NRG ENERGY, INC.
Form 4/A
June 10, 2014

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
YOUNG WALTER R JR

(Last) (First) (Middle)

NRG ENERGY, INC., 211 CARNEGIE CENTER

(Street)

PRINCETON, NJ 08540

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
NRG ENERGY, INC. [NRG]

3. Date of Earliest Transaction (Month/Day/Year)
06/02/2014

4. If Amendment, Date Original Filed(Month/Day/Year)
06/04/2014

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock, par value $.01 per share	06/02/2014		A		3,789	A	(1)	71,057	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
YOUNG WALTER R JR NRG ENERGY, INC. 211 CARNEGIE CENTER PRINCETON, NJ 08540	X			

Signatures

/s/Brian Curci, under Power of Attorney	06/10/2014
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Mr. Young was issued Deferred Stock Units by NRG Energy, Inc. under NRG Energy, Inc.'s Amended and Restated Long Term Incentive Plan on June 2, 2014. Each Deferred Stock Unit was equivalent in value to one share of NRG Energy, Inc.'s Common Stock, par value $.01 per share. On June 2, 2014, Mr. Young recevied from NRG Energy, Inc. one such share of Common Stock in exchange for each Deferred Stock Unit he was issued on that same date. This amended Form 4 is being filed to include 701 Deferred Stock Units issued to Mr. Young on June 2, 2014 that were omitted from the original Form 4.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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99,398

Other liabilities

83,107

81,616

Total liabilities

1,257,277

1,110,321

Commitments and contingencies

Redeemable noncontrolling interests

5,488

6,956

Redeemable equity component of Convertible Notes

—

1,330

Equity:

Preferred Stock, $0.01 par value, 1,000,000 shares authorized, no shares issued or outstanding at September 27, 2015 and at March 31, 2015

—

—

Common Stock, $0.01 par value per share, 135,000,000 shares authorized; 54,106,340 shares issued and 44,389,824 shares outstanding at September 27, 2015; 53,664,639 shares issued and 44,068,588 shares outstanding at March 31, 2015

545

537

Additional paid-in capital

429,754

525,967

Treasury stock, at cost, 9,716,516 shares held as of September 27, 2015; 9,596,051 shares held as of March 31, 2015

(370,293
)

(376,005
)
Retained earnings

1,069,870

997,376

Accumulated other comprehensive loss

(120,563
)

(108,975
)
Total EnerSys stockholders' equity

1,009,313

1,038,900

Nonredeemable noncontrolling interests

5,432

5,540

Total equity

1,014,745

1,044,440

Total liabilities and equity

$
2,277,510

$
2,163,047

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

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

See accompanying notes.

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ENERSYS

Consolidated Condensed Statements of Income (Unaudited)

(In Thousands, Except Share and Per Share Data)

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

See accompanying notes.

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ENERSYS

Consolidated Condensed Statements of Comprehensive Income (Unaudited)

(In Thousands)

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

See accompanying notes.

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Consolidated Condensed Statements of Cash Flows (Unaudited)

(In Thousands)

