C&D TECHNOLOGIES, INC.
Power Solutions

1400 Union Meeting Road
P.O. Box 3053
Blue Bell, PA 19422-0858

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Dear Fellow Stockholders:

Fiscal 2010 witnessed one of the most severe, wide-spread economic downturns in several decades. C&D Technologies suffered, along with many other companies, as consumers and corporations alike pared spending wherever possible. In response to this downturn, we took required cost actions to limit the losses that we suffered as volumes initially plunged in our core markets, before beginning a recovery in the second half of the fiscal year. We were fortunate to be able to sustain our new product introductions and our strong focus on growth in the Asian markets, which showed a much faster move to recovery from the economic bottom in the spring of last year.

With regard to our North American markets, which still comprise approximately 80% of our revenues, fiscal 2010 witnessed capital budgets and operating expenditures of our customers that were constrained throughout the year. The first fiscal quarter, when the recession had not yet bottomed, saw across the board spending cuts by our major customers, bottoming in the late spring, followed by a gradual recovery of spending in the telecommunications and energy markets through most of the remainder of the year. The uninterrupted power supply (UPS) market also began recovering after fiscal Q1, but only in the smaller systems and in the aftermarket replacement of batteries. New unit sales, particularly for large systems which are a key market segment for C&D, remained muted throughout the entire year. The combination of lighter volumes and a weaker product mix took its toll on our performance for fiscal 2010, particularly in Q1 as the economy bottomed, with margins improving gradually as volumes began recovering in subsequent quarters. Europe and the Middle East, which remain a relatively small market for C&D, largely mirrored the North American markets throughout the year.

The bright spot for C&D last year was Asia. After completing a new, large state-of-the-art plant in 2008 in the Pudong region of China, we hired a dynamic leader for our Asian business, built an Asian engineering team, and expanded our Asian sales force to position us for growth coming out of the recession. With the rapid efforts of our new Asian design engineers, we transitioned technology we had developed for North American customers into new products for the Asian marketplace, in both telecom and the UPS markets. By fiscal year-end, we had launched a record number of new products that were moving into production. Reflecting these efforts, we grew our Asian sales from an annual run rate of under $20 million per year in fiscal Q1, to exit the year approaching a $50 million annual run rate. Most importantly, in fiscal Q4, we saw profitability for the first time in our Asian business unit as increasing volumes were able to cover the fixed costs of our new plant and our Asian operations. While we are proud of the progress we made in fiscal 2010 in Asia, the best should be yet to come. With a plant that is capable of growing revenues over three-fold from our fiscal Q4 2010 run-rate, we look forward to many years of growth ahead in this exciting market where infrastructure investment is higher than any other region of the world.

With the bottom in the market occurring in late fiscal Q1, the subsequent two quarters showed margin improvements in our business as our cost reduction efforts and improving volumes made a positive impact on the business. However, we were disappointed with fiscal Q4 results, as increases in lead costs in the fall of 2009 and lower North American volumes in the quarter took a toll on the business. The commodity cost increases were strong and broad last fall as the world anticipated an economic rebound. These commodity costs were not only seen in lead, where we have an ability to regularly adjust our pricing to customers, but also resins, steel, copper and other materials that we commonly use in batteries. We were therefore forced to drive significant price increases in what was still a weakened economy in fiscal Q4, which negatively impacted our volumes in the quarter. We view this as a temporary, transient impact on our continued improvement in growth and profitability as we move into fiscal 2011.

To help ensure that we have adequate liquidity in our business to withstand a new downturn in the economy or a renewed climb in lead or other material costs, in addition to renewing our revolving credit facility at year end, we also added a new term loan to provide additional borrowing capacity should the need arise. From a risk standpoint, this helps us to withstand unexpected economic distress or a rapid rise in commodity prices until our pricing mechanisms fully adjust to the new levels. While we do not anticipate these events, recent years have shown a need to be prepared for all possible contingencies. These actions also give us greater flexibility to continue key investments for productivity improvements and growth through new products in our global business units as economies continue recovering in the future.

Looking ahead, we are encouraged by the economic recovery that seems to now be spreading from Asia to the Americas and Europe as we enter our fiscal 2011. With stability returning to the commodity metals and plastics markets in early 2010, and our pricing having fully adjusted to the increase in these costs as we exited the year, we are encouraged by our initial bookings performance in the early months of the new year, as our customers renew their infrastructure investments around the world. With the continued improvement in the global economy, we expect to see a return to margin expansion and growth in our businesses world-wide as we move through the fiscal New Year.

We believe that our vision to be a leader in energy storage world-wide is attainable in the years to come, as we focus on our core markets of telecommunications, UPS and energy generation and transmission around the world. We continue to drive to be the recognized leader in providing the best technology and most reliable energy storage products to our global customers. In a world that is increasingly dependent upon reliable power and data, 24 hours a day, 365 days per year, we believe that C&D Technologies is well positioned to meet these objectives for our stockholders, our employees and our customers.

We thank you for your continued support and confidence in C&D Technologies.

Respectfully,

Kevin P. Dowd
Chairman

Jeffrey Graves
President and Chief Executive Officer