

EXIDE TECHNOLOGIES  
Form 424B3  
October 27, 2006  
Table of Contents

Filed pursuant to Rule 424(b)(3)  
Registration No. 333-137901

PROSPECTUS

# EXIDE TECHNOLOGIES

## EXCHANGE OFFER FOR

**\$290,000,000**

**10<sup>1</sup>/<sub>2</sub>% SENIOR SECURED NOTES DUE 2013**

---

We are offering to exchange:

**up to \$290,000,000 of our new 10<sup>1</sup>/<sub>2</sub>% Senior Secured Notes due 2013, Series B**

for

**a like amount of our outstanding 10<sup>1</sup>/<sub>2</sub>% Senior Secured Notes due 2013.**

### Material Terms of Exchange Offer

The terms of the exchange notes to be issued in the exchange offer are substantially identical to the outstanding notes, except that the transfer restrictions and registration rights relating to the outstanding notes will not apply to the exchange notes.

The exchange offer expires at 5:00 p.m., New York City time, on November 27, 2006, unless extended.

The exchange of notes will not be a taxable event for U.S. federal income tax purposes.

## Edgar Filing: EXIDE TECHNOLOGIES - Form 424B3

There is no existing public market for the outstanding notes or the exchange notes. We do not intend to list the exchange notes on any securities exchange or seek approval for quotation through any automated trading system.

You may withdraw your tender of notes at any time before the expiration of the exchange offer. We will exchange all of the outstanding notes that are validly tendered and not withdrawn.

The exchange offer is not subject to any condition other than that it not violate applicable law or any applicable interpretation of the Staff of the SEC.

We will not receive any proceeds from the exchange offer.

You may tender your notes in integrals of \$1,000.

---

**For a discussion of certain factors that you should consider before participating in this exchange offer, see Risk Factors beginning on page 11 of this prospectus.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these notes or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.**

**October 26, 2006**

**Table of Contents**

We have not authorized anyone to give any information or represent anything to you other than the information contained in this prospectus. You must not rely on any unauthorized information or representations.

**TABLE OF CONTENTS**

|  |     |
|--|-----|
| <u>PROSPECTUS SUMMARY</u>  | 1   |
| <u>RISK FACTORS</u>  | 11  |
| <u>DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS</u>                                       | 26  |
| <u>EXCHANGE OFFER</u>  | 28  |
| <u>USE OF PROCEEDS</u>   | 36  |
| <u>CAPITALIZATION</u>  | 37  |
| <u>SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA</u>                                       | 38  |
| <u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u> | 40  |
| <u>BUSINESS</u>  | 70  |
| <u>MANAGEMENT</u>  | 90  |
| <u>PRINCIPAL STOCKHOLDERS</u>  | 100 |
| <u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>  | 102 |
| <u>DESCRIPTION OF OTHER OBLIGATIONS</u>  | 103 |
| <u>DESCRIPTION OF THE NOTES</u>  | 106 |
| <u>BOOK-ENTRY: DELIVERY AND FORM</u>   | 147 |
| <u>CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS</u>                               | 149 |
| <u>PLAN OF DISTRIBUTION</u>  | 154 |
| <u>LEGAL MATTERS</u>   | 156 |
| <u>INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>   | 156 |
| <u>AVAILABLE INFORMATION</u>   | 156 |

**Table of Contents**

**TRADEMARKS**

We own various trademarks under which our products are marketed globally that are valuable to our business, including Exide<sup>®</sup>, Exide Select Orbital<sup>®</sup>, Absolyte<sup>®</sup>, Centra, Classic<sup>®</sup>, DETA<sup>®</sup>, Formula, Fulmen<sup>®</sup>, Leader, Liberator, Marathon<sup>®</sup>, Mega Cycle<sup>®</sup>, Millennium 3, Nautilus<sup>®</sup>, Sonnenschein<sup>®</sup>, Sprinter<sup>®</sup>, Stowaway Nautilus<sup>®</sup>, Stowaway Powercyclor<sup>®</sup>, STR/STE, Top Start Plus, Tudor<sup>®</sup> and Ultra. We also license the right to use various trademarks, including the Champion<sup>®</sup> and Champion Trailblazer<sup>®</sup> marks, which we license from Federal-Mogul Corporation, and the NASCAR<sup>®</sup> and Exide NASCAR Select<sup>®</sup> marks, which we license from the National Association for Stock Car Auto Racing, Inc. ( NASCAR ).

**Table of Contents**

**PROSPECTUS SUMMARY**

*The following summary contains basic information about us and this exchange offer. It likely does not contain all the information that is important to you. For a more complete understanding of this exchange offer, we encourage you to read this entire document. In this prospectus, except as otherwise indicated or as the context may otherwise require, the words *the Company* refer to Exide Technologies and not any of its subsidiaries and the words *we*, *our* and *us* refer to Exide Technologies and its consolidated subsidiaries, collectively. Our fiscal year end is March 31. We refer to the fiscal year ended March 31, 2007 as *fiscal 2007*, the fiscal year ended March 31, 2006 as *fiscal 2006*, the fiscal year ended March 31, 2005 as *fiscal 2005*, and the fiscal year ended March 31, 2004 as *fiscal 2004*.*

*As a result of our emergence from Chapter 11 bankruptcy and our adoption of fresh start accounting, our financial information as of and for any period prior to May 5, 2004 is not comparable to the financial information for the periods after that date. Our emergence from bankruptcy resulted in a new reporting entity, which we refer to as the *Successor Company*, as of the effective date. All financial information as of and for all periods prior to May 5, 2004 is presented as pertaining to our predecessor reporting company, which we refer to as the *Predecessor Company*. In order to provide a meaningful comparison for purposes of discussion of results of operations for the twelve months ended March 31, 2005, the period April 1, 2004 through May 5, 2004 (*Predecessor Company*) has been combined with the period May 6, 2004 through March 31, 2005 (*Successor Company*). This combined twelve-month period represents only supplemental information in that it combines information from two different reporting entities. See *Management's Discussion and Analysis of Financial Condition and Results of Operations - Fresh Start Accounting*.*

**Our Company**

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, and new technologies for hybrid vehicles and 42-volt automotive applications. Industrial markets include batteries for telecommunications systems, fuel-cell load leveling, electric utilities, railroads, uninterruptible power supply (UPS), lift trucks, mining and other commercial vehicles. We report our results for four business segments, Transportation North America, Transportation Europe and Rest of World ( ROW ), Industrial Energy North America and Industrial Energy Europe and ROW. 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.

**Table of Contents**

**Corporate Structure**

The chart below illustrates our basic corporate and debt structure.

- 
- (1) As of and for the three months ended June 30, 2006, Exide Technologies accounted for approximately 32% of our consolidated assets and approximately 39% of our consolidated net sales. Exide Technologies is a borrower of, or guarantor with respect to, all of our senior credit facility borrowings and the issuer of our floating rate convertible senior subordinated notes due 2013.
  - (2) The outstanding notes and the notes exchanged therefor will be guaranteed by any of our domestic subsidiaries that have significant assets or operations. As of the date of this prospectus, none of our domestic subsidiaries has significant assets or operations and none of our domestic subsidiaries guarantee the notes. All our domestic subsidiaries guarantee borrowings under our senior credit facility.
  - (3) As of and for the three months ended June 30, 2006, our foreign subsidiaries accounted for approximately 68% of our consolidated assets and approximately 61% of our consolidated net sales. None of our foreign subsidiaries will guarantee the outstanding notes or the notes exchanged therefor. One of our foreign subsidiaries is a borrower under our senior credit facility and lends borrowed funds to other foreign subsidiaries. Certain of our foreign subsidiaries guarantee the foreign borrowings under the senior credit facility.

**Table of Contents**

**Summary of the Exchange Offer**

|   |   |
|---|---|
| The Initial Offering of Outstanding Notes | We sold the outstanding notes on March 18, 2005 to Deutsche Bank Securities Inc., Credit Suisse First Boston LLC, Banc of America Securities LLC and UBS Securities LLC. We refer to these parties in this prospectus as the initial purchasers. The initial purchasers subsequently resold the outstanding notes: (i) to qualified institutional buyers pursuant to Rule 144A; or (ii) outside the United States in compliance with Regulation S, each as promulgated under the Securities Act of 1933, as amended (the Securities Act ).  |
| Registration Rights Agreement             | Simultaneously with the initial sale of the outstanding notes, we entered into a registration rights agreement for the exchange offer. In the registration rights agreement, we agreed, among other things, to use reasonable best efforts to file a registration statement with the SEC and to commence and complete this exchange offer within 285 days of issuing the outstanding notes. The exchange offer is intended to satisfy your rights under the registration rights agreement. After the exchange offer is complete, you will no longer be entitled to any exchange or registration rights with respect to your outstanding notes.  |
| The Exchange Offer                        | We are offering to exchange the exchange notes, which have been registered under the Securities Act, for your outstanding notes, which were issued on March 18, 2005. In order to be exchanged, an outstanding note must be properly tendered and accepted. All outstanding notes that are validly tendered and not validly withdrawn will be exchanged. We will issue exchange notes promptly after the expiration of the exchange offer.  |
| Resales                                   | <p>We believe that the exchange notes issued in the exchange offer may be offered for resale, resold and otherwise transferred by you without compliance with the registration and prospectus delivery requirements of the Securities Act provided that:</p> <p style="padding-left: 40px;">the exchange notes are being acquired in the ordinary course of your business;</p> <p style="padding-left: 40px;">you are not participating, do not intend to participate, and have no arrangement or understanding with any person to participate, in the distribution of the exchange notes issued to you in the exchange offer; and</p> <p style="padding-left: 40px;">you are not an affiliate of ours.</p> <p>If any of these conditions are not satisfied and you transfer any exchange notes issued to you in the exchange offer without delivering a prospectus meeting the requirements of the Securities Act or without an exemption from registration of your exchange notes from these requirements, you may incur liability under the Securities Act. We will not assume, nor will we indemnify you against, any such liability.</p> |

**Table of Contents**

Each broker-dealer that is issued exchange notes in the exchange offer for its own account in exchange for outstanding notes that were acquired by that broker-dealer as a result of market-making or other trading activities, must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of the exchange notes. A broker-dealer may use this prospectus for an offer to resell, resale or other retransfer of the exchange notes issued to it in the exchange offer.

Record Date

We mailed this prospectus and the related exchange offer documents to registered holders of outstanding notes as of October 24, 2006, which is the record date for the exchange offer.

Expiration Date

The exchange offer will expire at 5:00 p.m., New York City time, November 27, 2006, unless we decide to extend the expiration date.

Conditions to the Exchange Offer

The exchange offer is not subject to any condition other than that the exchange offer not violate applicable law or any applicable interpretation of the staff of the SEC.

Procedures for Tendering Outstanding Notes

If you wish to tender your notes for exchange in this exchange offer, you must transmit to the exchange agent on or before the expiration date either:

an original or a facsimile of a properly completed and duly executed copy of the letter of transmittal, which accompanies this prospectus, together with your outstanding notes and any other documentation required by the letter of transmittal, at the address provided on the cover page of the letter of transmittal; or

if the notes you own are held of record by The Depository Trust Company, or DTC, in book-entry form and you are making delivery by book-entry transfer, a computer-generated message transmitted by means of the Automated Tender Offer Program System of DTC, or ATOP, in which you acknowledge and agree to be bound by the terms of the letter of transmittal and which, when received by the exchange agent, forms a part of a confirmation of book-entry transfer. As part of the book-entry transfer, DTC will facilitate the exchange of your notes and update your account to reflect the issuance of the exchange notes to you. ATOP allows you to electronically transmit your acceptance of the exchange offer to DTC instead of physically completing and delivering a letter of transmittal to the exchange agent.

In addition, you must deliver to the exchange agent on or before the expiration date:

a timely confirmation of book-entry transfer of your outstanding notes into the account of the exchange agent at DTC if you are making delivery by book-entry transfer; or



**Table of Contents**

if necessary, the documents required for compliance with the guaranteed delivery procedures.

|  |   |
|--|---|
| Special Procedures for Beneficial Owners | If you are the beneficial owner of book-entry interests and your name does not appear on a security position listing of DTC as the holder of the book-entry interests or if you are a beneficial owner of outstanding notes that are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender the book-entry interest or outstanding notes in the exchange offer, you should contact the person in whose name your book-entry interests or outstanding notes are registered promptly and instruct that person to tender on your behalf. |
| Withdrawal Rights                        | You may withdraw the tender of your outstanding notes at any time prior to 5:00 p.m., New York City time on November 27, 2006.  |
| Federal Income Tax Considerations        | The exchange of outstanding notes will not be a taxable event for United States federal income tax purposes.  |
| Use of Proceeds                          | We will not receive any proceeds from the issuance of exchange notes pursuant to the exchange offer. We will pay all of our expenses incident to the exchange offer.  |
| Exchange Agent                           | U.S. Bank National Association is serving as the exchange agent in connection with the exchange offer.  |

**Summary of Terms of the Exchange Notes**

The form and terms of the exchange notes are the same as the form and terms of the outstanding notes, except that the exchange notes will be registered under the Securities Act. As a result, the exchange notes will not bear legends restricting their transfer and will not contain the registration rights and liquidated damage provisions contained in the outstanding notes. The exchange notes represent the same debt as the outstanding notes. Both the outstanding notes and the exchange notes are governed by the same indenture. Unless the context otherwise requires, we use the term "notes" in this prospectus to collectively refer to the outstanding notes and the exchange notes.

|                        |   |
|------------------------|---|
| Issuer                 | Exide Technologies.   |
| Securities             | \$290,000,000 in aggregate principal amount of 10 1/2% senior secured notes due 2013. |
| Maturity               | March 15, 2013.   |
| Interest Rate          | 10 1/2% per year (calculated using a 360-day year).                                   |
| Interest Payment Dates | March 15 and September 15.  |

Edgar Filing: EXIDE TECHNOLOGIES - Form 424B3

Ranking

The notes are our senior secured obligations, secured on a junior lien basis. The notes rank:

equally with all of our and the guarantors', if any, existing and future senior indebtedness; and

**Table of Contents**

senior to all of our and the guarantors', if any, future subordinated indebtedness.

In addition, the notes are structurally subordinated to the existing and future liabilities of our subsidiaries that do not guarantee the notes and are effectively subordinated to our existing and future senior priority lien obligations, including the indebtedness under our senior credit facility and a lien we granted to the Pension Benefit Guaranty Corporation (the PBGC) to secure our minimum future cash contributions to our currently underfunded U.S. pension plans, to the extent of the assets securing such debt.

As of June 30, 2006, we had \$658.8 million of senior debt (including the notes), of which \$333.6 million was senior priority debt, excluding approximately \$16.4 million of additional available borrowing capacity under our senior credit facility.

As of June 30, 2006, the notes were structurally subordinated to approximately \$1,037.3 million of liabilities (including trade payables) of our subsidiaries.

Security

The notes are secured by a junior lien on all of the assets that secure our obligations and those of our domestic subsidiaries under the senior credit facility (other than our and our domestic subsidiaries' guarantee of foreign subsidiary obligations). These assets do not include assets located outside of the United States, assets or stock of our foreign subsidiaries (other than a pledge of 65% of the stock of certain of our foreign subsidiaries), and certain other excluded collateral as provided in the indenture that will govern the notes. The notes are effectively subordinated to our existing and future senior priority lien obligations, including the indebtedness under our senior credit facility and a lien we granted to the PBGC to secure our minimum future cash contributions to our currently underfunded U.S. pension plans, to the extent of the assets securing such debt.

Guarantees

The notes will be guaranteed by any of our domestic subsidiaries that have significant assets or operations. As of the date of this prospectus, none of our domestic subsidiaries has significant assets or operations and none of our domestic subsidiaries guarantee the notes. None of our foreign subsidiaries guarantee the notes.

Optional Redemption on or after March 15, 2009 On or after March 15, 2009, we may redeem some or all of the notes at the redemption prices listed in the Description of the Notes section under the heading Optional Redemption, plus accrued interest to, but not including the date of redemption.

**Table of Contents**

Optional Redemption upon Qualified Equity Offerings      At any time (which may be more than once) before March 15, 2008, we may choose to redeem up to 35% of the outstanding notes with money that we raise in one or more qualified equity offerings, as long as:

we pay 110.5% of the face amount of the notes, plus interest;

we issue a redemption notice not more than 60 days after the qualified equity offering; and

at least 65% of the aggregate principal amount of notes issued remains outstanding afterwards.

Optional Redemption with Make-Whole Payment      At any time before March 15, 2009, we may redeem some or all of the notes at a redemption price equal to the sum of (i) 100% of the principal amount of the notes, plus (ii) a make-whole premium, plus (iii) accrued interest to, but not including, the date of redemption.

Change of Control Offer      If a change in control of the Company occurs, we must give holders of the notes the opportunity to sell us their notes at 101% of their face amount, plus accrued interest to, but not including, the date of purchase. We might not be able to pay you the required price for notes you present to us at the time of a change of control, because:

we might not have enough funds at that time; or

the terms of our senior credit facility may prevent us from making such payments.

