

EXIDE TECHNOLOGIES

Form DEF 14A

July 27, 2006

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12
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EXIDE TECHNOLOGIES

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- No fee required.
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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD AUGUST 22, 2006**

To our Shareholders:

The 2006 annual meeting of shareholders of Exide Technologies will be held at the Hilton Garden Inn Atlanta North/Alpharetta at 4025 Windward Plaza Drive, Alpharetta, Georgia 30005, on Tuesday, August 22, 2006, beginning at 9:00 a.m. local time. At the meeting, the holders of our outstanding common stock will act on the following matters:

- (1) The election of seven directors;
- (2) A proposal to approve (i) a \$75,000,000 rights offering of 21,428,571 shares of common stock to our shareholders at \$3.50 per share, (ii) the sale of any common stock not subscribed for in the rights offering to the standby purchasers and additional standby purchaser and the sale of another 14,285,714 shares for \$50,000,000 to the standby purchasers at the same price and (iii) the related Standby Purchase Agreement and Registration Rights Agreement and the other transactions contemplated thereby;
- (3) A proposal to amend our Certificate of Incorporation to increase our authorized shares of common stock to 100,000,000 and the aggregate number of shares of capital stock to 101,000,000;
- (4) A proposal to approve an amendment of our 2004 Stock Incentive Plan;
- (5) A proposal to ratify the appointment of our independent auditors for fiscal 2007; and
- (6) Any other matters that properly come before the meeting.

All holders of record of shares of our common stock (NASDAQ: XIDE) at the close of business on July 27, 2006 are entitled to vote at the meeting and any postponements or adjournments of the meeting.

The enclosed proxy statement describes the proposals set forth above in more detail. We urge you to read the proxy statement carefully before you decide how to vote.

In connection with the rights offering, we are distributing to our shareholders a prospectus. We urge you to read the prospectus carefully before you decide to exercise your rights.

You are cordially invited to attend the meeting. Please note that space limitations make it necessary to limit attendance to shareholders and one guest. Admission to the meeting will be on a first-come, first-served basis. Registration will begin at 8:00 a.m., and seating will begin at 8:30 a.m. Each shareholder may be asked to present valid picture identification, such as a driver's license or passport. Shareholders holding stock in brokerage accounts (street name holders) will need to bring a copy of a brokerage statement reflecting stock ownership as of the record date. Cameras (including cellular phones with photographic capabilities), recording devices and other electronic devices will not be permitted at the meeting.

By order of the Board of Directors,

Gordon A. Ulsh
*President and Chief
Executive Officer*

Brad S. Kalter
*Deputy General Counsel and
Corporate Secretary*

July 28, 2006

YOUR VOTE IS IMPORTANT

If you are unable to attend the meeting in person, you may vote on the proposals by proxy. To do so, please complete, date, sign and return the enclosed proxy card. We have enclosed a prepaid envelope to expedite the return of your proxy card. You may also vote by telephone or over the Internet as noted in the proxy card instructions. If you have voted by telephone, Internet or mail and later decide to attend and vote at the meeting, you may do so.

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**13000 DEERFIELD PARKWAY
BUILDING 200
ALPHARETTA, GEORGIA 30004**

PROXY STATEMENT, DATED JULY 28, 2006

The Board of Directors of Exide Technologies is soliciting proxies from its shareholders to be used at the annual meeting of shareholders to be held on Tuesday, August 22, 2006, beginning at 9:00 a.m., at the Hilton Garden Inn Atlanta North/Alpharetta at 4025 Windward Plaza Drive, Alpharetta, Georgia 30005, and at any postponements or adjournments thereof. This proxy statement contains information related to the annual meeting. This proxy statement, a proxy card and our Annual Report on Form 10-K for the fiscal year ended March 31, 2006 are being mailed to shareholders on or about July 28, 2006.

QUESTIONS AND ANSWERS RELATING TO THE ANNUAL MEETING

Why did I receive these materials?

Shareholders as of the close of business on July 27, 2006, which is referred to as the Record Date, are entitled to vote at our annual meeting of shareholders, which will be held on August 22, 2006. As a shareholder, you are invited to attend the annual meeting and are requested to vote on the items of business described in this proxy statement. We are required by law to distribute these proxy materials to all shareholders as of the Record Date. This proxy statement provides notice of the annual meeting of shareholders, describes the proposals presented for shareholder action and includes information required to be disclosed to shareholders. The accompanying proxy card enables shareholders to vote on the matters without having to attend the annual meeting in person.

Who is entitled to vote at the meeting?

Only shareholders of record at the close of business on the Record Date are entitled to receive notice of and to participate in the annual meeting. If you were a shareholder of record on the Record Date, you will be entitled to vote all of the shares that you held on that date at the meeting, or any postponements or adjournments of the meeting.

How many votes do I have?

You will be entitled to one vote for each outstanding share of our common stock you own as of the Record Date. As of the Record Date, there were 24,560,586 shares of our common stock outstanding and eligible to vote.

Who can attend the meeting?

Subject to space availability, all shareholders as of the Record Date, or their duly appointed proxies, may attend the meeting, and each may be accompanied by one guest. Since seating is limited, admission to the meeting will be on a first-come, first-served basis. Registration will begin at 8:00 a.m., and seating will begin at 8:30 a.m. If you attend, please note that you may be asked to present valid picture identification, such as a

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driver's license or passport. Cameras (including cell phones with photographic capabilities), recording devices and other electronic devices will not be permitted at the meeting.

Please also note that if you hold your shares in street name (that is, through a broker, bank or other nominee), you will need to bring a copy of a brokerage statement reflecting your stock ownership as of the Record Date and check in at the registration desk at the meeting.

Please let us know if you plan to attend the meeting by marking the appropriate box on the enclosed proxy card or, if you vote by telephone or Internet, indicating your plans when prompted.

How many shares must be present or represented to conduct business at the annual meeting?

The presence at the meeting, in person or by proxy, of the holders of a majority of the aggregate voting power of the common stock outstanding on the Record Date will constitute a quorum, permitting the conduct of business at the meeting. As of the Record Date, 24,560,586 shares of common stock, representing the same number of votes, were outstanding. Thus, the presence of the holders of common stock representing at least 12,280,294 votes will be required to establish a quorum.

Proxies received but marked as abstentions, votes withheld and broker non-votes will be included in the calculation of the number of votes considered to be present at the meeting.

How can I vote my shares in person at the annual meeting?

Shares held in your name as the shareholder of record may be voted by you in person at the annual meeting. Shares held by you beneficially in street name through a broker, bank or other nominee may be voted by you in person at the annual meeting only if you obtain a legal proxy from the broker, bank or other nominee that holds your shares giving you the right to vote the shares.

How can I vote my shares without attending the meeting?

Whether you hold shares directly as the shareholder of record or beneficially in street name, you may direct how your shares are voted without attending the annual meeting. If you are a shareholder of record (that is, if your shares are registered directly in your name with our transfer agent), you must complete and properly sign and date the accompanying proxy card and return it to us and it will be voted as you direct. A pre-addressed envelope is included for your use. If you are a shareholder of record and attend the meeting, you may deliver your completed proxy card in person. If you hold shares beneficially in street name, you may vote by submitting voting instructions to your broker, bank or other nominee.

Can I vote by telephone or electronically?

If you are a shareholder of record, you may vote by telephone, or electronically through the Internet, by following the instructions included with your proxy card. If your shares are held in street name, please check your proxy card or contact your broker, bank or other nominee to determine whether you will be able to vote by telephone or electronically. The deadline for voting by telephone or electronically is 11:59 p.m., Eastern Daylight Time, on August 21, 2006.

Can I change my vote after I return my proxy card?

Yes. If you are a shareholder of record, you may revoke or change your vote at any time before the proxy is exercised by filing with our Corporate Secretary a notice of revocation or a duly executed proxy bearing a later date or by attending the annual meeting and voting in person. For shares you hold beneficially in street name, you may change your vote by submitting new voting instructions to your broker, bank or other nominee or, if you have obtained a legal proxy from your broker, bank or other nominee giving you the right to vote your shares, by attending the meeting and voting in person. In either case, the powers of the proxy holders will be suspended if you attend the meeting in person and so request, although attendance at the meeting will not by itself revoke a previously granted proxy.

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Who counts the votes?

Votes will be counted and certified by the Inspectors of Election, who are employees of American Stock Transfer & Trust Company (AST), our transfer agent. If you are a shareholder of record, your signed proxy card is returned directly to AST for tabulation. If you hold your shares in street name through a broker, bank or other nominee, your broker, bank or other nominee will return one proxy card to AST on behalf of its clients.

What are the Board of Directors' recommendations?

Unless you give other instructions on your proxy card, the persons named as proxy holders on the proxy card will vote in accordance with the recommendations of the Board of Directors. The Board of Directors' recommendation is set forth together with the description of each item in this proxy statement. In summary, the Board of Directors recommends a vote FOR each of the proposals.

Will shareholders be asked to vote on any other matters?

To the knowledge of Exide and its management, shareholders will vote only on the matters described in this proxy statement. However, if any other matters properly come before the meeting, the persons named as proxies for shareholders will vote on those matters in the manner they consider appropriate.

What vote is required to approve each item?

Election of Directors. The affirmative vote of a plurality of the votes cast at the meeting is required for the election of directors (Proposal 1). A properly executed proxy marked withhold authority with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted for purposes of determining whether there is a quorum.

Amendment to Certificate of Incorporation. The affirmative vote of the holders of outstanding shares representing at least a majority of the voting power of all of the shares of our common stock issued and outstanding on the Record Date is required to amend our Certificate of Incorporation to increase the number of authorized shares of common stock (Proposal 3).

Other Items. For each other item, including the proposals to approve the rights offering and related matters (Proposal 2), amend our 2004 Stock Incentive Plan (Proposal 4) and ratify the appointment of our independent auditors for fiscal 2007 (Proposal 5), the affirmative vote of the holders of a majority of the votes cast in person or represented by proxy, and entitled to vote on the item will be required for approval.

A properly executed proxy marked abstain with respect to any matter will not be voted, although it will be counted for purposes of determining whether there is a quorum. Accordingly, an abstention will have the effect of a negative vote.

How are votes counted?

In the election of directors, you may vote FOR all or some of the nominees or your vote may be WITHHELD with respect to one or more of the nominees. You may not cumulate your votes for the election of directors.

For the other items of business, you may vote FOR, AGAINST or ABSTAIN. If you elect to ABSTAIN, the abstention has the same effect as a vote AGAINST. If you provide specific instructions with regard to certain items,

your shares will be voted as you instruct on such items.

If you hold your shares in street name through a broker, bank or other nominee rather than directly in your own name, then your broker, bank or other nominee is considered the shareholder of record, and you are considered the beneficial owner of your shares. We have supplied copies of our proxy statement to the broker, bank or other nominee holding your shares of record, and they have the responsibility to send it to you. As the beneficial owner, you have the right to direct your broker, bank or other nominee on how to vote your shares at the annual meeting. The broker, bank or other nominee that is the shareholder of record for your shares is

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obligated to provide you with a voting instruction card for you to use for this purpose. If you hold your shares in a brokerage account but you fail to return your voting instruction card to your broker, your shares may constitute broker non-votes. Generally, broker non-votes occur on a matter when a broker is not permitted to vote on that matter without instructions from the beneficial owner and instructions are not given. In tabulating the voting result for any particular proposal, shares that constitute broker non-votes are not considered present and entitled to vote on that proposal. If a quorum is present at the annual meeting, the persons receiving the greatest number of votes will be elected to serve as directors. As a result, broker non-votes will not affect the outcome of the voting on the election of directors (Proposal 1). The approval of the rights offering and related matters (Proposal 2), the amendment to the 2004 Stock Incentive Plan (Proposal 4) and the ratification of the appointment of our independent auditors (Proposal 5) require the affirmative vote of a majority of the shares of common stock present in person or represented by proxy at the annual meeting and entitled to vote on the proposal. A broker non-vote is treated as not being entitled to vote on the matter and, therefore, is not counted for purposes of determining whether the proposal has been approved. However, broker non-votes will have the same effect as a negative vote on the proposals to amend our Certificate of Incorporation to increase the number of authorized shares of common stock (Proposal 3) because this proposal is approved by a majority of the voting power of all of the shares of our common stock issued and outstanding on the Record Date, regardless of whether all of such shares are present and entitled to vote at the meeting. Shares represented by such broker non-votes will, however, be counted in determining whether there is a quorum.

If you are a beneficial owner and your broker, bank or other nominee holds your shares in its name, it is permitted to vote your shares on the election of directors (Proposal 1), the approval of the rights offering and related matters (Proposal 2), the amendment to our Certificate of Incorporation (Proposal 3) and the ratification of the appointment of our independent auditors (Proposal 5), even if the broker, bank or other nominee does not receive voting instructions from you. Your broker, bank or other nominee may not vote your shares, absent instructions from you, on the approval of the amendment of our 2004 Stock Incentive Plan (Proposal 4). Without your voting instructions on these items a broker non-vote will occur.

What should I do if I receive more than one set of voting materials?

You may receive more than one set of voting materials, including multiple copies of this proxy statement and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you may receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a shareholder of record and your shares are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction card that you receive.

If the rights offering is approved by the shareholders, am I required to exercise any rights I receive in the rights offering?

No. You may exercise any number of your rights, or you may choose not to exercise any rights.

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

If the shareholders do not approve the rights offering and you exercised your rights, the subscription agent will refund your payment in full. You will not be credited interest on your payment.

Where can I find the voting results of the annual meeting?

We intend to announce the preliminary voting results at the annual meeting and publish the final results in our quarterly report on Form 10-Q for the quarter ending September 30, 2006.

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PROPOSALS SUBMITTED FOR SHAREHOLDER VOTE

PROPOSAL 1 ELECTION OF DIRECTORS

Each of the directors below will be a nominee for election to serve a one-year term set to expire at the annual meeting in 2007 and until their successors are duly elected and qualified. Our Board of Directors expects that all of the nominees will be able and willing to serve as directors. If any nominee is not available to serve as a director at the time of the annual meeting, the persons named on the proxy will vote for another candidate nominated by our Board of Directors, or our Board of Directors may reduce the number of directors. Our Board of Directors has determined that each of the director nominees below, except Gordon A. Ulsh, is an independent director as defined in the listing standards of the Nasdaq Global Market, as currently in effect. See Corporate Governance Director Independence.

Biographical information about each director nominee, as of July 10, 2006, appears below.

Director Nominees Currently Serving on our Board of Directors

Michael R. D Appolonia

Director since 2004

Mr. D Appolonia, 57, is a Principal of Nightingale & Associates, LLC, a global management consulting firm providing financial and operational restructuring services to both publicly and privately held middle-market companies. Mr. D Appolonia is currently President and Chief Executive Officer of Kinetic Systems Inc. In his consulting capacity, Mr. D Appolonia served as the President of Reorganized Cone Mills Corporation and from October 2003 to May 2005 served as Chief Restructuring Officer of Cone Mills Corporation. From September 2002 to October 2003, Mr. D Appolonia served as President and Director of Moll Industries, Inc. Previously he served as President and Chief Executive Officer of McCulloch Corporation, Ametech, Inc., Halston Borghese, Inc. and Simmons Upholstered Furniture Inc. Mr. D Appolonia is a member of the Board of Directors of The Washington Group International, Inc. and Kinetic Systems Inc. Mr. D Appolonia is Chairman of the Compensation Committee and a member of the Finance Committee.

David S. Ferguson

Director since 2005

Mr. Ferguson, 61, is the principal of his own retail consulting business, DS Ferguson Enterprises, LLC, based in Atlanta, Georgia. Mr. Ferguson is the retired President and Chief Executive Officer of Wal-Mart Europe. He served in that capacity from September 2000 through July 2003. Prior to that, he was President and Chief Executive Officer of Wal-Mart Canada from February 1996 to September 2000. Mr. Ferguson was President and Chief Operating Officer as well as a director of Stuarts Department Stores from August 1994 through October 1995. Mr. Ferguson is a member of the Board of Directors of Sobeys Inc., a Canadian grocery chain. Mr. Ferguson is a member of the Compensation and Nominating and Corporate Governance Committees.

