

EXIDE TECHNOLOGIES

Form S-3/A

August 02, 2006

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As filed with the Securities and Exchange Commission on August 1, 2006

No. 333-135564

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**Amendment No. 1**

**To  
Form S-3  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

**EXIDE TECHNOLOGIES**

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

**Delaware**

*(State or other jurisdiction of  
incorporation or organization)*

**23-0552730**

*(I.R.S. Employer  
Identification No.)*

**13000 Deerfield Parkway  
Building 200  
Alpharetta, GA 30004  
(678) 566-9000**

*(Address, including zip code, and telephone number,  
including area code, of registrant's principal executive offices)*

**Barbara A. Hatcher  
Executive Vice President and General Counsel  
Exide Technologies  
13000 Deerfield Parkway  
Building 200  
Alpharetta, GA 30004**

**(678) 566-9000**

*(Name, address, including zip code, and telephone number,  
including area code, of agent for service)*

*Copies of all communications, including communications sent to agent for service, should be sent to:*

**Carter W. Emerson, P.C.  
Kirkland & Ellis LLP  
200 East Randolph Drive  
Chicago, Illinois 60601  
(312) 861-2000**

**Approximate date of commencement of proposed sale to the public:** From time to time on or after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.  \_\_\_\_

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.  \_\_\_\_

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

**SUBJECT TO COMPLETION, DATED AUGUST 1, 2006**

**PROSPECTUS**

**Common Stock**

**Rights to Purchase up to 21,428,571 Shares  
of Common Stock at \$3.50 per Share**

We are distributing at no charge to holders of our common stock non-transferable subscription rights to purchase shares of our common stock. You will receive 0.85753 of a subscription right for each share of common stock owned at the close of business on      , 2006, subject to adjustments to eliminate fractional rights. We are distributing subscription rights exercisable for up to 21,428,571 shares of our common stock.

Each full subscription right will entitle you to purchase one share of our common stock at a subscription price of \$3.50 per share. The per share price is equal to a 20% discount to the average closing price of our common stock for the 30 trading day period ended July 6, 2006. The subscription rights will expire if they are not exercised by 5:00 p.m., Eastern Daylight Time, on      , 2006, unless we extend this offering period, such extension not to exceed 15 business days. You should carefully consider whether to exercise your subscription rights before the expiration of the rights offering. Unless we give you a right of cancellation as a result of a fundamental (as determined by us) change to the terms of the rights offering, all exercises of subscription rights are irrevocable. Our board of directors is making no recommendation regarding your exercise of the subscription rights. The subscription rights may not be sold or transferred.

If any rights remain unsubscribed after the closing of the rights offering, two of our shareholders and one other investor have agreed, subject to certain conditions, to purchase a number of shares of our common stock equal to the number of shares not subscribed for in the rights offering at a price per share equal to the rights offering subscription price pursuant to a standby purchase agreement. Two of such investors have also agreed to purchase 14,285,714 additional shares of our common stock for \$3.50 per share subject to certain conditions.

The rights offering is subject to approval by our shareholders, as well as the approval by our shareholders of an amendment to our certificate of incorporation to increase the number of shares of authorized common stock. We are submitting these items to the vote of our shareholders at our 2006 annual meeting scheduled to take place August 22, 2006.

We may cancel or terminate the rights offering at any time prior to its expiration. If we terminate or cancel this offering, we will return your subscription price, but without any payment of interest.

The shares are being offered directly by us without the services of an underwriter or selling agent.

Shares of our common stock are traded on the Nasdaq Global Market under the symbol XIDE. On , 2006, the closing sales price for our common stock was \$ per share. The shares of common stock issued in the rights offering will also be listed on the Nasdaq Global Market under the same symbol.

**The exercise of your subscription rights for shares of our common stock involves risks. You should carefully consider the risk factors beginning on page 4 of this prospectus before exercising your subscription rights.**

**NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

The date of this prospectus is , 2006

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**You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized anyone to provide you with additional or different information from that contained or incorporated by reference in this prospectus. The information contained in this prospectus is accurate only as of the date on the front cover of this prospectus and any information we have incorporated by reference is accurate only as of the date of the document incorporated by reference, regardless of the time of delivery of this prospectus or any exercise of the rights.**

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**QUESTIONS AND ANSWERS RELATING TO THE RIGHTS OFFERING**

**What is a rights offering?**

We are distributing to holders of our common stock as of 5:00 p.m. Eastern Daylight Time on \_\_\_\_\_, 2006, the record date, at no charge, non-transferable subscription rights to purchase shares of our common stock. You will receive 0.85753 of a subscription right for each share of common stock you owned at the close of business on the record date, subject to adjustments to eliminate fractional rights. The subscription rights will be evidenced by rights certificates.

