

EXIDE TECHNOLOGIES
Form S-3
July 15, 2005
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As filed with the Securities and Exchange Commission on July 15, 2005

No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

EXIDE TECHNOLOGIES

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	23-0552730 (I.R.S. Employer Identification No.)
13000 Deerfield Parkway	
Building 200	
Alpharetta, GA 30004	
(678) 566-9000	

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

Stuart H. Kupinsky

Executive Vice President, General Counsel and Secretary

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

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

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

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Carter W. Emerson, P.C.

Carol Anne Huff

Kirkland & Ellis LLP

200 East Randolph Drive

Chicago, Illinois 60601

(312) 861-2000

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

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
		Per Note		
Floating Rate Convertible Senior Subordinated Notes due 2013	\$ 60,000,000(1)	100%(2)(3)	\$ 60,000,000(2)	\$ 7,062.00
Common Stock, par value \$0.01 per share	3,454,230(4)	(5)	(5)	(5)

- (1) Represents the aggregate principal amount of the Floating Rate Convertible Senior Subordinated Notes due 2013 issued by Exide Technologies prior to the date of this Registration Statement.
- (2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(i) under the Securities Act of 1933 (the Securities Act).
- (3) Exclusive of accrued interest, if any.
- (4) Represents the number of shares of common stock that are initially issuable upon conversion of the notes being registered hereunder. Each note may be converted into common stock, initially at the conversion price of \$17.37 per share, or approximately 57.5705 shares per \$1,000 principal amount of notes, subject to adjustments. Pursuant to Rule 416 under the Securities Act, such number of shares of common stock registered hereby shall also include an indeterminate number of shares of common stock that may be issued in connection with a stock split, stock dividend, recapitalization or similar event or adjustment in the number of shares.
- (5) No additional consideration will be received for the common stock. Therefore, no registration fee is required with respect to the shares of common stock issuable upon conversion of the notes pursuant to Rule 457(i) of the Securities Act.

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

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

SUBJECT TO COMPLETION, DATED JULY 15, 2005

PROSPECTUS

\$60,000,000

Floating Rate Convertible Senior Subordinated Notes due 2013
and
the Common Stock Issuable Upon Conversion of the Notes

We issued the notes in a private placement on March 18, 2005. This prospectus will be used by selling securityholders to resell their notes and the common stock issuable upon conversion of the notes from time to time.

The notes are convertible, at the option of the holder, prior to the close of business on the maturity date at an initial conversion price of \$17.37 per share, which is equal to a conversion rate of 57.5705 shares per each \$1,000 principal amount of the notes, subject to adjustment as described in this prospectus. Upon a change of control, under certain circumstances, we will (1) decrease the conversion price as described in this prospectus for holders converting their notes in connection with such change in control or (2) elect to adjust the conversion rate and the related conversion obligation so that the notes are convertible into shares of the acquiring or surviving company. Our common stock is listed on The Nasdaq National Market under the symbol XIDE.

The notes bear interest at a per annum rate equal to 3-month LIBOR, adjusted quarterly, minus a spread of 1.50%; notwithstanding any quarterly adjustments of the interest rate, the interest rate borne by the notes will never be less than zero. We will pay interest on the notes on June 15, September 15, December 15 and March 15 of each year, beginning on June 15, 2005. The notes will mature on September 18, 2013.

The notes are our general unsecured obligations, subordinate in right of payment to all of our existing and future senior indebtedness and equal in right of payment with all our future senior subordinated indebtedness and senior to all of our existing and future subordinated debt. In addition, the notes are structurally subordinated to all of the existing and future debt and other liabilities of our subsidiaries.

We do not intend to list the notes on any securities exchange or any automated quotation system.

On July 11, 2005, the last reported sale price of our common stock on the Nasdaq National Market was \$4.82 per share.

We will not receive any proceeds from the sale by the selling securityholders of the notes or the common stock. Other than selling commissions and fees and stock transfer taxes, we will pay all expenses of the registration of the notes and the common stock and certain other expenses.

Investing in the notes and our common stock involves certain risks. See Risk Factors beginning on page 4 to read about the risks you should consider carefully before purchasing these securities.