John P. Reilly

Director since 2004

Mr. Reilly, 62, is the retired Chairman, President and Chief Executive Officer of Figgie International. He has more than thirty years of experience in the automotive industry, where he has served as President and CEO of a number of automotive suppliers, including Stant Corporation and Tenneco Automotive. He has also held leadership positions at

the former Chrysler Corporation and Navistar, and has served as President of Brunswick Corporation. Mr. Reilly is currently on the Board of Directors of Material Sciences Corporation, Marshfield Door Systems, Inc. and Timken Company. Mr. Reilly serves as Chairman of the Board of Directors and a member of the Compensation Committee.

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Michael P. Ressner

Director since 2004

Mr. Ressner, 57, is a retired Nortel Networks executive who, between 1981 and 2003, served in a number of senior financial and operational management positions. Mr. Ressner was an Adjunct Professor of Applied Financial Management at North Carolina State University between 2002 and 2004. He is currently an adviser within the College of Management at North Carolina State University. Mr. Ressner currently serves as a member of the Board of Directors for the following companies: Arsenal Digital Solutions USA, Inc., Entrust, Inc. and Magellan Health Services, Inc. Mr. Ressner is Chairman of the Audit Committee and a member of the Finance Committee.

Carroll R. Wetzel

Director since 2005

Mr. Wetzel, 63, is a retired investment banker. Mr. Wetzel most recently served as Chairman of the Board of Directors of Safety Components International, Inc., a supplier of automotive airbag fabric and cushions and technical fabrics from 2000 to 2005. Mr. Wetzel currently serves as a member of the Board of Directors of Laidlaw International, Inc. Mr. Wetzel is Chairman of the Nominating and Corporate Governance and Finance Committees and a member of the Audit Committee.

Gordon A. Ulsh

Director since 2005

Mr. Ulsh, 60, is the Company's President and Chief Executive Officer. Mr. Ulsh was appointed to his current position in April 2005. From 2001 until March 2005, Mr. Ulsh was Chairman, President and Chief Executive Officer of FleetPride Inc., the nation's largest independent aftermarket distributor of heavy-duty truck parts. Prior to joining FleetPride in 2001, Mr. Ulsh worked with Ripplewood Equity Partners, providing analysis of automotive industry segments for investment opportunities. Earlier, he served as President and Chief Operating Officer of Federal-Mogul Corporation in 1999 and as head of its Worldwide Aftermarket Division in 1998. Prior to Federal-Mogul, he held a number of leadership positions with Cooper Industries, Inc., including Executive Vice President of its automotive products segment. Mr. Ulsh joined Cooper's Wagner Lighting business unit in 1984 as Vice President of Operations, following 16 years in manufacturing and engineering management at Ford Motor Company.

New Director Nominee

Herbert F. Aspbury

Mr. Aspbury, 61, currently is an investor and advisor at Private Client Resources LLC, a privately held company founded in 2001, which provides consolidated financial information for high wealth investment managers and their clients. Since 2002, Mr. Aspbury has also served as an Adjunct Professor at the Fisher Graduate School of International Business of the Monterrey Institute of International Studies. Mr. Aspbury retired from Chase Manhattan Bank in 2000 where he served in a number of capacities, most recently as the London-based Managing Director and Regional Executive for Europe, Africa and the Middle East. Mr. Aspbury was a member of Chase Manhattan Corporation's Management Committee. Mr. Aspbury also served in a number of capacities with Chemical Bank until its merger with Chase Manhattan. Mr. Aspbury serves as Vice Chairman of the Board of Trustees of Villanova University and is the Chair of its Finance Committee, as well as Chairman of the Royal Oak Foundation, the U.S. arm of Britain's National Trust.

The Board of Directors recommends that the shareholders vote FOR the election of each of the director nominees named above.

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Other Directors

Mark C. Demetree

Director since 2005

Mr. Demetree, 49, is Chairman and CEO of British Salt Holdings, LLC, a producer of inorganic chemicals. From 1993 to 1997, Mr. Demetree was President of North American Salt Company, a subsidiary of Compass Minerals Group, Inc. From 1983 to 1987, Mr. Demetree was president of Demetree Brothers, Inc., an investment group involved in real estate investment, venture capital investments and corporate acquisitions. Mr. Demetree is non-executive Chairman of the Board of Directors of Texas Petrochemical, Inc. and is a director of American Italian Pasta Company, where he is a member of the Compensation Committee. Mr. Demetree is also a director and non-executive Chairman of the Board of Directors of Pinnacle Properties Holdings. Mr. Demetree is a member of the Nominating and Corporate Governance Committee.

Phillip M. Martineau

Director since 2004

Mr. Martineau, 57, currently serves as President and Chief Executive Officer and Chairman of the Board of Pittsburgh Corning Corporation and Pittsburgh Corning Europe. Mr. Martineau previously served as President and CEO of High Voltage Engineering Corporation from December 2004 through February 2005, during which time that company filed for reorganization under Chapter 11 of the Bankruptcy Code. Prior to that, Mr. Martineau was Executive Vice President and Group President for HNI Corporation from 2000 to 2003. From 1996 through 1999, Mr. Martineau was CEO and President of ITW-Arcsmith. Mr. Martineau was President of Ansell Industrial from 1994 to 1996, and CFO and Vice President for GNB Technologies from 1988 to 1994. Mr. Martineau is a member of the board of directors of the Experimental Aviation Association. Mr. Martineau is a member of our Audit and Nominating and Corporate Governance Committees.

Messrs. Demetree and Martineau have informed us that they will not be standing for re-election to our Board of Directors.

The Standby Purchase Agreement described in Proposal 2 below includes a closing condition pursuant to which we are required to appoint two nominees of Tontine Capital Partners, L.P. (Tontine) who are reasonably acceptable to our Board of Directors. Tontine has not yet proposed such nominees.

PROPOSAL 2 A PROPOSAL TO APPROVE (I) A \$75,000,000 RIGHTS OFFERING OF 21,428,571 SHARES OF COMMON STOCK TO OUR SHAREHOLDERS AT \$3.50 PER SHARE, (II) THE SALE OF ANY COMMON STOCK NOT SUBSCRIBED FOR IN THE RIGHTS OFFERING TO THE STANDBY PURCHASERS AND ADDITIONAL STANDBY PURCHASER AND THE SALE OF ANOTHER 14,285,714 SHARES FOR \$50,000,000 TO THE STANDBY PURCHASERS AT \$3.50 PER SHARE AND (III) THE RELATED STANDBY PURCHASE AGREEMENT AND REGISTRATION RIGHTS AGREEMENT AND OTHER TRANSACTIONS CONTEMPLATED THEREBY

Due in part to increased lead prices and other costs, our liquidity has been significantly constrained. Although we have developed an operational plan to address this, the Board of Directors feels that it is prudent to increase our liquidity through additional means. After considering alternatives such as selling our Industrial Energy Europe and Rest of World division, the Board of Directors concluded that raising additional equity capital is the best course available. Our Board of Directors intends to distribute rights (the Rights Offering) to all of our stockholders of record as of the record date of the Rights Offering permitting them to purchase 21,428,571 shares of new common stock in the aggregate on that date for \$3.50 per share (the Subscription Price), for total proceeds before fees and expenses of \$75,000,000.

Tontine and Legg Mason Investment Trust, Inc. (Legg Mason) have agreed to act as Standby Purchasers and Arklow Capital, LLC (Arklow) has agreed to act as an Additional Standby Purchaser under a Standby Purchase Agreement (the Standby Agreement), to purchase any shares not subscribed for in the Rights Offering and the Standby Purchasers have further agreed to purchase another 14,285,714 shares under the Standby Agreement for \$50,000,000. The

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matters described above as Proposal 2 are referred to collectively as the Share Transaction in this proxy statement and are all conditioned on approval by our shareholders at the annual meeting. Because we do not currently have enough shares of common stock authorized in our Certificate of Incorporation, we cannot proceed with the Share Transaction unless our shareholders also approve of Proposal 3 below, the amendment of our Certificate of Incorporation.

The Board of Directors considered the potential dilution of the ownership percentage of our current holders of common stock that could be caused by the issuance of additional shares of common stock pursuant to the Share Transaction. While the ownership percentage of current shareholders will decrease, the Board of Directors considered that the magnitude of this dilution would be partially dependent upon the decision of each holder of common stock whether to subscribe for additional shares in the Rights Offering. In addition, the Board of Directors considered that the Share Transaction would only occur if our shareholders approved the proposed transaction. After weighing these factors and the effect of the Share Transaction of generating \$125,000,000, before expenses, in additional capital, the Board of Directors believes that the Share Transaction is in the best interests of our company and our shareholders.

The Rights Offering

We intend to distribute to the record holders of our common stock as of the record date of the Rights Offering non-transferable subscription rights to subscribe for and purchase shares of our common stock, subject to approval of the Share Transaction and amendment to our Certificate of Incorporation. The per-share purchase price for such shares will be \$3.50, which is equal to a 20% discount to the average closing price of our common stock for the 30 trading day period ended July 6, 2006. The subscription rights will entitle the holders of common stock to purchase shares of common stock for an aggregate purchase price of \$75,000,000. See below for additional information regarding subscription by DTC participants.

Each holder of record of our common stock will receive 0.87248 of a subscription right for each share of our common stock held by such holder, subject to adjustment to eliminate fractional rights. Each full subscription right will entitle the holder thereof to purchase at the Subscription Price, on or prior to the expiration time of the rights offering, one share of our common stock being offered in the Rights Offering. The number of subscription rights offered to each holder is based upon the holder's holdings of our common stock as of the record date of the Rights Offering.

In connection with the Rights Offering, we have filed a Registration Statement on Form S-3 (File No. 333-135564) with the Securities and Exchange Commission (SEC). The Registration Statement has not yet become effective. Once the registration statement becomes effective, we will mail the rights offering prospectus to our shareholders.

Shareholders are being asked at the annual meeting to approve the Rights Offering as part of the Share Transaction and the issuance of shares of our common stock necessary to accomplish the Rights Offering. A vote in favor of the Share Transaction will not obligate any shareholder to purchase shares in the Rights Offering.

Standby Agreement

In connection with the Rights Offering, we entered into the Standby Agreement with the Standby Purchasers and the Additional Standby Purchaser. A copy of the Standby Agreement is set forth in full in Appendix A to this proxy statement, and the following description of the Standby Agreement is qualified in its entirety by reference to Appendix A. The Standby Agreement obligates us to sell, and requires each of the Standby Purchasers and the Additional Standby Purchaser to subscribe for and purchase from us, a proportionate number of shares of common stock equal to the Shortfall (as defined below) divided by the Subscription Price (the Standby Commitments). Tontine, Legg Mason and Arklow will purchase, respectively 54%, 36% and 10% of the Shortfall (as defined below). The Shortfall is the amount by which \$75,000,000 exceeds the aggregate subscription price to be paid by our shareholders who subscribe for and purchase shares in the Rights Offering. The Standby Purchasers and the Additional Standby

Purchaser may elect to assign some or all of their rights to purchase shares of the Company's common stock under the

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Standby Agreement to their designated affiliates. The price per share paid by the Standby Purchasers and the Additional Standby Purchaser for such common stock will be equal to the Subscription Price.

The obligation of any of the Standby Purchasers and the Additional Standby Purchaser to fulfill the Standby Commitments and of the Standby Purchasers to purchase additional shares under the Standby Agreement for \$50,000,000 will be subject to (a) customary closing conditions, including: (i) that our representations and warranties in the Standby Agreement are true and correct in all material respects, (ii) that we deliver a duly executed copy of the Registration Rights Agreement, (iii) that subsequent to the execution of the Standby Agreement and prior to the closing of the Share Transaction, there has not been a material adverse effect on our financial condition, earnings, financial position, operations, assets, results of operation business or prospects or any event or circumstance which is reasonably likely to result in a material adverse effect on our financial condition, earnings, financial position, operations, assets, results of operation business or prospects, and (iv) that no market adverse effect (including (A) suspension by the SEC or the Nasdaq Global Market of trading in our common stock or suspension, limitation or establishment of minimum prices in the trading in securities generally on the New York Stock Exchange or the Nasdaq Global Market, (B) the declaration of a banking moratorium by United States federal or New York State authorities or (C) any material outbreak or material escalation of hostilities or any declaration by the United States of a national emergency or war or other calamity or crisis which has a material adverse effect on the U.S. financial markets each a (Market Adverse Effect)) has occurred and is continuing and (b) obtaining the approval by our shareholders of (i) the transactions contemplated by the Standby Agreement and (ii) the authorization of a sufficient number of additional shares of common stock for issuance (X) in the Rights Offering, and (Y) pursuant to the Standby Agreement.

The Standby Agreement contains limits on the number of shares that the Standby Purchasers and the Additional Standby Purchaser may acquire pursuant to the Rights Offering and that a Standby Purchaser may acquire pursuant to the Standby Agreement. Under the Standby Agreement, each Standby Purchaser and the Additional Standby Purchaser agree that it will not purchase shares of common stock which would result in it or any group (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934) of which it is a member owning (i) 30% or more of the issued and outstanding shares of our common stock on a fully diluted basis without the prior written consent of our lenders under our senior credit facility or (ii) greater than 50% of the issued and outstanding shares of our common stock. The Standby Agreement contains a limitation on our company and its affiliates which restricts our ability, subject to the fiduciary duties of our Board of Directors, to directly or indirectly, discuss, negotiate, enter into or otherwise contemplate or participate in any alternative transaction to the Share Transaction, including, without limitation, the sale of our industrial Europe and rest of the world business.

If the Share Transaction has not occurred on or prior to September 30, 2006, for any reason whatsoever, other than a material breach of the Standby Agreement by the Standby Purchasers or as a result of a Market Adverse Effect, or if we terminate the Standby Agreement prior to September 30, 2006 other than as a result of a material breach by the Standby Purchasers or if the Standby Purchasers terminate the Standby Agreement prior to September 30, 2006 in accordance with the terms of the Standby Agreement, other than as a result of a Market Adverse Effect, Standby Purchasers shall have the option to purchase an additional 14,285,714 shares in the aggregate of our common stock for \$50,000,000 at the subscription price (the Additional Subscription Shares) for a period of 10 business days following the date the Standby Agreement was terminated (the Option Period) upon delivery of written notice to us. If our shareholders approve the Rights Offering and the sale of the Additional Subscription Shares to the Standby Purchasers, the Standby Purchasers may elect to purchase any or all of the such shares (the Complete Option), at the Subscription Price. If our shareholders do not approve the Rights Offering and the sale of the Additional Subscription Shares to the Standby Purchasers, the Standby Purchasers may elect to purchase a portion of the Additional Subscription Shares equal to up to 19.9% of our issued and outstanding common stock (the Partial Option), at a purchase price of \$4.50 per share. With respect to the Partial Option, Tontine shall have the option to purchase 50% of the Additional Subscription Shares and Legg Mason shall have the option purchase 50% of the Additional

Subscription Shares and with respect to the Complete Option, Tontine shall have the option to purchase 60% of the Additional Subscription Shares and Legg Mason shall have the option purchase 40% of the Additional

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Subscription Shares, provided that Tontine and Legg Mason may jointly agree to reallocate the percentage of the Additional Subscription Shares purchased by either party.

Registration Rights Agreement

In connection with the Standby Agreement, we agreed that upon the closing of the Share Transaction, we will enter into the Registration Rights Agreement with the Standby Purchasers and the Additional Standby Purchaser. A copy of the form of Registration Rights Agreement is attached as part of Appendix A to this proxy statement, and the following description of the Registration Rights Agreement is qualified in its entirety by reference to Appendix A. Pursuant to the Registration Rights Agreement, we will register the resale of (a) the common stock that each Standby Purchaser and the Additional Standby Purchaser is acquiring in the Rights Offering in its capacity as a shareholder of the Company to the extent such shares are not freely tradeable, (b) the common stock that is purchased by the Standby Purchasers pursuant to the terms of the Standby Agreement, and (c) any other common stock owned by the Standby Purchasers and the Additional Standby Purchaser. As a result, once a registration statement with respect to such shares is declared effective by the SEC, such shares would be eligible for resale in the public market without restriction to the extent not already so eligible for resale.