Asset Sale Proceeds      If we or our subsidiaries engage in certain asset sales, we generally must either invest the net cash proceeds from such sales in our business within a period of time, prepay senior debt or make an offer to purchase a principal amount of the notes equal to the excess net cash proceeds. The purchase price of the notes will be 100% of their principal amount, plus accrued interest.

Certain Indenture Provisions      The indenture under which the outstanding notes were issued will govern the exchange notes. The indenture contains covenants limiting our (and most or all of our subsidiaries ) ability to:

incur additional debt or enter into sale and leaseback transactions;

pay dividends or distributions on our capital stock or repurchase our capital stock;

issue stock of subsidiaries;

make certain investments;

Edgar Filing: EXIDE TECHNOLOGIES - Form 424B3

create liens on our assets to secure debt;

enter into transactions with affiliates;

merge or consolidate with another company;

7

**Table of Contents**

transfer and sell assets; and

create dividend or other payment restrictions affecting our subsidiaries.

These covenants are subject to a number of important limitations and exceptions.

**Risk Factors**

Investing in the notes involves substantial risks. See **Risk Factors** for a description of certain of the risks you should consider before deciding to exchange your notes.

**Table of Contents****Summary Historical Consolidated Financial Data**

The following table sets forth selected financial data for the Company. The reader should read this information in conjunction with the Company's Consolidated Financial Statements (audited) and Condensed Consolidated Financial Statements (unaudited) and Notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations that appear elsewhere in this prospectus. See Note 1 to the Consolidated Financial Statements regarding the Predecessor Company and the Successor Company.

|   | Predecessor Company |              |              | Successor Company |                      |   |                    |             |
|---|---------------------|--------------|--------------|-------------------|----------------------|---|--------------------|-------------|
|   | Fiscal Year Ended   |              |              | Period from       | Period From          | Fiscal<br>Year Ended<br>March 31,<br>2006 | Three Months Ended |             |
|   | March 31,           |              |              | April 1, 2004     | May 6, 2004          |   | June 30,           | 2005        |
|   | 2002                | 2003         | 2004         | to<br>May 5, 2004 | to<br>March 31, 2005 | 2005                                      |                    |             |
| <b>(in thousands, except per share data)</b>  |                     |              |              |                   |                      |   |                    |             |
| <b>Statement of Operations Data</b>   |                     |              |              |                   |                      |   |                    |             |
| Net sales   | \$ 2,428,550        | \$ 2,361,101 | \$ 2,500,493 | \$ 214,607        | \$ 2,476,259         | \$ 2,819,876                              | \$ 669,332         | \$ 683,190  |
| Gross profit  | 463,919             | 516,541      | 509,325      | 35,470            | 377,502              | 406,831                                   | 102,216            | 109,679     |
| Selling, marketing and advertising expenses   | 290,957             | 261,299      | 264,753      | 24,504            | 251,085              | 271,059                                   | 71,073             | 68,506      |
| General and administrative expenses   | 178,842             | 175,177      | 161,271      | 17,940            | 150,871              | 190,993                                   | 43,738             | 45,994      |
| Restructuring and impairment  | 33,122              | 25,658       | 52,708       | 602               | 42,479               | 21,714                                    | 2,901              | 8,884       |
| Goodwill impairment charge  | 105,000             | 37,000       |              |                   | 388,524              |   |                    |             |
| Other (income) expense net  | 24,554              | (11,035)     | (40,724)     | 6,222             | (56,898)             | 3,684                                     | 3,400              | (3,492)     |
| Interest expense, net   | 136,241             | 105,788      | 99,027       | 8,870             | 42,636               | 69,464                                    | 16,100             | 22,287      |
| Loss before reorganization items, income tax, minority interest and cumulative effect of change in accounting principle | (304,797)           | (77,346)     | (27,710)     | (22,668)          | (441,195)            | (150,083)                                 | (34,996)           | (32,500)    |
| Reorganization items, net   |                     | 36,370       | 67,042       | 18,434            | 11,527               | 6,158                                     | 1,372              | 1,607       |
| Fresh start accounting  |                     |              |              | (228,371)         |                      |   |                    |             |
| Gain on discharge   |                     |              |              | (1,558,839)       |                      |   |                    |             |
| Minority interest   | 211                 | 200          | 467          | 26                | (18)                 | 529                                       | 95                 | 211         |
| Income tax provision (benefit)  | (1,422)             | 26,969       | 3,271        | (2,482)           | 14,219               | 15,962                                    | (754)              | 3,578       |
| Income (Loss) before cumulative effect of change in accounting principle  | (303,586)           | (140,885)    | (98,490)     | 1,748,564         | (466,923)            | (172,732)                                 | (35,709)           | (37,896)    |
| Cumulative effect of change in accounting principle(1)  | (496)               |              | (15,593)     |                   |                      |   |                    |             |
| Net income (loss)   | \$ (304,082)        | \$ (140,885) | \$ (114,083) | \$ 1,748,564      | \$ (466,923)         | \$ (172,732)                              | \$ (35,709)        | \$ (37,896) |
| Basic and diluted net income (loss) per share   | \$ (11.35)          | \$ (5.14)    | \$ (4.17)    | \$ 63.86          | \$ (18.68)           | \$ (6.91)                                 | \$ (1.43)          | \$ (1.51)   |
| <b>Balance Sheet Data (at period end)</b>   |                     |              |              |                   |                      |   |                    |             |
| Working capital (deficit)(2)  | \$ (951,866)        | \$ (15,876)  | \$ (270,394) | \$ 402,076        | \$ (180,172)         | \$ 431,570                                | \$ 395,674         | \$ 439,725  |
| Property, plant and equipment, net  | 530,220             | 533,375      | 543,124      | 826,900           | 799,763              | 685,842                                   | 752,668            | 684,717     |
| Total assets  | 1,915,868           | 2,372,691    | 2,471,808    | 2,729,404         | 2,290,780            | 2,082,909                                 | 2,153,374          | 2,083,733   |
| Total debt  | 1,413,272           | 1,804,903    | 1,847,656    | 547,549           | 653,758              | 701,004                                   | 665,834            | 718,830     |

## Edgar Filing: EXIDE TECHNOLOGIES - Form 424B3

|                                     |           |           |           |         |         |         |         |         |
|-------------------------------------|-----------|-----------|-----------|---------|---------|---------|---------|---------|
| Total stockholders equity (deficit) | (555,742) | (695,369) | (769,769) | 888,391 | 427,259 | 224,739 | 371,015 | 209,012 |
|-------------------------------------|-----------|-----------|-----------|---------|---------|---------|---------|---------|

### Other Financial Data

#### Cash provided by (used in):

|                                       |            |              |           |            |            |             |             |         |
|---------------------------------------|------------|--------------|-----------|------------|------------|-------------|-------------|---------|
| Operating activities(3)               | \$ (6,665) | \$ (239,858) | \$ 40,551 | \$ (7,186) | \$ (9,691) | \$ (44,348) | \$ (15,506) | \$ 634  |
| Investing activities                  | (58,462)   | (39,095)     | (38,411)  | (4,352)    | (44,013)   | (32,817)    | (1,563)     | (7,870) |
| Financing activities                  | 73,720     | 278,882      | (9,667)   | 35,168     | 68,925     | 34,646      | 9,001       | 11,170  |
| Capital expenditures                  | 61,323     | 45,878       | 65,128    | 7,152      | 69,114     | 58,133      | 11,545      | 7,967   |
| Ratio of earnings to fixed charges(4) |            |              |           |            |            |             |             |         |
| Cash dividends per share              | 0.04       |              |           |            |            |             |             |         |



**Table of Contents**

---

- (1) The cumulative effect of change in accounting principle in fiscal 2002 resulted from the adoption of SFAS 133 on April 1, 2001 and in fiscal 2004 resulted from the adoption of SFAS 143 on April 1, 2003.
- (2) Working capital (deficit) is calculated as current assets less current liabilities, which at March 31, 2005 and March 31, 2002 reflects the reclassification of certain long-term debt as current. At March 31, 2003 and March 31, 2004, working capital (deficit) excludes liabilities of the Debtors classified as subject to compromise.
- (3) Cash used in operating activities in fiscal 2003 includes the repurchase of uncollected securitized accounts receivable under the terminated U.S. and European securitization programs of \$117.5 million and \$124.8 million, respectively.
- (4) For purposes of computing the ratios of earnings to fixed charges, earnings consist of income before provision for fixed charges, amortization of capitalized interest and unremitted earnings from equity investments, less interest capitalized and minority interest. Fixed charges include interest expense, amortization of deferred financing costs, amortization of original issue discount on notes and the portion of rental expense under operating leases deemed by us to be representative of the interest factor. The ratio of earnings to fixed charges was less than 1.00x for all periods presented in the table above. Earnings available for fixed charges were inadequate to cover fixed charges for the years ended March 31, 2002, 2003, and 2004 and the period from April 1, 2004 to May 5, 2004, period from May 6, 2004 to March 31, 2005, year ended March 31, 2006 and the three months ended June 30, 2006 by \$303.2 million, \$111.5 million, \$92.4 million, \$41.0 million, \$452.9 million, \$157.1 million and \$34.3 million, respectively.

**Table of Contents**

**RISK FACTORS**

*You should carefully consider the risks described below, together with the other information contained in this prospectus, when deciding whether to participate in the exchange offer. 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. Any of the following risks could materially adversely affect our business, financial condition or results of operations which may result in the loss of all or part of your original investment.*

**Risks Associated with the Exchange Offer**

**Because there is no public market for the notes, you may not be able to resell your notes.**

The exchange notes will be registered under the Securities Act, but will constitute a new issue of securities with no established trading market, and there can be no assurance as to:

the liquidity of any trading market that may develop;

the ability of holders to sell their exchange notes; or

the price at which the holders would be able to sell their exchange notes.

If a trading market were to develop, the exchange notes might trade at higher or lower prices than their principal amount or purchase price, depending on many factors, including prevailing interest rates, the market for similar debentures and our financial performance.

We understand that the initial purchasers presently intend to make a market in the notes. However, they are not obligated to do so, and any market-making activity with respect to the notes may be discontinued at any time without notice. In addition, any market-making activity will be subject to the limits imposed by the Securities Act and the Securities Exchange Act of 1934, as amended (the Exchange Act ) and may be limited during the exchange offer or the pendency of an applicable shelf registration statement. There can be no assurance that an active trading market will exist for the notes or that any trading market that does develop will be liquid.

In addition, any holder of outstanding notes who tenders in the exchange offer for the purpose of participating in a distribution of the exchange notes may be deemed to have received restricted securities, and if so, will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. For a description of these requirements, see Exchange Offer.

**Your outstanding notes will not be accepted for exchange if you fail to follow the exchange offer procedures and, as a result, your notes will continue to be subject to existing transfer restrictions and you may not be able to sell your outstanding notes.**

We will not accept your notes for exchange if you do not follow the exchange offer procedures. We will issue exchange notes as part of this exchange offer only after a timely receipt of your outstanding notes, a properly completed and duly executed letter of transmittal and all other required documents. Therefore, if you want to tender your outstanding notes, please allow sufficient time to ensure timely delivery. If we do not receive your notes, letter of transmittal and other required documents by the expiration date of the exchange offer, we will not accept your notes for exchange. We are under no duty to give notification of defects or irregularities with respect to the tenders of outstanding notes for exchange. If there are defects or irregularities with respect to your tender of notes, we may not accept your notes for exchange. For more information, see Exchange Offer.

**If you do not exchange your outstanding notes, your outstanding notes will continue to be subject to the existing transfer restrictions and you may not be able to sell your outstanding notes.**

We did not register the outstanding notes, nor do we intend to do so following the exchange offer. Outstanding notes that are not tendered will therefore continue to be subject to the existing transfer restrictions

## **Table of Contents**

and may be transferred only in limited circumstances under the securities laws. If you do not exchange your outstanding notes, you will lose your right to have your outstanding notes registered under the federal securities laws. As a result, if you hold outstanding notes after the exchange offer, you may not be able to sell your outstanding notes.

**If you exchange your outstanding notes, you may not be able to resell the exchange notes you receive in the exchange offer without registering them and delivering a prospectus.**

You may not be able to resell exchange notes you receive in the exchange offer without registering those exchange notes or delivering a prospectus. Based on interpretations by the SEC in no-action letters, we believe, with respect to exchange notes issued in the exchange offer, that:

holders who are not affiliates of the Company within the meaning of Section 405 of the Securities Act;

holders who acquire their exchange notes in the ordinary course of business;

holders who do not engage in, intend to engage in, or have arrangements to participate in a distribution (within the meaning of the Securities Act) of the exchange notes; and

holders who are not broker-dealers

do not have to comply with the registration and prospectus delivery requirements of the Securities Act.

Holders described in the preceding sentence must tell us in writing at our request that they meet these criteria. Holders that do not meet these criteria cannot rely on interpretations of the SEC in no-action letters, and will have to register the exchange notes they receive in the exchange offer and deliver a prospectus for them. In addition, holders that are broker-dealers may be deemed underwriters within the meaning of the Securities Act in connection with any resale of exchange notes acquired in the exchange offer. Holders that are broker-dealers must acknowledge that they acquired their outstanding exchange notes in market-making activities or other trading activities and must deliver a prospectus when they resell exchange notes they acquire in the exchange offer in order not to be deemed an underwriter.

## **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 lead-acid 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 September 20, 2006, lead prices quoted on the LME were \$1,345.00 per

## Edgar Filing: EXIDE TECHNOLOGIES - Form 424B3

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.

## **Table of Contents**

**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 registered public 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 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.

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

On July 1, 2005 we were informed by the Enforcement Division of the SEC that it has commenced a preliminary inquiry into statements we made during fiscal 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 and ROW, 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:

Edgar Filing: EXIDE TECHNOLOGIES - Form 424B3

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.

## **Table of Contents**

### **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 their customers' spending could adversely impact our business. Relatively modest declines in customer purchases from us could have a significant adverse impact on our profitability because we have substantial fixed production costs. If our OEM and large aftermarket customers reduce their inventory levels, and reduce their orders, our performance would be significantly adversely impacted. In this environment, we cannot predict future production rates or inventory levels or the underlying economic factors. Continued uncertainty and unexpected fluctuations may have a significant negative impact on our business.

The remaining portion of our battery sales are of aftermarket batteries. The factors influencing demand for automotive replacement batteries include: (1) the number of vehicles in use; (2) average battery life; (3) the average age of vehicles and their operating environment; (4) weather conditions; and (5) population growth and overall economic conditions. Any significant adverse change in any one of these factors may have a significant negative impact on our business.

### **The loss of our sole supplier of polyethylene battery separators would have a material adverse effect on our business.**

We rely exclusively on a single supplier to fulfill our needs for polyethylene battery separators—a critical component to many of our products. There is no second source that could readily provide the volume of polyethylene separators used by us. As a result, any major disruption in supply from this supplier would have a material adverse impact on us. If we are not able to maintain a good relationship with this supplier, or if for reasons beyond our control the supplier's service were disrupted, our business may experience a significant negative impact.

### **Many of the industries in which we operate are cyclical.**

Our operating results are affected by the general cyclical pattern of the industries in which our major customer groups operate. Any decline in the demand for new automobiles, light trucks, and sport utility vehicles could have a material adverse impact on the financial condition and results of operations of our transportation battery divisions. A weak capital expenditure environment in the telecommunications, uninterruptible power systems and electric industrial forklift truck markets could have a material adverse impact on the financial condition and results of operations of our industrial energy divisions.





## **Table of Contents**

### **We are subject to pricing pressure from our larger customers.**

We face significant pricing pressures in all of our business segments from our larger customers. Because of our customers' purchasing size, our larger customers can influence market participants to compete on price and other terms. Such customers also use their buying power to negotiate lower prices. If we are not able to offset pricing reductions resulting from these pressures by improved operating efficiencies and reduced expenditures, those price reductions may have an adverse impact on our business.

### **We face increasing competition and pricing pressure from other companies in our industries, and if we are unable to compete effectively with these competitors, our sales and profitability could be adversely affected.**

We compete with a number of major domestic and international manufacturers and distributors of lead acid batteries, as well as a large number of smaller, regional competitors. Due to excess capacity in some sectors of our industry and consolidation among industrial purchasers, we have been subjected to continual and significant pricing pressures. The North American, European and Asian lead acid battery markets are highly competitive. The manufacturers in these markets compete on price, quality, technical innovation, service and warranty. In addition, we are experiencing heightened competitive pricing pressure as Asian producers, able to employ labor at significantly lower costs than producers in the U.S. and Western Europe, expand their export capacity and increase their marketing presence in our major markets.

### **If we are not able to develop new products or improve upon our existing products on a timely basis, our business and financial condition could be adversely affected.**

We believe that our future success depends, in part, on the ability to develop, on a timely basis, new technologically advanced products or improve on our existing products in innovative ways that meet or exceed our competitors' product offerings. Maintaining our market position will require continued investment in research and development and sales and marketing. Industry standards, customer expectations, or other products may emerge that could render one or more of our products less desirable or obsolete. We may be unsuccessful in making the technological advances necessary to develop new products or improve our existing products to maintain our market position. If any of these events occur, it could cause decreases in sales and have an adverse effect on our business and financial condition.