	Six months ended September 27, 2015	September 28, 2014
Cash flows from operating activities		
Net earnings	$87,702	$105,665
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	27,851	28,366
Write-off of assets relating to restructuring	328	547
Derivatives not designated in hedging relationships:		
Net losses (gains)	294	(364)
Cash proceeds	801	198
Provision for doubtful accounts	2,369	567
Deferred income taxes	(3,318)	22,270
Non-cash interest expense	2,104	4,655
Stock-based compensation	10,338	17,059
Gain on sale of facility	(4,348)	—
Gain on disposal of property, plant, and equipment	(13)	(58)
Reversal of legal accrual, net of fees - See Note 7	(799)	(16,233)
Gain on disposition of equity interest in Altergy - See Note 7	—	(2,000)
Changes in assets and liabilities:		
Accounts receivable	40,899	(17,429)
Inventories	(4,799)	(40,304)
Prepaid and other current assets	3,338	(3,910)
Other assets	(1,195)	1,163
Accounts payable	2,577	9,152
Accrued expenses	8,642	(67,909)
Other liabilities	1,849	9,130
Net cash provided by operating activities	174,620	50,565
Cash flows from investing activities		
Capital expenditures	(33,519)	(27,513)
Purchase of businesses	(39,079)	—
Proceeds from sale of facility	9,179	—
Proceeds from disposal of property, plant, and equipment	780	103
Proceeds from disposition of equity interest in Altergy	—	2,000
Net cash used in investing activities	(62,639)	(25,410)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	5,787	(7,534)
Proceeds from revolving credit borrowings	270,000	246,000
Repayments of revolving credit borrowings	(250,000)	(251,000)
Proceeds from long-term debt	300,000	150,000
Repayments of Convertible Notes	(172,266)	(203)
Repayments of long-term debt	(1,875)	—
Deferred financing costs	(4,971)	(1,076)

Taxes paid related to net share settlement of equity awards, net of option proceeds	(15,285)	(12,664)
Excess tax benefits from exercise of stock options and vesting of equity awards	3,450	3,035
Purchase of treasury stock	(120,637)	(120,938)
Prepayment of accelerated stock repurchase	(60,000)	—
Dividends paid to stockholders	(15,553)	(16,156)
Other	(45)	(134)
Net cash used in financing activities	(61,395)	(10,670)
Effect of exchange rate changes on cash and cash equivalents	1,058	(14,688)
Net increase (decrease) in cash and cash equivalents	51,644	(203)
Cash and cash equivalents at beginning of period	268,921	240,103
Cash and cash equivalents at end of period	$320,565	$239,900

See accompanying notes.

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

1. Basis of Presentation

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

The Company reports interim financial information for 13-week periods, except for the first quarter, which always begins on April 1, and the fourth quarter, which always ends on March 31. The four quarters in fiscal 2016 end on June 28, 2015, September 27, 2015, December 27, 2015, and March 31, 2016, respectively. The four quarters in fiscal 2015 ended on June 29, 2014, September 28, 2014, December 28, 2014, and March 31, 2015, respectively.

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

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

Recently Issued Accounting Pronouncements

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

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

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

In September 2015, the FASB issued ASU 2015-16, “Simplifying the Accounting for Measurement-Period Adjustments (Topic 805).”
The amendments in this update require that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments in this update require that the acquirer record, in the same period’s financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date.

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

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2. Inventories

Inventories, net consist of:

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

3. Fair Value of Financial Instruments

Recurring Fair Value Measurements

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

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

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

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

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

Financial Instruments

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

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

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

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

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

(1) Represents lead and foreign currency forward contracts.

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

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

Non-recurring fair value measurements

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

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

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

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

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

4. Derivative Financial Instruments

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

Derivatives in Cash Flow Hedging Relationships

Lead Forward Contracts

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

Foreign Currency Forward Contracts

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

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

Derivatives not Designated in Hedging Relationships

Foreign Currency Forward Contracts

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5. Income Taxes

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

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

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

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6. Warranty

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

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

7. Commitments, Contingencies and Litigation

Litigation and Other Legal Matters

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

European Competition Investigations

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

Environmental Issues

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

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

Lead Contracts

To stabilize its costs, the Company has entered into contracts with financial institutions to fix the price of lead. The vast majority of such contracts are for a period not extending beyond one year. Under these contracts, at September 27, 2015 and March 31, 2015, the Company has hedged the price to purchase 84.7 million pounds and 91.6 million pounds of lead, respectively, for a total purchase price of $69,852 and $76,143, respectively.