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

The date of this prospectus is July 15, 2005

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You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. Offers to sell, and offers to buy, the notes or the common stock issuable upon conversion of the notes are valid only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as to the date of this prospectus, regardless of the time of delivery of the prospectus or of any sale of the notes or the common stock issuable upon conversion of the notes.

TRADEMARKS

We own various trademarks under which our products are marketed globally that are valuable to our business, including Exide®, Absolyte®, Centra, Classic®, DETA®, Fulmen®, GNB, Liberator, Marathon®, Sonnenschein® and Tudor®. We also license the right to use various trademarks, including the NASCAR® and Exide NASCAR Select® marks, which we license from the National Association for Stock Car Auto Racing, Inc. (NASCAR).

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SUMMARY

This summary highlights basic information about us and the notes. Because it is a summary, it does not contain all of the information that may be important to you. You should read the entire prospectus carefully.

*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, 2005 as *fiscal 2005*, the fiscal year ended March 31, 2004 as *fiscal 2004* and the fiscal year ended March 31, 2003 as *fiscal 2003*.*

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 financial 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, Absolute, 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 worldwide website at www.exide.com. The information contained on our website, or other sites linked to it, is not incorporated by reference into this prospectus.

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The Notes

Issuer	Exide Technologies.
Securities Offered	\$60,000,000 aggregate principal amount of Floating Rate Convertible Senior Subordinated Notes due 2013 and the common stock that may be issued upon conversion of the notes.
Maturity	September 18, 2013.
Interest Rate and Payment Dates	The notes bear interest at an annual rate equal to 3-month LIBOR, adjusted quarterly, minus a spread of 1.50%. Interest will be payable quarterly in arrears on March 15, June 15, September 15 and December 15 of each year, each an interest payment date, beginning June 15, 2005.
Subordination	The notes are our general unsecured obligations, subordinate in right of payment to all of our existing and future senior indebtedness and equal in right of payment with all our future senior subordinated indebtedness and senior to all of our existing and future subordinated debt. In addition, the notes are structurally subordinated to all of the existing and future debt and other liabilities of our subsidiaries.
Conversion Rights	<p>Holders may convert some or all of their outstanding notes, unless previously purchased by us, into shares of our common stock at an initial conversion price per share of \$17.37, at any time prior to the close of business on the maturity date. This represents a conversion rate of approximately 57.5705 shares of common stock per \$1,000 principal amount of notes.</p> <p>In certain circumstances the conversion price will be subject to adjustment. See Description of the Notes Conversion Rights Conversion Price Adjustments.</p> <p>If you elect to convert your notes in connection with a change in control under certain circumstances we will (1) adjust the conversion price to increase the number of shares of common stock you will receive upon conversion or (2) elect to adjust the conversion rate and the related conversion obligation so that the notes are convertible into shares of the acquiring or surviving company.</p> <p>Upon conversion, you will not receive any cash payment representing accrued and unpaid interest. Instead, such accrued interest will be deemed paid by the shares of common stock received upon conversion.</p>
Optional Redemption	None.
Repurchase of Notes Upon a Change in Control	Upon a change in control, holders will have the right to require us to repurchase all or a portion of their notes for a period of time after the

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change in control. The repurchase price will be equal to 100% of the principal amount of the notes, plus accrued and unpaid interest, up to but not including the date of redemption, payable in cash.

Sinking Fund

None.

Registration Rights

We have agreed for the benefit of the holders of the notes, pursuant to a registration rights agreement with the initial purchasers of the notes, to:

file a shelf registration statement, of which this prospectus is a part, with the Securities and Exchange Commission (SEC) with respect to the notes and the common stock issuable upon conversion of the notes;

use reasonable best efforts to cause the shelf registration statement to become effective within 180 days after the first date of original issuance of the notes; and

use reasonable best efforts to keep the shelf registration statement effective until the earlier of:

the date that is two years after the first date of original issuance of the notes; or

such shorter period ending: when all the notes have been sold; all the notes held by non-affiliates of the Company are re-sold pursuant to Rule 144(k) of the Securities Act or cease to be outstanding; all the notes have been resold pursuant to Rule 144 of the Securities Act; or a subsequent shelf registration statement has been declared effective under the Securities Act.