**What is a right?**

Each full right gives our shareholders the opportunity to purchase one share of our common stock for \$3.50 per share. We have granted to you, as a shareholder of record on the record date, 0.85753 of a right for each share of our common stock you owned at that time. We determined the ratio of rights you will receive per share by dividing the total number of shares we will issue upon exercise of the rights (21,428,571) by our total number of shares outstanding (24,988,768). For example, if you owned 100 shares of our common stock on the record date, you have the right to purchase 86 shares of common stock for \$3.50 per share. You may exercise any number of your subscription rights, or you may choose not to exercise any subscription rights.

If you hold your shares in the name of a broker, dealer or other nominee who uses the services of the Depository Trust Company, or DTC, DTC will issue 0.85753 of a right to the nominee for each share of our common stock you own at the record date, subject to adjustments to eliminate fractional rights. Each full right can then be used to purchase one share of common stock for \$3.50 per share. As in the example above, if you owned 100 shares of our common stock on the record date, you have the right to purchase 86 shares of common stock for \$3.50 per share.

We will not issue fractional subscription rights or cash in lieu of fractional rights. Fractional subscription rights will be rounded to the nearest whole number, with such adjustments as may be necessary to ensure that we offer 21,428,571 shares of common stock in the rights offering. In the unlikely event that, due to the rounding of fractional subscription rights, the rights offering would have been subscribed in an amount in excess of 21,428,571 shares of common stock, all holders' subscription rights will be reduced in an equitable manner. Any excess subscription funds will be promptly returned without interest.

**Why are we conducting the rights offering?**

We are making the rights offering and we are selling additional shares of common stock to Tontine Capital Partners, L.P., or Tontine, and Legg Mason Investment Trust, Inc., or Legg Mason and together with Tontine, the Standby Purchasers, in order to raise capital that we intend to use to provide additional liquidity for working capital, capital expenditures and general corporate purposes. The Standby Purchasers may elect to assign some or all of their rights to purchase shares of common stock to their designated affiliates. We believe that the rights offering and sale of additional shares of common stock to the Standby Purchasers will strengthen our financial condition through generating additional cash and increasing our stockholders' equity. If we are unable to raise capital in this manner, we may be required to seek alternative sources of liquidity to satisfy our ongoing operations, restructuring plans and capital expenditures and we may not be able to obtain such alternative sources of liquidity on commercially reasonable terms, if at all. If we are unable to generate such additional liquidity, our financial condition would be adversely affected.

**How was the \$3.50 per share subscription price determined?**

Our Board of Directors determined the subscription price after negotiations with the Standby Purchasers, considering the likely cost of capital from other sources, the price at which our principal shareholders might be willing to participate in the rights offering, historical and current trading prices for our common stock, our need for liquidity and capital and the need to provide an incentive to our shareholders to participate in the rights offering on a pro-rata basis. The subscription price for a subscription right is \$3.50 per share. The per share price is equal to a 20% discount to the average closing price of our common stock for the 30 trading day period ended July 6, 2006. The



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subscription price is not necessarily related to our book value, net worth or any other established criteria of value and may or may not be considered the fair value of the common stock to be offered in the rights offering.

**Am I required to exercise all of the rights I receive in the rights offering?**

No. You may exercise any number of your rights, or you may choose not to exercise any rights. However, if you choose not to fully exercise your rights, the relative percentage of our common stock that you own will decrease and your voting and other rights will be diluted.

**Am I required to exercise my rights if I vote to approve the rights offering at the annual meeting?**

No. How you vote at the annual meeting has no impact on your decision as to whether to exercise your rights.

**What happens if I elect to exercise my rights and the shareholders do not approve the rights offering?**

If the shareholders do not approve the rights offering at our annual meeting and you exercised your rights, we will immediately instruct the subscription agent to refund your payment in full. If you own shares in street name, it may take longer for you to receive payment because the subscription agent will send payments through the record holder of your shares. You will not be credited interest on your payment.