Relationships with the Standby Purchasers and the Additional Purchaser

The following table sets forth information with respect to the Standby Purchasers and the Additional Standby Purchaser and the shares of common stock beneficially owned by each Standby Purchaser and the Additional Standby Purchaser as of the Record Date.

Standby Purchaser	Shares of Common Stock
Tontine	2,425,387
Legg Mason	0
Arklow	1,588,892

We are not aware of any current plans or proposals by the Standby Purchasers or the Additional Standby Purchaser with respect to any extraordinary corporate transactions involving us or any sale of our assets or change in our management, capitalization, dividend policy, charter or Bylaws, or any other change in our business or corporate structure or with respect to the delisting or deregistration of any of our securities. However, any determination by a Standby Purchaser or the Additional Standby Purchaser to retain its interest in our company will likely be subject to the continuing evaluation of pertinent factors related to such Standby Purchaser's or Additional Standby Purchaser's investment in us. We are not aware of any current plans by the Standby Purchasers or the Additional Standby Purchaser to resell any shares of common stock, including any shares acquired in the Share Transaction. Depending upon the continuing assessment of these factors from time to time, any or all of the Standby Purchasers and the Additional Standby Purchaser may change their present intentions and may determine to acquire additional shares of common stock (by means of open market or privately negotiated purchases or otherwise) or to dispose of some or all of the shares of common stock held by such Standby Purchasers or the Additional Standby Purchaser.

Each Standby Purchaser and the Additional Standby Purchaser has represented to us that such Standby Purchaser is not an affiliate of any other Standby Purchaser, is not acting in concert with any other Standby Purchaser or the Additional Standby Purchaser and is not a member of a group (within the meaning of Section 13(d)(3) of the Securities and Exchange Act of 1934) that includes another Standby Purchaser or the Additional Standby Purchaser as a member and has no current intention to act in the future in a manner that would make it a member of such a group.

Certain Effects of the Share Transaction

To the extent that holders of our common stock do not exercise their subscription rights and shares of our common stock are purchased by the Standby Purchasers and the Additional Standby Purchaser pursuant to the Rights Offering, such non-exercising holders' proportionate equity and voting interest in our company will be

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reduced. In addition, the equity and voting interests of the holders of the common stock will be further reduced by the sale of the additional shares of common stock for \$50,000,000 to the Standby Purchasers under the Standby Agreement.

In addition, the Share Transaction will result in further dilution of the ownership percentage of the existing holders of our common stock because the Share Transaction will trigger the anti-dilution provisions under our Warrant Agreement and under our convertible notes, which will result in the exercise and conversion prices of the warrants and convertible notes being reduced and a greater number of shares being issuable on exercise or conversion thereof.

The Share Transaction may also result in a decrease in the market value of our common stock. This decrease in market value may continue after the completion of the Share Transaction.

Even if some shareholders other than the Standby Purchasers exercise their subscription rights, the Standby Purchasers and the Additional Standby Purchaser will have a substantial ownership interest in our company after the Share Transaction. As a result, the Standby Purchasers and the Additional Standby Purchaser will have the voting power to significantly influence the election of our Board of Directors and the approval of other matters presented for consideration by the shareholders, which could include mergers, acquisitions, amendments to our charter and various corporate governance actions.

Under our senior credit facility, a change of control is deemed to have occurred when any person or group of persons acquires beneficial ownership of 30% or more on a fully-diluted basis of the voting and/or economic interest in our common stock. Upon the occurrence of a change of control, pursuant to the senior credit facility, the holders of a majority of the commitments thereunder may (a) terminate all commitments; (b) declare the principle of and any accrued interest in respect to all loans due and payable; (c) enforce any and all liens and security interests created under the senior credit facility; (d) terminate any letter of credit; or (e) exercise any rights and remedies provided to the agent under the senior credit facility documents or at law or equity.

The indentures for our senior secured notes and convertible notes define a change in control to include, among other things, the acquisition by any person or group of persons of direct or indirect beneficial ownership of shares representing more than 50% of the aggregate voting power of our common stock. If a change in control were to occur, the holders of the notes would have the right to require us to repurchase all or any part of their notes at a purchase price equal to 101% of the principal amount thereof for the senior notes and the principal amount for the convertible notes, plus accrued and unpaid interest, if any, to the date of purchase and any unpaid liquidated damages on the convertible notes.

Although the Standby Agreement contain prohibitions on the Standby Purchasers and the Additional Standby Purchaser purchasing shares in the Share Transaction which would cause a change of control under the senior credit facility or a change in control under the senior notes and convertible notes, there can be no assurance that the Standby Purchasers or the Additional Standby Purchaser will not purchase additional securities or form groups in the future which would cause a change of control to occur and, if a change of control were to occur, it would have a material adverse effect on our financial condition.

We have 61,500,000 shares of common stock authorized for issuance and, in order to enable us to proceed with the Share Transaction, are seeking shareholder approval for the issuance of an additional 38,500,000 shares of common stock. The use of these authorized shares for the Share Transaction will reduce the number of shares available for other issuances.

Reasons for Soliciting Shareholder Approval

Our common stock trades on the Nasdaq Global Market. Under Nasdaq Marketplace Rules, we are required to obtain shareholder approval of the Standby Agreement and the transactions contemplated by such agreement, including the issuance of common stock pursuant to the Standby Agreement. Nasdaq requires shareholder approval in a transaction (other than a public offering) involving the issuance or potential issuance of common stock (or securities convertible into common stock) equal to 20% or more of the common stock outstanding before the issuance for less than the greater of book or market value and when our issuance of

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common stock would result in a change of control. The Subscription Price is less than the book value of the common stock and depending on the number of shares purchased by existing holders in the Rights Offering, we could issue a number of shares of common stock pursuant to the Share Transaction that is greater than 20% of the currently outstanding shares of common stock. The Share Transaction could also result in a change of control of our company as defined under Nasdaq's rules. Accordingly, we are seeking shareholder approval of the Share Transaction.

Consequences if the Share Transaction is Not Approved by the Shareholders

If the Share Transaction is not approved by the requisite vote of our shareholders, the Standby Purchasers will have the right to terminate the Standby Agreement. If the Standby Purchasers terminate the Standby Agreement under such circumstances, we would be obligated to provide to the Standby Purchasers the option to purchase the Additional Subscription Shares equal to up to the Partial Option, at a purchase price of \$4.50 per share. In such event, we would be required to seek alternative sources of liquidity to satisfy our ongoing operations, restructuring plans and capital expenditures and we may not be able to obtain such alternative source of liquidity on commercially reasonable terms, if at all. If we were unable to generate such additional liquidity it would have a material adverse impact on our financial condition and would adversely affect the price of our common stock.

Required Vote

The affirmative vote of a majority of the votes cast by the holders of the shares of common stock present in person or represented by proxy at the annual meeting and entitled to vote on this proposal, voting together as a single class, is required to approve this proposal.

The Board of Directors recommends a vote FOR the proposal to approve the Share Transaction.

PROPOSAL 3 *A PROPOSAL TO AMEND OUR CERTIFICATE OF INCORPORATION TO INCREASE OUR AUTHORIZED SHARES OF COMMON STOCK TO 100,000,000 AND THE AGGREGATE NUMBER OF SHARES OF CAPITAL STOCK TO 101,000,000*

The Board of Directors has approved, subject to shareholder approval (a) an amendment to our Certificate of Incorporation that would increase the number of shares of common stock which we would have authority to issue from 61,500,000 shares to 100,000,000 shares and to make a corresponding change in the aggregate number of shares of all classes of stock which we have authority to issue to 101,000,000. If approved by our shareholders, the increase in authorized common stock (and the corresponding increases in the aggregate number of shares of all classes of stock) would become effective as soon as reasonably practicable after the annual meeting by filing a certificate of amendment to our Certificate of Incorporation with the Delaware Secretary of State.

Our current authorized common stock is 61,500,000 shares. As of the Record Date, there were 24,560,586 shares of common stock issued and outstanding, 6,250,000 warrants issued and issuable pursuant to our 2004 plan of reorganization covering 6,250,000 shares of common stock, 3,125,000 (proposed to be increased as described in Proposal 4) shares of common stock reserved for issuance under our 2004 Stock Incentive Plan for directors, employees and consultants and 3,454,231 shares of common stock reserved for issuance upon the conversion of the convertible notes. Based on the number of outstanding and reserved shares of common stock described above, we currently have approximately 24,110,183 shares of common stock remaining available for issuance. In addition, we are required to issue shares of common stock under our 2004 plan of reorganization to holders of disputed prepetition unsecured claims as such claims are resolved and may be required to issue additional shares to holders of prepetition secured claims if our reserve for unsecured claims is exceeded.

The Share Transaction, if approved and completed, will require us to issue 35,714,285 additional shares of common stock and will trigger anti-dilution adjustments to the convertible notes and the outstanding warrants which will increase the number of shares of common stock issuable upon exercise and conversion of

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such warrants and convertible notes. Accordingly, without an increase in the authorized common stock, we will not have sufficient shares of common stock for the issuance pursuant to the Share Transaction.

The additional shares of common stock authorized would also be available for other issuances for any proper corporate purpose from time to time as determined by our Board of Directors. For example, in addition to the Share Transaction, we may issue shares of common stock in public or private offerings for cash, or for use in our operations and for use as consideration in acquiring other companies or assets with stock.

The proposed increase in authorized shares of common stock is necessary to enable us to complete the Share Transaction. Our Board of Directors also believes the amendment to our Certificate of Incorporation will enhance our flexibility in managing our capitalization, raising capital and structuring appropriate equity compensation. Our Board of Directors determines whether, when and on what terms to issue shares of common stock and preferred stock, including the additional shares proposed to be authorized.

While we do not have any current plans to issue additional equity securities (other than in connection with the Share Transaction, in connection with grants under our present and future equity compensation plans and/or the potential issuance of shares of common stock upon conversion or redemption of the convertible notes or warrants issued pursuant to our 2004 plan of reorganization), and have not entered into any agreement to sell our equity securities at this time (other than as contemplated for the Share Transaction) or to make an acquisition utilizing common stock, our Board of Directors is seeking approval for additional authorized common stock at this time because opportunities requiring prompt action may arise in the future and our Board of Directors believes the delay and expense in seeking shareholder approval for additional authorized common stock could deprive us and our shareholders of the ability to benefit effectively from opportunities and/or cause the loss of attractive acquisitions or financing arrangements.

The additional shares of common stock to be authorized will have rights identical to the currently outstanding common stock. The proposed amendment will not affect the par value of the common stock, which will remain at \$0.01 per share. Under our Certificate of Incorporation, our shareholders do not have preemptive rights to subscribe to additional securities which may be issued by us. This means that current shareholders do not have a prior right to purchase any new issue of our capital stock in order to maintain their proportionate ownership of common stock.

If we issue additional shares of common stock or other securities convertible into common stock in the future, it could dilute the voting rights of existing holders of common stock and could also dilute earnings per share and book value per share. In addition, such issuances could trigger the anti-dilution provisions under our convertible notes or existing warrants.

Consequences if the Amendment to the Certificate of Incorporation to Increase the Authorized Shares of Common Stock is Not Approved by the Stockholders

If Proposal 3 is not approved by the requisite vote of the shareholders, we would not be able to proceed with the Rights Offering as it is currently structured. In such event, we would be required to seek alternative sources of liquidity, and the failure to obtain such liquidity may result in certain adverse effects as described in Proposal 2 above.

In addition, as discussed in Proposal 2 above, the Standby Purchasers would also have the right to terminate the Standby Agreement. If the Standby Purchasers terminate the Standby Agreement under such circumstances, we would be obligated to provide to the Standby Purchasers the option to purchase a number of Additional Subscription Shares up to the Partial Option, at a purchase price of \$4.50 per share.

Required Vote

The affirmative vote of the holders of outstanding shares representing at least a majority of the voting power of all of the shares of our common stock issued and outstanding on the Record Date will be required to approve Proposal 3.

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The Board of Directors recommends a vote FOR the proposal to amend our Certificate of Incorporation.

PROPOSAL 4 A PROPOSAL TO AMEND THE 2004 STOCK INCENTIVE PLAN

The Board of Directors recommends that shareholders approve the amendment of our 2004 Stock Incentive Plan (the 2004 Plan) to (i) if the Share Transaction is consummated, increase the number of shares of common stock which may be issued thereunder from 3,125,000 to 7,125,000, the limit within the Plan for restricted stock and performance awards from 850,000 to 1,900,000 shares and the limit on total option shares over the life of the Plan for any one participant from 600,000 to 1,500,000 or (ii) if the Share Transaction is not consummated, revise such numbers of shares of common stock from 3,125,000 to 5,125,000, restricted stock awards from 850,000 to 1,275,000 and limit on total options over the life of the Plan from 600,000 to 1,050,000.

The 2004 Plan provides for grants of stock options, restricted shares and performance awards to select key management employees, directors and consultants of our company. The 2004 Plan assists us in attracting and retaining valuable executive leadership while providing long-term value to our shareholders. Although all of our employees, directors, consultants and individuals to whom offers of employment are extended are eligible to receive awards under the 2004 Plan, awards are generally limited to approximately 100 executive and management employees and our directors. Since the 2004 Plan was adopted, we have made grants of 1,495,149 options at an average exercise price of \$9.42, 527,198 restricted shares at an average price of \$6.91 and \$4,646,513 in cash performance awards.

The following is a summary of the material terms of the 2004 Plan, but it does not include all of the provisions of the plan. The full text of the 2004 Plan as proposed to be amended is attached as Appendix B to this proxy statement, and the following summary is qualified in its entirety by reference to such Appendix.

Plan Administration

The 2004 Plan is administered by the Compensation Committee of the Board of Directors. The Board of Directors also has the authority to administer the 2004 Plan and to take all actions that the Committee is otherwise authorized to take under the 2004 Plan. The Committee has the authority to determine eligible individuals to whom awards may be granted, the number of shares or options awarded and the fair market value of the shares. The Committee is also responsible for determining the terms and conditions of awards and for approving the form of award agreements. The Committee has the authority to interpret the 2004 Plan, to prescribe, amend and rescind rules and procedures relating to the 2004 Plan and to make all other determinations necessary or advisable for the administration of the 2004 Plan. The Committee may delegate authority to administer the 2004 Plan to reporting persons, officers or employees of our company or its affiliates, subject to the applicable law and the restrictions set forth in the 2004 Plan.

The Board of Directors retains the right to add additional members or replace members of the Committee with or without cause at any time.

Limits on Plan Awards

If the amendment to the 2004 Plan is approved and the Share Transaction is consummated, a maximum of 7,125,000 shares of our common stock will be available for grants of all equity awards under the 2004 Plan, all of which may be granted as incentive stock options. This represents approximately 11.8% of our diluted common shares after the Share Transaction. If the amendment to the 2004 Plan is approved, but the Share Transaction is not consummated, the maximum would instead be 5,125,000, or approximately 8.5% of our current diluted common shares. In either case, the Board of Directors believes that the increased number represents a reasonable amount of potential equity dilution. The maximum number is subject to adjustment in the event of a stock split, reverse stock split, stock dividend, combination, recapitalization or reclassification or other increase or decrease in the number of

issued shares of common stock without receipt of consideration by our company. In the event of any of these occurrences, the Committee may make such adjustments that it

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determines to be necessary to prevent dilution or enlargement of benefits intended to be made available under the 2004 Plan.

If the amendment is approved and the Share Transaction is consummated, we will be able to issue up to 1,900,000 shares of common stock pursuant to awards in the form of restricted shares and performance awards and during the term of the 2004 Plan, no participant may receive options for more than 1,500,000 shares (increased from 600,000 by the amendment) and no participant may receive performance awards in a performance period that together exceed 600,000 shares and \$2,000,000 in cash. If the amendment is approved, but the Share Transaction is not consummated, the 1,900,000 limit would only be increased to 1,275,000 and the 1,500,000 limit would only be increased to 1,050,000.

Shares delivered under the 2004 Plan may be authorized but unissued shares or shares that we have reacquired or otherwise hold in treasury. To the extent that any award payable in shares of common stock expires, is forfeited, is cancelled, becomes unexercisable or for any other reason is not paid or delivered under the 2004 Plan, the shares subject to that award may be used for subsequent awards to the extent not prohibited by applicable law. Any shares withheld from a participant as full or partial payment to our company of the exercise price or the tax withholding upon grant, exercise, vesting or distribution of an award may also be used for future awards under the 2004 Plan.