### **We may be adversely affected by the instability and uncertainty in the world financial markets and the global economy, including the effects of turmoil in the Middle East.**

Instability in the world financial markets and the global economy, including (and as a result of) the turmoil in the Middle East, may create uncertainty in the industries in which we operate, and may adversely affect our business. In addition, terrorist activities may cause unpredictable or unfavorable economic conditions and could have a material adverse impact on our operating results and financial condition.

### **We may be unable to successfully implement our business strategy, which could adversely affect our results of operations and financial condition.**

## Edgar Filing: EXIDE TECHNOLOGIES - Form 424B3

Our ability to achieve our business and financial objectives is subject to a variety of factors, many of which are beyond our control. For example, we may not be successful in increasing our manufacturing and distribution efficiency through productivity, process improvements and cost reduction initiatives. Further, we may not be able to realize the benefits of these improvements and initiatives within the time frames we currently expect. In addition, we may not be successful in increasing our percentage of captive arrangements and spent battery collections or in hedging our lead requirements, leaving us exposed to fluctuations in the price of lead. Additionally, our implementation of these strategies could be delayed due to our limited liquidity. Any failure to successfully implement our business strategy could adversely affect results of operations and financial condition, and could further impair our ability to make certain strategic capital expenditures and meet our restructuring objectives.

**Table of Contents**

**We are subject to costly regulation in relation to environmental, health and safety matters, which could adversely affect our business and results of operations.**

In the manufacture of our products throughout the world, we manufacture, distribute, recycle and otherwise use large amounts of potentially hazardous materials, especially lead and acid. As a result, we are subject to a substantial number of costly regulations, including limits on employee blood lead levels. In particular, we are required to comply with increasingly stringent requirements of federal, state and local environmental and occupational safety and health laws and regulations in the United States and other countries, including those governing emissions to air, discharges to water, noise and odor emissions; the generation, handling, storage, transportation, treatment and disposal of waste materials; and the cleanup of contaminated properties and human health and safety. Compliance with these laws and regulations results in ongoing costs. We could also incur substantial costs, including cleanup costs, fines and civil or criminal sanctions, third party property damage or personal injury claims, or costs to upgrade or replace existing equipment, as a result of violations of or liabilities under environmental laws or non-compliance with environmental permits required at our facilities. In addition, many of our current and former facilities are located on properties with histories of industrial or commercial operations. Because some environmental laws can impose liability for the entire cost of cleanup upon any of the current or former owners or operators, regardless of fault, we could become liable for the cost of investigating or remediating contamination at these properties if contamination requiring such activities is discovered in the future. We may become obligated to pay material remediation-related costs at our Tampa, Florida facility in the amount of approximately \$12.5 million to \$20.5 million, at the Columbus, Georgia facility in the amount of approximately \$6.0 million to \$9.0 million and at the Sonalur, Portugal facility in the amount of \$3.5 million to \$7.0 million.

We cannot be certain that we have been, or will at all times be, in complete compliance with all environmental requirements, or that we will not incur additional material costs or liabilities in connection with these requirements in excess of amounts we have reserved. Private parties, including current or former employees, could bring personal injury or other claims against us due to the presence of, or exposure to, hazardous substances used, stored or disposed of by us, or contained in our products, especially lead. Environmental requirements are complex and have tended to become more stringent over time. These requirements or their enforcement may change in the future in a manner that could have a material adverse effect on our business, results of operations and financial condition. We have made and will continue to make expenditures to comply with environmental requirements. These requirements, responsibilities and associated expenses and expenditures, if they continue to increase, could have a material adverse effect on our business and results of operations. While our costs to defend and settle claims arising under environmental laws in the past have not been material, we cannot provide assurance that this will remain so in the future.

## **Table of Contents**

**The EPA or state environmental agencies could take the position that we have liability under environmental laws that were not discharged in bankruptcy. To the extent these authorities are successful in disputing the pre-petition nature of these claims, we could be required to perform remedial work that has not yet been performed for alleged pre-petition contamination, which would have a material adverse effect on our financial condition, cash flows or results of operations.**

The EPA or state environmental agencies could take the position that we have liability under environmental laws that were not discharged in bankruptcy. To the extent these authorities are successful in disputing the pre-petition nature of these claims, we could be required to perform remedial work that has not yet been performed for alleged pre-petition contamination, which would have a material adverse effect on our financial condition, cash flows or results of operations. We have previously been advised by the EPA or state agencies that we are a Potentially Responsible Party under the Comprehensive Environmental Response, Compensation and Liability Act or similar state laws at 97 federally defined Superfund or state equivalent sites. At 45 of these sites, we have paid our share of liability and believe that it is probable that our liability for most of the remaining sites will be treated as disputed unsecured claims under our Joint Plan of Reorganization (the Plan). However, there can be no assurance that these matters will be discharged. In addition, the EPA, in the course of negotiating this pre-petition claim, had notified us of the possibility of additional clean-up costs associated with Hamburg, Pennsylvania properties of approximately \$35.0 million. To date, the EPA has not made a formal claim for this amount or provided any support for this estimate. To the extent the EPA or other environmental authorities disputed the pre-petition nature of these claims, we would intend to resist any such effort to evade the bankruptcy law's intended result, and believe there are substantial legal defenses to be asserted in that case. However, there can be no assurance that we would be successful in challenging any such actions.

**We may be adversely affected by legal proceedings to which we are, or may become, a party.**

We are subject to a number of litigation and regulatory proceedings, the results of which could have a material adverse effect on our business, financial condition or results of operations. No assurances can be given that we will be able to successfully defend any such litigation and regulatory proceedings, and adverse results in one or more of such litigation and regulatory proceedings could have a material adverse effect on our business or operations.

**The cost of resolving our pre-petition disputed claims, including legal and other professional fees involved in settling or litigating these matters, could have a material adverse effect on our financial condition, cash flows and results of operations.**

At March 31, 2006, there were approximately 1,400 pre-petition disputed unsecured claims on file in the bankruptcy case that remain to be resolved through our 2004 plan of reorganization's claims reconciliation and allowance procedures. We established a reserve of common stock and warrants to purchase common stock for issuance to holders of these disputed unsecured claims as the claims are allowed by the bankruptcy court. Although these claims are generally resolved through the issuance of common stock and warrants from the reserve rather than the payment of money, the process of resolving these claims through settlement or litigation requires considerable resources, including expenditures for legal and professional fees and the attention of our personnel. These costs could have a material adverse effect on our financial condition, cash flows and results of operations. We are unable to predict how the recent declines in our stock price will impact this process given that our common stock is the currency in which these claims are resolved. On the one hand, lower stock prices may make some plaintiffs less willing to litigate but, on the other hand, may make some plaintiffs less willing to settle for less than the full amount of their claims depending on a variety of factors, including the strength of the plaintiff's claims and the size of the plaintiff's anticipated ultimate award.

**Table of Contents**

**Work stoppages or other labor issues at our facilities or our customers or suppliers facilities could adversely affect our operations.**

At March 31, 2006, approximately 20% of our North American and many of our non-U.S. employees were unionized. It is likely that a significant portion of our workforce will remain unionized for the foreseeable future. It is also possible that the portion of our workforce that is unionized may increase in the future. Contracts covering approximately 591 of our domestic employees will expire in 2007, and the remainder thereafter. In addition, contracts covering most of our union employees in Europe and the rest of the world expire on various dates through fiscal 2007. Although we believe that our relations with employees are generally good, if conflicts develop between us and our employees unions in connection with the renegotiation of these contracts or otherwise, work stoppages or other labor disputes could result. A work stoppage at one or more of our plants, or a material increase in our costs due to unionization activities, may have a material adverse effect on our business. Work stoppages at the facilities of our customers or suppliers may also negatively affect our business. If any of our customers experience a material work stoppage, that customer may halt or limit the purchase of our products. This could require us to shut down or significantly reduce production at facilities relating to those products. Moreover, if any of our suppliers experience a work stoppage, our operations could be adversely affected if an alternative source of supply is not readily available.

**Our ability to operate our business effectively could be impaired if we fail to attract and retain experienced key personnel.**

Our success depends, in part, on the continued contributions and experience of our senior officers and other key personnel. Certain of our senior officers are relatively new. The fact that certain of our key senior officers are recent additions to our staff and may not possess knowledge of our historical operations could adversely affect the operation of our business. Moreover, if in the future we lose or suffer an extended interruption in the service of one or more of our other senior officers or key employees, our financial condition and operating results may be adversely affected.

**Our internal control over financial reporting was not effective as of March 31, 2006.**

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, and the rules and regulations promulgated thereunder, our management was required to furnish a report on, and our independent registered public accounting firm attested to, our internal controls over financial reporting in our Annual Report on Form 10-K for the fiscal year ended March 31, 2006. In connection with the preparation of this report, our management assessed the effectiveness of our internal control over financial reporting as of March 31, 2006, and this assessment identified several material weaknesses relating to ineffective controls over accounting for inventories and investments in affiliates, lack of sufficient resources in accounting and finance, lack of segregation of duties and ineffective controls over period-end accounting for income taxes. Because of these material weaknesses, our management concluded that our internal controls over financial reporting were not effective as of March 31, 2006 based on the criteria in the *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In an effort to remediate the material weaknesses and other deficiencies, we are currently implementing a number of changes to our internal controls including hiring additional personnel to focus on ongoing remediation initiatives. However, there can be no assurance that such remediation steps will be successful, that we will not have significant deficiencies or other material weaknesses in the future or that, when next evaluated, our management will conclude, and our auditors will determine, that our internal control over financial reporting is effective. Any failure to implement effective internal controls could harm our operating results or cause us to fail to meet our reporting obligations. Inadequate internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock, and may require us to incur additional costs to improve our internal control system.

## **Table of Contents**

### **Our substantial indebtedness could adversely affect our financial condition.**

We have a significant amount of indebtedness. As of June 30, 2006, we had total indebtedness, including capital leases, of approximately \$718.8 million. Our level of indebtedness could have significant consequences. For example, it could:

limit our ability to borrow money or sell stock to fund our working capital, capital expenditures, acquisitions and debt service requirements;

substantially increase our vulnerability to changes in interest rates, because a substantial portion of our indebtedness bears interest at floating rates;

limit our flexibility in planning for, or reacting to, changes in our business and future business opportunities;

make us more vulnerable to a downturn in our business or in the economy;

place us at a disadvantage to some of our competitors, who may be less highly leveraged than us; and

require a substantial portion of our cash flow from operations to be used for debt payments, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes.

One or a combination of these factors could adversely affect our financial condition. Subject to restrictions in the indenture governing our convertible notes and our senior secured credit facility, we may incur additional indebtedness, which could increase the risks associated with our already substantial indebtedness.

### **Restrictive covenants restrict our ability to operate our business and to pursue our business strategies, and our failure to comply with these covenants could result in an acceleration of our indebtedness.**

Our senior credit facility and the indenture governing our senior secured notes contain covenants that restrict our ability to finance future operations or capital needs, to respond to changing business and economic conditions or to engage in other transactions or business activities that may be important to our growth strategy or otherwise important to us. The credit agreement and the indenture governing our senior secured notes restrict, among other things, our ability and the ability of our subsidiaries to:

incur additional indebtedness or enter into sale and leaseback transactions;

pay dividends or make distributions on our capital stock or certain other restricted payments or investments;

purchase or redeem stock;

issue stock of our subsidiaries;

make investments and extend credit;

engage in transactions with affiliates;

transfer and sell assets;

effect a consolidation or merger or sell, transfer, lease or otherwise dispose of all or substantially all of our assets; and

create liens on our assets to secure debt.

In addition, our senior credit facility requires us to maintain minimum consolidated earnings before interest, taxes, depreciation, amortization and restructuring costs ( Adjusted EBITDA ) and requires us to repay outstanding borrowings with portions of the proceeds we receive from certain sales of property or assets and specified future debt offerings. Our ability to comply with the covenants in our senior credit facility may be affected by events beyond our control, and we may not be able to meet the financial ratios.

Any breach of the covenants in our senior secured credit agreement or the indenture governing our senior secured notes could cause a default under our senior secured credit agreement and other debt (including our



## **Table of Contents**

notes), which would restrict our ability to borrow under our credit facility, thereby significantly impacting our liquidity. If there were an event of default under any of our debt instruments that was not cured or waived, the holders of the defaulted debt could cause all amounts outstanding with respect to the debt instrument to be due and payable immediately. Our assets and cash flow may not be sufficient to fully repay borrowings under our outstanding debt instruments if accelerated upon an event of default. If, as or when required, we are unable to repay, refinance or restructure our indebtedness under, or amend the covenants contained in, our senior credit facility, the lenders under our senior credit facility could institute foreclosure proceedings against the assets securing borrowings under the senior credit facility.

In fiscal 2005 and 2006, we were unable to comply with certain financial and other covenants in our senior credit facility at various times. In order to avoid an event of default, we were required to obtain waivers and amendments of such covenants from the lenders. This resulted in the payment of amendment fees as well as legal fees and other costs associated with the amendments, adversely affected our ability to maintain trade credit terms and contributed to our independent auditors including a going concern modification in their reports on our fiscal 2005 and 2006 financial statements.

**We have entered into a plea agreement with the U.S. Attorney for the Southern District of Illinois under which we are required to pay a fine of \$27.5 million over five years. If we are unable to post adequate security for this fine by February 2007 and the U.S. District Court is unwilling to modify the plea agreement, we could be unable to remain in compliance with the provisions of our senior credit facility and the indenture governing our senior secured notes, which could have a material adverse effect on our business and financial condition.**

In 2001, we reached a plea agreement with the U.S. Attorney for the Southern District of Illinois (the U.S. Attorney ) resolving an investigation into a scheme by former officers and certain corporate entities involving fraudulent representations and promises in connection with the distribution, sale and marketing of automotive batteries between 1994 and 1997. We agreed to pay a fine of \$27.5 million over five years, to five-years probation and to cooperate with the U.S. Attorney in its prosecution of the former officers. We filed for bankruptcy in April 2002 and did not pay any installments of the criminal fine before or during our bankruptcy proceedings, nor did we pay any installments of the criminal fine after we emerged from bankruptcy in May 2004. In 2002, the U.S. Attorney filed a claim against us as a general unsecured creditor and on May 31, 2006, the District Court approved a Joint Agreement and Proposed Joint Resolution of Issues Raised in the Government's Motion Filed on November 18, 2005 Regarding the Payment of Criminal Fine and modified our schedule to pay the \$27.5 million fine through quarterly payments over the next five years, ending in 2011. Under the order, we must provide security in a form acceptable to the court and to the government by February 26, 2007 for its guarantee of any remaining unpaid portion of the fine, but may petition the court if we believe our financial viability would be jeopardized by providing such security. If we are not able to provide security in a form acceptable to the court and to the government by February 26, 2007 and the district court is unwilling to modify the plea agreement, then the resulting obligation to provide such security could result in our inability to maintain compliance with our senior credit facility and the indenture governing our senior secured notes, which could have a material adverse effect on our business and financial condition.

**We have large pension contributions required over the next several years.**

Cash contributions to our pension plans are generally made in accordance with minimum regulatory requirements. Our U.S. plans are currently significantly under-funded. Based on current assumptions and regulatory requirements, our minimum future cash contribution requirements for our U.S. plans are expected to remain relatively high for the next few fiscal years. On November 17, 2004, we received written notification of a tentative determination from the Internal Revenue Service ( IRS ) granting a temporary waiver of its minimum funding requirements for our U.S. plans for calendar years 2003 and 2004, amounting to approximately \$50.0 million, net, under Section 412(d) of the Internal Revenue Code, subject to providing a lien satisfactory to the Pension Benefit Guaranty Corporation ( PBGC ). Based upon the temporary waiver and sensitivity to varying



## **Table of Contents**

economic scenarios, we expect our cumulative minimum future cash contributions to our U.S. pension plans will total approximately \$115.0 million to \$165.0 million from fiscal 2007 to fiscal 2011, including \$46.7 million in fiscal 2007. We expect that cumulative contributions to our non U.S. pension plans will total approximately \$84.0 million from fiscal 2007 to fiscal 2011, including \$16.1 million in fiscal 2007. In addition, we expect that cumulative contributions to our other post-retirement benefit plans will total approximately \$13.0 million from fiscal 2007 to fiscal 2011, including \$2.8 million in fiscal 2007.

## **Risks Related to the Notes**

**As of the date of this prospectus, none of our subsidiaries guarantee our obligations under the notes and they do not have any obligations with respect to the notes, and therefore the notes are structurally subordinated to the debt and liabilities of our subsidiaries.**

For fiscal 2006, our subsidiaries accounted for approximately 61% of our consolidated net sales and 68% of our consolidated assets. As of the date of this prospectus, none of our subsidiaries guarantee our obligations under the notes and they will not have any obligation with respect to the notes. Consequently, we will be dependent on dividends and other payments from our subsidiaries, none of which have guaranteed the notes, to make payments of principal and, when they elect to or are required to pay interest in cash, interest on the notes. Our subsidiaries are separate and distinct legal entities, and they have no obligation, contingent or otherwise, to pay those amounts, whether by dividend, distribution, loan or other payments. You will not have any direct claim on the cash flows or assets of our subsidiaries unless they become guarantors of the notes.