**How soon must I act to exercise my rights?**

The rights may be exercised beginning on the date of this prospectus through the expiration date, which is \_\_\_\_\_, 2006, at 5:00 p.m., Eastern Daylight Time. If you elect to exercise any rights, the subscription agent must actually receive all required documents and payments from you at or before the expiration date. Although we have the option of extending the expiration date of the subscription period, we currently do not intend to do so.

**May I transfer my rights?**

No. You may not sell or transfer your rights to anyone. The rights offered hereunder are non-transferable because we cannot assure you that our shareholders will approve the rights offering.

**Are we requiring a minimum subscription to complete the rights offering?**

No.

**Are there any other conditions to the completion of the rights offering?**

Yes. The completion of the rights offering is subject to our shareholders approving the rights offering, the sale of shares of common stock to the Standby Purchasers and Arklow Capital, LLC (the Additional Standby Purchaser) in connection with their agreement to purchase any shares not subscribed for in the rights offering, the sale of additional shares of common stock to the Standby Purchasers and an amendment to our certificate of incorporation increasing the number of authorized shares of our common stock.

Our Board of Directors may decide to cancel the rights offering at any time prior to the expiration of the rights offering and for any reason. If our Board of Directors cancels the rights offering, we will issue a press release notifying shareholders of the cancellation and any money received from subscribing shareholders will be returned, without interest or deduction, as soon as practicable.

We may amend or extend the subscription period of the rights offering. We reserve the right to withdraw the rights offering at any time prior to the expiration date and for any reason, in which event all funds received in the rights offering will be returned without interest or deduction to those persons who subscribed for shares in the rights offering.

**Has our Board of Directors made a recommendation to our shareholders regarding the rights offering?**

Our Board of Directors will not make any recommendation to shareholders regarding the exercise of rights under the rights offering. Shareholders who exercise rights risk investment loss on new money invested. We cannot

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assure you that the market price for our common stock will remain above the subscription price or that anyone purchasing shares at the subscription price will be able to sell those shares in the future at the same price or a higher price. For more information on the risks of participating in the rights offering, see Risk Factors.

### **What will happen if I choose not to exercise my rights?**

If you do not exercise any rights, the number of shares of our common stock you own will not change; however, due to the fact that shares will be purchased by other shareholders in the rights offering, including the shares purchased by the Standby Purchasers and the Additional Standby Purchaser pursuant to their agreement to purchase any shares not subscribed for in the rights offering, and the Standby Purchasers will be purchasing additional shares of our common stock, your percentage ownership after the exercise of the rights will be diluted.

### **How do I exercise my rights? What forms and payment are required to purchase the shares of common stock?**

If you wish to participate in the rights offering, you must take the following steps:

deliver payment to the subscription agent using the methods outlined in this prospectus; and

deliver a properly completed rights certificate to the subscription agent before 5:00 p.m., Eastern Daylight Time, on \_\_\_\_\_, 2006.

You may also use an alternate procedure called Notice of Guaranteed Delivery, which gives you an extra three days to deliver the rights certificate if the subscription agent receives full payment before the expiration date of the subscription period and a securities broker or qualified financial institution signs the Notice of Guaranteed Delivery form to guarantee that your properly completed rights certificate will be timely delivered.

If you send a payment that is insufficient to purchase the number of shares you requested, or if the number of shares you requested is not specified in the forms, the payment received will be applied to exercise the subscription privilege to the extent of the payment. If the payment exceeds the subscription price for the full exercise of the subscription privilege, the excess will be returned to you as soon as practicable. You will not receive interest on any payments refunded to you under the rights offering.

### **When will I receive my new shares?**

If you purchase shares of common stock through the rights offering, you will receive your new shares as soon as practicable after the closing of the rights offering. Subject to state securities laws and regulations, we have the discretion to delay allocation and distribution of any shares you may elect to purchase by exercise of your privilege in order to comply with state securities laws.

### **After I send in my payment and rights certificate, may I change or cancel my exercise of rights?**

No. Unless we give you a right of cancellation as a result of a fundamental (as determined by us) change to the terms of the rights offering, all exercises of rights are irrevocable, even if you later learn information that you consider to be unfavorable to the exercise of your rights. You should not exercise your rights unless you are certain that you wish to purchase additional shares of our common stock at a price of \$3.50 per share.