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Foreign Currency Forward Contracts

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

8. Restructuring Plans

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

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

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

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

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

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

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

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

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

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

9. Debt

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

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

5.00% Senior Notes

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

2011 Credit Facility

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

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

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

3.375% Convertible Notes

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

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

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

Short-Term Debt

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

Letters of Credit

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

Deferred Financing Fees

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

Available Lines of Credit

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

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10. Retirement Plans

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

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

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

11. Stock-Based Compensation

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

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

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

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

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

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

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12. Stockholders’ Equity and Noncontrolling Interests

Common Stock

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

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

Treasury Stock Reissuance

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

Accelerated Share Repurchase

During the second quarter of fiscal 2016, the Company entered into an accelerated share repurchase agreement (“ASR”) with a major financial institution to repurchase $120,000 to $180,000 of its common stock. The Company prepaid $180,000 and received an initial delivery of 2,000,000 shares with a fair market value of approximately $108,100. The ASR is accounted for as a treasury stock repurchase, reducing the weighted average number of basic and diluted shares outstanding by the 2,000,000 shares initially repurchased, and as a forward contract indexed to the Company's own common shares to reflect the future settlement provisions. Because the minimum repurchase will be $120,000, as of September 27, 2015, $11,900 representing the difference between the fair value of shares delivered and the minimum notional amount of $120,000 is accounted for as an equity instrument and is included in additional paid-in capital and the optional $60,000 is included in prepaid and other current assets in the Condensed Consolidated Balance Sheet. The ASR is not accounted for as a derivative instrument.
Additional shares may be delivered to the Company by February 25, 2016 (settlement date), subject to the provisions of the ASR. The total number of shares to be repurchased will be determined on final settlement, with any additional shares reacquired being based generally on the volume-weighted average price of the Company's ordinary shares, minus a discount, during the repurchase period.

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

Accumulated Other Comprehensive Income ("AOCI")

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

	March 31, 2015	Before Reclassifications	Amounts Reclassified from AOCI	September 27, 2015
Pension funded status adjustment	$(23,719)	$—	$638	$(23,081)

Net unrealized (loss) gain on derivative instruments	(95)	(4,848)	(589)	(5,532)
Foreign currency translation adjustment	(85,161)	(6,789)	—	(91,950)
Accumulated other comprehensive income (loss)	$(108,975)	$ (11,637)	$49	$(120,563)

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

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

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

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

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

Components of AOCI	Amounts Reclassified from AOCI		Location of (Gain) Loss Recognized on Income Statement
Derivatives in Cash Flow Hedging Relationships:			
Net unrealized gain on derivative instruments	$(938	)	Cost of goods sold
Tax expense	349		
Net unrealized gain on derivative instruments, net of tax	$(589	)	
Defined benefit pension costs:			
Prior service costs and deferrals	$895		

		Net periodic benefit cost, included in cost of goods sold and operating expenses - See Note 10
Tax benefit	(257	)
Net periodic benefit cost, net of tax	$638	

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

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

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

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

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

	Redeemable Noncontrolling

	Interests
Balance as of March 31, 2015	$ 6,956
Net loss	(704)
Foreign currency translation adjustment	(764)
Balance as of September 27, 2015	$ 5,488

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13. Earnings Per Share

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

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

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

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14. Business Segments

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

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

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

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

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

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

15. Subsequent Events

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

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

FORWARD-LOOKING STATEMENTS

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

Forward-looking statements involve risks, uncertainties and assumptions. Although we do not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy. Actual results may differ materially from those expressed in these forward-looking statements due to a number of uncertainties and risks, including the risks described in the Company's 2015 Annual Report on Form 10-K (the "2015 Annual Report") and other unforeseen risks. You should not put undue reliance on any forward-looking statements. These statements speak only as of the date of this Quarterly Report on Form 10-Q, even if subsequently made available by us on our website or otherwise, and we undertake no obligation to update or revise these statements to reflect events or circumstances occurring after the date of this Quarterly Report on Form 10-Q.

