



One World. One KEMET

# Bank of America Merrill Lynch Credit Conference

The Capacitance Company  
**KEMET**  
CHARGED.™

Presenters:

Per Loof – Chief Executive Officer  
William M. Lowe – EVP and Chief Financial Officer

November 18, 2010

# Cautionary Statement

Certain statements included herein contain forward-looking statements within the meaning of federal securities laws about KEMET Corporation's (the "Company") financial condition and results of operations that are based on management's current expectations, estimates and projections about the markets, in which the Company operates, as well as management's beliefs and assumptions. Words such as "expects," "anticipates," "believes," "estimates," variations of such words and other similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions, which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in, or implied by, such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's judgment only as of the date hereof. The Company undertakes no obligation to update publicly any of these forward-looking statements to reflect new information, future events or otherwise.

Factors that may cause actual outcome and results to differ materially from those expressed in, or implied by, these forward-looking statements include, but are not necessarily limited to the following: (i) continued uncertainty of the economy could impact the Company's ability to realize operating plans if the demand for the Company's products declines and could adversely affect the Company's liquidity and ability to continue to operate; (ii) adverse economic conditions could cause further reevaluation and the write down of long-lived assets; (iii) an increase in the cost or a decrease in the availability of the Company's principal raw materials; (iv) changes in the competitive environment of the Company; (v) uncertainty of the timing of customer product qualifications in heavily regulated industries; (vi) economic, political, or regulatory changes in the countries in which the Company operates; (vii) difficulties, delays or unexpected costs in completing the Company's restructuring plan; (viii) inability to attract, train and retain effective employees and management; (ix) the ability to develop innovative products to maintain customer relationships; (x) the impact of environmental issues, laws, and regulations; (xi) volatility of financial and credit markets which would affect the Company's access to capital; (xii) exposure to foreign exchange gains and losses; (xiii) need to reduce costs to offset downward price trends; (xiv) potential limitation on use of net operating losses to offset possible future taxable income; (xv) dilution as a result of the warrant held by K Equity, LLC; and (xvi) exercise of the warrant by K Equity, LLC may result in the existence of a controlling stockholder.

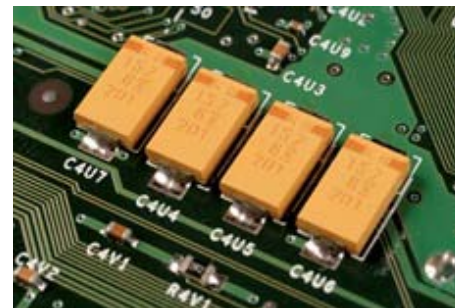
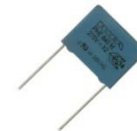
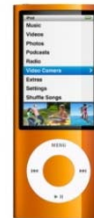
# Company Overview



- KEMET Laboratories was founded by Union Carbide in 1919
- U.S. listed company since 1992
- Global manufacturer of tantalum, ceramic, film, aluminum, electrolytic & paper capacitors
  - Offers 95% of dielectric solutions
  - Shipped 31 billion capacitors in FYE March 31, 2010 (FY2010)
- Manufacturing facilities in Mexico, China, Indonesia, Europe and the United States
- 10,900 employees worldwide (June 30, 2010)
  - USA: 575      – Mexico: 5,585
  - Asia: 2,500    – Europe: 2,240
- Global sales force covering the Americas, EMEA and Asia

# Capacitors: Industry Background

- Essential passive electronic components that store, filter, and regulate electrical energy
- Required in anything that has an electric current (from iPods to giant windmills)
- Come in various shapes and sizes with a myriad of technical specifications
- May be numerous in some devices (e.g., 3,000+ in some flat panel TVs, 700+ in some smartphones)



# Business Segment Overview

## Tantalum Business

- Computer – Microprocessor Decoupling
- Telecommunications – Transceiver Cards
- Mobile Phones – Audio & Battery Backup
- Gaming – Processor Decoupling
- LCD TV – Video Converter
- Automotive – Engine Control/Safety
- Military/Aerospace – Avionics/Comm.

## Ceramic Business

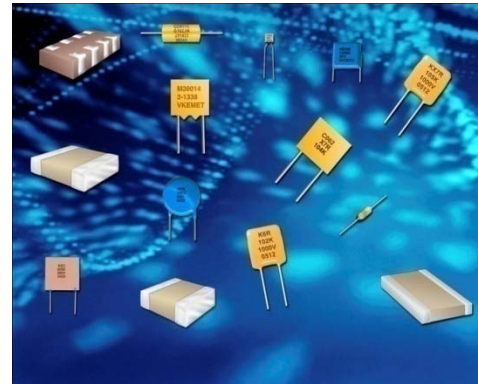
- Computer – Microprocessor Decoupling
- Mobile Phones – General
- Automotive – Infotainment/Driver Convenience
- LCD TV/Gaming – General
- Industrial Specialty – Oil Exploration
- Military/Aerospace – Power Supply/Comm.

## Film & Electrolytic Business

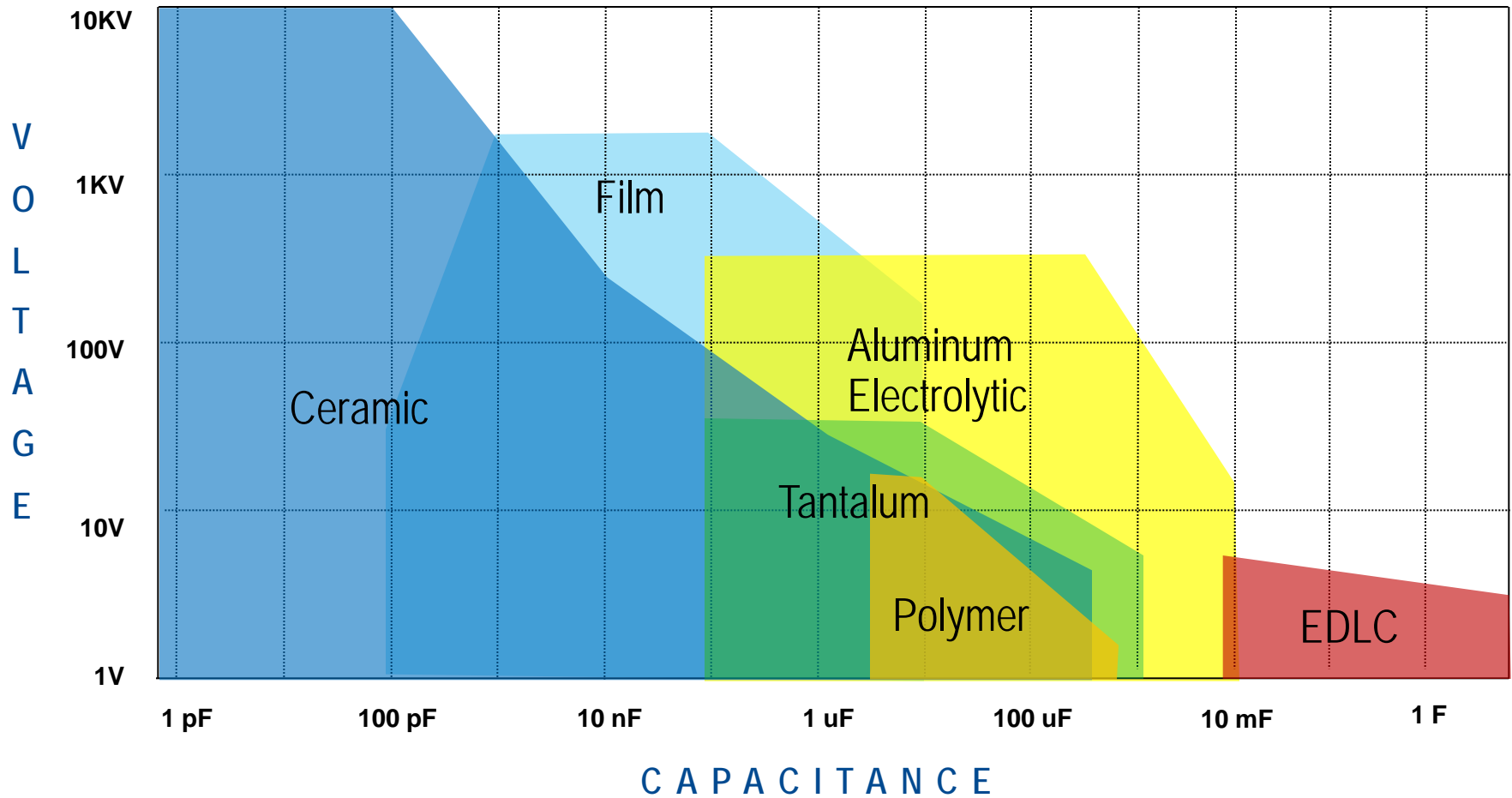
- Industrial – Motor Start & Drives
- Automotive – HID Lighting/Engine Ctrl
- Renewable Energy – Power Inverters
- Industrial – Power Factor Correction
- Consumer/Industrial – Power Supplies