### **What should I do if I want to participate in the rights offering, but my shares are held in the name of my broker, dealer or other nominee?**

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If you hold your shares of our common stock in the name of a broker, dealer or other nominee, then your broker, dealer or other nominee is the record holder of the shares you own. The record holder must exercise the rights on your behalf for the shares of common stock you wish to purchase.

If you wish to participate in the rights offering and purchase shares of common stock, please promptly contact the record holder of your shares. We will ask your broker, dealer or other nominee to notify you of the rights offering. You should complete and return to your record holder the form entitled **Beneficial Owner Election Form**. You should receive this form from your record holder with the other rights offering materials.

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**How much money will the Company receive from the rights offering?**

If we sell all the shares being offered, we will receive proceeds of \$67.7 million after deducting estimated offering expenses. While we are offering shares in the rights offering with no minimum purchase requirement, the Standby Purchasers and the Additional Standby Purchaser have agreed, subject to certain conditions, to purchase a number of shares of our common stock equal to the number of shares not subscribed for in the rights offering at a price per share equal to the rights offering subscription price. Accordingly, even if the Standby Purchasers and the Additional Standby Purchaser are the only participants in the rights offering, we expect to receive proceeds from the rights offering of \$67.7 million after deducting estimated offering expenses. See [Use of Proceeds](#) and [The Rights Offering Standby Commitments](#).

**Are there risks in exercising my subscription rights?**

Yes. The exercise of your subscription rights involves risks. Exercising your subscription rights means buying additional shares of our common stock and should be considered as carefully as you would consider any other equity investment. Among other things, you should carefully consider the risks described under the heading [Risk Factors](#).

**Is there an over-subscription privilege?**

No.

**What is the role of the Standby Purchasers and the Additional Standby Purchaser in this offering?**

In connection with the rights offering, we have entered into a standby purchase agreement with the Standby Purchasers and the Additional Standby Purchaser (the [Standby Agreement](#) ). The Standby Agreement obligates us to sell, and requires the Standby Purchasers and the Additional Standby Purchaser to purchase from us, any and all shares of our common stock issuable upon the exercise of any rights that remain unsubscribed at the close of the rights offering subscription period. The price per share paid by the Standby Purchasers and the Additional Standby Purchaser for such common stock will be equal to the subscription price offered in the rights offering. For a more complete description of the role of the Standby Purchasers and the Additional Standby Purchaser in the rights offering, see [The Rights Offering Standby Commitments](#) and [Plan of Distribution](#).

**Are the Standby Purchasers receiving any compensation for the standby commitments?**

Yes. As compensation to the Standby Purchasers for the standby commitments, we agreed to sell, concurrently with the rights offering, 14,285,714 additional shares of our common stock to Standby Purchasers at the same subscription price applied to the rights for gross proceeds of \$50.0 million, and the Standby Purchasers agreed to purchase such shares. In addition, if, under certain circumstances provided for in the Standby Agreement, the rights offering is not consummated or the Standby Agreement is terminated, the Standby Purchasers have the option to purchase up to 14,285,714 additional shares of common stock from us at the same subscription price applied to the rights offering if our shareholders approve the rights offering or, if our shareholders do not approve the rights offering, the Standby Purchasers have the option to purchase additional shares of common stock from us up to 19.9% of our issued and outstanding common stock at a price of \$4.50 per share.

**How many shares will the Standby Purchasers and the Additional Standby Purchaser own after the offering?**

If no shareholders other than the Standby Purchasers and the Additional Standby Purchaser exercise their subscription rights, the Standby Purchasers and the Additional Standby Purchaser will purchase up to 21,428,571 shares of our

common stock in the offering pursuant to their respective subscription rights received as shareholders and their standby commitments. In that case and taking into account the 14,285,714 shares the Standby Purchasers will purchase from us separately and the shares the Standby Purchasers and the Additional Standby Purchaser currently own, the aggregate ownership interest of the Standby Purchasers and the Additional Standby Purchaser in our common stock could be approximately 64%, and the ownership interest of the remaining shareholders could decrease to approximately 36%. If the rights offering has not closed on or prior to September 30, 2006, but our shareholders have approved the rights offering, under certain circumstances, the Standby Purchasers may purchase up to \$50.0 million of our common stock at \$3.50 per share. If the Standby Purchasers exercise this option in full, their aggregate ownership in us would increase to approximately 43%. If the rights offering is not approved by our shareholders, the Standby Purchasers may purchase up to 19.9% of our issued and outstanding

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common stock for \$4.50 per share. If the Standby Purchasers exercise this option in full, their aggregate ownership in us would increase to approximately 28%. See The Rights Offering Standby Commitments.