Eligibility and Participation

Employees of our company and its affiliates, directors of our company and its affiliates, consultants and non-employees to whom an offer of employment has been extended are eligible to receive grants under the 2004 Plan. However, only employees (including officers who are employees) may receive grants of incentive stock options. The Committee determines who will receive awards, the number of shares of common stock subject to each award, the price (if any) to be paid for the award and all other terms of the award.

As described under *Governance of the Company* *Board Compensation*, each non-employee director of our company is currently awarded stock options valued at \$20,000 and restricted shares valued at \$20,000, on an annual basis.

Types of Awards Available under the 2004 Plan

The type of awards available under the 2004 Plan include stock options, restricted shares and performance awards.

Stock Options

Stock options granted under the 2004 Plan may be either non-qualified stock options or incentive stock options qualifying under Section 422 of the Internal Revenue Code of 1986, as amended. Incentive stock options may be granted only to employees of our company and its affiliates. Stock options granted under the 2004 Plan will vest on the schedule determined by the Committee. The Committee may accelerate the vesting of stock options under certain circumstances. Most of the awards which have been granted under the 2004 Plan to date have a three-year vesting schedule, all of which are subject to shareholder approval. To the extent that the aggregate fair market value of shares of common stock underlying incentive stock options exceeds \$100,000 when those options first become exercisable by a participant in any calendar year, the options in excess of \$100,000 will be treated as non-qualified stock options.

The exercise price of any stock option granted under the 2004 Plan may not be less than the fair market value of our common stock on the date the option is granted. However, with respect to incentive stock options granted to employees who own stock representing more than 10% of the combined voting power of all classes of stock of our company or any affiliate, the exercise price may not be less than 110% of the fair market value of our common stock on the date the option is granted. The Committee may allow the exercise price to be paid in cash or check, with other

shares of our common stock or through a cashless exercise program using a broker-dealer.

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The Committee will determine the term of each stock option granted under the 2004 Plan. The Committee has discretion to provide for a term of up to ten years. However, for incentive stock options granted to employees who own stock representing more than 10% of the combined voting power of all classes of stock of our company or any affiliate, the term of the option may not exceed five years.

To the extent the award agreement governing a grant does not specify the terms and conditions upon which a stock option will terminate in the event of the termination of a participant: (1) if a termination results from disability within the meaning of Section 22(e)(3) of the Internal Revenue Code of 1986, as amended, the participant may exercise the option at any time within one year following the termination, to the extent the participant was entitled to exercise the option at the date of termination; (2) if a termination results from the participant's death, or if death of the participant occurs within thirty days following the termination, the participant's estate or person with rights to exercise the option may exercise the option at any time within one year following the date of the participant's death, to the extent the option had vested at the date of the participant's death or termination, as applicable; (3) if the participant is terminated for cause, the right to exercise the option is immediately forfeited and considered null and void; and (4) if a termination occurs for any other reason, the participant may exercise the option at any time within 90 days following the termination, to the extent the participant was entitled to exercise the option at the date of termination.

No stock option granted under the 2004 Plan may be re-priced or surrendered in exchange for a replacement option having a lower exercise price except in connection with a stock split, stock dividend or similar event in order to prevent dilution or enlargement of benefits intended to be made available under the 2004 Plan.

Restricted Shares

Restricted shares represent shares of our common stock. The Committee determines the terms and conditions under which restricted shares vest. Prior to the lapse of any restrictions with respect to restricted shares, we issue stock certificates evidencing the shares that bear a legend referencing the applicable restrictions. These restricted shares and any dividends that accrue on the shares are held by our company or a third party designated by our company until the restricted shares vest. Upon the vesting of restricted shares and the participant's satisfaction of any applicable tax withholding requirements, we release to the participant, free of any restrictions, one share of our common stock for each restricted share, but will pay cash in lieu of fractional shares. Subject to the Committee's discretion, following the vesting of restricted shares, the participant may be eligible to receive cash dividends, simple interest and any stock dividends with respect to the vested shares which were declared and paid between the grant date and the vesting date.

Performance Awards

Performance awards may be granted in the discretion of the Committee and such awards may be designated by the Committee as performance compensation awards which constitute qualified performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended. With respect to each performance compensation award, the Committee establishes: (1) a performance period (of not less than one fiscal year) over which the attainment of the selected performance measure is measured; (2) a performance measure to gauge the performance of our company or a business unit, which, whether in absolute or relative terms including, without limitation, terms relative to a peer group or index, may be based on basic, diluted, or adjusted earnings per share; sales or revenue; earnings before interest, taxes, and other adjustments (in total or on a per share basis); basic or adjusted net income; returns on equity, assets, capital, revenue or similar measure; economic value added; working capital; total shareholder return; and product development, product market share, research, licensing, litigation, human resources, information services, mergers, acquisitions, sales of assets of affiliates or business units. Each such measure shall be to the extent applicable, determined in accordance with generally accepted accounting principles as consistently applied by our company (or such other standard applied by the Committee) and, if so determined by the Committee, and in the case of a performance compensation award, to the extent permitted under Internal Revenue Code

Section 162(m), adjusted to omit the effects of extraordinary items, gain or loss on the disposal of a business segment, unusual or infrequently occurring events and transactions and cumulative effects of changes in

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accounting principles. Performance measures may vary from performance period to performance period and from participant to participant, and may be established on a stand-alone basis, in tandem or in the alternative; or (3) a performance formula for purposes of determining whether an award has been earned based on the level of performance attached with respect to a performance measure. The participant will be eligible to receive payment on a performance compensation award to the extent the performance measures are achieved and the performance formula as applied against the performance measures determine that the award has been earned for the relevant performance period.

Effect of Change in Control

In the event of a change in control (as such term is defined in the 2004 Plan), the Committee has the discretion, without the need for further approval, to make arrangements for the successor corporation to assume or provide a substantially similar substitution for awards that have been granted, to accelerate the vesting for awards, to arrange for payment in exchange for cancellation of awards or make other modifications to the awards that the Committee deems necessary. If the awards are assumed or substituted by the successor corporation and the participant is involuntarily terminated within twelve months following the change in control, all of the participant's awards will become fully vested and, with respect to options, fully exercisable.

Limited Transferability

Awards granted under the 2004 Plan, including awards of restricted shares with restrictions that have not lapsed, generally may not be sold, pledged or otherwise transferred other than by will or by the laws of descent and distribution. However, the Committee may provide that an award (other than an incentive stock option) may be transferred to a member of the participant's immediate family, to an inter vivos or testamentary trust for the benefit of designated beneficiaries or by gift to charitable institutions.

Term, Amendment and Termination of the 2004 Plan

The 2004 Plan continues in effect for a term of ten years from the September 7, 2004 effective date, unless earlier terminated by the Board of Directors. The Board of Directors may from time to time amend, discontinue or terminate the 2004 Plan, subject to applicable law requiring shareholder approval. No amendment, suspension or termination of the 2004 Plan will materially and adversely affect any outstanding award without the consent of the participant, unless such amendment, suspension or termination relates to an adjustment necessary in connection with a change in control, dissolution, liquidation or change in capitalization.

New Plan Benefits

Because future awards under the 2004 Plan are granted in the discretion of the Committee, the type, number, recipients and other terms of such awards cannot be determined at this time. For fiscal 2006 (net of forfeitures) 603,038 options were granted and 246,654 restricted shares granted to our executive officers as a group; 28,252 options were granted and 39,711 restricted shares were granted to our non-executive directors as a group; and 280,791 options were granted and 103,925 restricted shares were granted to all of our non-executive employees as a group. Awards of options under the 2004 Plan which were granted to our named executive officers during fiscal 2006 are summarized under Executive Compensation Summary Compensation Table. All of the foregoing awards of restricted shares were approved by the Compensation Committee.

Certain Federal Income Tax Consequences of the 2004 Plan

The following is a brief summary of the United States federal income tax rules relevant to options issued under the 2004 Plan, based upon the Internal Revenue Code as currently in effect. These rules are highly technical and subject to change in the future. Because federal income tax consequences will vary as a result of individual circumstances, grantees should consult their personal tax advisors with respect to the tax consequences associated with stock options. Moreover, the following summary relates only to grantees

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United States federal income tax treatment, and applicable state, local and foreign tax consequences may be substantially different.

Non-Qualified Stock Options. Upon the grant of a non-qualified stock option, a grantee will not recognize any taxable income, and we will not be entitled to a deduction. Upon the exercise of a non-qualified option, the grantee will recognize ordinary income, subject to wage and employment tax withholding, equal to the excess of the fair market value of the common stock acquired on the date of exercise over the exercise price. We will be entitled to a deduction equal to the compensation taxable to the grantee.

If a grantee sells common stock acquired upon the exercise of a non-qualified option, the grantee will recognize capital gain or loss equal to the difference between the selling price of the stock and its fair market value on the date of exercise. The capital gain or loss will be long- or short-term, depending on whether the grantee has held the stock for more than one year. In any event, we will not be entitled to a deduction with respect to any capital gain recognized by the grantee.

Short-term capital gains are generally subject to the same federal income tax rate as ordinary income. The current maximum rate for ordinary income is 35%. Long-term capital gains are generally subject to a maximum rate of 15% for shares held for more than one year. Capital losses on the sale of stock acquired upon an option's exercise may be used to offset capital gains. If capital losses exceed capital gains, then up to \$3,000 of the excess losses may be deducted from ordinary income. Remaining capital losses may be carried forward to future tax years.

Incentive Stock Options. A grantee will not recognize taxable income on the grant or exercise of an incentive stock option. However, the excess of the common stock's fair market value on the option exercise date over the exercise price will be included in the grantee's alternative minimum taxable income. The grantee may thereby become subject to an alternative minimum tax, which may be payable even though the grantee does not receive any cash upon the option's exercise with which to pay the tax.

Upon the sale of common stock acquired upon exercise of an incentive stock option, the grantee will recognize long-term capital gain or loss, measured by the difference between the stock's selling price and the option exercise price, so long as he or she has held the stock more than one year after the date of exercise and more than two years after the date of grant. We will not be entitled to any deduction because of the grant or exercise of an incentive stock option, or because of the sale of stock received upon exercise of an incentive stock option after the required holding periods have been satisfied.

However, if a grantee disposes of common stock acquired upon exercise of an incentive stock option before the required holding periods have expired, including through the delivery of any shares of the stock in payment of all or part of the exercise price of an incentive stock option, the grantee will recognize taxable ordinary income in an amount equal to the difference between the option's exercise price and the lesser of (i) the common stock's fair market value on the date of exercise and (ii) the selling price. We will be allowed a corresponding deduction equal to the amount of compensation taxable to the grantee. If the selling price of the stock exceeds the fair market value on the exercise date, the excess will be taxable to the grantee as long- or short-term capital gain, depending on whether the grantee held the stock for more than one year. We will not be allowed a deduction with respect to any capital gain of this nature recognized by the grantee.

Restricted Stock Awards. A participant will not recognize taxable income at the time of the grant of a restricted stock award, and we will not be entitled to a tax deduction at such time, unless the participant makes an election to be taxed at the time such restricted stock award is granted. If such election is not made, the participant will recognize taxable income at the time the restrictions lapse in an amount equal to the excess of the fair market value of the shares at such time over the amount, if any, paid for such shares. The amount of ordinary income recognized by a participant by

making the above-described election or upon the lapse of the restrictions is deductible by us, as compensation expense, except to the extent the limit of Section 162(m) applies. In addition, a participant receiving dividends with respect to shares subject to a restricted stock award for which the above-described election has not been made and prior to the time the restrictions lapse will recognize taxable compensation (subject to income tax withholding for our employees), rather than dividend

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income, in an amount equal to the dividends paid and we will be entitled to a corresponding deduction, except to the extent the limit of Section 162(m) applies.

Effect of Rule 16b-3(d)(3) under the Exchange Act. The tax consequences of either non-qualified stock options or incentive stock options may vary for those directors and executive officers who are subject to the short-swing trading restrictions of Section 16(b) of the Securities Exchange Act of 1934, if those persons are exempted from these restrictions solely in reliance upon the six-month holding provision of Rule 16b-3(d)(3). In general, a participant that falls into this category will recognize income, or begin applicable holding periods, on the later of (i) the date of exercise and (ii) the date six months after the option grant date, unless the participant files an election with the Internal Revenue Service under Section 83(b) of the Internal Revenue Code within 30 days of the date of exercise. Under the election, a grantee elects to recognize income on the exercise date, based on the common stock's fair market value on that date, and the grantee's holding period begins on such date.

Transfer of Option to Family Members. Under the 2004 Plan, the Committee may permit transfers of non-qualified stock options through gifts to grantees' family members, although incentive stock options are not allowed to be transferable to family members other than by will or the laws of descent and distribution. A grantee will not recognize taxable income on the transfer of a non-qualified stock option to a member of the grantee's family. However, when the transferee of the option exercises the option, the grantee will recognize ordinary income, subject to wage and employment tax withholding, equal to the excess of the fair market value of the common stock acquired by the transferee of the option on the date of exercise over the exercise price. We will be entitled to a deduction equal to the grantee's ordinary income. The transferee of the option will have a capital gain or loss upon a subsequent sale of the stock in an amount equal to the sale price less the fair market value of the stock on the date the option was exercised. Any capital gain recognized by the transferee will be long-term capital gain if the transferee has held the stock for more than one year after the exercise date.

For gift tax purposes, the transfer of an option constitutes a completed gift on the date the grantee transfers the option if the option is exercisable and the stock that would be received on exercise would not be subject to restrictions. Otherwise, the transfer of an option will not constitute a completed gift until the first date that both of these conditions are satisfied. For estate tax purposes, a transferred option is not included in the grantee's estate unless, on the date of the grantee's death, the transferred option is not exercisable or the stock that would be received on exercise would be subject to restrictions.

The Board of Directors recommends a vote FOR the proposal to amend our 2004 Stock Incentive Plan.

PROPOSAL 5 *A PROPOSAL TO RATIFY THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY'S INDEPENDENT AUDITORS FOR FISCAL 2007*

The Audit Committee selects our independent auditors. This proposal is put before the shareholders because, though the shareholder vote is not binding on the Audit Committee, the Board of Directors believes that it is good corporate practice to seek shareholder ratification of the Audit Committee's appointment of the independent auditors. If the appointment of PricewaterhouseCoopers LLP is not ratified, the Audit Committee will evaluate the basis for the shareholders' vote when determining whether to continue the firm's engagement, but may ultimately determine to continue the engagement of the firm or another audit firm without re-submitting the matter to shareholders. Even if the appointment of PricewaterhouseCoopers LLP is ratified, the Audit Committee may in its sole discretion terminate the engagement of the firm and direct the appointment of another independent auditor at any time during the year.

Representatives of PricewaterhouseCoopers LLP are expected to attend the 2006 annual meeting and to respond to appropriate questions from shareholders present at the meeting and will have an opportunity to make a statement if they desire to do so.

Table of Contents**Fees of Independent Public Accountants for Fiscal 2006 and 2005**

The following table presents fees for professional services rendered by PricewaterhouseCoopers LLP for the audit of our annual financial statements and internal control over financial reporting for fiscal 2006 and fiscal 2005, together with fees for audit-related services and tax services rendered by PricewaterhouseCoopers LLP for fiscal 2006 and fiscal 2005.

	Fiscal 2006	Fiscal 2005
(1) Audit Fees(a)	\$ 7,946,183	\$ 7,418,229
(2) Audit-related fees(b)	362,128	436,404
(3) Tax fees(c)		11,163
(4) All other fees(d)		19,083

- (a) Fees for professional services performed by PricewaterhouseCoopers LLP for the audit of our annual financial statements and review of financial statements included in our Form 10-Q filings, and services that are normally provided in connection with statutory regulatory filings or engagements. Fees for fiscal 2006 also included \$2,964,459 for the audit of our internal control over financial reporting. Fees for fiscal 2005 also included \$2,999,851 and \$547,882 for the audit of our internal control over financial reporting and Fresh Start accounting, respectively.
- (b) Fees for assurance and related services performed by PricewaterhouseCoopers LLP that are reasonably related to the performance of the audit or review of our financial statements, including employee benefit plan audits.
- (c) Fees for professional services performed by PricewaterhouseCoopers LLP with respect to compliance and tax consulting.
- (d) For fiscal 2005, fees related to pension advice, as well as advice regarding subsidiary management matters.