If we fail to comply with certain of our obligations under the registration rights agreement, we will be required to pay liquidated damages to the holders of the notes and any shares of our common stock issued upon conversion of the notes.

Use of Proceeds

We will not receive any of the proceeds of the resale of the notes by the selling securityholders or the common stock issuable upon conversion of the notes.

Nasdaq National Market Symbol for our Common Stock

XIDE.

Common Stock

This prospectus may be used by selling securityholders to sell our common stock issuable upon conversion of the notes.

Risk Factors

See **Risk Factors** and other information in this prospectus for a discussion of factors you should consider carefully before deciding to invest in the notes or our common stock.

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RISK FACTORS

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

Risks Related to Our Business

We recently have experienced significant increases in raw material prices, particularly lead, and further changes in the prices of raw materials would have a material adverse impact on us.

Lead is the primary material by weight used in the manufacture of batteries, representing approximately one-third of our cost of goods sold. Lead prices quoted on the London Metal Exchange (LME) have risen dramatically, increasing from \$457 per metric tonne at March 31, 2003 to \$1,022 per metric tonne at March 31, 2005, a change of over 100%. If we are unable to increase the prices of our products proportionate to the increase in raw material costs, our gross margins will decline. For fiscal 2005, we estimate that we recovered between 50% and 55% of these higher lead costs through price increases and related actions and the impact on gross margin was approximately \$57.8 million. We cannot assure you 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 our 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 the notes and other indebtedness. We also employ significant amounts of steel and other materials in our manufacturing process. The market prices of these materials are also subject to fluctuation, which could further reduce our available cash.

The going concern modification received from our independent registered public accounting firm could cause adverse reactions from our creditors, vendors, customers and others.

Our financial statements for our fiscal year ended March 31, 2005, which are included in our Annual Report on Form 10-K, contain an audit report from PricewaterhouseCoopers LLP. The audit report contains a going concern modification, (going concern qualification) stating that the uncertainty with respect to our ability to maintain compliance with our financial covenants through fiscal 2006 raises substantial doubt about our ability to continue as a going concern. This going concern qualification was primarily caused by our inability to comply with one or more of the covenants of our senior secured credit facility for each of the last three quarters in fiscal 2005. There is no assurance that we will be able to meet our fiscal 2006 business plan and be in compliance with our senior secured credit facility through March 31, 2006. This going concern qualification could create concerns by 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 qualification could also be perceived negatively by the capital markets, which could adversely affect the prices of our common stock and our notes as well as our ability to raise capital.

We are subject to a preliminary SEC inquiry.

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The Enforcement Division of the SEC has told us that it has commenced a preliminary inquiry into statements we made earlier this year about our ability to comply with our fiscal 2005 loan covenants and the going concern qualification 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.

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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 we export to, several countries outside the United States. Approximately 60% of our net sales for fiscal 2005 were generated in Asia and Europe, 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 you that we will be able to hedge our foreign currency exposures at a reasonable cost.

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

changes in local economic conditions, including disruption of markets;

changes in laws and regulations, including changes in import, export, labor and environmental laws;

exposure to possible expropriation of 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 business, results of operations and financial condition.

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

We sell a disproportionate share of our automotive aftermarket batteries during the fall and early winter. Resellers buy automotive batteries during these periods so they will have sufficient inventory for cold weather periods. In addition, many of our industrial battery customers in Europe do not place their battery orders until the end of the calendar year. This seasonality increases our working capital requirements and makes us more sensitive to fluctuations in the availability of liquidity.

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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.

Approximately 25% of our global battery sales for fiscal 2005 were to original equipment manufacturers (OEMs), as well as their aftermarket service organizations and therefore our financial performance depends, in part, on conditions in the automotive, material handling and telecommunications industries, which, in turn, are dependent on the U.S. and global economies, generally. As a result, economic and other factors adversely affecting production by OEMs and their customers' spending could adversely impact our business. Relatively modest declines in our customers' purchases from us could have a significant adverse impact on our profitability because we have substantial fixed production costs. If our OEM customers reduce their inventory levels, and reduce their orders from us, 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.