Market Segment / Selected Application Detail

Products



# KEMET Offers 95% of Dielectric Solutions



# Global Reach and Geographic Diversification

*Strategically positioned to be in close proximity to the Company's diverse and expansive customer base*

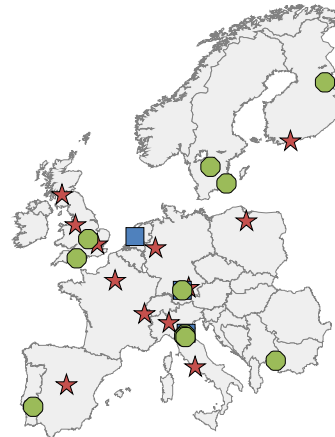
## The Americas

2010 revenue: \$180.1 (24%)



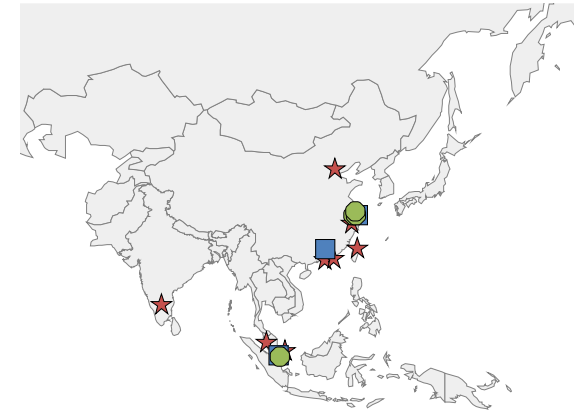
## EMEA

2010 revenue: \$271.2 (37%)



## Asia Pacific

2010 revenue: \$285.0 (39%)



★ Sales Office    ■ Distribution Hub    ● Manufacturing Facility

# Low Cost Production Base

- KEMET's facilities in Mexico, China and other international locations are among the most cost efficient in the world
- The Company's manufacturing facilities also provide proximity to large and growing end markets
- As customers continue the trend of relocating production facilities to Asia, KEMET is already there

## Production Base



(1) Includes two manufacturing facilities.

## Facility Listing

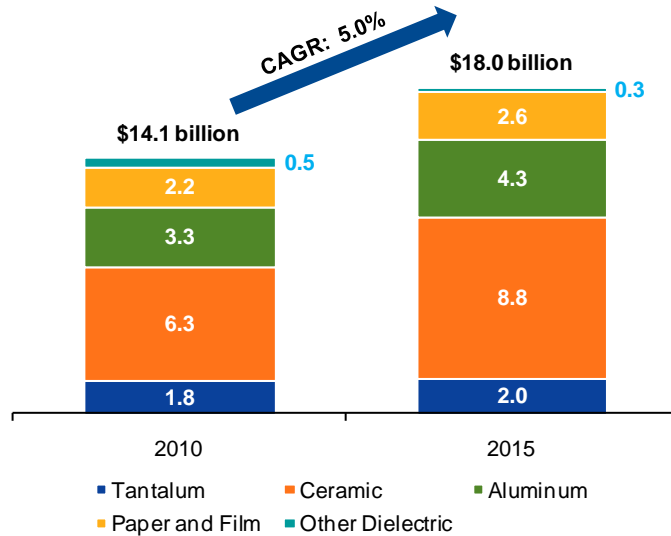
Location	Square Footage (in thousands)
Greenville, South Carolina	372
<b><u>Tantalum Business Group</u></b>	
Matamoros, Mexico	286
Suzhou, China <sup>(1)</sup>	374
Ciudad Victoria, Mexico	259
Evora, Portugal	233
<b><u>Ceramic Business Group</u></b>	
Monterrey, Mexico <sup>(1)</sup>	532
<b><u>Film and Electrolytic Business Group</u></b>	
Sasso Marconi, Italy	215
Granna, Sweden	132
Suomussalmi, Finland	121
Batam, Indonesia	86
Kyustendil, Bulgaria	82
Landsberg, Germany	81
Weymouth, United Kingdom	96
Vergato, Italy	78
Monghidoro, Italy	71
Anting, China	38
Nantong, China	30
Farjestaden, Sweden	28
Northhampton, United Kingdom	8

A hand holding a blue wireframe globe with a world map silhouette inside. The globe is the central focus, with a hand visible at the bottom. The background is a gradient of blue.

# Market Overview

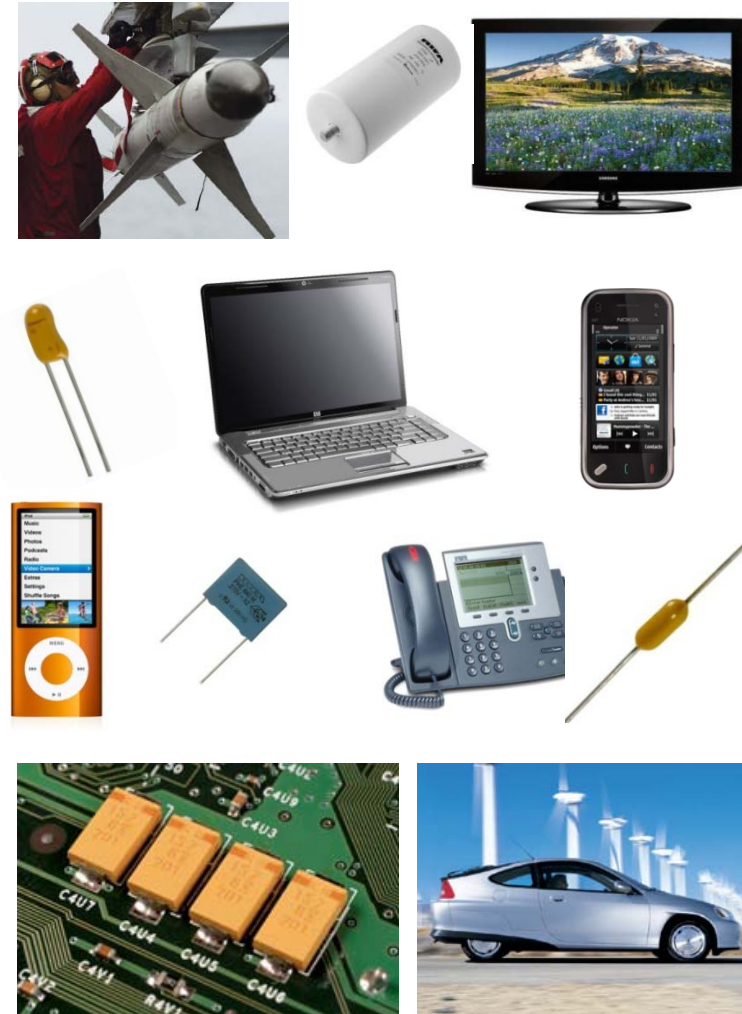
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# Large and Growing TAM



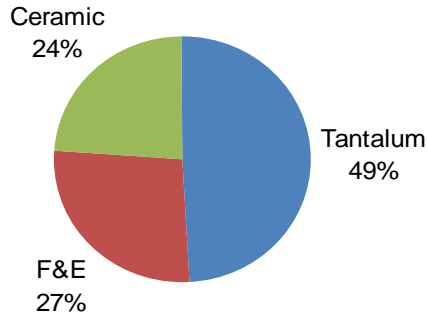
Source: Paumanok

- Miniaturization of consumer electronics
- Global appetite for higher bandwidth
- Enhanced complexity of new products
- Demand for high capacitance values
- Upgrade of global energy networks
- Development of alternative energy solutions

