation of the impact of this statement but does not believe the adoption of this statement will have a material impact on the Company's Consolidated Financial Statements. In connection with the Company's lead recycling and hazardous waste facility permit requirements, the Company is obligated to undertake certain remediation and decommissioning activities in the event of a facility closure. While the Company does not believe such asset retirement obligations will materially impact the Company's Consolidated Financial Statements upon adoption of SFAS 143, determination of such obligations requires estimates and assumptions, which are subject to change.

In May 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No's. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections". This Statement requires gains and losses from extinguishments of debt to be classified as an extraordinary item only if the criterion in Opinion 30 has been met. Further, lease modification with economic effects similar to sale-leaseback transactions must be accounted for in the same manner as sale-leaseback transactions. While the technical corrections to existing pronouncements are not substantive in nature, in some instances they may change accounting practice. The provisions of this Statement related to the rescission of SFAS No. 4 and the amendment of SFAS No. 13 are effective beginning in fiscal 2003 and for transactions occurring after May 15, 2002, respectively, and did not have a material impact on the Company's Consolidated Financial Statements. All other provisions are effective for financial statements issued on or after May 15, 2002, and did not have a material impact on the Company's Consolidated Financial Statements.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Exit or Disposal Activities" ("SFAS 146"). SFAS 146 provides guidance on the recognition and measurement of liabilities for costs associated with exit or disposal activities that are initiated after December 31, 2002, including restructuring activities that were previously accounted for pursuant to the guidance that the emerging Issues Task Force ("EITF") set forth in EITF Issue No. 94-3. The Company has applied the provisions of this statement to restructuring activities following the effective date.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure" ("SFAS 148"). SFAS 148 amends SFAS 123 to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The provisions of SFAS 148 are effective for the Company's financial statements for the fiscal year ended March 31, 2003. SFAS 148 did not have a material impact on the Company's Consolidated Financial Statements, as the adoption of this standard does not require the Company to change, and the Company does not plan to change, to the fair value based method of accounting for stock-based compensation.

In January 2003, the FASB issued FASB Interpretation No. ("FIN") 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB 51". This Interpretation addresses consolidation by business enterprises of certain variable interest entities ("VIEs"). The Interpretation is effective immediately for all enterprises with variable interests in VIEs created after January 31, 2003. For variable interests in VIEs created before February 1, 2003, the provisions of this Interpretation will be applicable no later than the beginning of the first interim or annual period beginning after June 15, 2003. Further, the disclosure requirements of the Interpretation are applicable for all financial statements initially issued after January 31, 2003, regardless of the date on which the VIE was created. The Company has performed an evaluation to identify such entities and does not believe that any entities fall within the scope of this standard, other than the special purpose entity established in connection with the Company's European accounts receivable securitization facility, which is accounted for as a secured borrowing in accordance with the requirements of SFAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities".

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS 150"). SFAS 150 addresses how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). SFAS 150 will apply to financial instruments entered into or modified after May 31, 2003. The Company is currently evaluating the effect that the adoption of SFAS 150 will have on its Consolidated Financial Statements.

Results of Operations

Fiscal Year Ended March 31, 2003 compared with Fiscal Year Ended March 31, 2002

Overview

Net loss for fiscal 2003 was $140.9 million, or $5.14 per diluted share versus fiscal 2002 net loss of $304.1 million or $11.35 per diluted share. Included in the consolidated net loss for fiscal 2003 is a non-cash charge of $37.0 million for goodwill impairment resulting from an evaluation of results and updated projections of the Network Power business, following the deterioration of this segment's European performance. Results also include fiscal 2003 restructuring costs of $25.7 million and reorganization items in connection with the Bankruptcy of $36.4 million. Fiscal 2002 results included a goodwill impairment charge of $105.0 million, restructuring costs of $33.1 million related to work force reductions and a $13.9 million non-cash charge related to debt-for-equity exchanges. In addition, the Company recorded a gain of $8.2 million during fiscal 2002 relating to the early termination of a purchased research and development agreement with Lion Compact Energy ("LCE"). In addition, currency remeasurement loss (gain) of $(22.8) million and $5.1 million, primarily on U.S. dollar denominated debt in Europe, have been recognized in Other (income) expense, net in fiscal 2003 and 2002, respectively.

Net Sales

Net sales were $2,361.1 million for fiscal 2003 versus $2,428.6 million in fiscal 2002. This decrease resulted from lower sales volumes in all three of the Company's business segments during fiscal 2003. Net sales were also positively impacted by $136.9 million due to the strong Euro.

Transportation net sales were $1,493.9 million for fiscal 2003 versus $1,518.1 million for fiscal 2002. Transportation revenues in North America declined due to reduced unit volumes principally due to lost business and territories in our aftermarket accounts, while European volumes were down slightly from fiscal 2002. These reductions were partially offset by benefits from warranty management programs in North America. Results for fiscal 2003 were also favorably impacted by approximately $4.8 million from changes in estimates of historical warranty obligations based upon new commercial arrangements. Currency positively impacted Transportation net sales in fiscal 2003 by approximately $68.8 million.

Motive Power net sales for fiscal 2003 were $475.2 million versus $475.2 million for fiscal 2002. Currency positively impacted Motive Power net sales in fiscal 2003 by approximately $38.5 million. Lower sales volumes resulted from the general softness in the overall economies in Motive Power's two major markets, the United States and Western Europe.

Network Power net sales for fiscal 2003 were $392.0 million versus $435.2 million for fiscal 2002. Lower sales were a direct result of the significantly weaker telecommunications markets, including the adverse effect of the slowdown in Europe and Asia, similar to that seen in North America during fiscal 2002. Currency positively impacted Network Power net sales in fiscal 2003 by approximately $29.6 million.