Generally, claims of creditors of a subsidiary, including trade creditors, will have priority with respect to the assets and earnings of such subsidiary over the claims of creditors of its parent company. Your rights under the notes, therefore, will be structurally subordinated to those of the creditors of our subsidiaries. In the event of bankruptcy or insolvency, you may receive less, ratably, than holders of debt of our subsidiaries. As of June 30, 2006, our subsidiaries had \$1,037.3 million of indebtedness and other liabilities, including trade payables, and the notes were structurally subordinated to all such indebtedness and other liabilities.

**The notes are effectively subordinated to our secured debt that is secured by a senior priority lien to the extent of the value of the assets securing that debt.**

Holders of our secured debt that is secured by a senior priority lien have claims that are prior to your claims as holders of the notes, to the extent of the value of the assets securing that debt. Our and our domestic subsidiaries' obligations under the senior credit facility are secured by substantially all of their assets, including a pledge of the stock of their respective direct foreign subsidiaries. In addition, we have granted a second priority lien to the PBGC to secure certain minimum future cash contributions to our U.S. pension plans in the amount of up to approximately \$50.0 million. At June 30, 2006 we owed approximately \$40.0 million relating to these amounts. The lien to the PBGC ranks junior in priority to the liens securing our senior credit facility and senior in priority to the liens securing the notes. See Description of Other Obligations. If we become insolvent or are liquidated, or if payment under our senior credit facility or pursuant to our arrangement with the PBGC is not made, the creditors would be entitled to exercise the remedies of a secured lender. Accordingly, these creditors will have a secured claim against our pledged assets and will have priority with respect to those assets over any other claim for payment, including payment on the notes. In such event, it is possible that there would be no assets remaining after payment to these creditors and any other creditors with a senior priority lien from which claims to the holders of the notes could be satisfied. As of June 30, 2006, there was outstanding \$333.6 million of senior priority debt (excluding our U.S. pension underfunding), and approximately \$16.4 million was available for borrowing as additional senior priority secured debt under our senior credit facility.

## Table of Contents

**The collateral securing the notes is subject to control by creditors with senior priority liens. If there is a default, the value of the collateral may not be sufficient to repay both the senior priority creditors and the holders of the notes.**

The notes are secured by a junior priority lien on certain of our assets described in this offering memorandum under *Description of the Notes Security*. A senior priority lien on those same assets ranking prior to the lien in favor of the holders of the notes is held by the lenders of our senior credit facility, other holders of certain of our permitted indebtedness and by the PBGC in an amount up to approximately \$50.0 million. At June 30, 2006 we owed approximately \$40.0 million relating to these amounts. The liens will rank junior to the liens granted to the lenders under our senior credit facility and other holders of senior priority claims. As of June 30, 2006, we had approximately \$333.6 million of senior priority debt outstanding (excluding our U.S. pension underfunding) and approximately \$16.4 million of unused commitments, net of outstanding letters of credit under our senior credit facility.

The trustee, for the benefit of itself and the holders of the notes, has entered into an intercreditor agreement with us and with the representatives of holders of indebtedness having senior priority claims in the collateral, including the collateral agent under the senior credit facility, for the purpose of establishing the relative priorities of the claims of the creditors in the collateral and establishing their relative rights and remedies in respect of the collateral. The agreement provides that the claims of the holders of the notes in the assets constituting collateral will rank behind the claims of the lenders under the senior credit facility and other holders of senior priority claims in the collateral. The agreement gives the lenders under the senior credit facility and other holders of senior priority claims in the collateral certain significant rights with respect to the collateral that the trustee and the holders of the notes will not have and the trustee and holders of the notes will agree to waive certain rights with respect to the collateral. The intercreditor agreement applies both before and during any insolvency proceeding involving us or any of our subsidiaries. Furthermore, any monies collected by the trustee on behalf of the holders of the notes (in an insolvency proceeding or otherwise) must be turned over to the holders of senior priority claims in the collateral until those creditors are fully paid.

The collateral securing the notes is subject to any and all exceptions, defects, encumbrances, liens and other imperfections as may be accepted by the lenders under the senior credit facility and other holders of senior priority claims in the collateral from time to time, whether on or after the date the notes are issued. The existence of such exceptions, limitations, imperfections and liens could adversely affect the value of the collateral securing the notes as well as the ability of the collateral agent to realize or foreclose on such collateral.

Decisions regarding enforcement of claims in the collateral will, subject to applicable law, be determined exclusively by the creditors holding the senior priority claim on the collateral. In particular, the trustee and the holders of the notes will not be able to exercise any remedies with respect to the collateral or to commence any insolvency proceeding against us or any of our subsidiaries so long as any indebtedness under the senior credit facility secured by the collateral is outstanding. Interests of the holders of the senior priority claims may diverge from those of the holders of the notes. For example, it may be in the best interest of a senior lienholder to seek an expeditious sale of collateral, while it may be in the best interest of a junior lienholder to delay the sale. No assurance can be given that holders of the notes will be able to realize the fair market value of their interest in the collateral.

Proceeds from any sale of the collateral generally will first be used to satisfy payments due to holders of senior priority claims. There can be no assurance that the proceeds of any sales of the collateral would be sufficient to satisfy payments due to holders of the notes. If the proceeds from the collateral were not sufficient to pay such amounts, then the holders of the notes would have only an unsecured claim against our remaining assets.

Moreover, any collateral securing the notes offered hereby will be shared by additional indebtedness, including any additional notes issued under the indenture governing the notes, which may be in an unlimited amount so long as we meet the requirements of the covenant limiting our incurrence of indebtedness and certain other requirements. See *Description of the Notes Principal, Maturity and Interest* and *Description of the Notes Certain Covenants Limitation on Incurrence of Additional Indebtedness*.



## **Table of Contents**

The fair market value of the collateral is subject to fluctuations based on factors that include, among others, the condition of the lead acid battery industry, the ability to sell the collateral in an orderly sale, the condition of the international, national and local economies, the availability of buyers and similar factors. In the event of foreclosure on the collateral, the proceeds from the sale of the collateral may not be sufficient to satisfy in full our obligations under any credit facility, the notes and any other senior priority indebtedness. The amount to be received upon such a sale would be dependent upon numerous factors, including but not limited to the timing and manner of the sale. Proceeds from any sale of the collateral generally will be used first to satisfy payments due to holders of the senior priority liens. If the proceeds from the collateral are not sufficient to pay such amounts, then noteholders will have only an unsecured claim against our remaining assets.

The book value of the collateral should not be relied on as a measure of realizable value for such assets. No appraisals of any of the collateral have been prepared in connection with the issuance of the notes. By its nature, portions of the collateral may be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the collateral can be sold in a short period of time in an orderly manner. A significant portion of the collateral includes assets that may only be usable, and thus retain value, as part of the existing operating businesses of us and our subsidiaries. Accordingly, any such sale of the collateral separate from the sale of certain of our and our subsidiaries' operating businesses may not be feasible or of significant value. To the extent that third parties, including lenders under any credit facility, enjoy liens permitted by the indenture, such third parties will have rights and remedies with respect to the assets or property subject to such liens that, if exercised, could adversely affect the value of the collateral.

### **We may not be able to generate sufficient cash flows to meet our debt service obligations.**

Our ability to make payments on and refinance our indebtedness, including the notes, will depend on our ability to generate cash from our future operations. Our ability to generate cash from future operations is subject, in large part, to general economic, financial, competitive, legislative and regulatory factors and other factors that are beyond our control.

Our business may not generate sufficient cash flows from operations, and future borrowings under our senior credit facility or from other sources may not be available to us in an amount sufficient to enable us to pay our indebtedness, including the notes, or to fund our other liquidity needs. If we cannot service our indebtedness, we may have to take actions such as selling assets, seeking additional equity or reducing or delaying capital expenditures, strategic acquisitions, investments or alliances. We may not be able to take such actions, if necessary, on commercially reasonable terms, or at all. In addition, we may need to refinance or restructure all or a portion of our indebtedness, including our senior credit facility and the notes, on or before maturity. We may not be able to refinance any of our indebtedness on commercially reasonable terms, or at all. In the absence of such financing, we could be forced to dispose of assets under circumstances that might not be favorable to realizing the highest price for such assets.

### **Rights of holders of notes in the collateral may be adversely affected by the failure to perfect security interests.**

The security interest in the collateral securing the notes includes certain of our assets, both tangible and intangible, whether now owned or acquired or arising in the future. Applicable law requires that certain property and rights acquired after the grant of a general security interest can only be perfected at the time such property and rights are acquired and identified. There can be no assurance that the collateral agent will monitor, or that we will inform the collateral agent of, the future acquisition of property and rights that constitute collateral, and that the necessary action will be taken to properly perfect the security interest in such after acquired collateral. The collateral agent for the notes has no obligation to monitor the acquisition of additional property or rights that constitute collateral or the perfection of any security interest therein. Such failure may result in the loss of the security interest therein or the priority of the security interest in favor of the notes against third parties.



## **Table of Contents**

In addition, the collateral securing the notes is subject to any and all exceptions, defects, encumbrances, liens and other imperfections as may be accepted by the lenders under our senior credit facility and other holders of senior priority claims in the collateral from time to time (including the PBGC), whether on or after the date the notes are issued. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the collateral securing the notes as well as the ability of the collateral agent to realize or foreclose on such collateral.

**Certain of our assets may be subject to existing liens and we will be permitted by the indenture governing the notes to incur liens that will take priority over the liens securing the notes.**

The indenture governing the notes permits certain existing and future liens on the collateral securing the notes including a senior lien securing our obligation to the PBGC in an amount not to exceed \$50.0 million. At June 30, 2006 we owed approximately \$40.0 million relating to these amounts. To the extent that holders of other secured indebtedness or other third parties enjoy liens (including statutory liens), whether or not permitted by the indenture, these holders or third parties may have rights and remedies with respect to the collateral securing the notes that, if exercised, could reduce the proceeds available to satisfy the obligations under the notes.

**The collateral is subject to casualty risks.**

We are obligated under the security documents to maintain adequate insurance or otherwise insure against hazards to the extent done by companies operating businesses of a similar nature in the same or similar localities. There are, however, certain losses that may be either uninsurable or not economically insurable, in whole or in part. As a result, we cannot assure you that the insurance proceeds will compensate us fully for our losses. If there is a total or partial loss of any of the collateral, we cannot assure you that any insurance proceeds received by us will be sufficient to satisfy all of our secured obligations, including the notes.

**Bankruptcy law could prevent the trustee from repossessing and disposing of, or otherwise exercising remedies in respect of, the collateral upon the occurrence of an event of default if a bankruptcy proceeding were to be commenced by or against us prior to the trustee having repossessed and disposed of, or otherwise exercised remedies in respect of, the collateral.**

Under the U.S. Bankruptcy Code, a secured creditor such as the trustee is prohibited from repossessing its security from a debtor in a bankruptcy case, or from disposing of security repossessed from such debtor, without bankruptcy court approval. Moreover, the U.S. Bankruptcy Code permits the debtor to continue to retain and to use collateral even though the debtor is in default under the applicable debt instruments, provided that the secured creditor is given adequate protection if the debtor pays cash or grants additional security, if and at such time as the court in its discretion determines, for any diminution in the value of the collateral during the pendency of the bankruptcy case. In view of the lack of a precise definition of the term adequate protection and the broad discretionary powers of a bankruptcy court, it is impossible to predict how long payments with respect to the notes could be delayed following commencement of a bankruptcy case, whether or when the trustee could repossess or dispose of the collateral or whether or to what extent noteholders would be compensated for any delay in payment or loss of the collateral through the requirement of adequate protection.

The laws of most jurisdictions in which our assets are located contain limitations on foreclosure that could delay or prevent realization pursuant to the security documents or discourage bidders at a foreclosure sale. These limitations may include, among others, (1) the right to reinstate the debt after commencement of foreclosure proceedings by paying any delinquent installments, costs and expenses incurred by the trustee; (2) the right to redeem the property after it has been sold in a foreclosure sale; (3) one-action rules which require a creditor to pursue its remedies against a defaulting debtor in a single action, and which, after a creditor determines to pursue a particular remedy, will deny that creditor any



## Edgar Filing: EXIDE TECHNOLOGIES - Form 424B3

other remedy that it may have; and (4) antideficiency statutes which prohibit a creditor from seeking a deficiency judgment following a non-judicial foreclosure sale.

## **Table of Contents**

**Federal and state statutes allow courts, under specific circumstances, to void the notes and require noteholders to return payments received from us.**

Under U.S. bankruptcy law and comparable provisions of state fraudulent transfer and conveyance laws, the notes could be voided, or claims in respect of the notes could be subordinated to all of our other debts if, among other things, we, at the time we issued the notes:

did so with the intent of hindering, delaying or defrauding any present or future creditor; or

received less than reasonably equivalent value or fair consideration for issuing the notes, and (1) were insolvent or rendered insolvent by reason of such incurrence, (2) were engaged in a business or transaction for which our remaining assets constituted unreasonably small capital, or (3) intended to incur, or believed that we would incur, debts beyond our ability to pay such debts as they mature.

The measures of insolvency for purposes of these fraudulent transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, we would be considered insolvent if:

the sum of our debts, including contingent liabilities, was greater than the fair saleable value of all of our assets;

the present fair saleable value of our assets was less than the amount that would be required to pay our probable liability on our existing debts, including contingent liabilities, as they become absolute and mature; or

we could not pay our debts as they become due.

We cannot be certain as to the standard that a court would use to determine whether or not we were solvent upon issuance of the notes, regardless of the actual standard applied by the court, that the issuance of the notes would not be voided or subordinated to our other debt.

If a court voided the notes, you would no longer have a claim against us or our assets. In addition, the court might direct you to repay any amounts already received from us.

**We may not be able to purchase the notes upon a change of control, which would result in a default in the indenture governing the notes and would adversely affect our business and financial condition.**

Upon the occurrence of specific kinds of change of control events, we must offer to purchase the notes outstanding at a price equal to 101% of the principal amount plus accrued and unpaid interest if any, to the date of purchase. We may not have sufficient funds available at the time of the change of control to make the required repurchase of the notes, and restrictions in our senior credit facility may not allow that repurchase. Some events that would constitute a change of control under the indenture would also constitute a default under our senior credit facility. Moreover, even if a change of control itself does not cause a default under our senior credit facility, the exercise by the holders of the notes of their right to require us to repurchase the notes in connection with a change of control transaction could cause such a default. A default under the indenture governing the notes or our senior credit facility may have a material adverse effect on our business, financial condition and operating

results.

**Table of Contents**

**DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS**

All statements other than statements of historical facts included in this prospectus, including, without limitation, statements regarding our future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as may, will, expect, intend, estimate, anticipate, believe or continue or the negative thereof or variations thereon or similar terminology. In particular, include, among other things, statements relating to:

projections of revenues, cost of raw materials, income or loss, earnings or loss per share, capital expenditures, growth prospects, dividends, the effect of currency translations, capital structure and other financial items;

statements regarding our plans and objectives, including the introduction of new products or estimates or predictions of actions by customers, suppliers, competitors or regulating authorities;

statements of future economic performance;

statements of assumptions, such as the prevailing weather conditions in our market areas, underlying other statements and statements about our business; and

statements regarding our ability to obtain amendments under our debt agreements.

Factors that could cause actual results to differ materially from these forward-looking statements include, but are not limited to the following general factors:

adverse reactions by creditors, vendors, customers and others to the going concern modification in the independent registered public accounting firm's audit report for the fiscal year ended March 31, 2006;

our ability to implement and fund our business strategies and restructuring plans based on current liquidity;

lead, which experiences significant fluctuations in market price and which, as a hazardous material, may give rise to costly environmental and safety claims, can affect our results because it is a major constituent in most of our products;

unseasonable weather (warm winters and cool summers), which adversely affects demand for automotive and some industrial energy batteries;

our reliance on a single supplier for our polyethylene battery separators;

a pending preliminary SEC inquiry;

## Edgar Filing: EXIDE TECHNOLOGIES - Form 424B3

our substantial debt and debt service requirements which restrict our operating and financial flexibility, and impose significant interest and financing costs and our ability to comply with the covenants in our debt agreements or obtain waivers of noncompliance;

we are subject to a number of litigation and regulatory proceedings, the results of which could have a material adverse effect on our business, financial condition or results of operations;

the realization of the tax benefits of our net operating loss carry forwards, which are dependent upon future taxable income;

the battery markets in North America and Europe are very competitive and, as a result, it is often difficult to maintain margins;

foreign operations involve risk such as disruption of markets, changes in import and export laws, currency restrictions, currency exchange rate fluctuations and possible terrorist attacks against U.S. interests;

**Table of Contents**

we are exposed to fluctuations in interest rates on our variable debt which can affect our results;

our ability to maintain and generate liquidity to meet our operating needs;

general economic conditions;

Asian batteries sold in North America and Europe at lower prices;

our ability to acquire goods and services and/or fulfill labor needs at budgeted costs;

our ability to attract and retain key personnel;

our ability to pass along increased material costs to our customers;

the loss of one or more of our major customers;

our significant pension obligations over the next several years;

the substantial management time and financial and other resources needed for our consolidation and rationalization of acquired entities; and

our ability to comply with the provisions of Section 404 of the Sarbanes-Oxley Act of 2002.

Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from our expectations are disclosed under **Risk Factors** and elsewhere in this prospectus. The forward-looking statements made in this prospectus relate only to events as of the date on which the statements are made. We undertake no obligation to update beyond that required by law any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.

**Table of Contents**

**EXCHANGE OFFER**

**Purpose and Effect of the Exchange Offer**

We and the initial purchasers entered into a registration rights agreement in connection with the issuance of the outstanding notes on March 18, 2005. Under the registration rights agreement, we have agreed to:

file a registration statement within 180 days after the issue date of the outstanding notes enabling holders of outstanding notes to exchange the privately placed outstanding notes for exchange notes registered with the SEC with identical terms;

use our reasonable best efforts to cause the registration statement to become effective within 240 days after the issue date of the outstanding notes;

complete the exchange offer within 285 days after the issue date of the outstanding notes; and

use our reasonable best efforts to file a shelf registration statement for the resale of the notes if we cannot effect an exchange offer within the time periods listed above and in other specified circumstances.

We will pay additional interest on the notes for the periods described below if:

we do not file the required registration statement on or before the date specified for filing;

the SEC does not declare the required registration statement effective on or prior to the date specified for effectiveness;

the exchange offer is not consummated within the specified time; or

a shelf registration statement is declared effective but later ceases to be effective in connection with resales of the notes during the periods specified in the registration rights agreement.

We refer to the failure to meet these deadlines as registration defaults. When there is a registration default, the interest rate of the notes will increase by one-quarter of one percent per year for the first 90-day period. The interest rate (as so increased) will increase by an additional one-quarter of one percent each subsequent 90-day period until all registration defaults have been cured, up to an aggregate maximum increase in the interest rate equal to one percent (1%) per annum. We are currently paying additional interest on the notes as a result of our failure to file the registration statement by the required filing date and our failure to have the registration statement declared effective by the effectiveness target date. Our obligation to pay additional interest shall cease once we have fulfilled our obligations under the registration rights agreement to cause the registration statement to be effective and to complete the exchange offer.

**Terms of the Exchange Offer**

Upon the terms of and subject to the conditions set forth in this prospectus and in the letter of transmittal, we will accept any and all outstanding notes validly tendered and not withdrawn prior to 5:00 p.m., New York City time, on the expiration date of the exchange offer. We will issue \$1,000 principal amount of exchange notes in exchange for each \$1,000 principal amount of outstanding notes accepted in the exchange offer. Any holder may tender some or all of its outstanding notes pursuant to the exchange offer. However, outstanding notes may be tendered only in integral multiples of \$1,000.

The form and terms of the exchange notes are the same as the form and terms of the outstanding notes except that:

the exchange notes bear a Series B designation and a different CUSIP Number from the outstanding notes;

the exchange notes have been registered under the Securities Act and hence will not bear legends restricting the transfer thereof; and



## **Table of Contents**

the holders of the exchange notes will not be entitled to certain rights under the registration rights agreement, including the provisions providing for an increase in the interest rate on the outstanding notes in certain circumstances relating to the timing of the exchange offer, all of which rights will terminate when the exchange offer is terminated.

The exchange notes will evidence the same debt as the outstanding notes and will be entitled to the benefits of the indenture relating to the outstanding notes.

As of the date of this prospectus, \$290,000,000 aggregate principal amount of the outstanding notes were outstanding. We have fixed the close of business on October 24, 2006 as the record date for the exchange offer for purposes of determining the persons to whom this prospectus and the letter of transmittal will be mailed initially.

Holders of outstanding notes do not have any appraisal or dissenters' rights under the General Corporation Law of the State of Delaware or the indenture relating to the notes in connection with the exchange offer. We intend to conduct the exchange offer in accordance with the applicable requirements of the Exchange Act and the rules and regulations of the SEC promulgated thereunder.

We will be deemed to have accepted validly tendered outstanding notes when, as and if we have given oral or written notice thereof to the exchange agent. The exchange agent will act as agent for the tendering holders for the purpose of receiving the exchange notes from us.

If any tendered outstanding notes are not accepted for exchange because of an invalid tender, the occurrence of specified other events set forth in this prospectus or otherwise, the certificates for any unaccepted outstanding notes will be returned, without expense, to the tendering holder thereof promptly following the expiration date of the exchange offer.

If you hold outstanding notes through DTC and wish to accept the exchange offer, you must do so through DTC's Automated Tender Offer Program, or ATOP, pursuant to which you will agree to be bound by the terms of the applicable letter of transmittal. See Procedures for Tendering. If you wish to tender such notes and cannot complete the procedures for book-entry transfer prior to the expiration date, you may tender such notes according to the guaranteed delivery procedures set forth under Guaranteed Delivery Procedures.

Holders who tender outstanding notes in the exchange offer will not be required to pay brokerage commissions or fees or, subject to the instructions in the letter of transmittal, transfer taxes with respect to the exchange of outstanding notes pursuant to the exchange offer. We will pay all charges and expenses, other than transfer taxes in certain circumstances, in connection with the exchange offer. See Fees and Expenses.

## **Expiration Date; Extensions; Amendments**

The term expiration date will mean 5:00 p.m., New York City time, on November 27, 2006, unless we, in our sole discretion, extend the exchange offer, in which case the term expiration date will mean the latest date and time to which the exchange offer is extended.

## Edgar Filing: EXIDE TECHNOLOGIES - Form 424B3

In order to extend the exchange offer, we will make a press release or other public announcement, notify the exchange agent of any extension by oral or written notice and will mail to the registered holders an announcement thereof, each prior to 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date.

We reserve the right, in our sole discretion, (1) to delay accepting any outstanding notes, to extend the exchange offer or to terminate the exchange offer if any of the conditions set forth below under Conditions have not been satisfied, by giving oral or written notice of any delay, extension or termination to the exchange agent or (2) to amend the terms of the exchange offer in any manner. Such decision will also be communicated in a press release or other public announcement prior to 9:00 a.m., New York City time on the next business day following such decision. Any announcement of delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by oral or written notice thereof to the registered holders.

## **Table of Contents**

### **Interest on the Exchange Notes**

The exchange notes will bear interest from their date of issuance. Holders of the outstanding notes that are accepted for exchange will receive, in cash, accrued interest thereon to, but not including, the date of issuance of the exchange notes. Interest on the outstanding notes accepted for exchange will cease to accrue upon issuance of the exchange notes.

Interest on the exchange notes is payable semi-annually on each March 15 and September 15.

### **Procedures for Tendering**

Only a holder of outstanding notes may tender outstanding notes in the exchange offer. To tender in the exchange offer, a holder must complete, sign and date the letter of transmittal, or a facsimile thereof, have the signatures thereon guaranteed, if required, by the letter of transmittal or transmit an agent's message in connection with a book-entry transfer, and mail or otherwise deliver the letter of transmittal or the facsimile, together with the outstanding notes and any other required documents, to the exchange agent prior to 5:00 p.m., New York City time, on the expiration date. To be tendered effectively, the outstanding notes, the letter of transmittal or an agent's message and other required documents must be completed and received by the exchange agent at the address set forth below under "Exchange Agent" prior to 5:00 p.m., New York City time, on the expiration date. Delivery of the outstanding notes may be made by book-entry transfer in accordance with the procedures described below. Confirmation of the book-entry transfer must be received by the exchange agent prior to the expiration date.

The term "agent's message" means a message, transmitted by a book-entry transfer facility to, and received by, the exchange agent and forming a part of a confirmation of a book-entry, which states that the book-entry transfer facility has received an express acknowledgment from the participant in the book-entry transfer facility tendering the outstanding notes that the participant has received and agrees: (1) to participate in ATOP; (2) to be bound by the terms of the letter of transmittal; and (3) that we may enforce the agreement against the participant.

To participate in the exchange offer, each holder will be required to make the following representations to us:

Any exchange notes to be received by the holder will be acquired in the ordinary course of its business.

At the time of the commencement of the exchange offer, neither the holder nor, to the knowledge of the holder, any other person receiving exchange notes from the holder has an arrangement or understanding to participate in the distribution of the exchange notes in violation of the provisions of the Securities Act.

The holder is not our affiliate as defined in Rule 405 promulgated under the Securities Act.

Neither the holder nor, to the knowledge of the holder, any other person receiving exchange notes from the holder is engaging in or intends to engage in, the distribution of exchange notes.

## Edgar Filing: EXIDE TECHNOLOGIES - Form 424B3

If the holder is a broker-dealer, such holder has acquired the notes as a result of market-making activities or other trading activities and that it will comply with the applicable provisions of the Securities Act (including the prospectus delivery requirements thereunder).

The tender by a holder and our acceptance thereof will constitute an agreement between the holder and us in accordance with the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal or agent's message.

**The method of delivery of outstanding notes and the letter of transmittal or agent's message and all other required documents to the exchange agent is at the election and sole risk of the holder. As an alternative to delivery by mail, holders may wish to consider overnight or hand delivery service. In all**

## **Table of Contents**

**cases, sufficient time should be allowed to assure delivery to the exchange agent before the expiration date. No letter of transmittal or outstanding notes should be sent to us. Holders may request their respective brokers, dealers, commercial banks, trust companies or nominees to effect the above transactions for them.**

Any beneficial owner whose outstanding notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender should contact the registered holder promptly and instruct the registered holder to tender on the beneficial owner's behalf. See Instructions to Registered Holder and/or Book-Entry Transfer Facility Participant from Beneficial Owner included with the letter of transmittal.

Signatures on a letter of transmittal or a notice of withdrawal, as the case may be, must be guaranteed by a member of the Medallion System unless the outstanding notes tendered pursuant to the letter of transmittal are tendered (1) by a registered holder who has not completed the box entitled Special Registration Instructions or Special Delivery Instructions on the letter of transmittal or (2) for the account of a member firm of the Medallion System. In the event that signatures on a letter of transmittal or a notice of withdrawal, as the case may be, are required to be guaranteed, the guarantee must be by a member firm of the Medallion System.

If the letter of transmittal is signed by a person other than the registered holder of any outstanding notes listed in this prospectus, the outstanding notes must be endorsed or accompanied by a properly completed bond power, signed by the registered holder as the registered holder's name appears on the outstanding notes with the signature thereon guaranteed by a member firm of the Medallion System.

If the letter of transmittal or any outstanding notes or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, offices of corporations or others acting in a fiduciary or representative capacity, the person signing should so indicate when signing, and evidence satisfactory to us of its authority to so act must be submitted with the letter of transmittal.

We understand that the exchange agent will make a request promptly after the date of this prospectus to establish accounts with respect to the outstanding notes at DTC for the purpose of facilitating the exchange offer, and subject to the establishment thereof, any financial institution that is a participant in DTC's system may make book-entry delivery of outstanding notes by causing DTC to transfer the outstanding notes into the exchange agent's account with respect to the outstanding notes in accordance with DTC's procedures for the transfer.

The participant should transmit its acceptance to DTC at or prior to the expiration time or comply with the guaranteed delivery procedures described below. DTC will verify its acceptance, execute a book-entry transfer of the tendered outstanding notes into the exchange agent's account at DTC and then send to the exchange agent confirmation of this book-entry transfer. The confirmation of this book-entry transfer will include an agent's message confirming that DTC has received an express acknowledgment from this participant that this participant has received and agrees to be bound by the letter of transmittal and that we may enforce the letter of transmittal against this participant. Although delivery of the outstanding notes may be effected through book-entry transfer into the exchange agent's account at DTC, unless an agent's message is received by the exchange agent in compliance with ATOP, an appropriate letter of transmittal properly completed and duly executed with any required signature guarantee and all other required documents must in each case be transmitted to and received or confirmed by the exchange agent at its address set forth below on or prior to the expiration date, or, if the guaranteed delivery procedures described below are complied with, within the time period provided under the procedures. Delivery of documents to DTC does not constitute delivery to the exchange agent.

All questions as to the validity, form, eligibility, including time of receipt, acceptance of tendered outstanding notes and withdrawal of tendered outstanding notes will be determined by us in our sole discretion, which determination will be final and binding. We reserve the absolute right to reject any and all outstanding notes not properly tendered or any outstanding notes our acceptance of which would, in the opinion of our counsel,

be unlawful. We also reserve the right in our sole discretion to waive any defects, irregularities or

## **Table of Contents**

conditions of tender as to particular outstanding notes, provided however that, to the extent such waiver includes any condition to tender, we will waive such condition as to all tendering holders. Our interpretation of the terms and conditions of the exchange offer, including the instructions in the letter of transmittal, will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of outstanding notes must be cured within the time we determine. Although we intend to notify holders of defects or irregularities with respect to tenders of outstanding notes, neither we, the exchange agent nor any other person will incur any liability for failure to give the notification. Tendere of outstanding notes will not be deemed to have been made until the defects or irregularities have been cured or waived. Any outstanding notes received by the exchange agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned by the exchange agent to the tendering holders, unless otherwise provided in the letter of transmittal, promptly following the expiration date.

## **Guaranteed Delivery Procedures**

Holders who wish to tender their outstanding notes and (1) whose outstanding notes are not immediately available, (2) who cannot deliver their outstanding notes, the letter of transmittal or any other required documents to the exchange agent or (3) who cannot complete the procedures for book-entry transfer, prior to the expiration date, may effect a tender if:

(A) the tender is made through a member firm of the Medallion System;

(B) prior to the expiration date, the exchange agent receives from a member firm of the Medallion System a properly completed and duly executed Notice of Guaranteed Delivery by facsimile transmission, mail or hand delivery setting forth the name and address of the holder, the certificate number(s) of the outstanding notes and the principal amount of outstanding notes tendered, stating that the tender is being made thereby and guaranteeing that, within three New York Stock Exchange trading days after the expiration date, the letter of transmittal or facsimile thereof together with the certificate(s) representing the outstanding notes or a confirmation of book-entry transfer of the outstanding notes into the exchange agent's account at DTC, and any other documents required by the letter of transmittal will be deposited by the member firm of the Medallion System with the exchange agent; and

(C) the properly completed and executed letter of transmittal of facsimile thereof, as well as the certificate(s) representing all tendered outstanding notes in proper form for transfer or a confirmation of book-entry transfer of the outstanding notes into the exchange agent's account at DTC, and all other documents required by the letter of transmittal are received by the exchange agent within three New York Stock Exchange trading days after the expiration date.

Upon request to the exchange agent, a Notice of Guaranteed Delivery will be sent to holders who wish to tender their outstanding notes according to the guaranteed delivery procedures set forth above.

## **Withdrawal of Tenders**

Except as otherwise provided in this prospectus, tenders of outstanding notes may be withdrawn at any time prior to 5:00 p.m., New York City time, on the expiration date.

## Edgar Filing: EXIDE TECHNOLOGIES - Form 424B3

To withdraw a tender of outstanding notes in the exchange offer, a telegram, telex, letter or facsimile transmission notice of withdrawal, or a properly transmitted Request Message through DTC's ATOP system, must be received by the exchange agent at its address set forth in this prospectus prior to 5:00 p.m., New York City time, on the expiration date of the exchange offer. Any notice of withdrawal must:

(1) specify the name of the person having deposited the outstanding notes to be withdrawn and contain a statement that the holder is withdrawing its election to have the outstanding notes exchanged;

(2) identify the outstanding notes to be withdrawn, including the certificate number(s) and principal amount of the outstanding notes, or, in the case of outstanding notes transferred by book-entry transfer, the name and number of the account at DTC to be credited;



## **Table of Contents**

(3) other than a notice transmitted through DTC's ATOP system, be signed by the holder in the same manner as the original signature on the letter of transmittal by which the outstanding notes were tendered, including any required signature guarantees, or be accompanied by documents of transfer sufficient to have the trustee with respect to the outstanding notes register the transfer of the outstanding notes into the name of the person withdrawing the tender; and

(4) specify the name in which any outstanding notes are to be registered, if different from that of the person depositing the outstanding notes to be withdrawn.

All questions as to the validity, form and eligibility, including time of receipt, of the notices will be determined by us, which determination will be final and binding on all parties. Any outstanding notes so withdrawn will be deemed not to have been validly tendered for purposes of the exchange offer and no exchange notes will be issued with respect thereto unless the outstanding notes so withdrawn are validly retendered. Any outstanding notes which have been tendered but which are not accepted for exchange will be returned to the holder thereof without cost to the holder promptly after withdrawal, rejection of tender or termination of the exchange offer. Properly withdrawn outstanding notes may be retendered by following one of the procedures described above under Procedures for Tendering at any time prior to the expiration date.

### **Acceptance of Outstanding Notes for Exchange; Issuance of New Notes**

Upon the terms and subject to the conditions of the exchange offer, we will accept, promptly after the expiration time, all outstanding notes properly tendered. We will issue the exchange notes promptly after acceptance of the outstanding notes. For purposes of an exchange offer, we will be deemed to have accepted properly tendered outstanding notes for exchange when, as and if we have given oral or written notice to the exchange agent, with prompt written confirmation of any oral notice.