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The remaining portion of our transportation 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 real 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 effect.

Many of the industries in which we operate are very 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 segments. A weak capital expenditure environment in the telecommunications, uninterruptible power systems and electric industrial forklift trucks markets could have a material adverse impact on the financial condition and results of operations of our Industrial Energy segments.

We are subject to pricing pressure from our larger customers.

We face significant competitive pressures in all of our business segments from our larger customers. Because of their purchasing size, our larger customers can influence market participants to compete on price 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 companies, 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 transportation battery markets are highly competitive. The manufacturers in these markets compete on price, quality, technical innovation, service and warranty. In addition, we anticipate 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 unable 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 our 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 us to continue to invest 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.

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

Recent instability in the world financial markets and the global economy, including as a result of the turmoil in the Middle East, has created 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.

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 improvement 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 the price of lead. Additionally, our ability to successfully implement these strategies on a timely basis may be impacted by our liquidity. Any failure to successfully implement our business strategy could adversely affect our results of operations and financial condition, and could further impair our ability to make certain strategic capital expenditures and meet our restructuring objectives.

Loss of the right to use licensed trademarks could adversely affect our results of operations.

We currently license the right to use certain trademarks which are important to our business, including *NASCAR*. Our current license for *NASCAR* expires on December 31, 2006. Loss of the right to use this trademark or other licensed trademarks could adversely affect our results of operations.

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 investigating or remediating contamination at these properties if contamination requiring such activities is discovered in the future.

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We may become obligated to pay material remediation-related costs at our Tampa, Florida facility in the amount of approximately \$12.5 to \$20.5 million, at our Columbus, Georgia facility in the amount of approximately \$13.5 million and at our Sonalur, Portugal facility in the amount of \$3.5 to \$7.0 million. In addition, in October 2004, the U.S. Environmental Protection Agency (EPA), in the course of negotiating the government's pre-petition claim with us, notified us of the possibility of additional cleanup costs associated with the remediation of our Hamburg, Pennsylvania properties of approximately \$35.0 million. To date, the EPA has not made a formal claim for this amount or provided support for these estimates.

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We cannot assure you 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 assure you that this will remain so in the future.

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

We and our subsidiaries are currently and may in the future become subject to legal proceedings. For example, in June 2005, Aviva Partners LLC and Robert Jarman filed purported class action lawsuits against us and certain of our present and former officers alleging that certain public misstatements made between November 16, 2004 and May 17, 2005 constituted material misstatements in violation of Rule 10b-5 under the Securities Exchange Act of 1934. No assurances can be given that we will be able to successfully defend any such legal proceedings, and adverse results in one or more of such legal proceedings could have a material adverse effect on our business or operations.

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

At March 31, 2005, approximately 32% 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 475 of our domestic employees expire in 2006, 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 2006. Although we believe that our relations with our 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 our 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 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.

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Our internal control over financial reporting was not effective as of March 31, 2005.

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 year ending March 31, 2005. In connection with the preparation of this report, our management assessed the effectiveness of our internal control over financial reporting as of March 31, 2005, and this assessment identified two material weaknesses relating to ineffective controls over period-end account reconciliations, reviews and analyses 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 was not effective as of March 31, 2005, 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 control over financial reporting, including enhancing established policies and procedures and reducing the complexity of our consolidation processes, and we intend to implement additional remedial measures, including hiring additional accounting personnel to focus on ongoing remediation initiatives and improving our documentation and training related to our policies and procedures. 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 control over financial reporting could harm our operating results or cause us to fail to meet our reporting obligations. Inadequate internal control over financial reporting could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of the notes or our common stock, and may require us to incur additional costs in improving our internal control system.

Risks Related to the Notes and the Common Stock

The notes are structurally subordinated to the debt and liabilities of our subsidiaries.

For fiscal 2005, our subsidiaries accounted for approximately 63% of our consolidated net sales and 62% of our consolidated assets. 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 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 will 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.

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 March 31, 2005, our subsidiaries had \$976.0 million of indebtedness and other liabilities, including trade payables, and the notes would have been structurally subordinated to all such indebtedness and other liabilities.