Gross Profit

Gross profit was $516.5 million in fiscal 2003 versus $463.9 million in fiscal 2002. The gross profit margin increased to 21.9% in fiscal 2003 from 19.1% in fiscal 2002. The favorable change in gross profit is primarily due to the warranty management programs in North America, including a $4.8 million reduction in warranty reserves related to changes in estimates of historical obligations, continued plant rationalization and headcount reduction programs and lower lead pricing in Europe, offset partially by lower sales volumes and higher production costs related to under-absorption of fixed overheads. The strong Euro versus the U.S. dollar positively impacted gross profit in fiscal 2003 by approximately $32.8 million.

Transportation gross profit was $308.4 million in fiscal 2003 versus $244.6 million in fiscal 2002. The effect of lower North American sales volumes was more than offset by the benefits from plant rationalization and headcount reductions, North American warranty management programs, including a $4.8 million reduction in warranty reserve related to a change in estimate of historical obligations, lower lead pricing in Europe and European currency effects. Fiscal 2002 gross profit was reduced by a $15.5 million charge to costs of sales to increase reserves for purchase commitments (See Note 22) and a $3.0 million charge to write down excess inventories. Gross margin was 20.6% in fiscal 2003 versus 16.1% in fiscal 2002. Currency positively impacted Transportation gross profit in fiscal 2003 by approximately $16.5 million.

Motive Power gross profit was $105.4 million in fiscal 2003 versus $119.3 million in fiscal 2002. Gross profit was negatively impacted by lower sales volumes, unfavorable sales mix (smaller size battery systems) and higher production costs related to under-absorption of fixed overheads. Gross profit in fiscal 2002 was negatively impacted by a $4.0 million charge to write down excess inventories. Gross margin was 22.2% in fiscal 2003 versus 25.1% in fiscal 2002. Currency positively impacted Motive Power gross profit in fiscal 2003 by approximately $8.6 million.

Network Power gross profit was $102.7 million in fiscal 2003 versus $100.0 million in fiscal 2002. The increase was due to positive currency impact offset partially by significantly weaker demand in the telecommunications market and higher production costs related to under-absorption of fixed overheads. Gross profit margins in fiscal 2003 were also negatively impacted by changes in sales mix including reduced sales of higher margin products. Gross profit in fiscal 2002 was negatively affected by a $3.0 million charge to write down excess inventories and a $2.2 million charge to write-off inventory in our operation in China. Gross margin was 26.2% in fiscal 2003 versus 23.0% in fiscal 2002. Currency positively impacted Network Power gross profit in fiscal 2003 by approximately $7.7 million.

Expenses

Expenses were $593.9 million in fiscal 2003 versus $768.7 million in fiscal 2002. Fiscal 2003 and fiscal 2002 expenses included charges for goodwill impairment in the Network Power segment of $37.0 million and $105.0 million, respectively. Also included in expenses are restructuring charges of $25.7 million in fiscal 2003 and $33.1 million in fiscal 2002. Fiscal 2002 expenses also include bad debt provisions of $16.0 million related to Kmart receivables and the Company's China operations, a $13.9 million non-cash charge related to debt-for-

equity exchanges included in Other (income) expense, net, and a credit of $8.2 million related to the early termination of a purchased research and development agreement with LCE. Excluding these items, expenses were $531.2 million and $608.9 million in fiscal 2003 and 2002, respectively. Stronger European currencies unfavorably impacted expenses by approximately $30.5 million in fiscal 2003. The change in expenses was impacted by the following matters: (i) fiscal 2003 selling, marketing and advertising costs in each of the Company's business segments were favorably impacted by the Company's cost-reduction programs, primarily through headcount reductions; (ii) general and administrative expenses in fiscal 2003 were unfavorably impacted by higher pension costs, rising insurance premiums and information technology costs, offset partially by cost-reduction programs; (iii) interest, net decreased $30.5 million, principally due to ceasing accruing certain interest on pre-petition debt classified as subject to compromise; and (iv) fiscal 2003 expenses included currency remeasurement gains of $22.8 million.

Transportation expenses were $162.1 million in fiscal 2003 versus $193.1 million in fiscal 2002. Fiscal 2002 expenses include a $12.6 million bad debt provision on Kmart receivables. The remaining decrease in expenses was due primarily to the Company's cost reduction programs. Currency unfavorably impacted Transportation expenses in fiscal 2003 by approximately $7.2 million.

Motive Power expenses were $89.3 million in fiscal 2003 versus $86.4 million in fiscal 2002. Currency unfavorably impacted Motive Power expenses in fiscal 2003 by approximately $7.3 million, offset partially by the Company's cost reduction programs.

Network Power expenses were $119.5 million in fiscal 2003 versus $193.2 million in fiscal 2002. Fiscal 2003 and fiscal 2002 Network Power expenses include goodwill impairment charges of $37.0 million and $105.0 million, respectively. Fiscal 2002 includes a $3.4 million provision for bad debts related to our operations in China. Excluding these items, operating expenses were $82.5 million and $84.8 million in fiscal 2003 and 2002, respectively. The decrease was due primarily to the Company's cost reduction programs. Currency unfavorably impacted Network Power expenses in fiscal 2003 by approximately $5.7 million.

Unallocated expenses, net were $223.0 million in fiscal 2003 versus $296.0 million in fiscal 2002. Fiscal 2003 net expenses include currency remeasurement gains of $22.8 million. Fiscal 2002 net expenses include a gain of $8.2 million due to the LCE agreement termination, $13.9 million of charges related to debt-for-equity exchanges, currency remeasurement losses of $5.1 million and costs incurred in connection with debt waivers obtained. Currency unfavorably impacted unallocated operating expenses in fiscal 2003 by approximately $10.3 million. The Company's cost-reduction programs favorably impacted expenses in fiscal 2003. Interest expense, net was $105.8 million in fiscal 2003 versus $136.2 million in fiscal 2002. The decrease is due to ceasing accruing certain interest on pre-petition debt classified as subject to compromise in the Company's consolidated balance sheet in accordance with SOP 90-7. Interest at the stated contractual amount on debt that was not charged to operations for fiscal 2003 was approximately $39.6 million. Excluding interest not charged pursuant to SOP 90-7, higher interest costs in fiscal 2003 were driven by the new DIP Credit Facility and amortization of deferred financing costs incurred on the DIP Credit Facility and new European accounts receivable securitization facility.