For each outstanding note accepted for exchange, the holder will receive an exchange note registered under the Securities Act having a principal amount equal to that of the surrendered outstanding note. As a result, registered holders of notes issued in the exchange offer on the relevant record date for the first interest payment date following the completion of the exchange offer will receive interest accruing from the most recent date to which interest has been paid. Outstanding notes that we accept for exchange will cease to accrue interest from and after the date of completion of the exchange offer.

In all cases, issuance of exchange notes for outstanding notes will be made only after timely receipt by the exchange agent of:

certificate for the outstanding notes, or a timely book-entry confirmation of the outstanding notes, into the exchange agent's account at the DTC;

a properly completed and duly executed letter of transmittal or an agent's message; and

all other required documents.

## Edgar Filing: EXIDE TECHNOLOGIES - Form 424B3

Unaccepted or non-exchanged outstanding notes will be returned without expense to the tendering holder of the outstanding notes. In the case of outstanding notes tendered by book-entry transfer in accordance with the book-entry procedures described above, the non-exchanged outstanding notes will be credited to an account maintained with DTC as promptly as practicable after the expiration or termination of the exchange offer.

### **Conditions**

Notwithstanding any other term of the exchange offer, we will not be required to accept for exchange, or exchange notes for, any outstanding notes, and may, prior to the expiration of the exchange offer, terminate or amend the exchange offer as provided in this prospectus before the acceptance of the outstanding notes, if:

(1) any action or proceeding is instituted or threatened in any court or by or before any governmental agency with respect to the exchange offer which we reasonably believe might materially impair our ability

**Table of Contents**

to proceed with the exchange offer or any material adverse development has occurred in any existing action or proceeding with respect to us or any of our subsidiaries; or

(2) any law, statute, rule, regulation or interpretation by the Staff of the SEC is proposed, adopted or enacted, which we reasonably believe might materially impair our ability to proceed with the exchange offer or materially impair the contemplated benefits of the exchange offer to us; or

(3) any governmental approval has not been obtained, which approval we reasonably believe to be necessary for the consummation of the exchange offer as contemplated by this prospectus.

If we determine in our reasonable discretion that any of the conditions are not satisfied, we may (1) refuse to accept any outstanding notes and return all tendered outstanding notes to the tendering holders, (2) extend the exchange offer and retain all outstanding notes tendered prior to the expiration of the exchange offer, subject, however, to the rights of holders to withdraw the outstanding notes (see *Withdrawal of Tenders* ) or (3) waive the unsatisfied conditions with respect to the exchange offer and accept all properly tendered outstanding notes which have not been withdrawn.

**Exchange Agent**

U.S. Bank National Association has been appointed as exchange agent for the exchange offer. Questions and requests for assistance, requests for additional copies of this prospectus or of the letter of transmittal and requests for Notice of Guaranteed Delivery should be directed to the exchange agent addressed as follows:

*By Overnight Courier or Registered/Certified Mail:*

U.S. Bank National Association

Mail Code CS-HDQ-5310

919 East Main Street

Richmond, VA 23219

Attn: Patricia Welling, Vice President and Account Manager,

Corporate Trust Services

*By Hand Prior to 4:30 p.m., New York City time:*

U.S. Bank National Association

919 East Main Street, 10th Floor

Richmond, VA 23219

Attn: Patricia Welling, Vice President and Account Manager,

Corporate Trust Services

*Facsimile Transmission:*

(804) 782-7855

*For Information Telephone:*

**Delivery to an address other than set forth above will not constitute a valid delivery.**

### **Fees and Expenses**

We will bear the expenses of soliciting tenders. The principal solicitation is being made by mail; however, additional solicitation may be made by telegraph, telecopy, telephone or in person by our and our affiliates' officers and regular employees.

We have not retained any dealer-manager in connection with the exchange offer and will not make any payments to brokers, dealers or others soliciting acceptances of the exchange offer. We will, however, pay the exchange agent reasonable and customary fees for its services and will reimburse it for its reasonable out-of-pocket expenses incurred in connection with these services.

We will pay the cash expenses to be incurred in connection with the exchange offer. Such expenses include fees and expenses of the exchange agent and trustee, accounting and legal fees and printing costs, among others.

## **Table of Contents**

### **Accounting Treatment**

The exchange notes will be recorded at the same carrying value as the outstanding notes, which is face value, as reflected in our accounting records on the date of exchange. Accordingly, we will not recognize any gain or loss for accounting purposes as a result of the exchange offer. The expenses of the exchange offer will be deferred and charged to expense over the term of the exchange notes.

### **Consequences of Failure to Exchange**

The outstanding notes that are not exchanged for exchange notes pursuant to the exchange offer will remain restricted securities. Accordingly, the outstanding notes may be resold only:

(1) to us upon redemption thereof or otherwise;

(2) so long as the outstanding notes are eligible for resale pursuant to Rule 144A, to a person inside the United States whom the seller reasonably believes is a qualified institutional buyer within the meaning of Rule 144A under the Securities Act in a transaction meeting the requirements of Rule 144A, in accordance with Rule 144 under the Securities Act, or pursuant to another exemption from the registration requirements of the Securities Act, which other exemption is based upon an opinion of counsel reasonably acceptable to us;

(3) outside the United States to a foreign person in a transaction meeting the requirements of Rule 904 under the Securities Act; or

(4) pursuant to an effective registration statement under the Securities Act,

in each case in accordance with any applicable securities laws of any state of the United States.

### **Resale of the Exchange Notes**

With respect to resales of exchange notes, based on interpretations by the Staff of the SEC set forth in no-action letters issued to third parties, we believe that a holder or other person who receives exchange notes in the ordinary course of the holder's business, whether or not the person is the holder, other than a person that is our affiliate within the meaning of Rule 405 under the Securities Act, in exchange for outstanding notes in the ordinary course of business and who is not participating, does not intend to participate, and has no arrangement or understanding with any person to participate, in the distribution of the exchange notes, will be allowed to resell the exchange notes to the public without further registration under the Securities Act and without delivering to the purchasers of the exchange notes a prospectus that satisfies the requirements of Section 10 of the Securities Act. However, if any holder acquires exchange notes in the exchange offer for the purpose of distributing or participating in a distribution of the exchange notes, the holder cannot rely on the position of the Staff of the SEC expressed in the no-action letters or any similar interpretive letters, and must comply with the registration and prospectus delivery requirements of the Securities Act in

## Edgar Filing: EXIDE TECHNOLOGIES - Form 424B3

connection with any resale transaction, unless an exemption from registration is otherwise available. Further, each broker-dealer that receives exchange notes for its own account in exchange for outstanding notes, where the outstanding notes were acquired by the broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes.

**Table of Contents**

**USE OF PROCEEDS**

This exchange offer is intended to satisfy certain of our obligations under the registration rights agreement. We will not receive any cash proceeds from the issuance of the exchange notes. In consideration for issuing the exchange notes contemplated in this prospectus, we will receive outstanding notes in like principal amount, the form and terms of which are the same as the form and terms of the exchange notes, except as otherwise described in this prospectus.

The net proceeds from the issuance and sale of the outstanding notes, together with the net proceeds from our concurrent issuance and sale of \$60.0 million aggregate principal amount of our floating rate convertible senior subordinated notes due 2013, were approximately \$336.0 million, after deducting the initial purchasers' discount and other fees and expenses related to these offerings, including approximately \$2.5 million of pre-payment penalties in connection with the repayment of our term loan facility. We used the net proceeds from these sales to repay the then-outstanding indebtedness under the revolving facility under our senior credit facility and approximately \$250 million of indebtedness under the term loans under our senior credit facility, plus accrued interest in each case. The remaining net proceeds from the offering of the outstanding notes and the concurrent convertible notes offering were used for general corporate purposes.

**Table of Contents****CAPITALIZATION**

The following table sets forth our consolidated cash and cash equivalents and capitalization as of June 30, 2006. This information should be read in conjunction with Selected Historical Consolidated Financial Data and Management's Discussion and Analysis of Financial Condition and Results of Operations and the historical consolidated financial statements and related notes appearing elsewhere in this prospectus.

|  | <b>As of</b>       |
|--|--------------------|
|  | <b>June 30,</b>    |
|  | <b>2006</b>        |
| <b>(in thousands)</b>                                | <b>(unaudited)</b> |
| Cash and cash equivalents                            | \$ 37,029          |
| <b>Debt (including current portion):</b>             |                    |
| Senior secured credit facility                       | \$ 333,603         |
| Capital lease obligations and other borrowings(1)    | 23,433             |
| Short-term borrowings                                | 11,794             |
| Outstanding notes                                    | 290,000            |
| <b>Total senior debt (including current portion)</b> | <b>658,830</b>     |
| Convertible senior subordinated notes                | 60,000             |
| Minority interest                                    | 13,413             |
| Total stockholders' equity                           | 209,012            |
| <b>Total capitalization</b>                          | <b>\$ 941,255</b>  |

(1) Includes various operating lines of credit and working capital facilities maintained by our non-U.S. subsidiaries.



**Table of Contents****SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA**

The following table sets forth selected financial data for the Company. The reader should read this information in conjunction with the Company's Consolidated Financial Statements (audited) and Condensed Consolidated Financial Statements (unaudited) and Notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations that appear elsewhere in this prospectus. See Note 1 to the Consolidated Financial Statements regarding the Predecessor Company and the Successor Company.

|   | Predecessor Company |              |              | Successor Company |                      |                   |                    |             |
|---|---------------------|--------------|--------------|-------------------|----------------------|-------------------|--------------------|-------------|
|   | Fiscal Year Ended   |              |              | Period from       | Period From          | Fiscal Year Ended | Three Months Ended |             |
|   | March 31,           |              |              | April 1, 2004     | May 6, 2004          |                   | March 31,          | June 30,    |
|   | 2002                | 2003         | 2004         | to<br>May 5, 2004 | to<br>March 31, 2005 | 2006              | 2005               | 2006        |
| <b>(in thousands, except per share data)</b>  |                     |              |              |                   |                      |                   |                    |             |
| <b>Statement of Operations Data</b>   |                     |              |              |                   |                      |                   |                    |             |
| Net sales   | \$ 2,428,550        | \$ 2,361,101 | \$ 2,500,493 | \$ 214,607        | \$ 2,476,259         | \$ 2,819,876      | \$ 669,332         | \$ 683,190  |
| Gross profit  | 463,919             | 516,541      | 509,325      | 35,470            | 377,502              | 406,831           | 102,216            | 109,679     |
| Selling, marketing and advertising expenses   | 290,957             | 261,299      | 264,753      | 24,504            | 251,085              | 271,059           | 71,073             | 68,506      |
| General and administrative expenses   | 178,842             | 175,177      | 161,271      | 17,940            | 150,871              | 190,993           | 43,738             | 45,994      |
| Restructuring and impairment  | 33,122              | 25,658       | 52,708       | 602               | 42,479               | 21,714            | 2,901              | 8,884       |
| Goodwill impairment charge  | 105,000             | 37,000       |              |                   | 388,524              |                   |                    |             |
| Other (income) expense net  | 24,554              | (11,035)     | (40,724)     | 6,222             | (56,898)             | 3,684             | 3,400              | (3,492)     |
| Interest expense, net   | 136,241             | 105,788      | 99,027       | 8,870             | 42,636               | 69,464            | 16,100             | 22,287      |
| Loss before reorganization items, income tax, minority interest and cumulative effect of change in accounting principle | (304,797)           | (77,346)     | (27,710)     | (22,668)          | (441,195)            | (150,083)         | (34,996)           | (32,500)    |
| Reorganization items, net   |                     | 36,370       | 67,042       | 18,434            | 11,527               | 6,158             | 1,372              | 1,607       |
| Fresh start accounting  |                     |              |              | (228,371)         |                      |                   |                    |             |
| Gain on discharge   |                     |              |              | (1,558,839)       |                      |                   |                    |             |
| Minority interest   | 211                 | 200          | 467          | 26                | (18)                 | 529               | 95                 | 211         |
| Income tax provision (benefit)  | (1,422)             | 26,969       | 3,271        | (2,482)           | 14,219               | 15,962            | (754)              | 3,578       |
| Income (Loss) before cumulative effect of change in accounting principle  | (303,586)           | (140,885)    | (98,490)     | 1,748,564         | (466,923)            | (172,732)         | (35,709)           | (37,896)    |
| Cumulative effect of change in accounting principle(1)  | (496)               |              | (15,593)     |                   |                      |                   |                    |             |
| Net income (loss)   | \$ (304,082)        | \$ (140,885) | \$ (114,083) | \$ 1,748,564      | \$ (466,923)         | \$ (172,732)      | \$ (35,709)        | \$ (37,896) |
| Basic and diluted net income (loss) per share   | \$ (11.35)          | \$ (5.14)    | \$ (4.17)    | \$ 63.86          | \$ (18.68)           | \$ (6.91)         | \$ (1.43)          | \$ (1.51)   |
| <b>Balance Sheet Data (at period end)</b>   |                     |              |              |                   |                      |                   |                    |             |
| Working capital (deficit)(2)  | \$ (951,866)        | \$ (15,876)  | \$ (270,394) | \$ 402,076        | \$ (180,172)         | \$ 431,570        | \$ 395,674         | \$ 439,725  |
| Property, plant and equipment, net  | 530,220             | 533,375      | 543,124      | 826,900           | 799,763              | 685,842           | 752,668            | 684,717     |
| Total assets  | 1,915,868           | 2,372,691    | 2,471,808    | 2,729,404         | 2,290,780            | 2,082,909         | 2,153,374          | 2,083,733   |
| Total debt  | 1,413,272           | 1,804,903    | 1,847,656    | 547,549           | 653,758              | 701,004           | 665,834            | 718,830     |

## Edgar Filing: EXIDE TECHNOLOGIES - Form 424B3

|                                     |           |           |           |         |         |         |         |         |
|-------------------------------------|-----------|-----------|-----------|---------|---------|---------|---------|---------|
| Total stockholders equity (deficit) | (555,742) | (695,369) | (769,769) | 888,391 | 427,259 | 224,739 | 371,015 | 209,012 |
|-------------------------------------|-----------|-----------|-----------|---------|---------|---------|---------|---------|

### Other Financial Data

#### Cash provided by (used in):

|                                       |            |              |           |            |            |             |             |         |
|---------------------------------------|------------|--------------|-----------|------------|------------|-------------|-------------|---------|
| Operating activities(3)               | \$ (6,665) | \$ (239,858) | \$ 40,551 | \$ (7,186) | \$ (9,691) | \$ (44,348) | \$ (15,506) | \$ 634  |
| Investing activities                  | (58,462)   | (39,095)     | (38,411)  | (4,352)    | (44,013)   | (32,817)    | (1,563)     | (7,870) |
| Financing activities                  | 73,720     | 278,882      | (9,667)   | 35,168     | 68,925     | 34,646      | 9,001       | 11,170  |
| Capital expenditures                  | 61,323     | 45,878       | 65,128    | 7,152      | 69,114     | 58,133      | 11,545      | 7,967   |
| Ratio of earnings to fixed charges(4) |            |              |           |            |            |             |             |         |
| Cash dividends per share              | 0.04       |              |           |            |            |             |             |         |

**Table of Contents**

---

- (1) The cumulative effect of change in accounting principle in fiscal 2002 resulted from the adoption of SFAS 133 on April 1, 2001 and in fiscal 2004 resulted from the adoption of SFAS 143 on April 1, 2003.
- (2) Working capital (deficit) is calculated as current assets less current liabilities, which at March 31, 2005 and March 31, 2002 reflects the reclassification of certain long-term debt as current. At March 31, 2003 and March 31, 2004, working capital (deficit) excludes liabilities of the Debtors classified as subject to compromise.
- (3) Cash used in operating activities in fiscal 2003 includes the repurchase of uncollected securitized accounts receivable under the terminated U.S. and European securitization programs of \$117.5 million and \$124.8 million, respectively.
- (4) For purposes of computing the ratios of earnings to fixed charges, earnings consist of income before provision for fixed charges, amortization of capitalized interest and unremitted earnings from equity investments, less interest capitalized and minority interest. Fixed charges include interest expense, amortization of deferred financing costs, amortization of original issue discount on notes and the portion of rental expense under operating leases deemed by us to be representative of the interest factor. The ratio of earnings to fixed charges was less than 1.00x for all periods presented in the table above. Earnings available for fixed charges were inadequate to cover fixed charges for the years ended March 31, 2002, 2003, and 2004 and the period from April 1, 2004 to May 5, 2004, period from May 6, 2004 to March 31, 2005, year ended March 31, 2006 and the three months ended June 30, 2006 by \$303.2 million, \$111.5 million, \$92.4 million, \$41.0 million, \$452.9 million, \$157.1 million and \$34.3 million, respectively.

**Table of Contents**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS**

*The statements in the discussion and analysis regarding industry outlook, the Company's expectations regarding performance of its business and the other non-historical statements in the discussion and analysis are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in Risk Factors. The Company's actual results may differ materially from those contained in or implied by any forward-looking statements. You should read the following discussion together with the sections entitled Risk Factors, Selected Historical Consolidated Financial Data and the consolidated financial statements and the related notes thereto included elsewhere in this prospectus.*

**Recent Developments and Other Important Matters**

*Going Concern Modification*

On June 13, 2006, the Company was advised by its independent registered public accounting firm, PricewaterhouseCoopers LLP, that its report on the Company's Consolidated Financial Statements as of and for the fiscal year ended March 31, 2006 would contain a going-concern modification.