The notes are subordinated to our senior indebtedness.

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The notes are our general unsecured obligations and are subordinated in right of payment to all of our existing and future senior indebtedness. In the event of our bankruptcy, liquidation or reorganization or upon acceleration of the notes due to an event of default under the indenture and in certain other events, our assets will be available to pay obligations on the notes only after all senior indebtedness has been paid. As a result, there may not be sufficient assets remaining to pay amounts due on any or all of the outstanding notes. In addition, we will not make any payments on the notes in the event of payment defaults on our senior indebtedness or other

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specified defaults on our designated senior indebtedness. As of March 31, 2005, the aggregate amount of our debt that ranked senior to the notes (including borrowings under our senior credit facility and our outstanding senior secured notes) was approximately \$593.8 million.

Our substantial indebtedness could adversely affect our financial condition and prevent us from fulfilling our obligations under the notes.

We have, and after consummation of this offering will continue to have, a significant amount of indebtedness. As of March 31, 2005, we had total indebtedness, including capital leases, of approximately \$653.8 million. Our level of indebtedness could have important consequences to you. 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 will bear interest at floating rates, including the notes which bear an interest rate equal to the 3-month LIBOR minus a spread of 1.50%, exposing us to a risk of an increase in the interest rate of the notes if the 3-month LIBOR increases;

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 and prevent us from fulfilling our obligations under the notes. Subject to restrictions in the indenture governing the notes and our senior secured credit facility, we may incur additional indebtedness, which could increase the risks associated with our already substantial indebtedness.

In addition, on June 13, 2005 we obtained a temporary waiver from the IRS with respect to our minimum funding requirements, amounting to approximately \$50 million, for our U.S. pension plans for calendar years 2003 and 2004. The temporary waiver defers our minimum contributions for those years and requires the contributions to be paid over a five-year period through 2010. The temporary waiver is secured by a second lien on our domestic property, including the stock of our U.S. and direct foreign subsidiaries.

Restrictive covenants will 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.

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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;

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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 meet certain financial ratios and 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 these provisions may be affected by events beyond our control, and we may not be able to meet the financial ratios. Rising lead prices and other circumstances have resulted in us not being able to satisfy certain of our financial covenants, requiring us to obtain amendments to our senior credit facility in November 2004, February 2005 and June 2005. In addition, on June 29, 2005, we had to obtain an amendment and waiver to our senior credit facility due to the going concern qualification with respect to our audited financial statements as of March 31, 2005. This amendment prohibits us from borrowing from any facility if our unrestricted cash or cash equivalents after application of the proceeds of such borrowing would exceed \$40 million (exclusive of up to \$10 million cash and cash equivalents in Asia, Australia and New Zealand).

Any breach of the covenants in our senior secured credit agreement or the indenture governing our senior secured notes could cause a default under other debt and the notes, which restricts 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.

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 or our senior secured 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, the notes or our senior secured 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.

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

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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 or, 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.

There are no restrictive covenants in the indenture governing the notes, including related to our ability to incur future indebtedness.

The indenture governing the notes does not contain any financial or operating covenants or restrictions on the payment of dividends, the incurrence of indebtedness, transactions with affiliates, incurrence of liens, or the issuance or repurchase of securities by us or any of our subsidiaries. We therefore may incur additional debt, including secured indebtedness or indebtedness at the subsidiary level to which the notes would be structurally subordinated. A higher level of indebtedness increases the risk that we may default on our indebtedness. We cannot assure you that we will be able to generate sufficient cash flow to pay the interest on our indebtedness or that future working capital, borrowings or equity financing will be available to pay or refinance such indebtedness.

We may be unable to repurchase your notes as required under the indenture upon a change in control at the option of the holder or pay you cash upon conversion of your notes.