Loss before reorganization items, net, income taxes, minority interest and cumulative effect of change in accounting principle was $77.3 million, or (3.3)% of net sales in fiscal 2003 versus $304.8 million, or (12.5)% of net sales in fiscal 2002 due to the items discussed above.

Transportation income before reorganization items, net, income taxes, minority interest and cumulative effect of change in accounting principle was $146.4 million, or 9.8% of net sales in fiscal 2003, versus $51.4 million, or 3.4% of net sales in fiscal 2002, due to the items discussed above.

Motive Power income before reorganization items, net, income taxes, minority interest and cumulative effect of change in accounting principle was $16.1 million, or 3.4% of net sales in fiscal 2003, versus $32.9 million, or 6.9% of net sales in fiscal 2002, due to the items discussed above.

Network Power loss before reorganization items, net, income taxes, minority interest and cumulative effect of change in accounting principle was $16.8 million, or (4.3)% of net sales in fiscal 2003, versus $93.2 million, or (21.4)% of net sales in fiscal 2002 due to the items discussed above.

Income Taxes

In fiscal 2003, an income tax provision of $27.0 million was recorded on a pre-tax loss of $113.7 million. In fiscal 2002, an income tax benefit of $1.4 million was recorded on a pre-tax loss of $304.8 million. The effective tax rate was (23.7%) and 0.5% in fiscal 2003 and 2002, respectively. The effective tax rate for fiscal 2003 was impacted by the generation of income in tax-paying jurisdictions, principally Europe, with no offset on a consolidated basis as a result of recognition of valuation allowances on tax benefits generated from current period losses in both the U.S. and certain international regions as well as the non-deductibility of the $37.0 million Network Power goodwill impairment charge. The effective tax rate for fiscal 2002 was impacted by the recognition of valuation allowances on tax benefits generated from current period losses in both the United States and certain international regions, the tax treatment of the debt-for-equity exchanges and the Lion Compact Energy agreement termination as well as the non-deductibility of the $105.0 million Network Power goodwill impairment charge. As a result of certain pledges of stock of foreign subsidiaries in connection with bank amendments obtained during fiscal 2002, the Company was required to recognize certain foreign sourced income ("Subpart F Income") as a constructive dividend for U.S. tax purposes. The constructive dividend has otherwise reduced operating loss tax carry-forwards. During fiscal 2003 and 2002 the Company reorganized the ownership structure of certain of its foreign subsidiaries and recorded an impairment charge on certain intercompany investments for statutory purposes. These actions have no effect on reported pre-tax operating results but resulted in a net tax benefit.

A net loss of $140.9 million in fiscal 2003 versus a net loss of $304.1 million in fiscal 2002, resulted from the items discussed above.

Fiscal Year Ended March 31, 2002 compared with Fiscal Year Ended March 31, 2001

Overview

Net loss for fiscal 2002 was $304.1 million, or $11.35 per diluted share versus net loss of $164.6 million or $7.02 per diluted share in fiscal 2001. Included in the consolidated net loss for fiscal 2002 is a non-cash charge of $105.0 million for goodwill impairment resulting from the Company's evaluation of results of the Network Power business. Also included in fiscal 2002 results is a $13.9 million non-cash charge related to debt-for-equity exchanges and a gain of $8.2 million due to the LCE agreement termination. Results also include restructuring and other merger related costs of $33.1 million and $97.4 million in fiscal 2002 and 2001, respectively.

Net Sales

Net sales were $2,428.6 million for fiscal 2002 versus $2,432.1 million in fiscal 2001. On a pro-forma basis including GNB's operations for the first six months of fiscal 2001, net sales for fiscal 2001 would have been $489.3 million higher. This decrease resulted from lower sales volumes in all three of the Company's business segments during fiscal 2002. Net sales were also negatively impacted in fiscal 2002 by $37.0 million due to the weaker Euro.

Transportation net sales were $1,518.1 million for fiscal 2002 versus $1,522.5 million in fiscal 2001. On a pro-forma basis, including GNB's net sales for the first six months of fiscal 2001, fiscal 2001 net sales would have been $267.5 million higher. The decrease results from lower sales volume in North America due to the following events: 1) the Company's decision to discontinue certain less profitable aftermarket accounts, which impacted sales volumes beginning in the first quarter of fiscal 2001; 2) volume losses attributable to difficulties in meeting certain second quarter fiscal 2002 customer orders as plants and product lines continued to be

integrated due to the GNB acquisition which culminated with certain customers switching all or a portion of their requirements to other suppliers; 3) unseasonably mild weather throughout North America that negatively impacted consumer demand; 4) two battery retailers, Kmart and Quality Stores, experienced financial difficulties that negatively impacted their order volumes; 5) the general downturn in the economy extenuated by the September 11th crisis; and 6) uncertainties related to the Company's financial position. Currency negatively impacted Transportation net sales in fiscal 2002 by approximately $17.0 million.

Motive Power net sales for fiscal 2002 were $475.2 million versus $449.4 million in fiscal 2001. On a pro-forma basis, including GNB's net sales for the first six months of fiscal 2001, fiscal 2001 net sales would have been $74.3 million higher. The decrease results from lower sales volumes due to the general softness in the overall economies in Motive Power's two major markets: the United States and Western Europe. Currency negatively impacted Motive Power net sales in fiscal 2002 by approximately $11.1 million.