*Rights Offering and Additional Sale of Common Stock*

On September 18, 2006, the Company closed a \$75.0 million rights offering and a \$50.0 million sale of additional shares to certain investors. In connection with the rights offering, the Company distributed to the record holders of its common stock as of August 23, 2006 non-transferable subscription rights to subscribe for and purchase shares of the Company's common stock at a price of \$3.50 per share, which is equal to a 20% discount to the average closing price of the Company's common stock for the 30 trading day period ended July 6, 2006. The Company generated approximately \$117.9 million from the rights offering and sale of additional shares after deducting estimated offering expenses. These proceeds are being used to provide additional liquidity for capital expenditures, restructuring costs, general corporate purposes and working capital. Such restructuring costs are principally severance and other expenses related to staff reductions in selling, marketing and general and administrative functions, primarily in Europe, and consolidation of the Company's operations and the elimination of other redundancies in plants and equipment throughout the Company's business.

*Emergence from Bankruptcy*

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of the Company's consolidated results of operation and financial condition. The discussion should be read in conjunction with the Consolidated Financial Statements and notes thereto contained herein. In particular, this discussion should be read in conjunction with Note 1. Basis of Presentation which describe the filing by Exide Technologies and certain of its subsidiaries (the Debtors) of voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code on April 15, 2002 and the financial restructuring associated with the Company's emergence from Chapter 11, effective May 5, 2004.

## Edgar Filing: EXIDE TECHNOLOGIES - Form 424B3

After April 15, 2002, the Debtors operated their businesses and managed their properties as debtors-in-possession throughout the course of the bankruptcy case. The Debtors, along with the Official Committee of Unsecured Creditors filed Joint Plan of Reorganization (the Plan ) with the Bankruptcy Court on February 27, 2004 and, on April 21, 2004, the Bankruptcy Court confirmed the Plan. As of May 5, 2004 the effective date of the plan (the Effective Date ), the Debtors substantially consummated the transactions provided for in the Plan. See Business Emergence from Chapter 11 Bankruptcy Protection, which contains a summary of certain transactions that became effective on the Effective Date.

The Consolidated Financial Statements contained herein have been prepared in accordance with Statement of Position 90-7, Financial Reporting by Entities in Reorganization under the Bankruptcy Code ( SOP 90-7 ). Financial statements for periods subsequent to the Company s emergence from Chapter 11 are not comparable with those of prior periods.

## **Table of Contents**

Some of the statements contained in the following discussion of the Company's financial condition and results of operations refer to future expectations or include forward-looking information. Those statements are subject to known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from those contemplated by the statements. The forward-looking information is based on various factors and was derived from numerous assumptions. See Disclosure Regarding Forward-Looking Statements, and Risk Factors for risk factors that should be considered when evaluating forward-looking information detailed below. These factors could cause actual results to differ materially from the forward-looking statements.

### **Factors Which Affect the Company's Financial Performance**

*Lead and other Raw Materials.* Lead represents approximately one-third of the Company's cost of goods sold. The market price of lead fluctuates. Generally, when lead prices decrease, customers may seek disproportionate price reductions from the Company, and when lead prices increase, customers may resist price increases. Both of these situations may cause customer demand for the Company's products to be reduced and the Company's net sales and gross margins to decline. The average of the lead prices quoted on the London Metal Exchange (LME) have increased from \$987.00 per metric tonne for the three months ended June 30, 2005 to \$1,095.00 for the three months ended June 30, 2006. At September 20, 2006, the quoted price on the LME was \$1,345.00 per metric tonne. The Company is also experiencing higher costs for other raw materials, including polypropylene. To the extent that lead prices continue to be volatile, going up or down, and the Company is unable to pass on these or other higher material costs to its customers, its financial performance is adversely impacted. Inversely, as lead prices decrease the Company may not be able to retain the current pricing as customers seek disproportionate price reductions.

*Energy Costs.* The Company relies on various sources of energy to support its manufacturing and distribution process, principally natural gas at its recycling plants and diesel fuel for distribution of its products. The Company seeks to recoup these increased energy costs through price increases or surcharges. To the extent the Company is unable to pass on these higher energy costs to its customers, its financial performance is adversely impacted.

*Competition.* The global transportation and industrial energy battery markets are highly competitive. In recent years, competition has continued to intensify and is impacting the Company's ability to pass along increased prices to keep pace with rising production costs. The effects of this competition have been exacerbated by excess capacity and fluctuating lead prices as well as low-priced Asian imports impacting the Company's markets.

*Exchange Rates.* The Company is exposed to foreign currency risk in most European countries, principally from fluctuations in the Euro and British Pound. The Company is also exposed, although to a lesser extent, to foreign currency risk in Australia and the Pacific Rim. Movements of exchange rates against the U.S. dollar can result in variations in the U.S. dollar value of non-U.S. sales, expenses, assets and liabilities. In some instances, gains in one currency may be offset by losses in another. Movements in European currencies impacted the Company's results for the periods presented herein. For the three months ended June 30, 2006, approximately 58% of the Company's net sales were generated in Europe and ROW. Further, approximately 62% of the Company's aggregate accounts receivable and inventory as of June 30, 2006 were held by its European subsidiaries.

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

## Edgar Filing: EXIDE TECHNOLOGIES - Form 424B3

*Seasonality and Weather.* The Company sells a disproportionate share of its transportation aftermarket batteries during the fall and early winter (the Company's third and fourth fiscal quarters). Retailers buy automotive batteries during these periods so they will have sufficient inventory for cold weather periods. In addition, many of the Company's industrial battery customers in Europe do not place their battery orders until the

## **Table of Contents**

end of the calendar year. The impact of seasonality on sales has the effect of increasing the Company's working capital requirements and also makes the Company more sensitive to fluctuations in the availability of liquidity.

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

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

## **First Quarter of Fiscal 2007 Highlights and Outlook**

The Company's reported results continued to be impacted in fiscal 2007 by increases in the price of lead and other commodity costs that are primary components in the manufacture of batteries and energy costs used in the manufacturing and distribution of the Company's products.

In the North American market, the Company obtains the vast majority of its lead requirements from six Company-owned and operated secondary lead recycling plants. These facilities reclaim lead by recycling spent lead-acid batteries, which are obtained for recycling from the Company's customers and outside spent-battery collectors. This helps the Company in North America control the cost of its principal raw material as compared to purchasing lead at prevailing market prices. Similar to the rise in lead prices, however, the cost of spent batteries has also increased. For the first quarter of fiscal 2007, the average cost of spent batteries has increased approximately 28% versus the first quarter of fiscal 2006. Therefore, the higher market price of lead with respect to North American manufacturing continues to impact results. The Company continues to take selective pricing actions and attempts to secure higher captive spent battery return rates to help mitigate these risks.

In Europe, the Company's lead requirements are mainly obtained from third-party suppliers. Because of the Company's exposure to lead market prices in Europe, and based on historical price increases and apparent volatility in lead prices, the Company has implemented several measures to offset higher lead prices including selective pricing actions, lead price escalators and long-term lead supply contracts. In addition, the Company has automatic price escalators with many OEM customers. The Company currently recycles a small portion of its lead requirements in its European facilities.

The Company expects that these higher lead and other commodity costs, which affect all business segments, will continue to put pressure on the Company's financial performance. However, the selective pricing actions, lead price escalators in some contracts, long-term lead supply contracts and fuel surcharges are intended to help mitigate these risks. The implementation of selective pricing actions and price escalators generally lags the rise in market prices of lead and other commodities. Both price escalators and fuel surcharges are subject to the risk of customer acceptance.

In addition to managing the impact of higher lead and other commodity costs on the Company's results, the key elements of the Company's underlying business plans and continued strategies are:



## Edgar Filing: EXIDE TECHNOLOGIES - Form 424B3

- (i) Successful execution and completion of the Company's ongoing restructuring plans, and organizational realignment of divisional and corporate functions resulting in further headcount reductions, principally in selling, general and administrative functions globally.
  
- (ii) Actions to improve the Company's liquidity and operating cash flow through aggressive working capital reduction plans, the sales of non-strategic assets and businesses, streamlining cash management processes, implementing plans to minimize the cash costs of the Company's restructuring initiatives and closely managing capital expenditures.
  
- (iii) Continuing to reduce costs, improve customer service and satisfaction through enhanced quality and reduced lead times. The Company is continuing to drive these strategies through its Take Charge

## **Table of Contents**

initiative, including a limited engagement with the principal consultant for maximum transferability of skills and knowledge to ensure sustainability, as well as its EXCELL lean supply chain initiative, improved and focused supplier procurement initiatives across the Company and reductions in salaried headcount and discretionary spending.

### **Critical Accounting Policies and Estimates**

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

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

*Inventory Reserves.* The Company adjusts its inventory carrying value to estimated market value (when below historical cost basis) based upon assumptions of future demand and market conditions. If actual market conditions are less favorable than those projected by the Company, additional inventory write-downs may be required.

*Valuation of Long-lived Assets.* The Company's long-lived assets include property, plant and equipment, and identified intangible assets. Long-lived assets (other than indefinite lived intangible assets) are depreciated and amortized over their estimated useful lives, and are reviewed for impairment whenever changes in circumstances indicate the carrying value may not be recoverable. Indefinite-lived intangible assets are reviewed for impairment on both an annual basis and whenever changes in circumstances indicate that the carrying value may not be recoverable. The fair value of indefinite-lived intangible assets are based upon the Company's estimates of future cash flows and other factors including discount rates to determine the fair value of the respective assets. An erosion of future business results in any of the Company's business units could create impairment in other long-lived assets and require a significant write down in future periods.

*Employee Benefit Plans.* The Company's pension plans and postretirement benefit plans are accounted for using actuarial valuations required by SFAS No. 87, *Employers' Accounting for Pensions* ( SFAS 87 ) and SFAS No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions* ( SFAS 106 ) . The Company considers accounting for employee benefit plans critical because management is required to make significant subjective judgments about a number of actuarial assumptions, including discount rates, compensation growth, long-term return on plan assets, retirement, turnover, health care cost trend rates and mortality rates. Depending on the assumptions and estimates used, the pension and postretirement benefit expense could vary within a range of outcomes and have a material effect on reported results. In addition, the assumptions can materially affect accumulated benefit obligations and future cash funding. For a detailed discussion of the Company's retirement benefits, see Employee Benefit Plans herein and Note 11 to the Consolidated Financial Statements.

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

adjustment to the net deferred tax asset would decrease

## **Table of Contents**

income in the period such determination was made. The Company regularly evaluates the need for valuation allowances against its deferred tax assets, and currently has full valuation allowances recorded for deferred tax assets in the U.S., the United Kingdom, France, and several other countries in Europe and ROW.

*Revenue Recognition.* The Company records sales when revenue is earned. Shipment terms are generally FOB shipping point and revenue is recognized when product is shipped to the customer. In limited cases, terms are FOB destination and in these cases, revenue is recognized when product is delivered to the customer's delivery site. The Company records sales net of estimated reserves for discounts, customer allowances and returns.

*Sales Returns Allowances.* The Company provides for an allowance for product returns and/or allowances. Based upon its manufacturing re-work process, the Company believes that the majority of its product returns are not the result of product defects. Most returns are in fact subsequently sold as seconds at a reduced price. The Company recognizes estimated cost of product returns as a reduction of sales in the period in which the related revenue is recognized. The product return estimates are based upon historical trends and claims experience, and include assessment of the anticipated lag between the date of sale and claim/return date.

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

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

*Purchase Commitments.* The Company has three worldwide supply agreements expiring in December 2009 to purchase its polyethylene battery separators. The supply agreements were entered into in fiscal 2000 with Daramic, the party that purchased the Company's battery separators manufacturing operation, as a condition of the sale of those operations. At the time of the sale, the agreements contained minimum annual purchase commitments in excess of the Company's requirements. Accordingly, the Company established a reserve, and reduced the gain on sale of the manufacturing operations, for commitments in excess of the Company's requirements and for the contractual purchase prices in excess of market. The Company currently has a reserve for the incremental purchase requirements over the remaining life of the agreement in excess of the Company's projected requirements. Whenever there is a significant change in the Company's unit volume outlook based on changes to its business plan, this reserve will be adjusted.

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

## Edgar Filing: EXIDE TECHNOLOGIES - Form 424B3

*Recently Issued Accounting Standards.* See Note 16 to the Condensed Consolidated Financial Statements for a description of new accounting pronouncements and their impact to the Company.

**Table of Contents****Results of Operations***Three months ended June 30, 2006 compared with three months ended June 30, 2005**Overview*

Net loss for the first quarter of fiscal 2007 was \$37.9 million versus \$35.7 million the first quarter of fiscal 2006. Reorganization items were \$1.6 million and \$1.4 million in the first quarter of fiscal 2007 and 2006, respectively. Also, restructuring costs were \$8.9 million and \$2.9 million in the first quarter of fiscal 2007 and 2006, respectively. In addition, Other (income) expense include net currency remeasurement (gain) loss of (\$5.6) million and \$11.7 million, primarily on U.S. dollar denominated debt in Europe, for the first quarter of fiscal 2007 and 2006, respectively. Gains on revaluation of warrants of \$0.8 million and \$8.1 million were recognized in the first quarter of fiscal 2007 and 2006, respectively.

*Net Sales*

Net sales were \$683.2 million for the first quarter of fiscal 2007 versus \$669.3 million in the first quarter of fiscal 2006. Currency fluctuations (primarily the weakening of the Euro against the U.S. dollar) negatively impacted net sales in the first quarter of fiscal 2007 by approximately \$0.5 million. Excluding the currency impact, net sales increased by approximately \$14.4 million or 2.1% primarily as a result of higher sales volumes generated by the Industrial Energy North America segment and better overall pricing.

|                   | For the Three Months Ended |                   | INCREASE / (DECREASE) |                 |                  |
|-------------------|----------------------------|-------------------|-----------------------|-----------------|------------------|
|                   | June 30,                   | June 30,          | TOTAL                 | Currency        | Non-Currency     |
|                   | 2006                       | 2005              |                       | Related         | Related          |
| (in thousands)    |                            |                   |                       |                 |                  |
| Transportation    |                            |                   |                       |                 |                  |
| North America     | \$ 214,509                 | \$ 218,168        | \$ (3,659)            |                 | \$ (3,659)       |
| Europe & ROW      | 182,753                    | 179,439           | 3,314                 | (344)           | 3,658            |
|                   | <u>397,262</u>             | <u>397,607</u>    | <u>(345)</u>          | <u>(344)</u>    | <u>(1)</u>       |
| Industrial Energy |                            |                   |                       |                 |                  |
| North America     | 72,949                     | 67,433            | 5,516                 |                 | 5,516            |
| Europe & ROW      | 212,979                    | 204,292           | 8,687                 | (157)           | 8,844            |
|                   | <u>285,928</u>             | <u>271,725</u>    | <u>14,203</u>         | <u>(157)</u>    | <u>14,360</u>    |
| <b>TOTAL</b>      | <b>\$ 683,190</b>          | <b>\$ 669,332</b> | <b>\$ 13,858</b>      | <b>\$ (501)</b> | <b>\$ 14,359</b> |

Transportation North America net sales were \$214.5 million for the first quarter of fiscal 2007 versus \$218.2 million for the first quarter of fiscal 2006. Net sales for the first quarter of fiscal 2007 were \$3.7 million or 1.7% lower than the first quarter of fiscal 2006 due mainly to a decrease

## Edgar Filing: EXIDE TECHNOLOGIES - Form 424B3

in aftermarket channel volumes, partially offset by the overall impact of price increases.

Transportation Europe and ROW net sales were \$182.8 million for the first quarter of fiscal 2007 versus \$179.4 million for the first quarter of fiscal 2006. Net sales, before the unfavorable impact of \$0.3 million in net foreign exchange rate fluctuations, were higher by 2.0% mainly due to higher OE volumes and the overall impact of favorable pricing actions, offset by reduced sales in its aftermarket channels.

Industrial Energy North America net sales were \$72.9 million for the first quarter of fiscal 2007 versus \$67.4 million for the first quarter of fiscal 2006. Net sales were \$5.5 million or 8.2% higher due to strong volume growth in the motive power market and higher average selling prices related to lead pass-through and other pricing actions.

Industrial Energy Europe and ROW net sales were \$213.0 million for the first quarter of fiscal 2007 versus \$204.3 million for the first quarter of fiscal 2006. Net sales, before an unfavorable currency impact of

**Table of Contents**

\$0.2 million, increased \$8.8 million or 4.3% due to higher volumes in the material handling application and telecommunication channels, as well as higher average selling prices related to lead and other pricing actions. This favorability was, however, partially offset by competitive pricing pressures in both the original equipment and aftermarket channels.