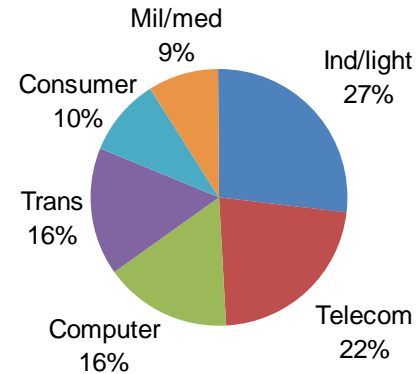


# Balanced Business Profile

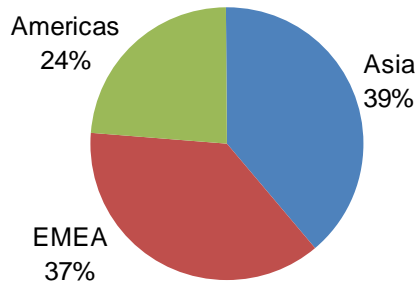
## Revenues by Segment



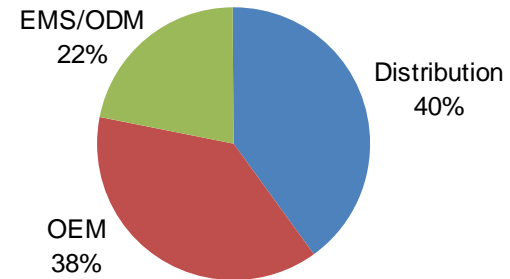
## Revenues by End Market



## Revenues by Geography



## Revenues by Channel



**KEMET offers a complete line of capacitor types encompassing 95% of dielectric solutions which can satisfy virtually all of our customers' worldwide capacitance needs**

Note: As of fiscal 2010 year end.

# Strong Customer Relationships

- KEMET's emphasis on quality, diversified customer base and established industry presence spanning over ninety years creates advantages in meeting the needs of the OEM, EMS and Distribution channels
- Customer base includes nearly all of the world's major electronics OEMs, EMS companies and ODMs
  - Won multiple awards, including “Exceptional Sales Performance Award” for 2010 (Digi-Key), “Outstanding Performance Award” (Sanmina-SCI) and 2009 Innovision Award for Technology Development
- Extensive network of global Distribution partners

## OEM



## EMS



## Distribution



# Market Overview

- KEMET operates in three distinct businesses: Tantalum, Ceramic and Film & Electrolytic

	Tantalum Business	Ceramic Business	Film & Electrolytic Business																																																
Market Size	~ \$1.5 billion globally	~ \$6+ billion globally	~ \$6+ billion globally																																																
KEMET Rank	<ul style="list-style-type: none"> <li>#1 globally</li> </ul>	<ul style="list-style-type: none"> <li>#2 North America</li> </ul>	<ul style="list-style-type: none"> <li>DC Film #1 globally</li> </ul>																																																
Market Share	<ul style="list-style-type: none"> <li>Approximate 26% share</li> </ul>	<ul style="list-style-type: none"> <li>Approximate 3% share</li> </ul>	<ul style="list-style-type: none"> <li>Approximate 14% share in DC Film</li> <li>Approximate 4% share overall</li> </ul>																																																
End Markets	<ul style="list-style-type: none"> <li>Computer, telecom, consumer, aerospace &amp; defense, automotive and general industrials</li> </ul>	<ul style="list-style-type: none"> <li>Computer, telecom, aerospace &amp; defense, automotive and general industries</li> </ul>	<ul style="list-style-type: none"> <li>General industrial, automotive, consumer and computer</li> </ul>																																																
Competitors	<ul style="list-style-type: none"> <li>Panasonic/Sanyo, AVX, Vishay and NEC-Tokin</li> </ul>	<ul style="list-style-type: none"> <li>Samsung, Murata, Taiyo Yuden, and several other Asian companies</li> </ul>	<ul style="list-style-type: none"> <li>EPCOS, Panasonic/Sanyo, Vishay and several Asian regional companies</li> </ul>																																																
Recent Financial Performance	<table border="1"> <thead> <tr> <th></th> <th>(\$mm)</th> <th>LTM (1)</th> <th>FQ2'11</th> </tr> </thead> <tbody> <tr> <td>Revenue (2)</td> <td>\$</td> <td>427</td> <td>\$ 124</td> </tr> <tr> <td>EBIT (3)</td> <td></td> <td>65</td> <td>27</td> </tr> <tr> <td>% Margin</td> <td></td> <td>15.1%</td> <td>22.1%</td> </tr> </tbody> </table>		(\$mm)	LTM (1)	FQ2'11	Revenue (2)	\$	427	\$ 124	EBIT (3)		65	27	% Margin		15.1%	22.1%	<table border="1"> <thead> <tr> <th></th> <th>(\$mm)</th> <th>LTM (1)</th> <th>FQ2'11</th> </tr> </thead> <tbody> <tr> <td>Revenue (2)</td> <td>\$</td> <td>208</td> <td>\$ 57</td> </tr> <tr> <td>EBIT (3)</td> <td></td> <td>40</td> <td>12</td> </tr> <tr> <td>% Margin</td> <td></td> <td>19.3%</td> <td>20.5%</td> </tr> </tbody> </table>		(\$mm)	LTM (1)	FQ2'11	Revenue (2)	\$	208	\$ 57	EBIT (3)		40	12	% Margin		19.3%	20.5%	<table border="1"> <thead> <tr> <th></th> <th>(\$mm)</th> <th>LTM (1)</th> <th>FQ2'11</th> </tr> </thead> <tbody> <tr> <td>Revenue (2)</td> <td>\$</td> <td>270</td> <td>\$ 68</td> </tr> <tr> <td>EBIT (3)</td> <td></td> <td>(27)</td> <td>(3)</td> </tr> <tr> <td>% Margin</td> <td></td> <td>NM</td> <td>NM</td> </tr> </tbody> </table>		(\$mm)	LTM (1)	FQ2'11	Revenue (2)	\$	270	\$ 68	EBIT (3)		(27)	(3)	% Margin		NM	NM
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(1) LTM reflects period ending 9/30/10.

(2) Includes Aluminum.

(3) Reflects reported EBIT.

# Robust and Growing Presence in Specialty Products

***KEMET is focusing on specialty markets as its primary areas of growth given the higher margin profile, recurring revenue potential and increased end market visibility***

- Specialty products represent higher margin business which generally require longer product design cycles but which also benefit from longer product lifecycles and greater servicing needs
- In recent years, KEMET has put more focus on growing market share in the specialty markets, including: alternative energy, extreme environments, medical, and military/aerospace
- In August 2009, KEMET was selected as one of thirty companies to receive a grant from the Department of Energy

## Targeted Specialty Markets

- Alternative Energy
- Extreme Environment (e.g., High Temp, Vibration)
- Energy Exploration (e.g., Gas, Oil, Geothermal)
- Specialty Automotive (e.g., Under-Hood, Safety, Electric Drive Vehicle – “EDV”)
- Lighting
- Medical
- Military/Aerospace
- Telecom Infrastructure
- Power Supplies

## Specialty Products Attributes

- High Reliability (Long-life)
- Low ESR/ESL (Lower Energy Consumption and Higher Efficiency)
- Resistant to Environmental Stimuli (Heat, Vibration, Fluids)
- Non-Standard Configurations (Array, Low Profile, Case Size/Footprint)
- High Voltage
- High Temperature (>125°C)
- High Frequency (>1 Ghz)

# Development Activities to Sustain Growth Well into the Future

*The breadth and depth of KEMET's capacitance offering uniquely positions KEMET to capitalize on critical industry growth trends such as Alternative Energy and Hybrid Vehicle technologies*

- KEMET is actively involved with 13 distinct hybrid electric vehicle programs with such companies as Bosch, Continental, Delphi, TRW and Visteon, with 15 more programs in the developing stages
- KEMET's F&E capacitors are already designed-in and used in equipment manufactured by Converteam, Vestas, Gamesa, Emerson and ABB in windmill installations around the globe with ongoing qualification at GE
- Solar power conversion is another application where KEMET is a key supplier to Siemens, Inge Team, SolarMax, Kostal and PowerOne
- Power Factor Correction is key to the efficient use of electricity for industry. KEMET capacitors are a mainstay with industry leaders such as Vacon and Danfoss

# Recent New Product Introductions

## Customers

## Products / Applications



- China Southern Railway (CSR)

- Aluminum electrolytic capacitors for power inverters
- Specialty Film capacitors for control modules



- Gansu Solar
- Goldwind
- Shanghai Electric
- Vestas

- DC Link Film Capacitors for power inverters
- Specialty Film capacitors for control modules





# F&E Restructuring Update

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# Low-Cost Operating Platform

***KEMET has a proven track record in cost reduction initiatives, reorganizing businesses, moving operations and developing lean operations to maximize manufacturing efficiency***