Network Power net sales for fiscal 2002 were $435.2 million versus $460.2 million in fiscal 2001. On a pro-forma basis, including GNB's net sales for the first six months of fiscal 2001, fiscal 2001 net sales would have been $147.5 million higher. The decrease reflects significantly weaker demand, principally in the North American telecommunications market during fiscal 2002. Currency negatively impacted Network Power net sales in fiscal 2002 by approximately $8.9 million.

Gross Profit

Gross profit was $463.9 million in fiscal 2002 versus $534.5 million in fiscal 2001. On a pro-forma basis, including GNB's gross profit for the first six months of fiscal 2001, gross profit in 2001 would have been $89.2 million higher. Gross margin decreased to 19.1% in fiscal 2002 from 22.0% in fiscal 2001, primarily due to the addition of the less profitable GNB transportation business, reduced sales volumes, higher production costs related to under-absorption of fixed overheads and certain fiscal 2002 purchase commitments and inventory charges. Weaker European currencies versus the U.S. dollar impacted gross profit in fiscal 2002 by approximately $7.1 million.

Transportation gross profit was $244.6 million in fiscal 2002 versus $272.4 million in fiscal 2001. On a pro-forma basis, including GNB's gross profit of $16.2 million in the first six months of fiscal 2001, gross profit in fiscal 2001 would have been $288.6 million. Gross profit in fiscal 2002 was reduced by a $15.5 million charge to costs of sales to increase reserves for purchase commitments (See Note 22) and a $3.0 million charge to write-down excess inventories. Lower North American sales volumes combined with higher production and logistics costs due to plant and product line integration, and planned reductions in the production schedule in the second half to bring inventory levels in balance with expected future demand adversely impacted results in fiscal 2002. Gross margin was 16.1% in fiscal 2002 versus 17.9% in fiscal 2001. Currency negatively impacted Transportation gross profit in fiscal 2002 by approximately $3.2 million.

Motive Power gross profit was $119.3 million in fiscal 2002 versus $128.5 million in fiscal 2001. On a pro-forma basis, including GNB's gross profit of $17.9 million for the first six months of fiscal 2001, gross profit for fiscal 2001 would have been $146.4 million. Gross profit in fiscal 2002 was negatively impacted by a $4.0 million charge to write down excess inventories. Gross profit was negatively impacted by lower sales volumes and higher production costs related to under-absorption of fixed overheads in fiscal 2002. Gross margin was 25.1% in fiscal 2002 versus 28.6% in fiscal 2001. The addition of higher margin GNB Motive Power products was offset by higher production costs related to under-absorption of fixed overheads, pricing pressures and an unfavorable product mix. Currency negatively impacted Motive Power gross profit in fiscal 2002 by approximately $3.0 million.

Network Power gross profit was $100.0 million in fiscal 2002 versus $133.5 million in fiscal 2001. On a pro-forma basis, including GNB's gross profit of $55.1 million in the first six months of fiscal 2001, fiscal 2001 gross profit would have been $188.6 million. Fiscal 2002 gross profit was negatively affected by a $3.0 million

charge to write-down excess inventories and a $2.2 million charge to write-off inventory in the Company's China operation. Lower sales volumes and higher production costs related to under-absorption of fixed overheads negatively impacted fiscal 2002 results. Gross margin was 23.0% in fiscal 2002 versus 29.0% in fiscal 2001. The decline in gross margin was the result of higher production costs related to the under absorption of fixed overheads, pricing pressure and an unfavorable product mix. Currency negatively impacted Network Power gross profit in fiscal 2002 by approximately $1.0 million.

Expenses

Expenses were $768.7 million in fiscal 2002 versus $688.8 million in fiscal 2001. Fiscal 2002 operating expenses included the goodwill impairment charge in Network Power of $105.0 million and a gain of $8.2 million due to the LCE agreement termination. Included in expenses are restructuring charges of $33.1 million in fiscal 2002 and $97.4 million in fiscal 2001. GNB had $69.9 million in operating expenses in the first six months of fiscal 2001. Fiscal 2002 expenses were favorably impacted by the Company's cost-reduction programs and the elimination of goodwill amortization due to the adoption of FAS 142. Also, weaker European currencies favorably impacted fiscal 2002 expenses by approximately $13.3 million.

Transportation expenses were $193.1 million in fiscal 2002 versus $264.8 million in fiscal 2001. GNB had $31.9 million of Transportation expenses in the first six months of fiscal 2001. The decrease in expenses was a result of savings from headcount reductions offset by a $12.6 million bad debt provision on the Company's pre-petition outstanding receivable as a result of Kmart's Chapter 11 bankruptcy filing. Currency favorably impacted fiscal 2002 Transportation expenses by approximately $2.8 million.

Motive Power expenses were $86.4 million in fiscal 2002 versus $90.1 million in fiscal 2001. GNB had $15.9 million of Motive Power expenses in the first six months of fiscal 2001. Offsetting the inclusion of GNB operations were savings from the headcount reductions. Currency favorably impacted fiscal 2002 Motive Power expenses by approximately $5.5 million.

Network Power expenses were $193.2 million in fiscal 2002 versus $66.8 million in fiscal 2001. Fiscal 2002 Network Power expenses include the goodwill impairment charge of $105.0 million. GNB had $21.7 million of Network Power expenses in the first six months of fiscal 2001. The remaining increase was due primarily to the inclusion of GNB operations and a $3.4 million provision for bad debts related to our operations in China in fiscal 2002. Currency favorably impacted fiscal 2002 Network Power expenses by approximately $3.4 million.