### **How many shares of common stock will be outstanding after the rights offering and sale of additional shares of common stock to the Standby Purchasers?**

As of August , 2006, we had 24,988,768 shares of common stock issued and outstanding. We expect to issue 21,428,571 shares in the rights offering and 14,285,714 additional shares in the separate sale to the Standby Purchasers. After the rights offering and the sale of additional shares to the Standby Purchasers we anticipate that we will have 60,703,053 shares of common stock outstanding.

### **Are there any conditions to the standby commitments?**

Yes. The obligation of the Standby Purchasers and the Additional Standby Purchaser to fulfill the standby commitments will be subject to a number of conditions. For a more detailed description of the conditions to the Standby Purchasers and the Additional Standby Purchaser's standby commitments, see The Rights Offering Standby Commitments.

### **Can Our Board of Directors withdraw the rights offering?**

Yes. Our Board of Directors may decide to withdraw the rights offering at any time on or before the expiration of the rights offering for any reason. If we withdraw the rights offering, any money received from subscribing stockholders will be refunded promptly, without interest. See The Rights Offering Cancellation Rights.

### **If the rights offering is not completed, will my subscription payment be refunded to me?**

Yes. The subscription agent will hold all funds it receives in a segregated bank account until completion of the rights offering. If the rights offering is not completed, we will immediately instruct the subscription agent to return your payment in full. If you own shares in street name, it may take longer for you to receive payment because the subscription agent will send payments through the record holder of your shares. You will not be credited interest on your payment.

### **Will the rights be listed on a stock exchange or national market?**

The rights will not be listed on the Nasdaq Global Market or any other stock exchange or national market.

Our common stock and warrants will continue to trade on the Nasdaq Global Market under the symbols XIDE and XIDEW, respectively.

### **How do I exercise my rights if I live outside the United States?**

The subscription agent will hold rights certificates for shareholders having addresses outside the United States. In order to exercise rights, holders with addresses outside the United States must notify the subscription agent and timely follow other procedures described in Rights Offering Foreign Shareholders.

### **What fees or charges apply if I purchase shares of common stock?**

We are not charging any fee or sales commission to issue rights to you or to issue shares to you if you exercise your rights. If you exercise your rights through the record holder of your shares, you are responsible for paying any fees

your record holder may charge you.

**What are the U.S. federal income tax consequences of exercising rights?**

For U.S. federal income tax purposes, we believe that you will not recognize taxable income as a result of the distribution or exercise of your rights. See U.S. Federal Income Tax Considerations. You should, and are urged to, seek specific advice from your personal tax advisor concerning the tax consequences of the rights offering under your own tax situation.



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**To whom should I send my forms and payment?**

If your shares are held in the name of a broker, dealer or other nominee, then you should send your subscription documents, rights certificate and payment to that record holder. If you are the record holder, then you should send your subscription documents, rights certificate and payment by hand delivery, first class mail or courier service to:

*By Mail or Overnight Courier:*  
American Stock Transfer & Trust Company  
Operations Center  
Attn: Reorganization Department  
6201 15th Avenue  
Brooklyn, NY 11219

*By Hand:*  
American Stock Transfer & Trust Company  
Attn: Reorganization Department  
59 Maiden Lane  
New York, NY 10038

You are solely responsible for completing delivery to the subscription agent of your subscription documents, rights certificate and payment. We urge you to allow sufficient time for delivery of your subscription materials to the subscription agent.

**Who should I contact if I have other questions?**

If you have other questions or need assistance, please contact the information agent, Georgeson Shareholder Communications Inc. at (888) 206-5896.

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**SUMMARY**

This summary highlights information contained elsewhere in this document. This summary is not complete and may not contain all of the information that you should consider before deciding whether or not you should exercise your rights. You should read the entire document carefully. References in this prospectus to: Exide, the Company, we, us and our refer to Exide Technologies and its consolidated subsidiaries.