- Lean Six-Sigma is at the core of manufacturing productivity, cost improvements and reduction in working capital
- Between August 2008 and January 2009, KEMET completed numerous cost reduction initiatives which have resulted in meaningful savings
- KEMET continues to significantly improve its low-cost production base through numerous cost reduction initiatives and process improvements

## Completed Cost Reduction Initiatives

- Completed tantalum, ceramic and corporate headcount optimization initiative
- Successfully renegotiated unfavorable sourcing contracts
- Fixed cost restructuring in relation to rationalization of low margin products in tantalum and ceramics
- Seamlessly relocated tantalum manufacturing to Mexico and Suzhou
- Integration of Evox Rifa and Arcotronics

## In-Process Cost Reduction Initiatives

- Continued relocation / combination of manufacturing facilities (e.g., F&E) to improve cost structure and distribution
- Emphasis on further yield improvements
- Gradual deployment of more efficient internal systems (e.g., Oracle)
- Continued emphasis on operational excellence via lean Six Sigma initiatives
- New manufacturing technology development

# Future Benefits from Restructuring

- KEMET has successfully restructured and repositioned its Tantalum and Ceramic businesses
- F&E business realignment has been reinitiated.
  - Forecasted improvement in underlying Adjusted EBITDA for F&E is projected to be \$10MM in FY2011 and \$42MM in FY2012, over FY2010
  - Beginning in Q1FY2012, run rate expected of \$6MM positive Adjusted EBITDA per quarter versus a FY2010 average rate of negative (\$6MM) per quarter resulting in a \$48MM change.
  - Ongoing expansion within specialty and emerging markets will allow KEMET to continue to further improve margins and increase pricing
  - Expected costs of \$35-\$40 million



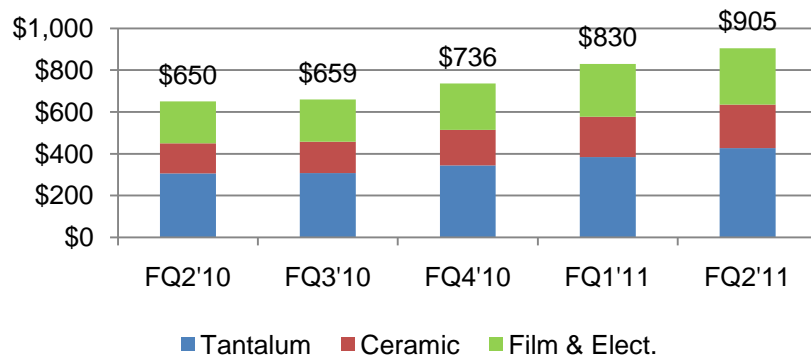
# Financial Overview

William M. Lowe  
EVP & CFO

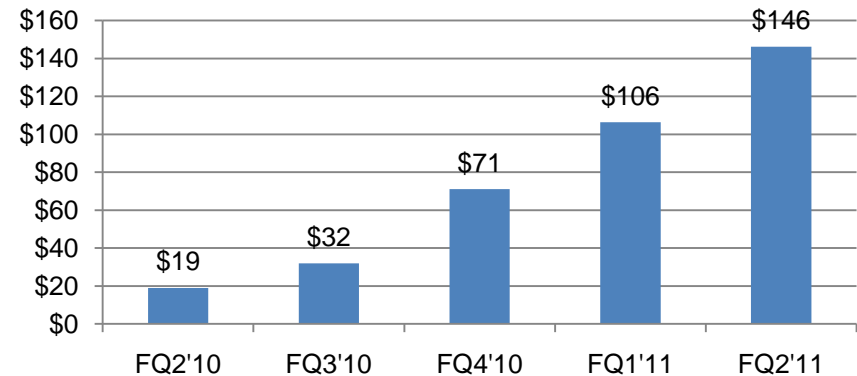
The Capacitance Company  
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# Improved Financial Profile

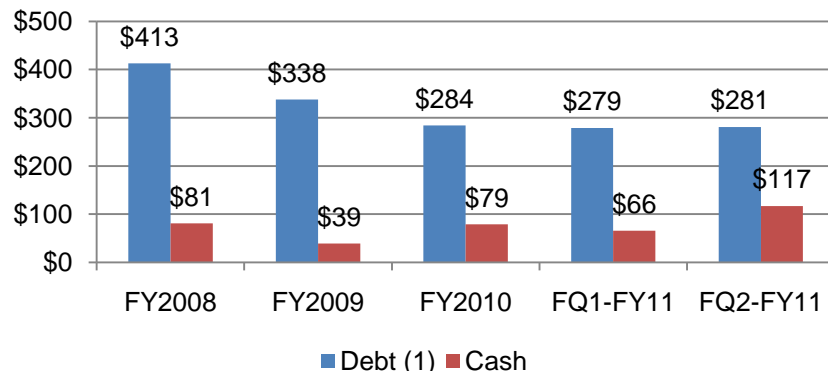
## LTM Revenue (FQ2'11)



## LTM Adjusted EBITDA (FQ2'11)



## Total Debt (1) and Total Cash



Total Debt/Adj. EBITDA	5.2x	12.8x	4.0x	2.6x	1.9x
Net Debt/Adj. EBITDA	4.2x	11.4x	2.9x	2.0x	1.1x

## Commentary

- Four consecutive quarters of increasing sales driven by improving macro economy
- Demonstrated margin improvement resulting from overall recovery and cost initiatives
- Total debt has decreased by \$132 million (~32%) from FY2008 through FQ2'11

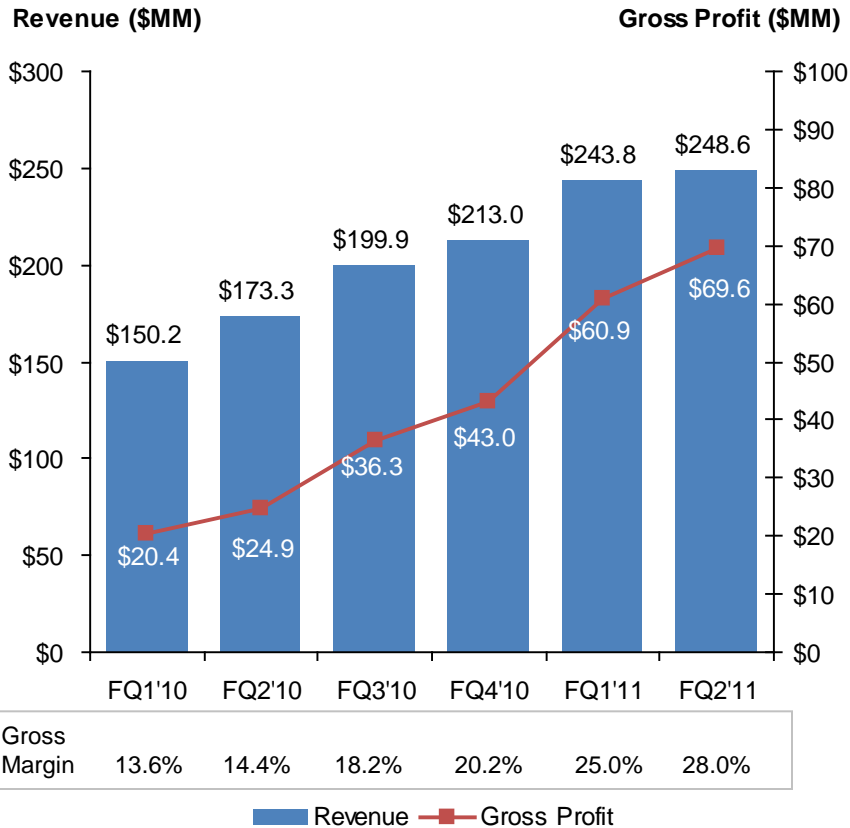
Note: Dollars in millions. Fiscal year ends March 31.

(1) Debt amounts represent face value of debt.