All audit, audit-related and tax services were pre-approved by the Audit Committee, which concluded that the provision of such services by PricewaterhouseCoopers LLP was compatible with the maintenance of that firm's independence in the conduct of its auditing functions. The Audit Committee's charter provides that individual engagements must be separately approved. The policy also requires specific approval by the Audit Committee if total fees for audit-related and tax services would exceed total fees for audit services in any fiscal year. The policy authorizes the Audit Committee to delegate to one or more of its members pre-approval authority with respect to permitted services.

Pursuant to the Audit Committee charter, the Audit Committee must approve all audit engagement fees and other significant compensation to be paid to the independent auditor and the terms of such engagement. Additionally, the Audit Committee must pre-approve any non-audit services to be provided to our company by the independent auditor. Based on the fees disclosed above, approximately 37% of PricewaterhouseCoopers' fees approved by the Audit Committee related to audit of our internal control over financial reporting for the fiscal year ended March 31, 2006.

The Board of Directors recommends a vote FOR the ratification of the appointment of PricewaterhouseCoopers LLP as our company's independent auditors for fiscal 2007.

OTHER MATTERS

As of the date of this proxy statement, we know of no business that will be presented for consideration at the 2006 annual meeting other than the items referred to above. If any other matter is properly brought before the meeting for action by shareholders, proxies in the enclosed form returned to us will be voted in accordance with the recommendation of the Board of Directors or, in the absence of such a recommendation, in accordance with the best judgment of the proxy holders.

GOVERNANCE OF THE COMPANY

Our company is committed to maintaining the highest standards of business conduct and corporate governance, which we believe is essential to running its business efficiently, serving our shareholders well and

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maintaining our integrity in the marketplace. We have adopted a *Code of Ethics and Business Conduct* for directors, officers (including the principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions) and all of our employees. We have also adopted *Corporate Governance Guidelines*, which, in conjunction with our company's Certificate of Incorporation, Bylaws and committee charters form the framework for our company's governance. Our *Corporate Governance Guidelines* and *Code of Ethics and Business Conduct* are available on the Investor Relations page of our website <http://www.exide.com>. Shareholders may request free printed copies of the *Code of Ethics and Business Conduct* from:

Exide Technologies
13000 Deerfield Parkway
Building 200
Alpharetta, Georgia 30004
Attn: Corporate Secretary

Board of Directors Committees and Meetings

The members of the Board of Directors on the date of this proxy statement, and the committees of the Board of Directors on which they currently serve, are identified below.

Director	Compensation Committee	Audit Committee	Nominating and Corporate Governance Committee	Finance Committee
Michael R. D Appolonia	Chair			Member
Mark C. Demetree	Member			
David S. Ferguson	Member		Member	
Phillip M. Martineau		Member	Member	
John P. Reilly, Chairman	Member			
Michael P. Ressner		Chair		Member
Gordon A. Ulsh				
Carroll R. Wetzel		Member	Chair	Chair

The Board of Directors met 33 times during fiscal 2006. Each director attended at least 75% of all meetings of the Board of Directors and committees on which he served. Under our *Corporate Governance Guidelines*, each director is expected to attend Board of Directors meetings on a regular basis. Directors are also encouraged to attend the annual meeting of stockholders. All but one of our directors (and all of our current directors) attended the 2005 annual meeting.

The Board of Directors has Audit, Nominating and Corporate Governance, Compensation and Finance Committees. Each of the committees operates under a written charter adopted by the Board of Directors. All of the committee charters are available on the Investor Relations page of our website at <http://www.exide.com>. A free printed copy of each of these charters are available to any shareholder who requests it from the address listed under the heading Governance of the Company.

Audit Committee

The Audit Committee met 21 times during fiscal 2006. The purpose of the Audit Committee is to assist the Board of Directors in overseeing the accounting and financial reporting processes and the audits of our financial statements. The Audit Committee's primary duties and responsibilities are to:

monitor the integrity of our financial reporting process and systems of internal controls regarding finance, accounting and legal compliance;

appoint, approve and monitor the independence, services, performance and compensation of our independent auditors and internal audit services;

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provide an avenue of communication among the independent auditors, our disclosure committee, management, employees, the internal audit function and the Board of Directors;

review and approve, as appropriate, related party transactions for potential conflict of interest situations;

prepare the audit committee report that the rules of the SEC require to be included in our annual proxy statement; and

monitor and approve the scope of our internal audit plan and work program and coordinate our internal and external audits.

In September 2005, the Board of Directors determined that all of the members of the Audit Committee are independent within the meaning of SEC regulations, the listing standards of the Nasdaq Global Market and our *Corporate Governance Guidelines*. The Board of Directors has determined that Mr. Ressler, the chair of the Audit Committee, is qualified as an audit committee financial expert within the meaning of Commission rules, and that he has financial sophistication within the meaning of the listing standards of the Nasdaq Global Market.

The report of the Audit Committee is included herein under the heading Report of the Audit Committee. The charter of the Audit Committee is available on our website listed above.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee met six times during fiscal 2006. The purpose of the Nominating and Corporate Governance Committee is to assist the Board of Directors in identifying qualified individuals to serve as executive officers and directors on the Board of Directors. The primary duties and responsibilities of the Nominating and Corporate Governance Committee are to:

establish criteria for selecting new directors, identify individuals qualified to become members of the Board of Directors members based on these criteria and recommend to the Board of Directors for its consideration such individuals as nominees to the Board of Directors;

coordinate with management major changes in staffing throughout the organization and strategies to achieve employee diversity;

oversee evaluations of the Board of Directors, individual members of the Board of Directors and the committees of the Board of Directors; and

develop, evaluate and make recommendations to the Board of Directors with respect to our corporate governance policies and procedures and *Code of Ethics and Business Conduct*.

The policy of the Nominating and Corporate Governance Committee is to consider individuals recommended by stockholders for nomination as a director in accordance with the procedures described under Stockholder Proposals and Director Nominations for the 2007 Annual Meeting. The Nominating and Corporate Governance Committee will consider all nominees for election as directors, including all nominees recommended by stockholders, in accordance with the mandate contained in its charter. In evaluating candidates, the committee considers the person's judgment, skills, experience, age, independence, understanding of Exide's business or other related industries as well as the needs of the Board of Directors, and will review all candidates in the same manner, regardless of the source of the recommendation. The Nominating and Corporate Governance Committee will select qualified candidates and review

its recommendations with the Board of Directors.

In July 2005, the Board of Directors determined that all of the members of the Nominating and Corporate Governance Committee are independent within the meaning of Commission rules, the listing standards of the Nasdaq Global Market and our *Corporate Governance Guidelines*.

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Compensation Committee

The Compensation Committee met 15 times during fiscal 2006. The purpose of the Compensation Committee is to assist the Board of Directors in fulfilling its oversight responsibilities with respect to compensation. The Compensation Committee's primary duties and responsibilities are to:

oversee the administration of our compensation plans, in particular our incentive compensation and equity-based plans;

develop and recommend to the Board of Directors total compensation for our Chief Executive Officer and determine compensation for all other executive officers, including oversight of the administration of our executive benefit plans; and

prepare the Compensation Committee report to be included in the annual proxy statement as required by the rules of the SEC.

In July 2005, the Board of Directors determined that all of the members of the Compensation Committee are independent within the meaning of Commission regulations, the listing standards of The Nasdaq Global Market and our *Corporate Governance Guidelines*.

Finance Committee

The Finance Committee met four times during fiscal 2006. The purpose of the Finance Committee is to assist the Board in reviewing and making recommendations to the Board regarding our senior debt financing facility and alternatives thereto, and regarding any other appropriate matters at the request of the Board on an ad-hoc basis.

Compensation Committee Interlocks and Insider Participation

None of the members of the Compensation Committee during fiscal 2006 or as of the date of this proxy statement is or has been an officer or employee of our company or any of its subsidiaries. No interlocking relationship exists between the members of our company's Board of Directors or Compensation Committee and the Board of Directors or compensation committee of any other company.

Board of Directors Compensation

Each non-employee director receives an annual retainer of \$40,000 payable prospectively in quarterly cash installments. Additionally, the Chairman of the Board of Directors receives an annual retainer of \$50,000 payable prospectively in quarterly installments. The Chairman of the Audit Committee receives an additional annual retainer of \$15,000, the Chairmen of the Compensation Committee and the Finance Committee each receive annual retainers of \$10,000 and the Chairman of the Nominating and Corporate Governance Committee receives an annual retainer of \$3,000, each paid prospectively in quarterly installments. Each member of our Board of Directors also receives \$2,000 for each board or committee meeting attended in person and \$1,000 for each board or committee meeting attended telephonically.

Each non-employee director receives an annual grant of options and restricted shares each equal to \$20,000, based on the average of the high and low trading prices of our stock averaged over the ten trading days prior to the date of grant. These options and restricted shares have a one-year vesting period. On October 14, 2005 each of the directors was awarded options to purchase 5,673 shares of common stock at \$4.955 per share and 4,036 restricted shares.

Directors who are also employees of our company receive no additional compensation for service as a director. Additionally, we do not provide retirement benefits to non-employee directors under any current program.

REPORT OF THE AUDIT COMMITTEE

The following Report of the Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other filing under the Securities Act of 1933 or the Securities

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Exchange Act of 1934, notwithstanding any general statement contained in any such filing incorporating this proxy statement by reference, except to the extent we specifically incorporate this Report by reference therein.

Purpose

The purpose and authority of the Audit Committee are specified in its charter, which is described above.

Independent Auditor Communications

The Committee discussed with the independent auditors matters required to be discussed pursuant to *Statement on Auditing Standards No. 61 (Communication with Audit Committees)*, including management judgments and accounting estimates, as well as whether there were any significant audit adjustments, any disagreements with management or any difficulties encountered in performing the audit. The Committee also discussed with PricewaterhouseCoopers LLP matters relating to its independence, which discussion included a review of the firm's audit and non-audit fees, as may be modified or supplemented. In connection with such discussions, the Committee received the written disclosures and letter from PricewaterhouseCoopers LLP required by *Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees)*.

Internal Controls

During fiscal 2006, the Committee discussed with management the scope and progress of management's evaluation of our internal controls over financial reporting under Section 404 of the Sarbanes-Oxley Act. The Committee also discussed with the independent auditors the status of its testing of internal controls over financial reporting and whether any deficiencies existed.

Review of Periodic Reports

The Committee reviewed with management and the independent auditors each of our quarterly and annual reports for fiscal 2006, including our audited financial statements, which review included a discussion regarding accounting principles, practices and judgments. The Committee also reviewed and discussed with management the earnings press releases accompanying such quarterly and annual reports.

Audited Financial Statements

As a result of its review of the audited financial statements, as well as its discussions with management and the independent auditors, the Committee recommended to the Board of Directors that our audited consolidated financial statements be included in our Annual Report on Form 10-K for fiscal 2006 for filing with the SEC.

Members of the Audit Committee

Michael P. Ressner, Chairman
Philip M. Martineau
Carroll R. Wetzel

REPORT OF THE COMPENSATION COMMITTEE

The following Report of the Compensation Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, notwithstanding any general statement contained in any such filing incorporating this proxy

statement by reference, except to the extent we specifically incorporate this Report by reference therein.

The Compensation Committee of the Board of Directors has furnished the following report on executive compensation for fiscal 2006.

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Philosophy and Components of Executive Compensation

The Committee's primary objective is to have an executive compensation program that attracts, motivates and retains a strong leadership team that is rewarded based on our financial objectives and increasing shareholder value. The program targets a base compensation that is between the 50th and 75th percentiles of market while also providing executives with the opportunity to earn total cash compensation which is also higher than the market average based upon their individual contribution to us attaining our growth and profit objectives. A core strategy of the executive compensation program is to link compensation to our overall performance, the performance of our various business units and the performance of individual executives. The Committee also strives to ensure that the amount of each executive's incentive compensation increases directly with the level of that executive's responsibility. Each year, internal and external consultants review the executive compensation philosophy and components to ensure competitiveness in the marketplace and current company climate. Although a yearly review is conducted on the values and metrics, the core components of compensation for our executive officers include a base salary, a short-term incentive plan (or annual cash bonus) and a long-term incentive plan (for equity compensation), each of which are described below.

Base Salary

Each year, the Committee, upon management's recommendation, reviews the base salaries for our executive officers and makes recommendations to the Board of Directors regarding the salary of the Chief Executive Officer. The Committee recommends base salary modifications for the executive officers based on several factors including individual performance, current market conditions, years of experience, industry-specific experience, national and local salaries of comparable positions (internally and externally), and level of responsibility. Consistent high performance will enable the individual to obtain a salary above the prevailing market rate. If the market rate is higher than current company salaries and if both company conditions and individual performance are favorable, most executives will receive an increase approximately April 1 of each year. Due to adverse company conditions, most senior executive officers did not receive an increase during fiscal 2006.

Short Term Incentive

In May 2002, the Board of Directors adopted an annual cash incentive plan, the Corporate Incentive Plan (CIP), which applies to the Chief Executive Officer, direct reports of the Chief Executive Officer, other senior managers and certain professionals located throughout the world. The CIP's objective is to provide a competitive financial opportunity that will motivate key contributors to achieve or exceed the Company's business plan. The CIP is a goal-driven plan based on the following components: 1) annual financial performance which includes our earnings before interest, taxes, depreciation and amortization (EBITDA) and improvements in working capital and operating cash flow; and 2) the accomplishment of strategic and personal goals, which are evaluated annually under our performance management process.

For senior executive officers, the Committee establishes target bonuses ranging between 30% and 50% of base salary. For the Chief Executive Officer, we established a target bonus at 100% of base salary. The targets are reviewed on a yearly basis as a part of the total cash compensation review. As market conditions remained consistent coupled with fiscal 2006 company performance, bonus targets were not adjusted for fiscal 2006 except that Messrs. Bregman and Reverchon's bonus targets were raised commensurate with other senior executives at the division level.

The Board of Directors may approve discretionary payments under the CIP. Due to overall company performance no payments were made under the CIP to any executive officers listed in the Summary Compensation Table during fiscal 2006, but Mr. Ulsh was awarded a \$375,000 bonus, as required pursuant to his employment contract with us dated April 1, 2005.

Long Term Incentives (Equity Compensation)

On August 30, 2005, the shareholders approved the 2004 Stock Incentive Plan (the 2004 Plan) to provide incentives and awards to certain employees, including the Chief Executive Officer and other senior

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executive officers, directors and certain consultants. The types of awards available under the 2004 Plan include options, restricted shares and performance awards.

The 2004 Plan was created to align the interests of management with the long-term interests of our shareholders and consistent with the business strategy. For fiscal 2006, the Committee, after review with an independent compensation consultant, determined that an allocation of 25% options, 15% restricted shares and 60% cash performance unit awards would provide the appropriate balance of maximizing long-term shareholder value with the goals of compensating executive officers, as well as preserving shares in the 2004 Plan for future grants.

The amount of equity awards granted to each recipient is determined after consultation with the Committees independent consultant and is based on company performance, company standing in the market place, and competitive market data. The value of awards granted under the 2004 Plan ranges from 40% and 200% of the base compensation, depending on the participant's position.

Options

Pursuant to the 2004 Plan, 603,038 options (net of forfeitures) were granted to executive officers in fiscal 2006, representing 68.2% of all options awarded. The options have a three-year vesting period, with one-third of the options vesting on November 29, 2006, one-third vesting on November 29, 2007 and the remaining one-third vesting on November 29, 2008. The option awards are valued using the Black-Scholes model based on outside consultant review and determination of peer companies and their volatility rates and the exercise price was set at the 10-day trailing average closing price of common stock immediately prior to the grant date.