**Our Business**

We are a global producer and recycler of lead acid batteries. We provide a comprehensive range of stored electrical energy products and services for transportation and industrial applications. Transportation markets include original-equipment and aftermarket automotive, heavy-duty truck, agricultural and marine applications. Industrial markets include batteries for telecommunications systems, fuel-cell load leveling, electric utilities, railroads, uninterruptible power supply, lift trucks, mining and other commercial vehicles. Our many brands include Exide®, Absolyte®, Centra™, Classic®, DETA®, Fulmen®, GNB™, Liberator™, Marathon®, Sonnenschein® and Tudor®.

We are a Delaware corporation organized in 1966 to succeed to the business of a New Jersey corporation founded in 1888. Our principal executive offices are located at 13000 Deerfield Parkway, Building 200, Alpharetta, Georgia 30004. Our phone number is (678) 566-9000. More comprehensive information about us and our products is available through our Internet website at [www.exide.com](http://www.exide.com). The information contained on our website, or other sites linked to it, is not incorporated by reference into this prospectus.

**The Rights Offering**

Further details concerning this part of the summary are set forth under Rights Offering. Only holders of record of our common stock on the record date may exercise rights.

Securities offered	We are distributing to you, at no charge, 0.85753 of a non-transferable subscription right for every one share of our common stock that you owned on the record date, either as a holder of record or, in the case of shares held of record by brokers, banks or other nominees, on your behalf, as a beneficial owner of such shares, subject to adjustments to eliminate fractional rights. We expect the gross proceeds from the rights offering to be \$75.0 million. In addition, we are selling to the Standby Purchasers additional shares of common stock at the rights offering subscription price for gross proceeds of \$50.0 million
Subscription privilege	Each full right gives you the opportunity to purchase one share of our common stock for \$3.50 per share.
Record date	5:00 p.m. Eastern Daylight Time on August , 2006
Expiration date	5:00 p.m. Eastern Daylight Time on August , 2006
Subscription price	\$3.50 per share, payable in cash, which is a 20% discount to the average closing price of our common stock for the 30 trading day period ending July 6, 2006. All payments must be cleared on or before the expiration

date.

Use of proceeds

We intend to use the proceeds of the rights offering to provide additional liquidity for working capital, capital expenditures and general corporate purposes.

Non-transferability of rights

The subscription rights may not be sold, transferred or assigned, and will not be listed for trading on the Nasdaq Global Market or on any stock exchange or market or on the OTC Bulletin Board.

No board recommendation

Our Board of Directors makes no recommendation to you about whether you should exercise any rights. You are urged to make your

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decision based on your own assessment of our business and the rights offering. Please see **Risk Factors** for a discussion of some of the risks involved in investing in our common stock.

**Standby commitment**

Subject to certain conditions, the Standby Agreement requires the Standby Purchasers and the Additional Standby Purchaser to purchase a number of shares of our common stock equal to the number of shares not subscribed for in the rights offering at a price per share equal to the rights offering subscription price. In addition, the Standby Purchasers have agreed, pursuant to the Standby Agreement to purchase additional shares of our common stock at a price per share equal to the rights offering subscription price.

**No revocation**

If you exercise any of your rights, you are not allowed to revoke or change the exercise or request a refund of monies paid.

**U.S. federal income tax considerations**

For U.S. federal income tax purposes, your receipt and exercise of the subscription rights generally will not be taxable events. You should consult your personal tax advisor concerning the particular tax consequences to you of the receipt and exercise of the subscription rights. For more information, see **U.S. Federal Income Tax Considerations**.

**Extension, withdrawal, cancellation and amendment**

We have the option, with the approval of the Standby Purchasers, to extend the rights offering and the period for exercising your subscription rights, for a period not to exceed 15 business days, although we do not presently intend to do so. Our Board of Directors may cancel the rights offering in its sole discretion at any time prior to or on the expiration of the rights offering for any reason (including, without limitation, a change in the market price of our common stock). We also reserve the right to withdraw or terminate the rights offering at any time for any reason. In the event that the rights offering is cancelled, withdrawn or terminated, all funds received from subscriptions by shareholders will be returned. Interest will not be payable on any returned funds. We also reserve the right to amend the terms of the rights offering.