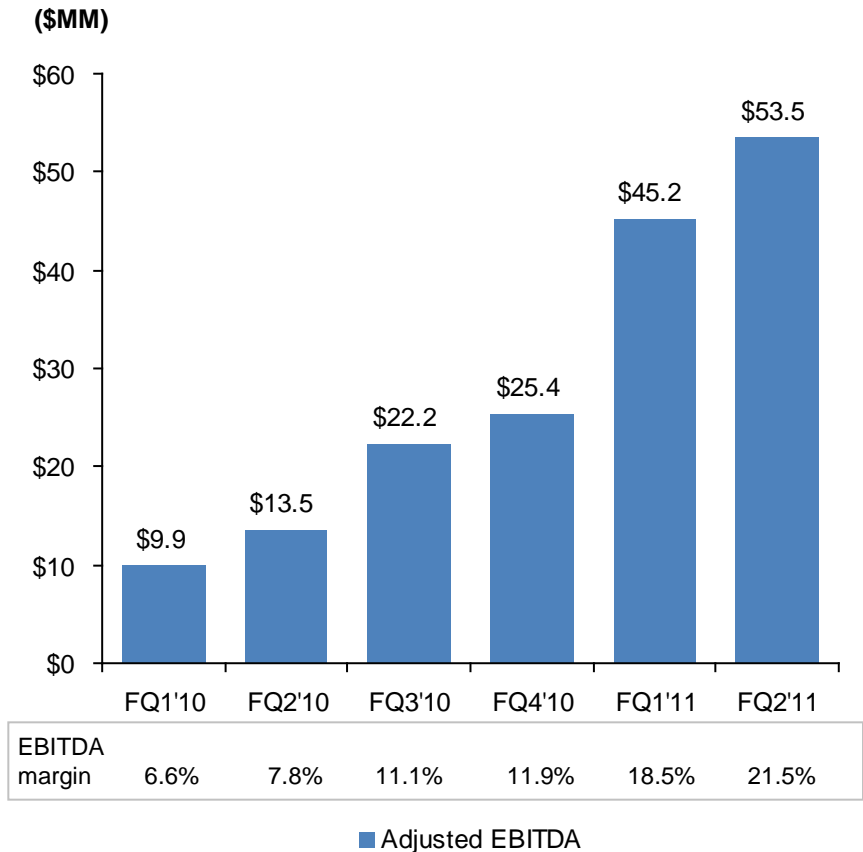
(2) Based on LTM EBITDA of \$146 million.

# Robust Operating Trends

## Revenue and Gross Margin



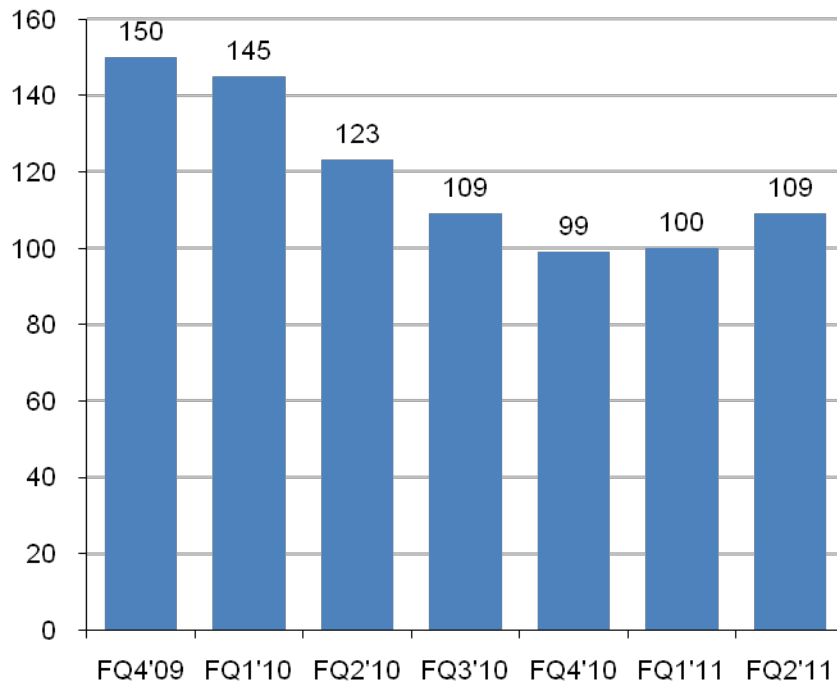
## Quarterly Adjusted EBITDA



Note: Fiscal year ends March 31.

# Robust Operating Trends (Cont'd)

## Cash Conversion Cycle <sup>(1)</sup>

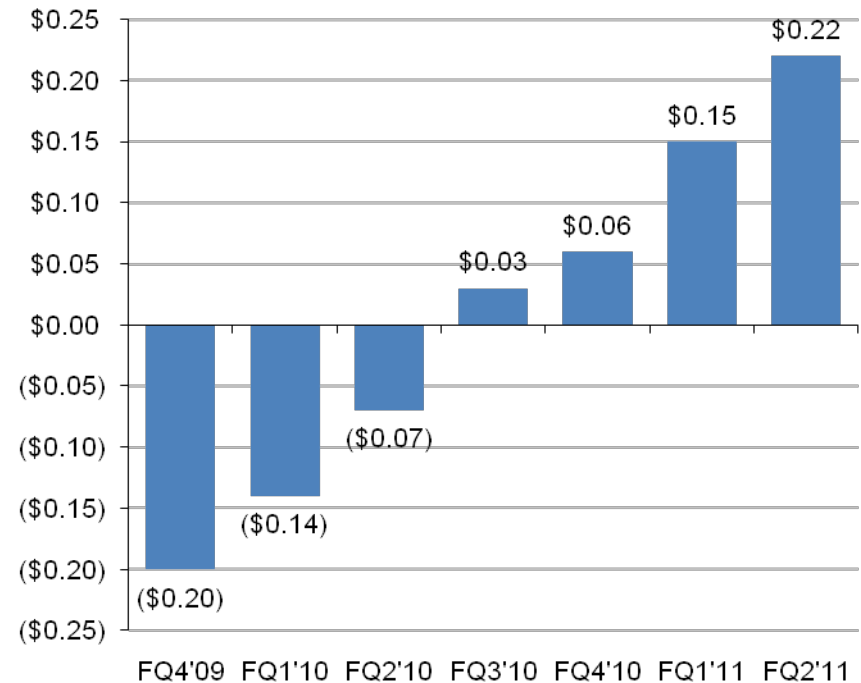


	FQ4'09	FQ1'10	FQ2'10	FQ3'10	FQ4'10	FQ1'11	FQ2'11
<b>DSO (2)</b>	81	75	68	63	61	59	57

	FQ4'09	FQ1'10	FQ2'10	FQ3'10	FQ4'10	FQ1'11	FQ2'11
<b>Inventory days (3)</b>	103	106	90	84	81	76	94