Upon a change in control, as defined in the indenture, you will have the right to require us to repurchase your notes for cash. If we do not have sufficient funds to pay the repurchase price for all of the notes you tender upon a change in control, an event of default under the indenture governing the notes would occur as a result of such failure. In addition, cash payments in respect of notes that you tender for repurchase or that you convert may be subject to limits and might be prohibited, or create an event of default, under our other agreements relating to borrowings that we may enter into from time to time. Our failure to make cash payments in respect of the notes could result in an event of default under such agreements. Such other borrowings may be secured indebtedness and may prevent us from making cash payments in respect of the notes under certain circumstances. Our inability to pay for your notes that are tendered for repurchase could result in your receiving substantially less than the principal amount of the notes. See [Description of the Notes](#) [Right to Require Purchase of the Notes Upon a Change in Control](#).

Upon an occurrence of a change in control, we may be required to offer to repay the notes and may be required to repay any other debt then outstanding. If a change in control were to occur today, we would not have the financial resources available to repurchase all the notes for cash.

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You may have to pay taxes with respect to distributions on our common stock that you do not receive.

The conversion price of the notes is subject to adjustment for certain events arising from stock splits and combinations, stock dividends, certain cash dividends and certain other actions by us that modify our capital structure. Please read [Description of the Notes Conversion Rights Conversion Price Adjustments](#). If the conversion price is adjusted as a result of a distribution that is taxable to our common shareholders, such as a cash dividend, you would be required to include an amount in income for federal income tax purposes, notwithstanding the fact that you do not receive such distribution. In addition, Non-U.S. Holders (as defined in [Certain United States Federal Income Tax Considerations](#)) of the notes may, in certain circumstances, be deemed to have received a distribution subject to U.S. federal withholding tax requirements, which we may set off against cash payments of interest payable on the notes. Please read [Certain United States Federal Income Tax Considerations](#).

There is no prior public market for the notes, so if an active trading market does not develop for the notes you may not be able to resell them.

There is currently no public market for the notes and we cannot assure you that an active trading market will ever develop for the notes. The lack of a trading market could adversely affect your ability to sell the notes and the price at which you may be able to sell the notes. Future trading prices of the notes will depend on many factors, including, among other things, prevailing interest rates and our operating results and the market for similar securities. The initial purchasers have informed us that they currently intend to make a market in the notes. However, the initial purchasers may cease their market-making at any time. We do not intend to apply for listing of the notes on any securities exchange or The Nasdaq Stock Market.

The price of our common stock, and therefore the price of the notes, may fluctuate significantly, which may make it difficult for holders to resell the notes or the shares of our common stock issuable upon conversion of the notes when desired or at attractive prices.

During fiscal 2005, the trading price of our common stock on the Nasdaq National Market ranged from \$10.32 to \$24.50 per share. The closing price on July 11, 2005 was \$4.82 per share. Our stock price may fluctuate in response to a number of events and factors, such as variations in operating results, actions by various regulatory agencies, litigation, market perceptions of our financial reporting, changes in financial estimates and recommendations by securities analysts, the actions of rating agencies, the operating and stock price performance of other companies that investors may deem comparable to us and news reports relating to trends in our markets or general economic conditions.

Because the notes are convertible into shares of our common stock, volatility or depressed prices for our common stock could have a similar effect on the trading price of the notes. Holders who receive common stock upon conversion also will be subject to the risk of volatility and depressed prices of our common stock. In addition, the existence of the notes may encourage short selling in our common stock by market participants because the conversion of the notes could depress the price of our common stock.

Holders of common stock issued upon conversion of the notes may suffer dilution as the result of the issuance of additional shares of common stock and warrants to purchase common stock to holders of pre-petition claims to the extent the reserve of common stock and warrants established to satisfy such claims is insufficient.

Pursuant to our Joint Plan of Reorganization under Chapter 11 (the [Plan](#)), we have established a reserve of common stock and warrants to purchase common stock for issuance to holders of unsecured pre-petition contingent claims. To the extent this reserve is insufficient to satisfy

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these contingent claims, we would be required to issue additional shares of common stock and warrants, which would result in dilution to holders of common stock issued upon conversion of the notes.

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We agreed pursuant to the Plan to issue 25,000,000 shares of common stock and warrants initially exercisable for 6,250,000 shares of common stock, distributed as follows:

holders of pre-petition claims under our predecessor's senior credit facility were allocated collectively 22,500,000 shares of common stock; and