**Procedure for exercising rights**

To exercise rights, you must complete the rights certificate and deliver it to the subscription agent, American Stock Transfer & Trust Company, together with full payment for all the subscription rights you elect to exercise. The subscription agent must receive the proper forms and payments on or before the expiration of the rights offering. You may deliver the documents and payments by mail or commercial courier. If regular mail is used for this purpose, we recommend using registered mail, properly insured, with return receipt requested.

**Subscription agent**

American Stock Transfer & Trust Company.

**Information agent**

Georgeson Shareholder Communications Inc.

**Questions**

Questions regarding the rights offering should be directed to the information agent, Georgeson Shareholder Communications Inc. at (888) 206-5896.

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Shares outstanding before the rights offering and sale of additional shares of common stock to the Standby Purchasers	24,988,768 shares as of August , 2006.
Shares outstanding after completion of the rights offering and sale of additional shares of common stock to the Standby Purchasers	60,703,053 shares of our common stock will be outstanding immediately after completion of the rights offering and sale of additional shares of common stock to the Standby Purchasers.
Risk factors	Shareholders considering making an investment in the rights offering should consider the risk factors described in Risk Factors.
Fees and expenses	We will bear the fees and expenses relating to the rights offering.
Nasdaq Global Market trading symbol	Shares of our common stock are currently listed for quotation on the Nasdaq Global Market under the symbol XIDE.

**Risk Factors**

Before you invest in the rights offering, you should be aware that there are various risks associated with your investment, including the risks described in the section entitled Risk Factors beginning on page 4 and the risks that we have highlighted in other sections of this prospectus. You should carefully read and consider these risk factors together with all of the other information included in this prospectus before you decide to exercise your rights to purchase shares of our common stock.

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**RISK FACTORS**

*An investment in our common stock involves a high degree of risk. You should carefully consider the risks described below, together with the other information contained in this prospectus, before making a decision to invest in our common stock. The risks described below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business operations. If any of the following risks actually occurs, our business, results of operations and financial condition could suffer. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.*

**Risks Related to Our Business**

*We have experienced significant increases in raw material prices, particularly lead, and further changes in the prices of raw materials or in energy costs could have a material adverse impact on our business and financial condition.*

Lead is the primary material by weight used in the manufacture of batteries, representing approximately one-third of our cost of goods sold. Average lead prices quoted on the London Metal Exchange (the LME) have risen dramatically, increasing from \$920.00 per metric tonne for fiscal 2005 to \$1,041.00 per metric tonne for fiscal 2006. As of June 23, 2006, lead prices quoted on the LME were \$927.00 per metric tonne. If we are unable to increase the prices of our products proportionate to the increase in raw material costs, our gross margins will decline. We cannot provide assurance that we will be able to hedge our lead requirements at reasonable costs or that we will be able to pass on these costs to our customers. Increases in our prices could also cause customer demand for our products to be reduced and net sales to decline. The rising cost of lead requires us to make significant investments in inventory and accounts receivable, which reduces amounts of cash available for other purposes, including making payments on our notes and other indebtedness. We also consume significant amounts of steel and other materials in our manufacturing process and incur energy costs in connection with manufacturing and shipping of our products. The market prices of these materials are also subject to fluctuation, which could further reduce our available cash.

*Our liquidity position remains constrained. If we fail to meet our operations objectives and the shortfall is not replaced through other means, including the rights offering and sale of additional shares, the lack of liquidity would have a material adverse impact on our business and financial condition.*

Our current liquidity position remains constrained. We have an operational plan that would provide adequate liquidity to fund our operations through the remainder of this fiscal year. We have reduced our planned capital expenditures and planned restructuring activities in order to provide additional liquidity.

If we fail to meet our operations objectives, including working capital reductions, and if such shortfall is not replaced through proceeds from the rights offering and sale of additional shares or other means, the lack of liquidity would have a material adverse impact on our ability to fund our operations and financial obligations and cause us to evaluate a restructuring of our obligations.