Unallocated expenses, net were $296.0 million in fiscal 2002 versus $267.1 million in fiscal 2001. Fiscal 2002 net expenses included a gain of $8.2 million due to the LCE agreement termination, $13.9 million of charges related to debt-for-equity exchanges, currency remeasurement losses of $5.1 million and costs incurred in connection with debt waivers obtained. Fiscal 2001 net expenses included gains on asset sales of $18.4 million, charges of $15.8 million related to the Company's growth strategy and integration plans and goodwill amortization of $14.9 million. Interest expense, net was $136.2 million in fiscal 2002 versus $117.7 million in fiscal 2001. The increase was due to interest charges related to the GNB acquisition financing and the accelerated amortization of deferred financing fees in fiscal 2002. The additional amortization was a result of the Company securing a waiver from its senior lenders on January 4, 2002 through April 12, 2002 of certain covenants contained in its Senior Secured Global Credit Facility. As a result, the Company shortened the amortization period to coincide with the expiration of the waiver.

Loss before reorganization items, net, income taxes, minority interest and cumulative effect of change in accounting principle was $304.8 million, or (12.6%) of net sales in fiscal 2002 versus $154.3 million, or (6.3%) of net sales in fiscal 2001, due to the items discussed above.

Transportation income before reorganization items, net income taxes, minority interest and cumulative effect of change in accounting principle was $51.4 million, or 3.4% of net sales in fiscal 2002 versus $7.6 million, or 0.5% of net sales in fiscal 2001, due to the items discussed above.

Motive Power income before reorganization items, net, income taxes, minority interest and cumulative effect of change in accounting principle was $32.9 million, or 6.9% of net sales in fiscal 2002 versus $38.4 million, or 8.5% of net sales in fiscal 2001, due to the items discussed above.

Network Power income (loss) before reorganization items, net, income taxes, minority interest and cumulative effect of change in accounting principle was $(93.2) million, or (21.4)% of net sales in fiscal 2002 versus $66.8 million, or 14.5% of net sales in fiscal 2001, due to the items discussed above.

Income Taxes

In fiscal 2002, an income tax benefit of $1.4 million was recorded on a pre-tax loss of $304.8 million. In fiscal 2001, an income tax provision of $8.6 million was recorded on a loss of $154.3 million. The effective tax rate was 0.5 % and (5.6%) in fiscal 2002 and 2001, respectively. The effective tax rate for the fiscal 2002 was impacted by the recognition of valuation allowances on tax benefits generated from current period losses in both the United States and certain international regions, the tax treatment of the debt for equity exchanges and the LCE agreement termination, as well as the non-deductibility of the Network Power goodwill impairment charge. As a result of certain pledges of stock of foreign subsidiaries in connection with bank amendments obtained during fiscal 2002, the Company was required to recognize certain foreign sourced income ("Subpart F Income") as a constructive dividend for U.S. tax purposes. The constructive dividend has otherwise reduced operating loss tax carry-forwards. During fiscal 2002 the Company reorganized the ownership structure of certain of its foreign subsidiaries and recorded an impairment charge on certain intercompany investments for statutory purposes. These actions have no effect on reported pre-tax operating results but resulted in a net tax benefit.

A net loss of $304.1 million in fiscal 2002 versus a net loss of $164.6 million in fiscal 2001 resulted from the items discussed above.

Seasonality and Weather

The Company sells most of its automotive aftermarket batteries during the fall and early winter (the Company's second and third fiscal quarters). Retailers buy automotive batteries during these periods so they will have enough inventory when cold weather strikes. In addition, many of the Company's industrial battery customers in Europe do not place their battery orders until the end of the calendar year. The seasonality of the Company's business increases its working capital requirements.

Demand for automotive aftermarket batteries is significantly affected by the weather. Unusually cold winters or hot summers accelerate battery failure and increase demand for automotive replacement batteries. Mild winters and cool summers have the opposite effect. As a result, if the Company's sales are reduced by an unusually warm winter or cool summer, it is not possible for the Company to recover these sales in later periods. Further, if the Company's sales are adversely affected by the weather, the Company cannot make offsetting cost reductions to protect its gross margins in the short-term because a large portion of the Company's manufacturing and distribution costs are fixed.

Acquisition of GNB

As discussed in Note 18 to the Consolidated Financial Statements, on September 29, 2000, the Company acquired the global battery business of GNB, a leading U.S. and Pacific Rim manufacturer of both industrial and automotive batteries, for consideration of approximately $379.0 million (including $344.0 million in cash and 4.0 million of the Company's common shares) plus assumed liabilities. The 4.0 million common shares issued in connection with this acquisition were valued at approximately $9.00 per common share (or $36.0 million), which was the closing price per share of the Company's common stock when the terms of the acquisition were agreed to and announced on May 9, 2000.

The Company financed the cash portion of the purchase price, including associated fees and expenses, through an additional $250.0 million term loan under its pre-petition Senior Secured Global Credit Facility, and $100.0 million of securitized GNB accounts receivables. The Company also issued warrants to acquire 1,286 common shares with an exercise price of $8.99 per share in conjunction with the term loan financing. These warrants are immediately exercisable. The warrants were valued using Black Scholes model with the following assumptions:

Exercise Price	$8.99 per common share
Expected Term	5.5 years
Expected Volatility	34%
Risk Free Interest Rate	5.92%
Annual Dividend Yield	0.88%
Grant Date Stock Price	$ 9.0625 per common share

Lion Compact Energy

In fiscal 2000, the Company recorded charges totaling $14.3 million for purchased in-process research and development resulting from the acquisition of a controlling interest in Lion Compact Energy ("LCE"), a privately held company conducting research in dual-graphite technology.

Purchased in-process research and development represents the value assigned in a purchase business combination to research and development projects of the acquired business that were commenced, but not yet completed, at the date of acquisition and which, if unsuccessful, have no alternative future use in research and development activities or otherwise. In accordance with SFAS No. 2, "Accounting for Research and Development Costs," as interpreted by FASB Interpretation No. 4, amounts assigned to purchased in-process research and development meeting the above criteria must be charged to expense at the date of consummation of the purchase business combination.