	FQ4'09	FQ1'10	FQ2'10	FQ3'10	FQ4'10	FQ1'11	FQ2'11
<b>DPO (4)</b>	33	36	35	38	42	35	42

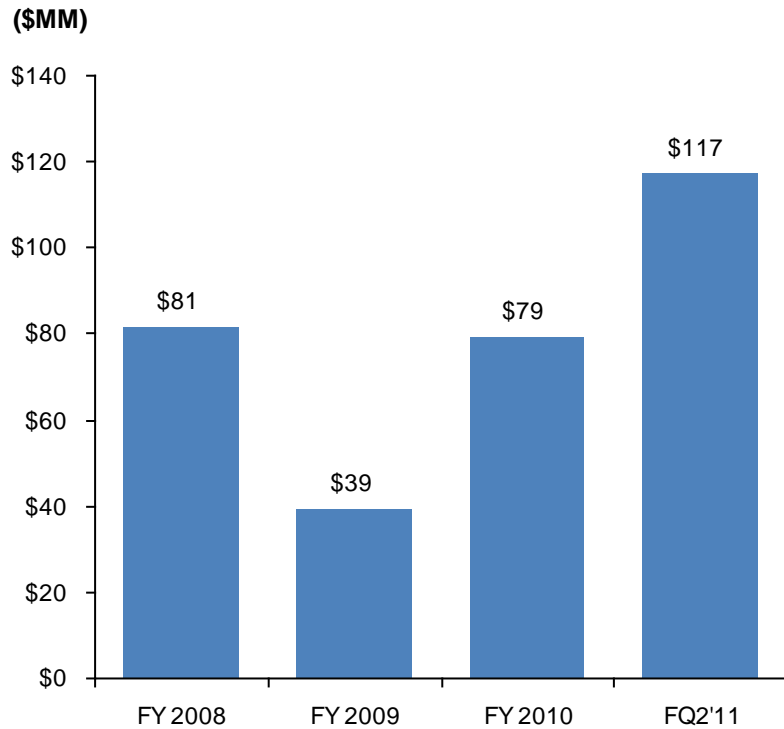
## Non-GAAP EPS



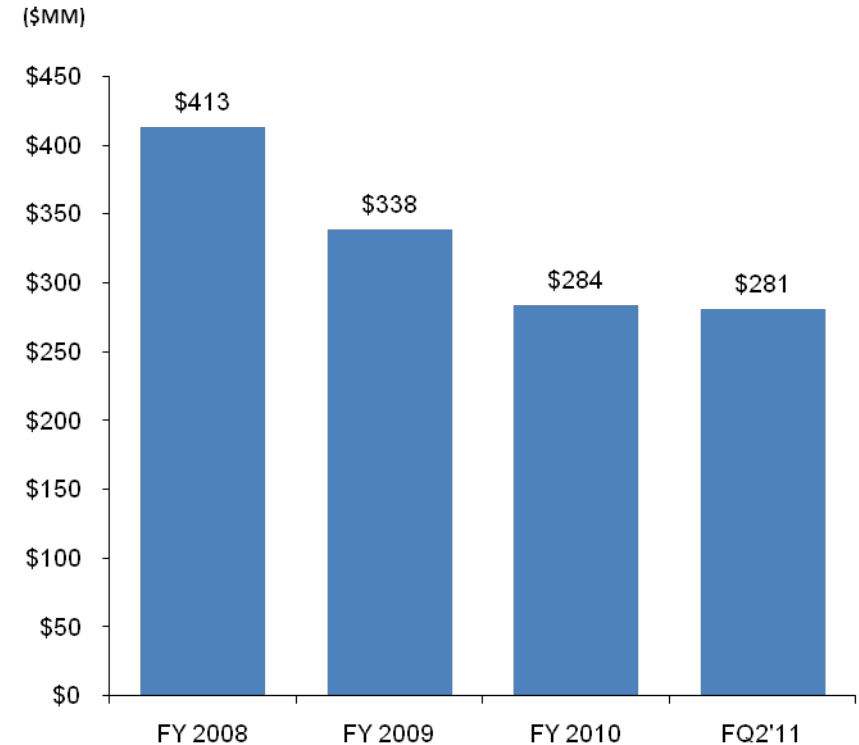
- (1) Cash conversion cycle defined as DSOs plus inventory days less DPOs.
- (2) Days sales outstanding defined as latest period AR balance divided by annualized latest period revenue times 365.
- (3) Inventory days defined as latest period inventory balance divided by annualized latest period COGS times 365.
- (4) Days payable outstanding defined as latest period AP balance divided by annualized latest period COGS times 365.

# Strong Balance Sheet

## Total Cash



## Total Debt (1)



Total Debt/Adj. EBITDA	5.2x	12.8x	4.0x	1.9x
Net Debt/Adj. EBITDA	4.2x	11.4x	2.9x	1.1x

(1) Debt amounts reflect face value.

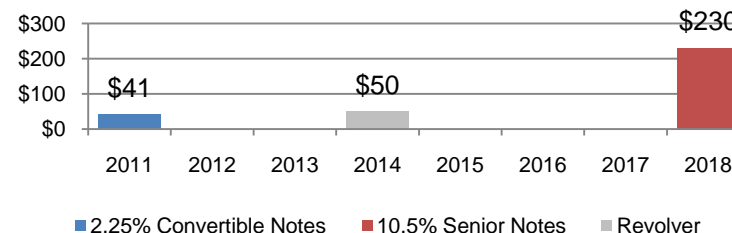
# Balance Sheet

<i>(\$ in millions)</i>	<u>9/30/2010</u>		<u>9/30/2010</u>
<b><u>Assets</u></b>		<b><u>Liabilities &amp; Stockholders Equity</u></b>	
Cash & Cash Equivalents	\$ 117.5	Current portion of long-term debt	\$ 5.5
Accounts receivable	154.3	Accounts payable	82.0
Inventories	183.7	Accrued expenses and other payables	<u>79.4</u>
Prepaid expenses & other current assets	<u>14.4</u>		
Total current assets	469.9	Total current liabilities	166.9
PP&E	307.7	Long-term debt	268.8
Intangible assets	20.5	Other non-current obligations	58.9
Other assets	<u>10.5</u>	Deferred Income taxes	9.3
		Total stockholders equity	<u>304.7</u>
<b>Total assets</b>	<b>\$ 808.6</b>	<b>Total liabilities and stockholders equity</b>	<b>\$ 808.6</b>

## Metrics

DSO (1)	56.6
Inventory Turns (2)	3.9
DPO (3)	41.8
Cash Conversion Cycle (4)	108.51
Working Capital as a % of Sales (5)	25.7%
Net Debt/LTM EBITDA (6)	1.1

## Debt Maturity Profile (7)



Note: Balance sheet represents carrying value of convertible debt. Debt maturity profile represents face value.

- (1) Days sales outstanding defined as latest period AR balance divided by annualized latest period revenue times 365.
- (2) Inventory turns defined as annualized latest period COGS divided by latest period inventory balance.
- (3) Days payable outstanding defined as latest period AP balance divided by annualized latest period COGS times 365.
- (4) Cash conversion cycle defined as DSOs plus inventory days less DPOs.
- (5) Defined as AR + inventory – AP, calculated off of annualized FQ1'11 sales of \$248.6 million.
- (6) LTM EBITDA of \$146 million calculated for 12 months ending June 2010 on an adjusted basis. Net debt calculated using face value of total debt of \$281 million.
- (7) \$40.6 million represents face value of convertible notes, which are puttable in November 2011 at 100% of the principal amount. \$50.0 million recent revolving credit facility represented by dotted line since currently undrawn. \$230 million represents face value of 10.5% senior notes including \$3.0 million net discount.

A hand is shown from the bottom, holding a blue wireframe globe. Inside the globe, a silhouette of the world map is visible. The background is a gradient of blue, with a white diagonal shape on the right side.

**Final Comments**

**Per Loof**

The Capacitance Company  
**KEMET**  
CHARGED™

# Significantly Improved Financial Performance since June '08 quarter



## Income Statement

- Gross Margin increase from 7% to 28%
- Adjusted EBITDA improvement of over 240%
- Decline in SG&A expense as a percent of revenue

## Balance Sheet

- Cash Balance increase of approximately 230% and still building
- Debt reduction of over \$113 million
- Immaterial amortization of Long-term debt

Note: Based on improvements from Q1 2009 (quarter ending June 2008) through Q1 2011 (quarter ending June 2010). Debt reduction calculated based on face value of total debt, including current portion. EBITDA improvement calculated based on Adjusted EBITDA.

# Key Competitive Strengths

- Strong market positions and operating scale
- Strong customer relationships
- Broad and diversified product offering
- Global reach and geographic diversification
- Robust and growing presence in specialty products
- Strong market position in renewable energy solutions
- Low cost operating platform

# Strong Market Positions and Operating Scale

- **#1** Tantalum capacitor manufacturer globally, with 26% market share
- **#1** DC Film capacitor manufacturer globally, with 14% market share
- **#2** Ceramic capacitor manufacturer in North America and top 10 globally
- Growing exposure to higher growth, higher margin, specialty segments of the market
- Worldwide sales and distribution network
- Focus on new product development: goal = 30% of sales
- Significant future benefits to come from restructuring of the F&E business