Restricted Shares

Pursuant to the 2004 Plan, 246,654 restricted shares (net of forfeitures) were approved for granting to executive officers in fiscal 2006, representing 70.4% of all shares awarded. These restricted shares have a five-year vesting period, with 20% vesting on November 29 of each year from 2006 through 2010. The number of restricted shares was based on a 10-day trailing average closing price of the common stock immediately prior to the grant date of the awards by the Board of Directors upon recommendations from the Committee.

Performance Awards

The 2004 Plan provides the Committee with the discretion to grant performance awards to participants in the 2004 Plan. Performance awards provide executives with the opportunity to receive payments for meeting certain objective goals established by the Committee during a specified performance period. For fiscal 2006, the Board of Directors established targets based on Consolidated EBITDA and Return on Net Assets payable upon achievement of targets as of March 31, 2008.

Compensation of the Chief Executive Officer

Gordon A. Ulsh, our President and Chief Executive Officer during fiscal 2006, received annual base compensation of \$800,000 and a target bonus of 100% of base salary, which may be greater if justified by performance against goals established by the Committee. For fiscal 2006, Mr. Ulsh was guaranteed a minimum bonus of no less than \$375,000, regardless of whether any performance goals were satisfied. Mr. Ulsh also received a bonus of \$300,000 payable on his first day of employment with our company.

Mr. Ulsh received incentive compensation of 150,000 stock options at a per share exercise price of \$13.22 and 30,000 restricted shares, which are subject to the terms and vesting schedules under the 2004 Plan. Mr. Ulsh also received

replacement equity compensation of 80,000 stock options at a per share exercise price of \$13.22 and 100,000 restricted shares, both of which vest over a three-year period, for equity awards forfeited from his prior employment. Mr. Ulsh was also reimbursed for reasonable expenses incurred in connection with relocating himself and his family to Atlanta, Georgia, which amounted to \$197,765. Mr. Ulsh was entitled to a gross-up payment if any payment is subject to an excise tax under Section 4999 of the

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Internal Revenue Code of 1986, as amended, such that our company shall pay an additional amount to Mr. Ulsh equal to the amount of any exercise tax and any other taxes related thereto.

Increases in annual compensation to Mr. Ulsh are recommended by the Compensation Committee to the Board of Directors. In determining whether to grant any salary increase, the same performance criteria that are applied to executive officers generally are applied to Mr. Ulsh.

Internal Revenue Code Section 162(m) Consideration

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to public corporations for compensation over \$1,000,000 paid for any fiscal year to the corporation's chief executive officer and four other most highly compensated executive officers as of the end of any fiscal year. However, the statute exempts qualifying performance-based compensation from the deduction limit if certain requirements are met.

The Committee designs certain components of executive compensation to ensure full deductibility. The Committee believes, however, that shareholder interests are best served by not restricting the Committee's discretion and flexibility in crafting compensation programs, even though such programs may result in certain non-deductible compensation expenses. Accordingly, the Committee has from time to time approved elements of compensation for certain officers that are not fully deductible, and reserves the right to do so in the future in appropriate circumstances.

Members of the Compensation Committee

Michael R. D Appolonia (Chair)

Mark C. Demetree

David S. Ferguson

John P. Reilly

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The following table sets forth information concerning total compensation earned by or paid to our Chief Executive Officer and four other most highly compensated executive officers of our company who served in such capacities as of March 31, 2006 (the named executive officers) for services rendered to us during each of the past three fiscal years.

Name	Year	Annual Compensation			Long Term Compensation		All Other Compensation(4)
		Salary	Bonus(1)	Other Annual Compensation(2)	Restricted Stock Awards(3)	Underlying Securities Options	
Gordon A. Ulsh President and CEO	2006	\$ 800,000	\$ 675,000	\$ 292,350	\$ 2,056,937	428,925	\$ 29,508
	2005	\$					\$
	2004	\$	\$	\$			\$
Mitchell S. Bregman President, Industrial Americas	2006	\$ 288,000		\$	\$ 47,827	30,118	\$ 17,684
	2005	\$ 288,000	\$	\$ 31,500	\$ 47,100	20,000	\$ 69,230
	2004	\$ 278,668	\$ 69,418	\$ 11,500			\$ 23,874
Neil S. Bright President, Industrial Europe	2006	\$ 338,707	\$	\$	\$ 58,006	36,529	\$ 41,083
	2005	\$ 352,810		\$	47,100	12,500	\$ 97,642
	2004	\$ 352,810	\$ 4,016	\$			\$ 112,608
Phillip A. Damaska Senior Vice President Corporate Controller	2006	\$ 245,000	\$ 5,737	\$ 100,920	\$ 25,406	16,000	\$ 20,003
	2005	\$ 39,169	\$ 25,000	\$ 17,250	\$ 38,400	12,000	\$ 1,958
	2004						
E.J. O Leary President, Transportation North America	2006	\$ 267,292	\$ 100,000	\$ 45,887	\$ 120,506	31,785	\$ 20,415
	2005	\$	\$	\$			\$
	2004	\$	\$	\$			\$
J. Timothy Gargaro Former Executive Vice President and Chief Financial Officer	2006	\$ 262,499		\$ 97,458			\$ 295,709
	2005	\$ 165,802	\$ 50,000	\$ 107,102	\$ 157,000	50,000	\$ 11,188
	2004						
Stuart H. Kupinsky Former Executive Vice President, General Counsel and Secretary	2006	\$ 298,003		\$	\$ 58,120	36,602	\$ 11,019
	2005	\$ 283,250		\$ 145,593	109,900	30,000	\$ 36,407
	2004	\$ 264,583		\$ 11,500			\$ 25,601

(1) Includes annual bonuses under the CIP Plan. Mr. Ulsh received a retention payment of \$300,000 upon commencement of his employment and a fiscal 2006 bonus of \$375,000 pursuant to his employment agreement. Mr. Damaska received a retention payment of \$25,000 upon commencement of his employment, Mr. O Leary received a retention payment of \$100,000 upon commencement of his employment, and Mr. Gargaro received a

retention payment of \$50,000 upon commencement of his employment.

- (2) Payments to Mr. Ulsh in fiscal 2006 included a W-2 tax gross-up of \$78,887, relocation expenses of \$131,098 and a moving allowance of \$66,667. Payments to Mr. Bregman in fiscal 2005 included a lump sum payment of \$20,000 in lieu of any salary action. Payment to Mr. Damaska in fiscal 2006 included relocation costs of \$60,115, and in fiscal 2005 included a W-2 tax gross up of \$15,750. Payments to Mr. O Leary in fiscal 2006 included reimbursed relocation expenses of \$20,836 and a W-2 tax gross-up of \$13,027. Payments to Mr. Gargaro in fiscal 2006 included a W-2 tax gross up of \$26,476 and relocation expenses of \$41,651 and in fiscal 2005 included a moving allowance of \$44,090 and a W-2 tax gross up of \$56,123. Payments to Mr. Kupinsky in fiscal 2005 included a W-2 tax gross up of \$45,816 and relocation expenses of \$14,948.
- (3) The number and value of aggregate restricted share awards as of March 31, 2006, based upon the closing price of our common stock on March 31, 2006 of \$2.86, are as follows: Mr. Ulsh \$659,130;

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Mr. Bregman \$43,209; Mr. Bright \$50,579; Mr. Damaska \$26,976; Mr. O Leary \$72,970; Mr. Gargaro \$28,600 and Mr. Kupinsky \$62,102. Although dividends are otherwise payable on restricted shares under the 2004 Plan, no dividends were declared in fiscal 2005 or 2006. Restricted shares under the 2004 Plan have a vesting schedule, pursuant to which 20% of the restricted shares vest on each anniversary of the grant date over the five-year period following the grant.

- (4) Includes life and accidental death and dismemberment (AD&D) insurance premium payments, matches to the Company's 401(k) Plan, Cash Balance Plan payments and awards under our company's Milestone Restructuring Plan. Payments to Mr. Ulsh include the following: a 401(k) match of \$7,000 in fiscal 2006; Cash Balance Plan payments of \$20,500 in fiscal 2006; and life and AD&D insurance premiums of \$2,008 in fiscal 2006. Payments to Mr. Bregman include the following: a 401(k) match of \$6,300 in fiscal 2006 and \$2,160 in fiscal 2005; life and AD&D insurance premiums of \$884 in fiscal 2006, \$1,084 in fiscal 2005 and \$1,033 in fiscal 2004; Cash Balance Plan payments of \$10,500 in fiscal 2006, \$10,250 in fiscal 2005 and \$9,157 in fiscal 2004; and awards under the Milestone Restructuring Plan of \$55,733 in fiscal 2005 and \$13,684 in fiscal 2004. Payments to Mr. Bright include the following: employer pension payments of \$39,468 in fiscal 2006, \$42,337 in fiscal 2005 and \$50,139 in fiscal 2004; private medical insurance premiums of \$1,615 in fiscal 2006, \$1,733 in fiscal 2005 and \$1,468 in fiscal 2004; and awards under the Milestone Restructuring Plan of \$52,154 in fiscal 2005 and \$61,001 in fiscal 2004. Payments to Mr. Damaska include the following: a 401(k) match of \$7,522 in fiscal 2006; Cash Balance Plan payments of \$11,729 in fiscal 2006 and \$1,958 in fiscal 2005; and life and AD&D insurance premiums of \$752 in fiscal 2006. Payments to Mr. Gargaro include the following: Cash Balance Plan payments of \$7,135 in fiscal 2006 and \$10,790 in fiscal 2005; life and AD&D insurance premiums of \$1,075 in fiscal 2006 and \$398 in fiscal 2005; and severance payments of \$287,500 in fiscal 2006. Payments to Mr. Kupinsky include the following: a 401(k) match of \$6,300 in fiscal 2006; Cash Balance Plan payments of \$10,500 in fiscal 2006, \$10,353 in fiscal 2005 and \$9,756 in fiscal 2004; life and AD&D insurance premiums of \$901 in fiscal 2006, \$1,054 in fiscal 2005 and \$1,054 in fiscal 2004; and awards under the Milestone Restructuring Incentive Plan of \$25,000 in fiscal 2005 and \$14,792 in fiscal 2004.

Table of Contents**Option Grants during Fiscal 2006**

The following table sets forth information with respect to options to purchase common stock granted to the named executive officers under the 2004 Plan during fiscal 2006. The table sets forth:

the number of shares of common stock underlying options granted during fiscal 2006;

the percentage that such options represent of all options granted to employees during fiscal 2006;

the exercise price (which in each case was equal to the closing price of the stock for the ten trading days preceding the date of grant);

the expiration date; and

the hypothetical present value, as of the grant date, of the options under the option pricing model discussed below.

The hypothetical present value of the options as of their date of grant has been calculated using the Black-Scholes option pricing model, as permitted by SEC rules, based upon a set of assumptions set forth in footnote (2) to the table. It should be noted that this model is only one method of valuing options, and the Company's use of the model should not be interpreted as an endorsement of its accuracy. The actual value of the options may be significantly different, and the value actually realized, if any, will depend upon the excess of the market value of the common stock over the option exercise price at the time of exercise.

Name	Number of Options Granted(1)	% of Total Options Granted to Employees in Fiscal Year	Exercise Price (\$/Share)	Expiration Date	Hypothetical Value at Grant Date(2)
Gordon A. Ulsh	150,000	16.0%	\$ 13.22	8/29/15	\$ 1,176,000
	198,925	21.2%	\$ 4.46	11/28/15	\$ 592,747
Mitchell S. Bregman	30,118	3.2%	\$ 4.46	11/28/15	\$ 89,752
Neil S. Bright	36,529	3.9%	\$ 4.46	11/28/15	\$ 108,856
Phillip A. Damaska	16,000	1.7%	\$ 4.46	11/28/15	\$ 47,680
E.J. O Leary	30,000	3.2%	\$ 4.88	8/29/15	\$ 86,700
	1,785	0.2%	\$ 4.46	11/28/15	\$ 5,319
J. Timothy Gargaro		NA	NA	NA	NA
Stuart H. Kupinsky	36,602	3.9%	\$ 4.46	11/28/15	\$ 109,074

(1) The Compensation Committee, which administers the 2004 Plan, has general authority to accelerate, extend or otherwise modify benefits under option grants in certain circumstances within overall plan limits.

(2)

The hypothetical present value at grant date of options granted during fiscal 2006 has been calculated using the Black-Scholes option pricing model, based upon the following assumptions: Risk-Free Interest Rate of 4.5%, Option Term of 10 years and volatility of 0.4050. The approach used in developing the assumptions upon which the Black-Scholes valuations were calculated is consistent with the requirements of Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation*. The options vest in four equal annual installments beginning on the first anniversary of the date of grant, subject to acceleration in certain circumstances.

Table of Contents**Option Exercises and Year End Values**

No stock options were exercised by our named executive officers in fiscal 2006. The following table sets forth information regarding unexercised stock options held by named executive officers as of March 31, 2006. As of March 31, 2006, there were no in-the-money stock options because the exercise price of all outstanding stock options exceeded the market value of our common stock on March 31, 2006 of \$2.86 per share.

Name	Number of Unexercised Options at March 31, 2006	
	Exercisable	Unexercisable
Gordon A. Ulsh	0	428,925
Mitchell S. Bregman	6,667	43,451
Neil S. Bright	4,167	44,862
Phillip A. Damaska	4,000	24,000
E.J. O Leary	0	31,785
J. Timothy Gargaro	16,667	33,333
Stuart H. Kupinsky	10,000	56,602

Long-Term Incentive Plan Awards**LONG-TERM INCENTIVE PLANS AWARDS IN LAST FISCAL YEAR(1)**

Name	Number of Shares/Units(2)	Performance or Other Period	Threshold	Target	Maximum(3)
Gordon A. Ulsh	N/A	03/31/08	\$ 480,000	\$ 1,200,000	\$ 2,000,000
Mitchell S. Bregman	N/A	03/31/08	\$ 86,400	\$ 216,000	\$ 432,000
Neil S. Bright	N/A	03/31/08	\$ 104,791	\$ 261,977	\$ 523,954
Phillip A. Damaska	N/A	03/31/08	\$ 45,900	\$ 114,750	\$ 229,500
E.J. O Leary	N/A	03/31/08	\$ 99,100	\$ 247,750	\$ 495,500
J. Timothy Gargaro	N/A	03/31/08			
Stuart H. Kupinsky	N/A	03/31/08	\$ 105,000	\$ 262,500	\$ 525,000

(1) Performance unit awards will be payable in cash based on targets established by the Compensation Committee: 50% for achievement of an Adjusted EBITDA target and 50% for achievement of a return on net assets target. The performance period has been established by the Compensation Committee as December 1, 2005 through March 31, 2008. Payment will only be made after conclusion of the performance period and will be paid as follows: 40% of the performance unit award upon achievement of 85% of the targets, 100% of the performance unit award upon achievement of 100% of the targets and up to 200% of the performance unit award upon achievement of 130% of the targets.

(2) No units or shares were issued to eligible participants.

- (3) Pursuant to the terms of the 2004 Plan, Mr. Ulsh's maximum Performance Award is capped at \$2,000,000, which is less than 200% of the target performance unit award. Mr. Kupinsky resigned in March 2006 and has forfeited his award.

Employment Contracts, Termination of Employment and Change-in-Control Agreements

Gordon A. Ulsh (President and Chief Executive Officer)

Mr. Ulsh serves as our President and Chief Executive Officer pursuant to an employment agreement dated March 2, 2005. The agreement provides for Mr. Ulsh's employment through February 2007 (subject to earlier termination under certain circumstances as described below). At the end of the two-year period and each

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anniversary thereafter, the agreement provides that the term will be automatically extended for one additional year unless either party provides advance written notice of non-renewal.

Pursuant to the terms of the agreement, Mr. Ulsh will receive annual base compensation of not less than \$800,000 and a target bonus of 100% of base salary, which may be greater if justified by performance against goals established by the Compensation Committee of the Board of Directors. For fiscal 2006, Mr. Ulsh is guaranteed a minimum bonus of no less than \$375,000, regardless of whether any performance goals are satisfied. Mr. Ulsh also received a bonus of \$300,000 on the first day of his employment with the Company.

Mr. Ulsh received incentive compensation of 150,000 stock options at a per share exercise price equal to the fair market value of one share of common stock on the date of grant and 30,000 restricted shares, both of which are subject to the terms and vesting schedules under the 2004 Plan.