At the time of acquisition of its interest in LCE, the Company expected to continue supporting this research and development effort. However, given the uncertainties associated with successful completion of research and development there could be no assurance that such projects would meet either technological or commercial success. The Company did not believe that the failure of this project would materially impact the Company's financial condition, liquidity or results of operations.

The Company obtained appraisals in connection with the valuation of the acquired assets of LCE, principally purchased in-process research and development. The Company believed that the assumptions and forecasts used in valuing purchased in-process research and development were reasonable at the time. No assurance could be given, however, that future events would transpire as estimated. As such, actual results may have varied from the projected results.

The valuation was completed based on an analysis of discounted cash flow, using assumptions and estimates about the range of possible cash flows, and their probabilities. The cash flow model evaluated cash flows from successful project completion (including estimated revenue and expenses), estimated future research and development costs and return on assets employed. Risk adjusted cash flows were discounted using a discount rate of 43%, commensurate with the risk associated with this investment and stage of the enterprise.

During the third quarter of fiscal 2002, the Company exercised an option to re-convey its interest in LCE to the seller in exchange for extinguishment of the remaining purchase price obligations due. The Company recorded a credit to income of $8.2 million, at that time, equal to the present value of the expected future purchase price payments.

Liquidity and Capital Resources

Capital Structure

Following evaluation of possible capital structure alternatives, on April 15, 2002, Exide Technologies and three of its wholly-owned U.S. subsidiaries filed for reorganization under Chapter 11 as it offered the most efficient alternative to restructure its balance sheet and access new working capital while continuing to operate in the ordinary course of business. In addition, on November 21, 2002, two of the Company's other wholly-owned subsidiaries filed for reorganization pursuant to Chapter 11. The Company's operations outside of the U.S. are not included in the Chapter 11 proceedings. However, in connection with the bankruptcy filing, the Company entered into a Standstill Agreement with the pre-petition Senior Secured Global Credit Facility lenders, whereby the lenders agreed to forbear collection of principal payments on foreign borrowings under the Senior Secured Global Credit Facility from non-Debtor subsidiaries until December 18, 2003, subject to earlier termination for the occurrence of certain events. The principal events which could result in an early termination of the Standstill Agreement are: 1) non-payment of interest and principal obligations related to the European tranche of the Company's Senior Secured Global Credit Facility as and when due; 2) if any significant foreign subsidiaries commence any winding up or liquidation proceeding; 3) breach of financial and other customary negative covenants (as described with respect to the DIP Credit Facility); 4) breach of cross default provisions with respect to the European securitization agreement and 9.125% Senior Notes (Deutsche mark denominated) agreement; and 5) breaches of representations and warranties. The Company continues to accrue and pay interest under the pre-petition Senior Secured Global Credit Facility subject to liquidity calculations prescribed in the DIP Credit Facility.

On May 10, 2002, the Company received final Bankruptcy Court approval of a $250.0 million DIP Credit Facility. The DIP Credit Facility was arranged by Citicorp N.A., and Salomon Smith Barney and is being used to supplement cash flows from operations during the reorganization process including the payment of certain permitted pre-petition claims, working capital needs, letter of credit requirements and other general corporate purposes.

Upon closing, approximately $129.0 million of the DIP Credit Facility was drawn down, $117.0 million being used to terminate and repurchase uncollected securitized accounts receivable under the Company's then existing U.S. receivables sale facility and the balance for financing costs and related fees.

The DIP Credit Facility is a secured revolving credit and term loan facility under which Exide Technologies is the borrower with certain U.S. subsidiaries acting as guarantors. The DIP Credit Facility is afforded super priority claim status in the Chapter 11 case and is collateralized by first liens on certain eligible U.S. assets of the Company, principally accounts receivable, inventory and property.

The revolving credit tranche of the facility provides for borrowings up to $121.0 million, of which up to $65.0 million is available to Exide Technologies for on-lending to its foreign subsidiaries, subject to borrowing base availability. An additional $50.0 million sub-facility is also available to the foreign subsidiaries based on certain collateral asset values in the United Kingdom and Canada. To the extent funds are borrowed under the DIP Credit Facility and on-lent to foreign subsidiaries, additional liens on certain assets of the borrowing foreign subsidiary and related guarantees are required. Up to $40 million of the revolving credit tranche is available for letters of credit.

Borrowings under the DIP Credit Facility bear interest at base rate plus 2.75% per annum or Libor plus 3.75% per annum. Borrowings are limited to eligible collateral under the DIP Credit Facility. Eligible collateral under the DIP Credit Facility includes certain accounts receivable and, inventory in the U.S. and certain property in the U.S. and Europe. Availability to the Company is impacted by changes in both the amounts of the collateral and qualitative factors (such as aging of accounts receivable and inventory reserves) as well as cash requirements of the business such as trade credit terms. The DIP Credit Facility contains certain financial covenants requiring the Company to maintain specified levels of monthly earnings before interest, taxes, depreciation, amortization,

restructuring and certain other defined charges, as well as limits on capital expenditures and cash restructuring expenditures. The DIP Credit Facility also contains other customary covenants, including certain reporting requirements and covenants that restrict the Company's ability to incur indebtedness, create or incur liens or guarantees, make investments or restricted payments, enter into leases, sell or dispose of assets, change the nature of its business or enter into related party transactions. The Company believes it was in compliance with DIP Credit Facility covenants as of March 31, 2003. Based upon business plans updated in June 2003, the Company obtained amendments to its existing financial covenants in order to maintain compliance during fiscal 2004. The Standstill Agreement expires on December 18, 2003 and the DIP Credit Facility expires 30 days prior to the expiration of the Standstill Agreement, (but no later, if the Standstill Agreement is extended, than February 15, 2004). If the Debtors do not have a plan of reorganization confirmed by the Bankruptcy Court before the expiration of these agreements, the Company will have to request extensions of such agreements. There can be no assurance that the Company will be able to have a plan confirmed by that time or obtain extensions. Failure to have a plan of reorganization confirmed by the Bankruptcy Court prior to the expiration of the Standstill Agreement or the DIP Credit Facility or to be able to obtain such extensions or failure to maintain compliance with the covenants in such agreements would result in an event of default which, absent cure within defined grace periods or obtaining appropriate waivers, would restrict the Company's access to funds necessary to maintain its operations and assist in funding of its reorganization plan.