# Questions

## One World

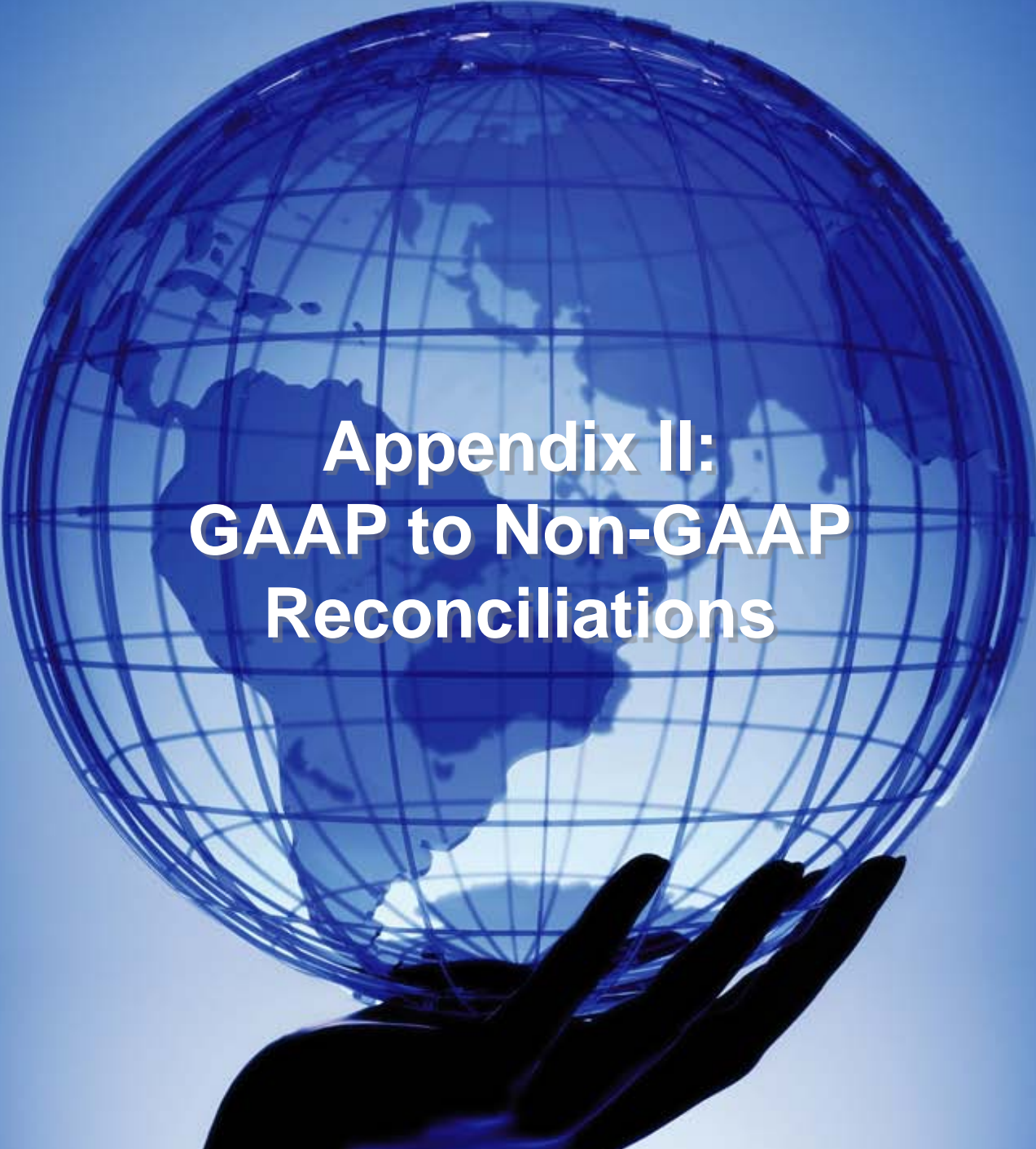
One Brand

One Strategy

One Focus

One Team

## One KEMET



# Appendix II: GAAP to Non-GAAP Reconciliations

The Capacitance Company  
**KEMET**  
CHARGED.™

# Income Statement Highlights – GAAP



*(Amounts in thousands, except percentages and per share data)*

	Quarters ended				Fiscal years ended March 31,	
	Sep-10	Jun-10	Mar-10	Jun-09	2010	2009
Net sales	\$248,588	\$243,794	\$212,980	\$150,167	\$736,335	\$804,385
Gross margin	\$69,718	\$60,908	\$42,968	\$20,506	\$124,697	\$67,834
Gross margin as a percentage of net sales	28.0%	25.0%	20.2%	13.7%	16.9%	8.4%
Selling, general and administrative expense	\$24,999	\$24,215	\$24,932	\$18,022	\$86,085	\$93,505
SG&A as a percentage of net sales	10.1%	9.9%	11.7%	12.0%	11.7%	11.6%
Operating income (loss)	\$37,962	\$28,535	\$6,849	(\$2,501)	\$7,697	(\$271,112)
Net income (loss)	\$34,911	(\$20,099)	\$317	\$25,090	(\$69,447)	(\$285,209)
EPS basic	\$ 0.43	\$ (0.25)	\$ -	\$ 0.31	\$ (0.86)	\$ (3.54)
EPS diluted	\$ 0.23	\$ (0.25)	\$ -	\$ 0.31	\$ (0.86)	\$ (3.54)

# Income Statement Highlights – Non-GAAP

(Amounts in thousands, except percentages and per share data)

	Quarters ended				Fiscal years ended March 31,	
	Sep-10	Jun-10	Mar-10	Jun-09	2010	2009
Net sales	\$248,588	\$243,794	\$212,980	\$150,167	\$736,335	\$804,385
Gross margin	\$69,718	\$60,908	\$42,968	\$20,506	\$124,855	\$84,334
Gross margin as a percentage of net sales	28.0%	25.0%	20.2%	13.7%	17.0%	10.5%
Adjusted Selling, general and administrative expense	\$24,625	\$23,935	\$24,932	\$18,022	\$84,742	\$88,251
Adjusted SG&A as a percentage of net sales	9.9%	9.8%	11.7%	12.0%	11.5%	11.0%
Adjusted Operating income (loss)	\$38,870	\$30,942	\$11,957	(\$2,295)	\$18,122	(\$32,873)
Adjusted Net income (loss)	\$34,285	\$22,325	\$8,769	(\$10,323)	(\$3,398)	(\$44,980)
Adjusted EPS basic	\$0.42	\$0.28	\$0.11	(\$0.13)	(\$0.04)	(\$0.56)
Adjusted EPS diluted	\$0.22	\$0.15	\$0.06	(\$0.13)	(\$0.04)	(\$0.56)

# Adjusted Gross Margin Reconciled to Gross Margin – annual

(Amounts in thousands)

	<b>Fiscal Years Ended Mar 31,</b>	
	<b>2010</b>	<b>2009</b>
Gross margin	\$ 124,697	\$ 67,834
Adjustments:		
Cancellation of incentive plan	158	-
Inventory adjustments	-	16,500
Adjusted gross margin (excluding adjustments)	<u>\$ 124,855</u>	<u>\$ 84,334</u>

# Adjusted SG&A Expenses Reconciled to SG&A Expenses – annual



(Amounts in thousands)

	<b>Fiscal Years Ended Mar 31,</b>	
	<b>2010</b>	<b>2009</b>
Selling, general and administrative expenses	\$ 86,085	\$ 93,505
Adjustments:		
Cancellation of incentive plan	(930)	-
Write off of capitalized advisor fees	(413)	-
Acquisitions integration costs	-	(5,254)
	<u>          </u>	<u>          </u>
Adjusted selling, general and administrative expenses (excluding adjustments)	<u>\$ 84,742</u>	<u>\$ 88,251</u>

# Adjusted Operating Income (Loss) Reconciled to Operating Income (Loss) – annual



(Amounts in thousands)

	<b>Fiscal Years Ended Mar 31,</b>	
	<b>2010</b>	<b>2009</b>
Operating income (loss)	\$ 7,697	\$ (271,112)
Adjustments:		
Restructuring charges	9,198	30,874
Goodwill impairment	-	174,327
Write down of long lived assets	656	67,624
Gain on sales and disposals of assets	(1,003)	(25,505)
Cancellation of incentive plan	1,161	-
Write off of capitalized advisor fees	413	-
Curtailed gains on benefit plans	-	(30,835)
Inventory adjustments	-	16,500
Acquisitions integration costs	-	5,254
Adjusted operating income (loss) (excluding adjustments)	<u>\$ 18,122</u>	<u>\$ (32,873)</u>

# Adjusted Net Loss Reconciled to Net Loss – annual

(Amounts in thousands)

	<b>Fiscal Years Ended Mar 31,</b>	
	<b>2010</b>	<b>2009</b>
Net loss	\$ (69,447)	\$ (285,209)
Adjustments:		
Restructuring charges	9,198	30,874
Goodwill impairment	-	174,327
Amortization included in interest expense	13,392	9,918
(Gain) loss on early extinguishment of debt	(38,921)	2,212
Increase in value of warrant	81,088	-
Write down of long lived assets	656	67,624
Gain on sales and disposals of assets	(1,003)	(25,505)
Cancellation of incentive plan	1,161	-
Write off of capitalized advisor fees	413	-
Curtailment gains on benefit plans	-	(30,835)
Inventory adjustments	-	16,500
Acquisitions integration costs	-	5,254
Income tax effect of non-GAAP adjustments	65	(10,140)
Adjusted net loss (excluding adjustments)	<u>\$ (3,398)</u>	<u>\$ (44,980)</u>

# Adjusted SG&A Expenses Reconciled to SG&A Expenses – quarterly

(Amounts in thousands)