Mr. Ulsh received inducement equity compensation of 80,000 stock options at a per share exercise price equal to the fair market value of one share of common stock on the date of grant and 100,000 restricted shares, both of which will vest over a three-year period. Mr. Ulsh received, in accordance with our relocation policy, reimbursement for all reasonable expenses incurred in relocating himself and his family to Atlanta, Georgia.

Severance payments for a termination of Mr. Ulsh's employment without cause or by Mr. Ulsh for good reason include earned but yet unpaid base salary through the date of termination, earned but unpaid bonus for the year prior to the year in which the date of termination occurs and any earned but unpaid vacation pay. Mr. Ulsh would also receive a pro-rata share of the bonus that would have been paid had he remained employed through the end of the fiscal year in which such termination occurs, and a lump sum payment equal to 200% of the sum of his annual base salary and target bonus.

Mr. Ulsh was entitled to a gross-up payment if any payment is subject to an excise tax under Section 4999 of the Internal Revenue Code of 1996, as amended.

Mr. Ulsh's agreement contains provisions relating to non-competition during the term of employment, protection of our confidential information and intellectual property, and non-solicitation of our Company's employees following termination of employment.

Francis M. Corby, Jr. (Chief Financial Officer)

Mr. Corby serves as our Chief Financial Officer and Executive Vice President pursuant to an employment agreement dated February 16, 2006. The agreement provides for Mr. Corby's employment through March 2008 (subject to earlier termination under certain circumstances as described below). At the end of his employment period the agreement shall terminate unless our company provides Mr. Corby with at least 60 days prior written notice that we intend to renew or extend the agreement.

Pursuant to the terms of the agreement, Mr. Corby will receive annual base compensation of not less than \$400,000 in the first year of the employment period, not less than \$450,000 in the second year of the employment period and a target bonus of 50% of base salary for fiscal year 2007 and 100% of base salary for fiscal year 2008, which bonuses may be greater if justified by performance against goals established by the Compensation Committee of the Board of Directors. For fiscal 2007, Mr. Corby is guaranteed a minimum bonus of no less than \$75,000, regardless of whether any performance goals are satisfied. Mr. Corby also received a performance bonus of \$16,666.67 for fiscal 2006 and a signing bonus of \$150,000, which must be repaid in full if Mr. Corby's employment is terminated without good reason within six months of commencement, in connection with the commencement of his employment with our company. Mr. Corby will be eligible for a \$150,000 bonus at the end of his employment period, provided that his employment

with our company was not terminated for any reason other than good cause prior to the end of his employment period.

Mr. Corby received incentive compensation of stock options to acquire shares of our company's common stock worth \$200,000 at a per share exercise price equal to the fair market value of one share of our common stock on the date of grant which options vest at 100% on the secondary anniversary of the grant date, and \$150,000 worth restricted shares of our stock, both of which are subject to the terms and vesting schedules

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under the 2004 Plan. Mr. Corby received, in accordance with our relocation policy, reimbursement for all reasonable expenses incurred in relocating to Atlanta, Georgia.

Severance payments for a termination of Mr. Corby's employment without cause or by Mr. Corby for good reason include earned but yet unpaid base salary through the date of termination, earned but unpaid bonus for the year prior to the year in which the date of termination occurs and any earned but unpaid vacation pay. Mr. Corby would also receive 100% of the target bonus that would have been paid had he remained employed through the end of the fiscal year in which such termination occurs, and a lump sum payment equal to Mr. Corby's base salary through the end of the employment period.

Mr. Corby's agreement contains provisions relating to non-competition during the term of employment, protection of our confidential information and intellectual property, and non-solicitation of our company's employees following termination of employment.

Income Protection Plan

Our company has an Income Protection Plan which is intended to provide participants (including executive officers) with severance benefits in the event of termination of employment without cause or resignation under certain adverse circumstances. Under the plan, executive officers will receive twelve months of severance regardless of whether the executive officer obtains new employment within the twelve-month period. The plan previously provided 24 months of severance which would terminate or be reduced to the extent the executive officer obtained compensation from new employment during such 24-month period.

Executive and Management Incentive Compensation

Annual Incentives

In May 2002, the Board of Directors adopted an annual cash incentive plan, the Corporate Incentive Plan (CIP), which applies to the Chief Executive Officer, his direct reports and other senior managers and certain other managers and professionals located throughout the world. The CIP's objective is to provide a competitive financial opportunity that will motivate key contributors to achieve or exceed our company's business plan. The CIP is a goal-driven plan based on annual financial performance that includes EBITDA, improvements in working capital and strategic and personal goals. The incentive compensation of the Chief Executive Officer under the CIP is based on global improvements in EBITDA, working capital, strategic goals and personal goals. Target incentive levels are established based on market competitive data and the functional responsibilities for the other participants in the CIP. The Board of Directors may approve discretionary payments under the CIP. No payments were made to the Chief Executive Officer or his direct reports for fiscal year 2006.

Long-Term Incentives

On August 30, 2005, the shareholders approved the 2004 Plan to provide incentives and awards to employees and directors of our company, as well as certain of our company's consultants.

Retirement Plans

Cash Balance Plan

All employees earn benefits with every dollar they earn in eligible compensation. Contribution credits in the amount of 5% of eligible compensation are allocated to each employee's account each month. These contribution credits earn

interest, compounded daily, from the time they are allocated to the account. The interest credit for a given year is a fixed rate based on the yield rate of 30-year Treasury Bonds, as published in the month of November of the previous year. Effective May 15, 2006, we suspended future contributions to the Cash Balance Plan.

In addition to the prior mentioned plan, Mr. Bregman has been grandfathered into the salaried component of the Exide Technologies Retirement Plan. There is an accrued benefit of \$3,605.11 per month. The benefit is payable as a Single Life Annuity beginning the first of the month following the day he attains age 65. This

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benefit was frozen as of December 30, 2000 and no further benefits for Mr. Bregman or any of our other salaried employees have accrued under this component since that time.

Equity Compensation Plan Information

The following table summarizes information, as of March 31, 2006, relating to equity compensation plans of our company pursuant to which grants of options, restricted shares or other rights to acquire shares may be granted from time to time.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants, and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders(1)	1,230,257	\$ 8.31	1,440,242
Equity compensation plans not approved by security holders(2)	80,000	\$ 13.22	
Total	1,310,257	\$ 9.98	1,440,242

(1) Consists of our 2004 Stock Incentive Plan.

(2) Consists of an inducement grant of options to our Chief Executive Officer

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth information, as of July 17, 2006, concerning:

each person whom we know beneficially owns more than five percent of our common stock;

each of our directors and nominees for the Board of Directors;

each of our named executive officers; and

all of our directors and executive officers as a group.

Unless otherwise noted below, the address of each beneficial owner is c/o Exide Technologies, 13000 Deerfield Parkway, Building 200, Alpharetta, GA 30004.

We determined beneficial ownership in accordance with the rules of the SEC. Except as indicated by the footnotes below, we believe, based on information furnished to our company, that the persons and entities named in the table below have sole voting and investment power with respect to all shares of common stock that they beneficially own, subject to applicable community property laws.

Applicable percentage ownership is based on 24,551,008 shares of common stock outstanding at July 17, 2006. In computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person, we deemed outstanding shares of common stock subject to options or warrants held by that person that are currently exercisable or exercisable within 60 days of July 17, 2006. We did not deem these shares outstanding, however, for purposes of computing the percentage ownership of any other person.

The information provided in the table below is based on our records, information filed with the SEC and information provided to us, except where otherwise noted.

Name of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Class
5% Shareholders		
Sterling Capital Management LLC(1) 4064 Colony Road, Suite 300 Charlotte, NC 28211	3,459,939	14.1%
Wells Fargo & Company(2) 420 Montgomery Street San Francisco, CA 94104	2,571,500	10.5%
Jeffrey L. Gendell(3) C/o Tontine Capital Management, L.L.C. 55 Railroad Avenue, 3rd Floor Greenwich, CT 06830	2,425,387	9.9%
Donald Smith & Co., Inc.(4)	2,365,597	9.6%

152 West 57 th Street New York, NY 10019 Stanfield Capital Partners LLC(5) 430 Park Avenue New York, NY 10022	1,926,062	7.6%
David J. Greene and Company, LLC(6) 599 Lexington Avenue New York, NY 10022	1,816,760	7.4%
Arklow Capital, LLC(7) 237 Park Avenue, Suite 900 New York, NY 10017	1,588,892	6.5%

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Name of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Class
Directors and Executive Officers		
Michael R. D Appolonia	9,049	*
Mark C. Demetree	9,263	*
David S. Ferguson	5,673	*
Phillip M. Martineau	14,049	*
John P. Reilly	9,049	*
Michael P. Ressner	9,049	*
Gordon A. Ulsh	331,132	*
Carroll R. Wetzel	5,673	*
Mitchell Bregman	21,775	*
Neil Bright	21,852	*
E.J. O Leary	35,514	*
Phillip A. Damaska	13,432	*
All Directors and executive officers as a group (15 persons)	485,510	2.0%

* Represents less than 1% of the outstanding common stock.

- (1) The information reflects the Schedule 13G filed by Sterling Capital Management LLC on February 14, 2006. As of February 14, 2006, 3,459,939 shares of our common stock were beneficially owned by Sterling Capital Management LLC.
- (2) The information reflects the Schedule 13G filed jointly by Wells Fargo & Company and Wells Capital Management Incorporated on April 24, 2006. As of April 24, 2006, 2,571,500 shares of our common stock were reported beneficially owned by Wells Fargo & Company and 5,524,700 shares of our common stock were reported beneficially owned by Wells Capital Management Incorporated.
- (3) The information reflects the Schedule 13D filed jointly by Tontine Capital Management, L.L.C., Tontine Partners, L.P., Tontine Capital Partners, L.P., Tontine Management, L.L.C., Tontine Overseas Associates, L.L.C., and Jeffrey L. Gendell on June 29, 2006. Jeffrey L. Gendell (Mr. Gendell) is the managing member of Tontine Capital Management, L.L.C. (TCM), a Delaware limited liability company, the general partner of Tontine Capital Partners, L.P., a Delaware limited partnership (TCP). Mr. Gendell is the managing member of Tontine Management, L.L.C. (TM), a Delaware limited liability company, the general partner of Tontine Partners, L.P., a Delaware limited partnership (TP). Mr. Gendell is also the managing member of Tontine Overseas Associates, L.L.C., a Delaware limited liability company (TOA), the investment adviser to Tontine Overseas Fund, Ltd., a Cayman Islands corporation (TOF) and certain separately managed accounts. Mr. Gendell indirectly owns 2,425,387 shares of Common Stock of which is made up of the following: TCP directly owns 632,200 shares of Common Stock; TP directly owns 564,576 shares of Common Stock; TOF beneficially owns 1,178,611 shares of Common Stock; and certain separately managed accounts own 50,000.
- (4) The information reflects the Schedule 13G filed by Donald Smith & Co., Inc. on February 14, 2006. As of February 14, 2006, 2,365,597 shares of our common stock were beneficially owned by Donald Smith & Co., Inc.
- (5) The information reflects the Schedule 13G/A filed by Stanfield Capital Partners LLC on February 14, 2006. As of February 14, 2006, 1,926,062 shares of our common stock were beneficially owned by Stanfield Capital

Partners LLC.

- (6) The information reflects the Schedule 13G filed by David J. Greene and Company, LLC on February 10, 2006. As of February 10, 2006, 1,816,760 shares of our common stock were beneficially owned by David J. Greene and Company, LLC.
- (7) The information reflects the Schedule 13G/A filed by Arklow Capital, LLC on July 7, 2006. As of February 13, 2006, 1,588,892 shares of our common stock were beneficially owned by Arklow Capital, LLC. including warrants exercisable into 639,600 shares of common stock held by Arklow Capital, LLC.

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SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors, executive officers and holders of more than 10% of our company's common stock to file with the Commission reports regarding their ownership and changes in ownership of our securities. Based upon a review of filings with the SEC and written representations that no other reports were required, we believe that all of our directors, executive officers and 10% shareholders complied during fiscal 2005 with the reporting requirements of Section 16(a), with the exception of: Gordon A. Ulsh and Francis M. Corby, Jr.: Mr. Ulsh filed a Form 4 indicating a purchase of Exide stock by a family member beginning June 10, 2005, for which Mr. Ulsh specifically denies beneficial ownership. The Form 4 was not filed until July 12, 2005, 30 days late.

Mr. Corby filed a Form 4 indicating a purchase of our stock by a family member on March 6, 2006, for which Mr. Corby specifically denies beneficial ownership. The Form 4 was not filed until April 27, 2006, 50 days late.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We have entered into the Standby Agreement with Tontine, a holder of approximately 9.9% of our outstanding common stock, and Arklow, a holder of approximately 6.5% of our outstanding common stock (which includes warrants exercisable into shares of our common stock). The terms of the Standby Agreement are described above in the discussion of Proposal 2.

Table of Contents**PERFORMANCE GRAPH**

The following graph compares the performance of our company's common stock with the performance of the Standard & Poor's Small Cap 600 Index and a peer group index following our emergence from Chapter 11 bankruptcy protection. The graph assumes that \$100 was invested on May 5, 2004 in our common stock, the S&P Small Cap 600 Index and the peer group index, the S&P Small Cap Auto Parts and Equipment Index, and that all dividends, if any, were reinvested.

	5-May-04	30-Jun-04	30-Sep-04	31-Dec-04	31-Mar-05	30-Jun-05	30-Sep-05	31-Dec-05	31-Mar-06
Exide Technologies	\$ 100	\$ 93	\$ 72	\$ 63	\$ 59	\$ 22	\$ 23	\$ 17	\$ 13
S&P Small Cap 600 Index	\$ 100	\$ 105	\$ 104	\$ 118	\$ 115	\$ 120	\$ 126	\$ 127	\$ 143
S&P Small Cap Auto Parts and Equipment Index	\$ 100	\$ 93	\$ 72	\$ 77	\$ 72	\$ 70	\$ 59	\$ 59	\$ 61

SHAREHOLDER PROPOSALS AND DIRECTOR NOMINATIONS FOR THE 2007 ANNUAL MEETING

You may submit proposals, including director nominations, for consideration at future shareholder meetings.

Shareholder Proposals. For a shareholder proposal to be considered for inclusion in our proxy statement for the annual meeting next year, our Corporate Secretary must receive the written proposal at our principal executive offices no later than March 30, 2007. Such proposals must also comply with SEC regulations under Rule 14a-8 of the Securities Exchange Act of 1934 regarding the inclusion of shareholder proposals in company-sponsored proxy materials. Proposals should be addressed to:

Exide Technologies
13000 Deerfield Parkway
Building 200
Alpharetta, Georgia 30004
Attn: Corporate Secretary
Fax: (678) 566-9229

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For a shareholder proposal that is not intended to be included in our proxy statement under Rule 14a-8 of the Securities Exchange Act of 1934, the shareholder must (1) deliver a proxy statement and form of proxy to holders of a sufficient number of shares of our common stock to approve the proposal, (2) provide the information required by our Bylaws and (3) give timely notice to our Corporate Secretary in accordance with our Bylaws, which, in general, require that the notice be received by our Corporate Secretary:

not earlier than the close of business on the one hundred twentieth day prior to the first anniversary of the 2006 annual meeting of shareholders, or April 23, 2007; and

not later than the close of business on the ninetieth day prior to the first anniversary of the 2006 annual meeting of shareholders, or May 23, 2007.

However, if the 2007 annual meeting of shareholders is moved more than 30 days before or more than 70 days after August 22, 2007, then notice must be delivered by the shareholder not earlier than the close of business on the one hundred twentieth day prior to such annual meeting and not later than the close of business on the later of the ninetieth day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made by our company.

Nomination of Director Candidates. You may propose director candidates for consideration by the Board of Directors Nominating and Corporate Governance Committee. Any such recommendation should include the nominee's name and qualification for Board of Directors membership and should be directed to our Corporate Secretary at the address of our company's principal executive offices set forth above. For additional information regarding shareholder recommendations of director candidates, see Governance of the Company Nomination of Directors Shareholder Recommendations and Nominees.