The DIP Credit Facility matures on the earlier of February 15, 2004, 30 days before the pre-petition Senior Secured Global Credit Facility matures (December 18, 2003) or the date the Company emerges from bankruptcy.

Total availability under the DIP Credit Facility as of March 31, 2003 and June 13, 2003 was $25.0 million and $44.0 million, respectively.

As described above, in connection with its bankruptcy filing, the Company also entered into a Standstill Agreement with its pre-petition Senior Secured Global Credit Facility lenders. Under the agreement the lenders agreed to forebear collection of any principal payments on foreign borrowings under this facility by non-Debtor subsidiaries until December 18, 2003, subject to earlier termination upon the occurrence of certain events. Borrowings under the pre-petition Senior Secured Global Credit Facility by the Debtors are subject to compromise.

Interest obligations for the non-Debtor subsidiaries continue to be accrued and paid when due. The Standstill Agreement contains essentially the same financial covenants as the DIP Credit Facility.

On May 31, 2002, the Company entered into a new $177.5 million European accounts receivable securitization facility. This facility replaced the Company's then existing $175 million European securitization program. The new facility is accounted for as a secured borrowing in accordance with the requirements of SFAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", whereby the accounts receivable and related borrowings are recorded on the Company's consolidated balance sheet.

In July 2001, the Company completed debt-for-equity exchanges where approximately $30.0 million face value of convertible notes were exchanged for approximately 1.9 million shares of common stock. Since these exchanges involved a convertible security, the Company recognized a non-cash charge in fiscal 2002 equivalent to the market value of the shares issued in excess of the original conversion ratio of the notes of $13.9 million. The non-cash charge was included in the "Other (income) expense, net" line of the consolidated statement of operations. The carrying value of the notes was $25.5 million. The Company reduced debt and increased shareholders' equity by $25.5 million as a result of the transaction.

Sources of Cash

The Company's liquidity requirements have been met historically through operating cash flows, borrowed funds and the proceeds of sales of accounts receivable and sale-leaseback transactions. Additional cash has been generated in recent years from the sale of non-core businesses and assets. At March 31, 2003, the Company had a European accounts receivable securitization program under which third parties had committed, subject to certain exceptions, to purchase selected accounts receivable, up to a maximum commitment of $177.5 million. See Receivables Securitization Programs below.

The Company generated $6.8 million and $4.8 million in cash from the sale of non-core businesses and other assets in fiscal 2003 and fiscal 2002, respectively. Proceeds from these sales were primarily used to reduce debt.

Cash flows provided by financing activities were $278.9 million and $73.7 million in fiscal 2003 and fiscal 2002, respectively. Cash flows provided by financing activities in fiscal 2003 relate primarily to net borrowings under the DIP Credit Facility and the impact of the European asset securitization refinancing. Cash flows provided by financing activities in fiscal 2002 related primarily to net borrowings under the Senior Secured Global Credit Facility.

Total debt at March 31, 2003 was $1,804.9 million, as compared to $1,413.3 million at March 31, 2002. The increase in total debt was principally due to borrowings under the DIP Credit Facility and the impact of the European asset securitization refinancing. See Note 11 to the Consolidated Financial Statements for composition of such debt. Indebtedness of the Debtors as of the Petition Date, amounting to approximately $1,052.9 million, is subject to settlement under a plan of reorganization to be voted upon by creditors and equity holders and approved by the Bankruptcy Court.

Going forward, in addition to operating cash flows, the Company's principal sources of liquidity will be the DIP Credit Facility, plus proceeds from any asset sales. The Company is considering various asset sales, and in connection therewith has engaged The Blackstone Group to evaluate potential opportunities. On April 15, 2003, the Company sold its European non-lead battery business for proceeds of $16.3 million. No commitments have been made as to any other specific asset sales.

Uses of Cash

The Company's liquidity needs arise primarily from the funding of working capital needs, obligations on indebtedness and capital expenditures. Because of the seasonality of the Company's business, more cash has been typically generated in the third and fourth fiscal quarters than the first and second fiscal quarters. Greatest cash demands from operations have historically occurred during the months of June through October.

Cash flows used in operating activities were $239.9 million (including $261.7 million usage of cash related to the net change from sales of receivables) in fiscal 2003. This compares to cash flows used in operating activities of $6.7 million (including $35.2 million usage of cash related to the net change from sales of receivables) in fiscal 2002. Comparative cash flows benefited from higher prior year payments of accounts payable and accrued expenses in fiscal 2002, offset by the effect of lower general sales volumes. The uncertainties of the Chapter 11 filing could also have an impact on the Company's ability to attract and retain customers. NAPA, a major customer of the Transportation segment, advised the Company during the first quarter of fiscal 2003 of its intent to source certain of its requirements from competitors. The Company currently estimates that this action will likely result in potential lost sales of $15 million to $25 million annually.