*Gross Profit*

Gross profit was \$109.7 million in the first quarter of fiscal 2007 versus \$102.2 million in the first quarter of fiscal 2006. Gross margin increased to 16.1% in the first quarter of fiscal 2007 from 15.3% in the first quarter of fiscal 2006. Currency negatively impacted gross profit minimally in the first quarter of fiscal 2007. Gross profit in each of the Company's business segments was negatively impacted by higher lead costs (average LME prices were \$1,095.00 dollars per metric tonne in the first quarter of fiscal 2007 versus \$987.00 dollars per metric tonne in the first quarter of fiscal 2006), and were only partially recovered by higher average selling prices, and improved production efficiencies.

|                   | For the Three Months Ended<br>June 30, 2006 |              | For the Three Months Ended<br>June 30, 2005 |              | INCREASE / (DECREASE) |                     |                         |
|-------------------|---|--------------|---|--------------|-----------------------|---------------------|-------------------------|
|                   | Percent of                                  |              | Percent of                                  |              | TOTAL                 | Currency<br>Related | Non-Currency<br>Related |
|                   | TOTAL                                       | Net Sales    | TOTAL                                       | Net Sales    |                       |                     |                         |
| (in thousands)    |   |              |   |              |                       |                     |                         |
| Transportation    |   |              |   |              |                       |                     |                         |
| North America     | \$ 32,934                                   | 15.4%        | \$ 30,473                                   | 14.0%        | \$ 2,461              |                     | \$ 2,461                |
| Europe & ROW      | 19,607                                      | 10.7%        | 18,766                                      | 10.5%        | 841                   | (29)                | \$ 870                  |
|                   | 52,541                                      | 13.2%        | 49,239                                      | 12.4%        | 3,302                 | (29)                | \$ 3,331                |
| Industrial Energy |   |              |   |              |                       |                     |                         |
| North America     | 17,611                                      | 24.1%        | 13,000                                      | 19.3%        | 4,611                 |                     | \$ 4,611                |
| Europe & ROW      | 39,527                                      | 18.6%        | 39,977                                      | 19.6%        | (450)                 | (56)                | \$ (394)                |
|                   | 57,138                                      | 20.0%        | 52,977                                      | 19.5%        | 4,161                 | (56)                | \$ 4,217                |
| <b>TOTAL</b>      | <b>\$ 109,679</b>                           | <b>16.1%</b> | <b>\$ 102,216</b>                           | <b>15.3%</b> | <b>\$ 7,463</b>       | <b>\$ (85)</b>      | <b>\$ 7,548</b>         |

Transportation North America gross profit was \$32.9 million or 15.4% of net sales in the first quarter of fiscal 2007 versus \$30.5 million or 14.0% of net sales in the first quarter of fiscal 2006. This increase is the result of higher overall average selling prices.

Transportation Europe and ROW gross profit was \$19.6 million or 10.7% of net sales in the first quarter of fiscal 2007 versus \$18.8 million or 10.5% of net sales in the first quarter of fiscal 2006. Currency negatively impacted gross profit during the first quarter of fiscal 2007. The net increase in gross margin was primarily due to the impact of favorable pricing actions, partially offset by higher raw material costs, and lower sales to the aftermarket channels.

Industrial Energy North America gross profit was \$17.6 million or 24.1% of net sales in the first quarter of fiscal 2007 versus \$13.0 million or 19.3% of net sales in the first quarter of fiscal 2006. The increase in gross profit was primarily due to higher sales volumes and higher selling prices, partially offset by higher lead costs and other commodity costs not fully recovered through price increases.



## Edgar Filing: EXIDE TECHNOLOGIES - Form 424B3

Industrial Energy Europe and ROW gross profit was \$39.5 million or 18.6% of net sales in the first quarter of fiscal 2007 versus \$40.0 million or 19.6% of net sales in the first quarter of fiscal 2006. Currency negatively impacted Industrial Energy Europe and ROW gross profit in the first quarter of fiscal 2007. Gross profit was generally flat and positively impacted by higher sales volume, higher average selling prices, and the benefits of headcount and other cost reduction programs, offset by higher lead and other commodity costs.

**Table of Contents***Expenses*

Expenses were \$142.2 million in the first quarter of fiscal 2007 versus \$137.2 million in the first quarter of fiscal 2006. Included in expenses are restructuring charges of \$8.9 million in the first quarter of fiscal 2007 and \$2.9 million in the first quarter of fiscal 2006. Excluding these items, expenses were \$133.3 million and \$134.3 million in the first quarter of fiscal 2007 and 2006, respectively. Foreign currency fluctuation unfavorably impacted expenses by approximately \$0.3 million in the first quarter of fiscal 2007. Excluding these items, the change in expenses was attributable to the following matters:

(i) the first quarter of fiscal 2006 included a gain on revaluation of foreign currency forward contract of \$1.1 million;

(ii) interest, net increased \$6.2 million due to higher interest rates and higher debt levels;

(iii) the first quarter of fiscal 2007 and the first quarter of fiscal 2006 expenses included currency remeasurement (gains) losses of (\$5.6) million and \$11.7 million, respectively, included in Other (income) expense, net;

(iv) the first quarter of fiscal 2007 and 2006 expenses included a gain on revaluation of Warrants of \$0.8 million and \$8.1 million, included in Other (income) expense, net; and

(v) the first quarter of fiscal 2007 and 2006 expenses included a loss on sale of assets of \$2.8 million and \$1.6 million, included in other (income) expense, net.

|                                | For the Three Months Ended |                   | INCREASE / (DECREASE) |                     |                         |
|--------------------------------|----------------------------|-------------------|-----------------------|---------------------|-------------------------|
|                                | June 30,<br>2006           | June 30,<br>2005  | TOTAL                 | Currency<br>Related | Non-Currency<br>Related |
| <b>(in thousands)</b>          |                            |                   |                       |                     |                         |
| Transportation                 |                            |                   |                       |                     |                         |
| North America                  | \$ 37,746                  | \$ 26,391         | \$ 11,355             |                     | \$ 11,355               |
| Europe & ROW                   | 25,750                     | 20,413            | 5,337                 | 97                  | 5,240                   |
|                                | 63,496                     | 46,804            | 16,692                | 97                  | 16,595                  |
| Industrial Energy              |                            |                   |                       |                     |                         |
| North America                  | 10,120                     | 8,631             | 1,489                 |                     | 1,489                   |
| Europe & ROW                   | 35,892                     | 30,414            | 5,478                 | 79                  | 5,399                   |
|                                | 46,012                     | 39,045            | 6,967                 | 79                  | 6,888                   |
| Unallocated corporate expenses | 32,671                     | 51,363            | (18,692)              | 102                 | (18,794)                |
| <b>TOTAL</b>                   | <b>\$ 142,179</b>          | <b>\$ 137,212</b> | <b>\$ 4,967</b>       | <b>\$ 278</b>       | <b>\$ 4,689</b>         |

Transportation North America expenses were \$37.7 million in the first quarter of fiscal 2007 versus \$26.4 million in the first quarter of fiscal 2006. Expenses in the first quarter of fiscal 2007 include approximately \$3.7 million of corporate costs that were not allocated in the first quarter of fiscal 2006. In addition, restructuring charges of approximately \$6.0 million were recorded in the first quarter of fiscal 2007, reflecting the closure of a manufacturing plant in Shreveport, Louisiana.

Transportation Europe and ROW expenses were \$25.8 million in the first quarter of fiscal 2007 versus \$20.4 million in the first quarter of fiscal 2006. Currency fluctuation unfavorably impacted expenses in the first quarter of fiscal 2007 by approximately \$0.1 million. The increase in expenses was primarily due to the allocation of approximately \$4.9 million of corporate costs that were not allocated in the first quarter of fiscal 2006.

Industrial Energy North America expenses were \$10.1 million in the first quarter of fiscal 2007 versus \$8.6 million in the first quarter of fiscal 2006. Expenses in the first quarter of fiscal 2007 include approximately \$1.2 million of corporate costs that were not allocated in the first quarter of fiscal 2006. Excluding the allocation of corporate costs, the increase in expenses was primarily due to restructuring costs of \$0.7 million associated with the closure of the Kankakee manufacturing facility, and increased variable selling costs resulting from a significant increase in net sales.

**Table of Contents**

Industrial Energy Europe and ROW expenses were \$35.9 million in the first quarter of fiscal 2007 versus \$30.4 million in the first quarter of fiscal 2006. Currency fluctuation unfavorably impacted expenses in the first quarter of fiscal 2007 by approximately \$0.1 million. The increase is due primarily to the allocation of approximately \$5.2 million of corporate expenses that were not allocated in the first quarter of fiscal 2006. Excluding the change in allocated corporate expenses, overall expenses were roughly flat as compared to the first quarter of fiscal 2006.

Unallocated expenses, net, which include unallocated corporate expenses, interest expense, currency remeasurement losses (gains), and gain on revaluation of Warrants, were \$32.7 million in the first quarter of fiscal 2007 versus \$51.4 million in the first quarter of fiscal 2006. Expenses for the first quarter of fiscal 2006 included a gain on revaluation of foreign currency forward contract of \$1.1 million. Expenses for the first quarter of fiscal 2007 and 2006 included gains on revaluation of Warrants of \$0.8 million and \$8.1 million, respectively. Expenses for the first quarter of fiscal 2007 and 2006 included currency remeasurement (gains) losses of (\$5.6) million and \$11.7 million, respectively. Currency unfavorably impacted unallocated expenses in the first quarter of fiscal 2007 by approximately \$0.1 million. Corporate expenses in the first quarter of fiscal 2007 and 2006 were \$16.8 million and \$32.8 million, respectively. The decrease was primarily due to corporate allocation to the segments and lower general and administrative cost resulting from the Company's continued restructuring efforts, partially offset by \$3.0 million of expenses for professional fees relating to the now withdrawn potential sale of the Company's Industrial Energy Europe and ROW business segment. Interest expense, net was \$22.3 million in the first quarter of fiscal 2007 versus \$16.1 million in the first quarter of fiscal 2006. The increase is due to higher outstanding debt and higher interest rates on the Company's credit facility.

*Income (loss) before reorganization items, income taxes, and minority interest*

Income (loss) before reorganization items, income taxes, and minority interest was (\$32.5) million or (4.8%) of net sales in the first quarter of fiscal 2007 versus (\$35.0) million or (5.2%) of net sales in the first quarter of fiscal 2006 due to the items discussed above.

|                       | For the Three Months Ended |                         | For the Three Months Ended |                         | INCREASE<br>/<br>(DECREASE) |
|-----------------------|----------------------------|-------------------------|----------------------------|-------------------------|-----------------------------|
|                       | June 30, 2006              |                         | June 30, 2005              |                         |                             |
|                       | TOTAL                      | Percent of<br>Net Sales | TOTAL                      | Percent of<br>Net Sales |                             |
| <b>(in thousands)</b> |                            |                         |                            |                         |                             |
| Transportation        |                            |                         |                            |                         |                             |
| North America         | \$ (4,812)                 | (2.2)%                  | \$ 4,082                   | 1.9%                    | \$ (8,894)                  |
| Europe & ROW          | (6,143)                    | (3.4)%                  | (1,647)                    | (0.9)%                  | (4,496)                     |
|                       | (10,955)                   | (2.8)%                  | 2,435                      | 0.6%                    | (13,390)                    |
| Industrial Energy     |                            |                         |                            |                         |                             |
| North America         | 7,491                      | 10.3%                   | 4,369                      | 6.5%                    | 3,122                       |
| Europe & ROW          | 3,635                      | 1.7%                    | 9,563                      | 4.7%                    | (5,928)                     |
|                       | 11,126                     | 3.9%                    | 13,932                     | 5.1%                    | (2,806)                     |
| Other                 | (32,671)                   | n/a                     | (51,363)                   | n/a                     | 18,692                      |
| <b>TOTAL</b>          | <b>\$ (32,500)</b>         | <b>(4.8)%</b>           | <b>\$ (34,996)</b>         | <b>(5.2)%</b>           | <b>\$ 2,496</b>             |

Transportation North America income (loss) before reorganization items, income taxes, and minority interest was (\$4.8) million or (2.2%) of net sales in the first quarter of fiscal 2007 versus \$4.1 million or 1.9% of net sales in the first quarter of fiscal 2006 due to the items discussed above.

Transportation Europe and ROW income (loss) before reorganization items, income taxes, and minority interest was (\$6.1) million, or (3.4%) of net sales in the first quarter of fiscal 2007 versus (\$1.6) million or (0.9%) of net sales in the first quarter of fiscal 2006 due to the items discussed above.

## **Table of Contents**

Industrial Energy North America income (loss) before reorganization items, income taxes, and minority interest was \$7.5 million or 10.3% of net sales in the first quarter of fiscal 2007 versus \$4.4 million or 6.5% of net sales in the first quarter of fiscal 2006 due to the items discussed above.

Industrial Energy Europe and ROW income (loss) before reorganization items, income taxes, and minority interest was \$3.6 million, or 1.7% of net sales in the first quarter of fiscal 2007 versus \$9.6 million or 4.7% of net sales in the first quarter of fiscal 2006 due to the items discussed above.

### *Reorganization Items*

Reorganization items represent amounts the Company incurred as a result of the Chapter 11 filing and are presented separately in the Consolidated Statements of Operations. Reorganization items for the first quarter of fiscal 2007 and 2006 were \$1.6 million and \$1.4 million, respectively. These items include professional fees including financial and legal services. See Note 4 to the Condensed Consolidated Financial Statements.

### *Income Taxes*

In the first quarter of fiscal 2007, an income tax provision (benefit) of \$3.6 million was recorded on pre-tax income (loss) of (\$34.1) million. In the first quarter of fiscal 2006, an income tax provision (benefit) of (\$0.8) million was recorded on a pre-tax income (loss) of (\$36.4) million. The effective tax rate was (10.48%) and 2.1% in the first quarter of fiscal 2007 and 2006, respectively. The effective tax rate for the first quarter of fiscal 2007 and 2006 was impacted by the generation of income in tax-paying jurisdictions, principally certain countries in Europe, Australia, New Zealand, and Canada, with limited or no offset on a consolidated basis as a result of recognition of valuation allowances on tax benefits generated from current period losses in the U.S., the United Kingdom, Italy, Spain, and France. The effective tax rate for the first quarter of fiscal 2007 was impacted by the recognition of \$28.7 million of valuation allowances on current year tax benefits generated primarily in the U.S., United Kingdom, France, Spain, and Italy.

**Table of Contents****Fiscal Year Ended March 31, 2006 compared with Fiscal Year Ended March 31, 2005**

The following discussions provide a comparison of the Company's results of operations for the fiscal year ended March 31, 2006 with the combined results of its operations and those of the Predecessor Company on a combined basis for the year ended March 31, 2005, and the results of operations of the Predecessor Company for the fiscal year ended March 31, 2004. The combined results of operations for the fiscal year ended March 31, 2005 include the Company's results of operations for the period May 6, 2004 to March 31, 2005 combined with the results of operations of the Predecessor Company for the period April 1, 2004 to May 5, 2004. The combined financial information for the year ended March 31, 2005 is merely additive and does not give pro forma effect to the transactions provided for in the Plan or the application of fresh-start accounting. As a result of the reorganization and adoption of fresh-start accounting, the Company's results of operations after May 5, 2005 are not comparable to the results of operations of the Predecessor Company for periods prior to May 6, 2005. The discussions with respect to the years ended March 31, 2005 and 2004 are provided for comparative purposes only, but the value of such comparisons may be limited.

|                       | Fiscal 2005         |                     |                     |                     |                     |
|-----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                       | Successor Company   | COMBINED            | Successor Company   | Predecessor Company |                     |
|                       | For the fiscal      | For the             | For the Period      | For the Period      | For the fiscal      |
|                       | year ended          | fiscal              | May 6, 2004 to      | April 1, 2004 to    | year ended          |
|                       | March 31, 2006      | year ended          | March 31, 2005      | May 5,<br>2004      | March 31, 2004      |
| <b>(in thousands)</b> |                     |                     |                     |                     |                     |
| <b>NET SALES</b>      |                     |                     |                     |                     |                     |
| Transportation        |                     |                     |                     |                     |                     |
| North America         | \$ 913,317          | \$ 847,571          | \$ 772,272          | \$ 75,299           | \$ 817,710          |
| Europe & ROW          | 810,894             | 823,165             | 764,238             | 58,927              | 760,512             |
| Industrial Energy     |                     |                     |                     |                     |                     |
| North America         | 274,976             | 223,008             | 203,815             | 19,193              | 210,572             |
| Europe & ROW          | 820,689             | 797,122             | 735,934             | 61,188              | 711,699             |
| <b>TOTAL</b>          | <b>\$ 2,819,876</b> | <b>\$ 2,690,866</b> | <b>\$ 2,476,259</b> | <b>\$ 214,607</b>   | <b>\$ 2,500,493</b> |
| <b>GROSS PROFIT</b>   |                     |                     |                     |                     |                     |
| Transportation        |                     |                     |                     |                     |                     |
| North America         | \$ 97,092           | \$ 112,091          | \$ 100,970          | \$ 11,121           | \$ 146,790          |
| Europe & ROW          | 102,680             | 114,495             | 106,645             | 7,850               | 159,062             |
| Industrial Energy     |                     |                     |                     |                     |                     |