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

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

- quality problems associated with our products;
- our ability to implement business strategies, including our acquisition strategy, manufacturing expansion and restructuring plans;
- our acquisition strategy may not be successful in locating advantageous targets;
- our ability to successfully integrate any assets, liabilities, customers, systems and management personnel we acquire into our operations and our ability to realize related revenue synergies and cost savings within expected time frames;
- potential goodwill impairment charges, future impairment charges and fluctuations in the fair values of reporting units or of assets in the event projected financial results are not achieved within expected time frames;
- our debt and debt service requirements which may restrict our operational and financial flexibility, as well as imposing unfavorable interest and financing costs;
- our ability to maintain our existing credit facilities or obtain satisfactory new credit facilities;
- adverse changes in our short and long-term debt levels under our credit facilities;
- our exposure to fluctuations in interest rates on our variable-rate debt;
- our ability to attract and retain qualified management and personnel;
- our ability to maintain good relations with labor unions;
- credit risk associated with our customers, including risk of insolvency and bankruptcy;
- our ability to successfully recover in the event of a disaster affecting our infrastructure;
- terrorist acts or acts of war, could cause damage or disruption to our operations, our suppliers, channels to market or customers, or could cause costs to increase, or create political or economic instability; and
- the operation, capacity and security of our information systems and infrastructure.

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

In the following discussion and analysis of results of operations and financial condition, certain financial measures may be considered “non-GAAP financial measures” under Securities and Exchange Commission rules. These rules require supplemental explanation and reconciliation, which is provided in this Quarterly Report on Form 10-Q. EnerSys’ management uses the non-GAAP measures “primary working capital”, “primary working capital percentage” and capital expenditures in its evaluation of business segment cash flow and financial position performance. These disclosures have limitations as an analytical tool, should not be viewed as a substitute for cash flow determined in accordance with GAAP, and should not be considered in isolation or as a substitute for analysis of the Company’s results as reported under GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies. Management believes that this non-GAAP supplemental information is helpful in understanding the Company’s ongoing operating results.

Overview

EnerSys (the “Company,” “we,” or “us”) is the world’s largest manufacturer, marketer and distributor of industrial batteries. We also manufacture, market and distribute products such as battery chargers, power equipment, battery accessories, and outdoor cabinet enclosures. Additionally, we provide related aftermarket and customer-support services for our products. We market our products globally to over 10,000 customers in more than 100 countries through a network of distributors, independent representatives and our internal sales force.
We operate and manage our business in three geographic regions of the world—Americas, EMEA and Asia, as described below. Our business is highly decentralized with manufacturing locations throughout the world. More than half of our manufacturing capacity is located outside the United States, and approximately 60% of our net sales were generated outside the United States. The Company has three reportable business segments based on geographic regions, defined as follows:

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

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

- Reserve power products are used for backup power for the continuous operation of critical applications in telecommunications systems, uninterruptible power systems, or “UPS” applications for computer and computer-controlled systems, and other specialty power applications, including medical and security systems, premium starting, lighting and ignition applications, in switchgear, electrical control systems used in electric utilities, large-scale energy storage, energy pipelines, in commercial aircraft, satellites, military aircraft, submarines, ships and tactical vehicles. Reserve power products also include thermally managed cabinets and enclosures for electronic equipment and batteries.
- Motive power products are used to provide power for electric industrial forklifts used in manufacturing, warehousing and other material handling applications as well as mining equipment, diesel locomotive starting and other rail equipment.

Economic Climate

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

Volatility of Commodities and Foreign Currencies

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

Customer Pricing

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

Liquidity and Capital Resources

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

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

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

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

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

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

Results of Operations

Net Sales

Segment sales

	Quarter ended September 27, 2015		Quarter ended September 28, 2014		Increase (Decrease)	
	In Millions	Percentage of Total Net Sales	In Millions	Percentage of Total Net Sales	In Millions	%
Americas	$322.5	56.7 %	$333.2	52.9 %	$(10.7)	(3.2)%
EMEA	189.4	33.3	233.3	37.0	(43.9)	