	Quarters Ended			
	Sep-10	Jun-10	Mar-10	Jun-09
Selling, general and administrative expenses	\$ 24,999	\$ 24,215	\$ 24,932	\$ 18,022
Adjustments:				
ERP integration costs	(375)	(280)	-	-
Adjusted selling, general and administrative expenses (excluding adjustments)	<u>\$ 24,624</u>	<u>\$ 23,935</u>	<u>\$ 24,932</u>	<u>\$ 18,022</u>

# Adjusted Operating Income (Loss) Reconciled to Operating Income (Loss) – quarterly

(Amounts in thousands)

	<b>Quarters Ended</b>			
	<b>Sep-10</b>	<b>Jun-10</b>	<b>Mar-10</b>	<b>Jun-09</b>
Operating income (loss)	\$ 37,962	\$ 28,535	\$ 6,849	\$ (2,501)
Adjustments:				
Restructuring charges	2,303	1,792	6,609	-
(Gain) loss on sales and disposals of assets	(1,770)	335	(1,501)	206
ERP integration costs	375	280	-	-
Adjusted operating income (loss) (excluding adjustments)	<u>\$ 38,870</u>	<u>\$ 30,942</u>	<u>\$ 11,957</u>	<u>\$ (2,295)</u>

# Adjusted Net Income (Loss) Reconciled to Net Income (Loss) – quarterly



(Amounts in thousands)

	Quarters Ended			
	Sep-10	Jun-10	Mar-10	Jun-09
Net income (loss)	\$ 34,911	\$ (20,099)	\$ 317	\$ 25,090
Adjustments:				
Restructuring charges	2,303	1,792	6,609	-
Amortization included in interest expense	830	1,924	3,806	2,564
(Gain) loss on early extinguishment of debt	-	38,248	-	(38,921)
(Gain) loss on sales and disposals of assets	(1,770)	335	(1,501)	206
Gain on licensing of patents	(2,000)	-	-	-
ERP integration costs	375	280	-	-
Income tax effect of non-GAAP adjustments	(364)	(155)	(462)	738
Adjusted net income (loss) (excluding adjustments)	<u>\$ 34,285</u>	<u>\$ 22,325</u>	<u>\$ 8,769</u>	<u>\$ (10,323)</u>

# Adjusted EBITDA Reconciliation to Net Income

*(Amounts in thousands)*

	<u>Q2 FY09</u>	<u>Q3 FY09</u>	<u>Q4 FY09</u>	<u>Q1 FY10</u>	<u>Q2 FY10</u>
Net income (loss)	\$ (85,068)	\$ (13,148)	\$ 2,382	\$ 25,090	\$ (93,075)
Income tax expense (benefit)	1,205	793	(5,120)	1,030	1,712
Interest expense, net	7,405	6,571	7,704	5,788	6,389
Depreciation and amortization expense	12,246	12,253	15,512	12,264	13,288
Stock-based compensation expense	329	247	(45)	241	1,387
Increase in value of warrant	-	-	-	-	81,088
Goodwill impairment	85,680	-	-	-	-
Write down of long-lived assets	1,227	-	2,469	-	-
(Gain)/loss on disposal of assets	(28,489)	1,054	1,731	206	52
Curtailment gains on benefit plans	-	-	(30,835)	-	-
(Gain) loss on early extinguishment of debt	2,212	-	-	(38,921)	-
Foreign exchange transaction (gain)/loss	(4,251)	(3,783)	(6,721)	4,221	1,419
Acquisition integration costs	1,830	623	543	-	-
Restructuring charges	18,210	4,572	1,295	-	1,267
Adjusted EBITDA	<u>\$ 12,536</u>	<u>\$ 9,182</u>	<u>\$ (11,085)</u>	<u>\$ 9,919</u>	<u>\$ 13,527</u>

Continued....

# Adjusted EBITDA Reconciliation to Net Income

*(Amounts in thousands)*

	<u>Q3 FY10</u>	<u>Q4 FY10</u>	<u>Q1 FY11</u>	<u>Q2 FY11</u>
Net income (loss)	\$ (1,779)	\$ 317	\$ (20,099)	\$ 34,911
Income tax expense (benefit)	(93)	2,387	1,275	593
Interest expense, net	7,420	6,223	7,437	7,250
Depreciation and amortization expense	13,701	13,391	14,510	14,132
Stock-based compensation expense	160	77	149	333
Write down of long-lived assets	656	-	-	-
(Gain)/loss on disposal of assets	240	(1,501)	335	(1,770)
Loss on early extinguishment of debt	-	-	38,248	-
Foreign exchange transaction (gain)/loss	523	(2,057)	1,272	(2,679)
ERP integration costs	-	-	280	375
Restructuring charges	1,322	6,609	1,792	2,303
Gain on licensing of patents	-	-	-	(2,000)
Adjusted EBITDA	<u>\$ 22,150</u>	<u>\$ 25,446</u>	<u>\$ 45,199</u>	<u>\$ 53,448</u>

# Non-GAAP Financial Measures

## **Non-GAAP Financial Measures**

Included in this presentation are certain non-GAAP financial measures designed to complement the financial information presented in accordance with generally accepted accounting principles in the United States of America because management believes such measures are useful to investors.

### **Adjusted operating income (loss)**

Adjusted operating income (loss) represents operating income (loss), excluding adjustments which are outlined in the quantitative reconciliation provided earlier in this presentation. Management uses Adjusted operating income (loss) to facilitate our analysis and understanding of our business operations and believe that Adjusted operating income (loss) is useful to investors because it provides a supplemental way to understand the underlying operating performance of the Company. Adjusted operating income (loss) should not be considered as an alternative to operating income or any other performance measure derived in accordance with GAAP.

### **Adjusted net income (loss) and Adjusted EPS**

Adjusted net income (loss) and Adjusted EPS represent net income (loss) and EPS, excluding adjustments which are more specifically outlined in the quantitative reconciliation provided earlier in this presentation. Management uses Adjusted net income (loss) and Adjusted EPS to evaluate the Company's operating performance and believes that Adjusted net income (loss) and Adjusted EPS are useful to investors because they provide a supplemental way to possibly better understand the underlying operating performance of the Company. Adjusted net income (loss) and Adjusted EPS should not be considered as alternatives to net income, operating income or any other performance measures derived in accordance with GAAP.

# Non-GAAP Financial Measures

(Cont'd)



## Adjusted EBITDA

Adjusted EBITDA represents net income (loss) before income tax expense, interest expense, and depreciation and amortization expense, adjusted to exclude restructuring charges, long-lived asset impairment write-downs, goodwill impairment charges, share-based compensation expense, gain/loss on disposals of assets, gain/loss on the early extinguishment of debt, increase in fair value of warrant, ERP and acquisitions integration costs, curtailment gains on benefit plans and foreign exchange transaction gain/loss. We present Adjusted EBITDA as a supplemental measure of our performance and ability to service debt. We also present Adjusted EBITDA because we believe such measure is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry.

We believe Adjusted EBITDA is an appropriate supplemental measure of debt service capacity, because cash expenditures on interest are, by definition, available to pay interest, and tax expense is inversely correlated to interest expense because tax expense goes down as deductible interest expense goes up; depreciation and amortization are non-cash charges. The other items excluded from Adjusted EBITDA are excluded in order to better reflect our continuing operations.

In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses similar to the adjustments in this presentation. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by these types of adjustments. Adjusted EBITDA is not a measurement of our financial performance under GAAP and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with GAAP or as an alternative to cash flow from operating activities as a measure of our liquidity.

# Non-GAAP Financial Measures

(Cont'd)



Our Adjusted EBITDA measure has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- it does not reflect our cash expenditures, future requirements for capital expenditures or contractual commitments;
- it does not reflect changes in, or cash requirements for, our working capital needs;
- it does not reflect the significant interest expense or the cash requirements necessary to service interest or principal payment on our debt;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and our Adjusted EBITDA measure does not reflect any cash requirements for such replacements;
- it is not adjusted for all non-cash income or expense items that are reflected in our statements of cash flows;
- it does not reflect the impact of earnings or charges resulting from matters we consider not be indicative of our ongoing operations;
- it does not reflect limitations on or costs related to transferring earnings from our subsidiaries to us; and
- other companies in our industry may calculate this measure differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, Adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business or as a measure of cash that will be available to us to meet our obligations. You should compensate for these limitations by relying primarily on our GAAP results and using Adjusted EBITDA only supplementally.