In addition, our bylaws permit shareholders to nominate directors for election at an annual meeting of shareholders. To nominate a director, the shareholder must provide the information required by our Bylaws. In addition, the shareholder must give timely notice to our Corporate Secretary in accordance with our Bylaws, which, in general, require that the notice be received by our Corporate Secretary within the time period described above under Shareholder Proposals for shareholder proposals that are not intended to be included in our proxy statement.

Copy of Bylaw Provisions. You may contact our Corporate Secretary at its principal executive offices for a copy of the relevant provisions of the Company's Bylaws regarding the requirements for making shareholder proposals and nominating director candidates.

The Board of Directors does not provide a process for stockholders to send other communications to the Board because it believes that the process available under applicable federal securities laws for stockholders to submit proposals for consideration at the annual meeting is adequate.

AVAILABILITY OF ANNUAL REPORT

You may obtain, without charge, a copy of our Annual Report on Form 10-K for the fiscal year ended March 31, 2006, including the financial statements and the financial statement schedules required to be filed with the SEC pursuant to rule 13a-1 of the Exchange Act. You may also obtain copies of exhibits to the Form 10-K, but we will charge a reasonable fee to stockholders requesting such exhibits. You should direct your request in writing to us at our address set forth on the first page of this Proxy Statement, attention: Brad S. Kalter, Corporate Secretary.

ADDITIONAL INFORMATION

Householding of Proxy Materials. The SEC has adopted rules that permit companies and intermediaries such as brokers to satisfy delivery requirements for proxy statements with respect to two or more shareholders sharing the same address by delivering a single proxy statement addressed to those shareholders. This process, which is commonly referred to as householding, potentially provides extra convenience for shareholders and cost savings for companies. Our company and some brokers household proxy materials,

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delivering a single proxy statement to multiple shareholders sharing an address unless contrary instructions have been received from the affected shareholders. Once you have received notice from your broker or our company that they or our company will be householding materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement, or if you are receiving multiple copies of the proxy statement and wish to receive only one, please notify your broker if your shares are held in a brokerage account or us if you hold registered shares. You can notify us by sending a written request to Exide Technologies, 13000 Deerfield Parkway, Building 200, Alpharetta, Georgia 30004 or by calling Investor Relations at (678) 566-9000.

Proxy Solicitation Costs. Our company is making this solicitation and will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials and soliciting votes. If you choose to access the proxy materials and/or vote over the Internet, you are responsible for Internet access charges you may incur. If you choose to vote by telephone, you are responsible for telephone charges you may incur. We have retained Georgeson Shareholder Communications Inc., 17 State Street, New York, New York 10004, to aid in the solicitation. For these services, we will pay Georgeson a fee of \$8,500 and reimburse it for certain out-of-pocket disbursements and expenses. Our officers and regular employees of the Company may, but without compensation other than their regular compensation, solicit proxies by further mailing or personal conversations, or by telephone, telex, facsimile or electronic means. We will, upon request, reimburse brokerage firms and others for their reasonable expenses in forwarding solicitation material to the beneficial owners of stock.

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APPENDIX A

STANDBY PURCHASE AGREEMENT

STANDBY PURCHASE AGREEMENT (this **Agreement**) dated as of June 28, 2006, by and among Exide Technologies, a Delaware corporation (the **Company**), Tontine Capital Partners, L.P., a Delaware limited partnership (**Tontine**), Legg Mason Investment Trust, Inc., a Maryland corporation (**Legg Mason**) and together with Tontine, the **Standby Purchasers**), and Arklow Capital, LLC, a Delaware limited liability company (the **Additional Standby Purchaser**).

WITNESSETH:

WHEREAS, the Company proposes, as soon as practicable after the Rights Offering Registration Statement, as defined herein, becomes effective, and the Proxy Statement, as defined herein, has been mailed, to distribute to holders of its common stock (the **Common Stock**) of record as of the close of business on the record date of the Rights Offering (the **Record Date**), non-transferable rights (the **Rights**) to subscribe for and purchase additional shares of Common Stock (the **New Shares**) at a subscription price (the **Subscription Price**) in accordance with the term sheet attached hereto as Annex A (such term sheet, the **Term Sheet** and such offering, the **Rights Offering**); and

WHEREAS, pursuant to the Rights Offering, stockholders of record will receive one Right for each share of Common Stock held by them as of the Record Date, and each Right will entitle the holder to purchase the number of New Shares of Common Stock as determined pursuant to the Term Sheet at the Subscription Price (the **Basic Subscription Privilege**); and

WHEREAS, the Company has requested the Standby Purchasers and the Additional Standby Purchaser to agree to purchase from the Company upon expiration of the Rights Offering, and the Standby Purchasers and the Additional Standby Purchaser are willing to so purchase, New Shares, at the Subscription Price, to the extent such New Shares are not purchased by stockholders pursuant to the exercise of Rights; and

WHEREAS, the Standby Purchasers shall purchase, or if the Rights Offering is not consummated, shall have the right to purchase and the Company shall sell to the Standby Purchasers additional shares; and

WHEREAS, in order to further induce the Standby Purchasers and the Additional Standby Purchaser to enter into this Agreement, the Company has agreed to grant the Standby Purchasers and the Additional Standby Purchaser (including any of their permitted assignees) registration rights with respect to the Securities (as defined below) purchased by them pursuant to this Agreement pursuant to a registration rights agreement substantially in the form attached hereto as Annex B (the **Registration Rights Agreement**);

NOW THEREFORE, in consideration of the foregoing and the mutual covenants herein contained, the parties hereto hereby agree as follows:

Section 1. *Certain Other Definitions.* The following terms used herein shall have the meanings set forth below:

Additional Standby Purchaser shall have the meaning set forth in the preamble hereof.

Additional Subscription Shares shall have the meaning set forth in Section 2(c) hereof.

Agreement shall have the meaning set forth in the preamble hereof.

Backstop Termination Date shall have the meaning set forth in Section 3 hereof.

Basic Subscription Privilege shall have the meaning set forth in the recitals hereof.

Board shall have the meaning set forth in Section 7(a)(i) hereof.

Business Day shall mean any day that is not a Saturday, a Sunday or a day on which banks are required or permitted to be closed in the State of New York.

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Closing shall mean the closing of the purchases described in Section 2 hereof, which shall be held at 10:00 a.m. on the Closing Date at the offices of Weil, Gotshal & Manges LLP located at 767 Fifth Avenue, New York, New York 10153, or such other time and place as may be agreed to by the parties hereto, provided that if the purchases described in Section 2 hereof do not occur and the option pursuant to Section 3 is exercised, then *Closing* shall mean the closing of purchases described in Section 3 hereof.

Closing Date shall mean the date that is three (3) Business Days after the Rights Offering Expiration Date, or such other date as may be agreed to by the parties hereto, provided that if the Rights Offering does not occur and the option is exercised pursuant to Section 3 hereof, then *Closing Date* shall mean the date that is three (3) Business Days after such option is exercised, or such other date as may be agreed to by the parties hereto.

Commission shall mean the United States Securities and Exchange Commission, or any successor agency thereto.

Common Stock shall have the meaning set forth in the recitals hereof.

Company shall have the meaning set forth in the preamble hereof.

Company SEC Documents shall have the meaning set forth in Section 4(h) hereof.

Company Stock Approval shall have the meaning set forth in Section 3 hereof.

Complete Option shall have the meaning set forth in Section 3 hereof.

Convertible Notes shall have the meaning set forth in Section 3 hereof.

Credit Agreement shall mean the Credit Agreement dated May 5, 2004, as amended, by and among the Company and Exide Global Holding Netherlands C.V. as borrowers, the lenders party thereto, and Deutsche Bank AG New York Branch as the administrative agent.

Designee shall have the meaning set forth in Section 8 hereof.

Excess Shares shall have the meaning set forth in Section 7(f) hereof.

Exchange Act shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated by the Commission thereunder.

Expenses shall have the meaning set forth in Section 7(c) hereof.

HSR Act shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

Legg Mason shall have the meaning set forth in the preamble hereof.

Market Adverse Effect shall have the meaning set forth in Section 9(a)(iv) hereof.

Material Adverse Effect shall mean a material adverse effect on the financial condition, or on the earnings, financial position, operations, assets, results of operation, business or prospects of the Company and its subsidiaries taken as a whole.

New Shares shall have the meaning set forth in the recitals hereof.

Observer Rights shall have the meaning set forth in Section 8 hereof.

Option Period shall have the meaning set forth in Section 3 hereof.

Partial Option shall have the meaning set forth in Section 3 hereof.

Person shall mean an individual, corporation, partnership, association, joint stock company, limited liability company, joint venture, trust, governmental entity, unincorporated organization or other legal entity.

Plan shall have the meaning set forth in Section 4(c) hereof.

Prospectus shall mean a prospectus, as defined in Section 2(10) of the Securities Act, that meets the requirements of Section 10 of the Securities Act and is current with respect to the securities covered thereby.

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Proxy Statement shall mean a definitive proxy statement filed with the Commission relating to the Rights Offering and the transactions contemplated hereunder, together with all amendments, supplements and exhibits thereto.

Registration Rights Agreement shall have the meaning set forth in the recitals hereof.

Record Date shall have the meaning set forth in the recitals hereof.

Representative shall have the meaning set forth in Section 7(b) hereof.

Rights shall have the meaning set forth in the recitals hereof.

Rights Offering shall have the meaning set forth in the recitals hereof.

Rights Offering Expiration Date shall mean the date on which the subscription period under the Rights Offering expires.

Rights Offering Prospectus shall mean the final Prospectus included in the Rights Offering Registration Statement for use in connection with the issuance of the Rights.

Rights Offering Registration Statement shall mean the Company's Registration Statement on Form S-3 under the Securities Act or such other appropriate form under the Securities Act, pursuant to which the Rights and underlying shares of Common Stock will be registered pursuant to the Securities Act.

Securities shall mean those of the New Shares, Unsubscribed Shares and Additional Subscription Shares that are purchased by the Standby Purchasers pursuant to Section 2 or 3 hereof, as the case may be.

Securities Act shall mean the Securities Act of 1933, as amended, and the rules and regulations promulgated by the Commission thereunder.

Standby Purchaser shall have the meaning set forth in the preamble hereof.

Subscription Agent shall have the meaning set forth in Section 7(a)(vii) hereof.

Subscription Price shall have the meaning set forth in the recitals hereof.

Termination Date shall have the meaning set forth in Section 3 hereof.

Term Sheet shall have the meaning set forth in the recitals hereof.

Threshold shall have the meaning set forth in Section 7(f) hereof.

Tontine shall have the meaning set forth in the preamble hereof.

Transfer shall have the meaning set forth in Section 10(a) hereof.

Unsubscribed Shares shall have the meaning set forth in Section 2(b) hereof.

Section 2. *Standby Purchase Commitment.*

(a) Each of the Standby Purchasers and the Additional Standby Purchaser hereby agrees to purchase from the Company, and the Company hereby agrees to sell to each of the Standby Purchasers and the Additional Standby Purchaser, at the Subscription Price, all of the New Shares that will be available for purchase by each of the Standby Purchasers and the Additional Standby Purchaser pursuant to its Basic Subscription Privilege.

(b) The Standby Purchasers and the Additional Standby Purchaser hereby agree to purchase from the Company, and the Company hereby agrees to sell to the Standby Purchasers and the Additional Standby Purchaser, at the Subscription Price, any and all New Shares if and to the extent such shares are not purchased by the Company's stockholders (the **Unsubscribed Shares**) pursuant to the exercise of Rights. It is understood and agreed that, if and to the extent that the Standby Purchasers and the Additional Standby Purchaser are required to purchase Unsubscribed Shares pursuant to this subsection (b), Tontine shall purchase 54% of the Unsubscribed Shares, Legg Mason shall purchase 36% of the Unsubscribed Shares and the Additional Standby Purchaser shall purchase 10% of the Unsubscribed Shares, provided that if the Additional Standby Purchaser does not purchase such Unsubscribed Shares, Tontine shall purchase 60% of the

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Unsubscribed Shares and Legg Mason shall purchase 40% of the Unsubscribed Shares, provided, further, that Tontine, Legg Mason and the Additional Standby Purchaser reserve the right to agree among themselves to reallocate the percentage of the Unsubscribed Shares that they shall each purchase so long as they purchase 100% of the Unsubscribed Shares in the aggregate.

(c) The Standby Purchasers hereby agree to purchase from the Company, and the Company hereby agrees to sell to the Standby Purchasers, at the Subscription Price, between 11,111,111 and 16,666,667 shares of Common Stock (the **Additional Subscription Shares**) in accordance with the Term Sheet. It is understood and agreed that Tontine shall purchase 60% of the Additional Subscription Shares and Legg Mason shall purchase 40% of the Additional Subscription Shares, provided that Tontine and Legg Mason reserve the right to agree between each other to reallocate the percentage of the Additional Subscription Shares that they shall each purchase so long as Tontine and Legg Mason purchase 100% of the Additional Subscription Shares in the aggregate.

(d) Notwithstanding anything else contained in this Agreement, none of Tontine, Legg Mason or the Additional Standby Purchaser shall acquire Securities hereunder which would result in it or any group (within the meaning of Section 13(d)(3) of the Exchange Act) of which it is a member owning (i) 30% or more of the issued and outstanding shares of Common Stock on fully diluted basis without the requisite prior written consent of the Company's lenders under the Credit Agreement or (ii) greater than 50% of the issued and outstanding shares of Common Stock. If either Standby Purchaser would otherwise exceed such maximum number of shares, such excess shall be purchased by the other Standby Purchaser. If the Additional Standby Purchaser would otherwise exceed such maximum number of shares, such excess shall be purchased 60% by Tontine and 40% by Legg Mason.

(e) Payment of the Subscription Price for the Securities shall be made, on the Closing Date, against delivery of certificates evidencing the Securities, in United States dollars by means of certified or cashier's checks, bank drafts, money orders or wire transfers.

(f) If the number of Unsubscribed Shares and Additional Subscription Shares which Legg Mason is entitled to purchase hereunder at the Closing has an aggregate Subscription Price of less than \$25,000,000, Tontine agrees, upon request from Legg Mason, to allocate to Legg Mason a portion of the Securities it is entitled to purchase so that Legg Mason's aggregate Subscription Price equals \$25,000,000.

Section 3. **Option.** (i) If the Closing has not occurred on or prior to September 30, 2006 (the **Backstop Termination Date**), for any reason whatsoever, other than a material breach hereunder by the Standby Purchasers or failure of the closing condition specified in Section 9(a)(iv), or (ii) if the Company terminates this Agreement prior thereto other than as a result of a material breach hereunder by the Standby Purchasers or (iii) if the Standby Purchasers terminate this Agreement prior thereto (other than pursuant to Section 11(a)(ii) hereof) in accordance with the terms hereof (such dates in clauses (i), (ii) and (iii) above referred to as the **Termination Date**), each Standby Purchaser shall have the option to purchase the Additional Subscription Shares for a period of ten (10) Business Days following the Termination Date (the **Option Period**) upon delivery of written notice to the Company. If the stockholders of the Company shall have approved the Rights Offering and the transactions contemplated hereby, the Standby Purchasers may elect to purchase any or all of the Additional Subscription Shares (the **Complete Option**), at the Subscription Price. If the stockholders of the Company shall not have approved the Rights Offering and the transactions contemplated hereby, the Standby Purchasers may elect to purchase a portion of the Additional Subscription Shares equal to up to 19.9% of the issued and outstanding Common Stock (the **Partial Option**), at a purchase price of \$4.50 per share. It is understood and agreed that (i) with respect to the Partial Option, Tontine shall have the option to purchase 50% of the Additional Subscription Shares and Legg Mason shall have the option to purchase 50% of the Additional Subscription Shares and (ii) with respect to the Complete Option, Tontine shall have the option to purchase 60% of the Additional Subscription Shares and Legg Mason shall have the option to purchase 40% of the Additional Subscription Shares pursuant to this Section 3, provided that Tontine and Legg Mason reserve the right to agree

between each other to reallocate the percentage of the Additional Subscription Shares that they shall each purchase upon exercise of the Complete Option or Partial Option, as the case may be.

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