*The going concern modification received from our independent registered public accounting firm for the fiscal year ended March 31, 2006 could cause adverse reactions from our creditors, vendors, customers and others.*

Our financial statements for our fiscal year ended March 31, 2006 contain an audit report from our independent accounting firm PricewaterhouseCoopers LLP that contains a going concern modification, stating that the uncertainty

with respect to our ability to maintain compliance with our financial covenants through fiscal 2007 raises substantial doubt about our ability to continue as a going concern. This going concern modification was based on our suffering recurring losses and negative cash flows from operations and our inability to comply with one or more of the covenants of our senior secured credit facility during fiscal 2005 and fiscal 2006. There is no assurance that we will be able to meet our fiscal 2007 business plan and be in compliance with our senior secured credit facility through the period as of March 31, 2007. This going concern modification could create concerns on the part of our creditors, vendors, customers and others about whether we will be able to fulfill our contractual obligations and otherwise continue to operate our business, which could result in a tightening of our liquidity. The going concern modification could also be perceived negatively by the capital markets, which could adversely affect the prices of our common stock as well as our ability to raise capital.



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***We are subject to a preliminary SEC inquiry.***

The Enforcement Division of the U.S. Securities and Exchange Commission (the SEC) has told us that it has commenced a preliminary inquiry into statements we made during fiscal year 2006 about our ability to comply with fiscal 2005 loan covenants and the going concern modification in the audit report in our annual report on Form 10-K for fiscal 2005, which we filed with the SEC in June 2005. If the preliminary inquiry results in a formal investigation, it could have a material adverse effect on our financial position, results of operations and cash flows.

***We are subject to fluctuations in exchange rates and other risks associated with our non-U.S. operations which could adversely affect our results of operations.***

We have significant manufacturing operations in, and export to, several countries outside the United States. Approximately 58% of our net sales for fiscal 2006 were generated in Europe, Asia and Australia, with the vast majority generated in Europe in Euros and British Pounds. Because such a significant portion of our operations is based overseas, we are exposed to foreign currency risk, resulting in uncertainty as to future assets and liability values, and results of operations that are denominated in foreign currencies. We invoice foreign sales and service transactions in local currencies, using actual exchange rates during the period, and translate these revenues and expenses into U.S. dollars at average monthly exchange rates. Because a significant portion of our net sales and expenses are denominated in foreign currencies, the depreciation of these foreign currencies in relation to the U.S. dollar could adversely affect our reported net sales and operating margins. We translate our non-U.S. assets and liabilities into U.S. dollars using current rates as of the balance sheet date. Therefore, foreign currency depreciation against the U.S. dollar would result in a decrease of our net investment in foreign subsidiaries.

In addition, foreign currency depreciation, particularly depreciation of the Euro, would make it more expensive for our non-U.S. subsidiaries to purchase certain of our raw material commodities that are priced globally in U.S. dollars, such as lead, which is quoted on the LME in U.S. dollars. We do not engage in significant hedging of our foreign currency exposure and cannot assure that we will be able to hedge our foreign currency exposures at a reasonable cost.

There are other risks inherent in our non-U.S. operations, including:

- changes in local economic conditions, including disruption of markets;
- changes in laws and regulations, including changes in import, export, labor and environmental laws;
- exposure to possible expropriation or other government actions; and
- unsettled political conditions and possible terrorist attacks against American interests.

These and other factors may have a material adverse effect on our non-U.S. operations or on our results of operations and financial condition.

***Our liquidity is affected by the seasonality of our business. Warm winters and cool summers adversely affect us.***

We sell a disproportionate share of our automotive aftermarket batteries during the fall and early winter. Resellers buy automotive batteries during these periods so they will have sufficient inventory for cold weather periods. In addition, many of our industrial battery customers in Europe do not place their battery orders until the end of the calendar year. This seasonality increases our working capital requirements and makes us more sensitive to fluctuations in the availability of liquidity. Unusually cold winters or hot summers may accelerate battery failure and increase demand for automotive replacement batteries. Mild winters and cool summers may have the opposite effect. As a result, if our

sales are reduced by an unusually warm winter or cool summer, it is not possible for us to recover these sales in later periods. Further, if our sales are adversely affected by the weather, we cannot make offsetting cost reductions to protect our liquidity and gross margins in the short-term because a large portion of our manufacturing and distribution costs are fixed.

***Decreased demand in the industries in which we operate may adversely affect our business.***

Our financial performance depends, in part, on conditions in the automotive, material handling and telecommunications industries, which, in turn, are generally dependent on the U.S. and global economies. As a result, economic and other factors adversely affecting production by original equipment manufacturers ( OEMs ) and

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their customers' spending could adversely impact our business. Relatively modest declines in customer purchases from us could have a significant a