Primary working capital (inventories plus receivables less accounts payable) at March 31, 2003 was $817.8 million, as compared to $419.1 million at March 31, 2002. Primary working capital increased $286.9 million excluding currency impacts. The increase in working capital resulted from the Company's termination of the

North American accounts receivable securitization due to the Chapter 11 filing and recording of the European accounts receivable securitization program as a secured borrowing whereby the accounts receivable and related borrowings are recorded on the Company's consolidated balance sheet.

Prior to the Company's Chapter 11 filing, and since that time, the Company has experienced a tightening of trade credit availability and terms. In the future there can be no assurance that the Company will be able to obtain and return to trade credit on terms traditionally obtained.

Capital expenditures were $45.9 million and $61.3 million in fiscal 2003 and fiscal 2002, respectively. Capital expenditures during fiscal 2003 were impacted by the Chapter 11 filing, related liquidity availability and cost containment efforts. Subject to restrictions under the DIP Credit Facility, capital expenditures are expected to be approximately $60.0 million in fiscal 2004.

Exide's Board of Directors suspended the Company's quarterly common stock dividend of $0.02 per share as of November 8, 2001. Dividends are also prohibited by covenants under the DIP Credit Facility.

Employee Benefit Plans

Description

The Company has noncontributory defined benefit pension plans covering substantially all hourly and salaried employees in North America. Plans covering hourly employees provide pension benefits of stated amounts for each year of credited service. Salaried employees in North America are covered by a cash balance plan providing benefits as a percentage of salary up to qualified limits.

European subsidiaries of the Company sponsor defined benefit plans that cover substantially all employees who are not covered by statutory plans. In most cases the defined benefit plans in Europe are not funded and the benefit formulas are similar to those used by the North American hourly plans.

The Company provides certain health care and life insurance benefits for a limited number of retired employees.

Assets funded under both the North American and European defined benefit plans consist primarily of equity and fixed income securities. At March 31, 2003, the fair market value of assets for the Company's defined benefit plans was $236.2 million, compared to $281.7 million at March 31, 2002.

Accounting and Significant Assumptions

The Company accounts for pension benefits using the accrual method set forth in SFAS 87, "Employers Accounting for Pensions". The accrual method of accounting for pensions involves the use of actuarial assumptions concerning future events that impact estimates of the amount and timing of benefit obligations and future benefit payments.

The significant assumptions used in calculating the Company's pension benefit obligations and related expense are the discount rate, rate of compensation increase and the expected long-term rate of return on plan assets. The Company establishes these underlying assumptions in consultation with its actuaries. Depending on the assumptions used, pension obligations and related expense could vary within a range of outcomes and have a material effect on reported results, benefit obligations and cash funding requirements.

The discount rates used by the Company for determining benefit obligations are generally based on high quality corporate bonds. The assumed rate of compensation increase reflects an estimate of the projected change in compensation levels based on future expectations, general price levels, productivity and historical experience,

among other factors. In evaluating the expected long term rate of return on plan assets, the Company considers the allocation of assets and the expected return on various asset classes in the context of the long-term nature of pension obligations.

A one-percentage point change in the weighted average expected return on plan assets would change net periodic benefit cost by approximately $3.0 million in fiscal 2003. A one-percentage point change in the weighted average discount rate would change net periodic benefit cost by approximately $6.0 million in fiscal 2003.

At March 31, 2003, the Company has lowered the discount rates used to value its benefit obligations to reflect the decline in yields on high quality corporate bonds, lowered the rate of compensation increase to reflect current inflationary expectations and lowered the expected long term return on plan assets in light of market conditions and recent equity market performance. The aggregate effect of these changes increased the present value of future benefit obligations as of March 31, 2003, and will have the effect of increasing pension expense in fiscal 2004. The Company expects that pension expense for its defined benefit pension plans will be approximately $36.0 million in fiscal 2004 compared to $23.9 million in fiscal 2003, reflecting the impact of these changes, as well as amortization of previously unrecognized actuarial losses described below.

As of March 31, 2003, unrecognized actuarial losses for the Company's defined benefit plans were $164.5 million, compared to $86.8 million at March 31, 2002. The unrecognized actuarial losses principally reflect the recent declines in the fair market value of plan assets, actual asset return experience falling short of actuarial assumptions and the reduction in discount rates since fiscal 2002. SFAS 87 provides for delayed recognition of such actuarial losses, whereby these losses, to the extent they exceed 10% of the greater of the projected benefit obligation or the market related value of plan assets are amortized as a component of pension expense over a period that approximates the average remaining service period of active employees (for the Company a period of approximately 10 years), unless and to the extent they are not offset by actuarial gains in future years. The amortization of actuarial losses increased pension expense by approximately $3.0 million in fiscal 2003 from 2002 and has contributed to the further increase in pension expense projected for fiscal 2004.

Minimum Pension Obligations

To the extent that the fair market value of pension plan assets of an individual plan is less than the accumulated benefit obligation for such plan, SFAS 87 may require recognition of an additional minimum pension liability, and in such circumstances a reduction in stockholders' equity or establishment of an intangible asset. The Company has recognized additional minimum pension liabilities of $139.1 million and $61.6 million as of March 31, 2003 and March 31, 2002, respectively, resulting in charges in accumulated other comprehensive loss included in stockholders' equity (deficit) and establishment of intangible assets.

Plan Funding Requirements

Cash contributions to the Company's plans are generally made in accordance with minimum regulatory requirements. Because of the downturn experienced in global equity markets and ongoing benefit payments, the Company's North American plans are currently significantly under-funded. Based on current assumptions and regulatory requirements, the Company's minimum future cash contribution requirements for its North American plans are expected to increase significantly in future fiscal years, and unless provided regulatory or other relief available under IRS regulations, are expected to approximate $140 million during the next four years.

Restructuring Activities and Related Impairment Charges

Following the acquisition of GNB in September 2000, the Company initiated various restructuring programs involving facility, branch and corporate office closures and consolidation, principally in connection with overall