



Fiscal Year Ended
March 31, 2011
Earnings Conference Call
May 12, 2011

The Capacitance Company
KEMET
CHARGED®

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) adverse economic conditions could impact our ability to realize operating plans if the demand for our products declines, and such conditions could adversely affect our liquidity and ability to continue to operate; (ii) adverse economic conditions could cause the write down of long-lived assets; (iii) an increase in the cost or a decrease in the availability of our principal raw materials; (iv) changes in the competitive environment; (v) uncertainty of the timing of customer product qualifications in heavily regulated industries; (vi) economic, political, or regulatory changes in the countries in which we operate; (vii) difficulties, delays or unexpected costs in completing the restructuring plan; (viii) inability to attract, train and retain effective employees and management; (ix) inability to develop innovative products to maintain customer relationships and offset potential price erosion in older products; (x) exposure to claims alleging product defects; (xi) the impact of laws and regulations that apply to our business, including those relating to environmental matters; (xii) volatility of financial and credit markets affecting our access to capital; (xiii) needing to reduce the total costs of our products to remain competitive; (xiv) potential limitation on the use of net operating losses to offset possible future taxable income; (xv) exercise of the warrant by K Equity which could potentially may result in the existence of a significant stockholder who could seek to influence our corporate decisions; and (xvi) recent events in Japan could negatively impact our sales and supply chain.

Income Statement Highlights- U.S. GAAP



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

	For the Quarters Ended		
	<u>Mar-11</u>	<u>Dec-10</u>	<u>Mar-10</u>
Net sales	\$ 261,452	\$ 264,654	\$ 212,980
Gross margin	\$ 62,494	\$ 72,522	\$ 42,424
Gross margin as a percentage of net sales	23.9%	27.4%	19.9%
Selling, general and administrative expense	\$ 27,940	\$ 27,453	\$ 25,388
SG&A as a percentage of net sales	10.7%	10.4%	11.9%
Operating income	\$ 25,773	\$ 36,991	\$ 6,849
Net income	\$ 21,065	\$ 27,167	\$ 317
EPS basic	\$ 0.57	\$ 0.96	\$ 0.01
EPS diluted	\$ 0.40	\$ 0.52	\$ 0.01
Weighted-average shares outstanding:			
Basic	37,127	27,092	27,017
Diluted	52,293	51,194	47,679

Adjusted Net Income (Non-GAAP)



(Amounts in thousands, except per share data)

	For the Quarters Ended		
	Mar-11	Dec-10	Mar-10
Net income	\$ 21,065	\$ 27,167	\$ 317
<u>Adjustments:</u>			
Amortization included in interest expense	966	1,210	3,806
Restructuring charges	1,974	1,102	6,609
Net foreign exchange (gain) loss	(3,266)	1,785	(2,093)
Stock-based compensation	872	429	77
(Gain)/loss on disposals of assets	145	29	(1,501)
ERP integration costs	658	602	-
Inventory write-downs	2,991	-	-
Debt and stock registration related fees	581	950	-
Tax impact of adjustments	(428)	(196)	(462)
Total adjustments	4,493	5,911	6,436
Adjusted net income	\$ 25,558	\$ 33,078	\$ 6,753
Adjusted EPS - basic	\$ 0.69	\$ 1.17	\$ 0.25
Adjusted EPS - diluted	\$ 0.49	\$ 0.64	\$ 0.14
Adjusted EBITDA	\$ 44,402	\$ 53,078	\$ 25,472

Adjusted Operating Income (Non-GAAP)



(Amounts in thousands)

	For the Quarters Ended		
	<u>Mar-11</u>	<u>Dec-10</u>	<u>Mar-10</u>
Operating income	\$ 25,773	\$ 36,991	\$ 6,849
<u>Adjustments:</u>			
Restructuring charges	1,974	1,102	6,609
Stock-based compensation	872	429	77
(Gain)/loss on sales of assets	145	29	(1,501)
Debt and stock registration related fees	581	950	-
ERP integration costs	658	602	-
Inventory write-downs	2,991	-	-
Total adjustments	<u>7,221</u>	<u>3,112</u>	<u>5,185</u>
Adjusted operating income	<u>\$ 32,994</u>	<u>\$ 40,103</u>	<u>\$ 12,034</u>

Adjusted Gross Margin (Non-GAAP)

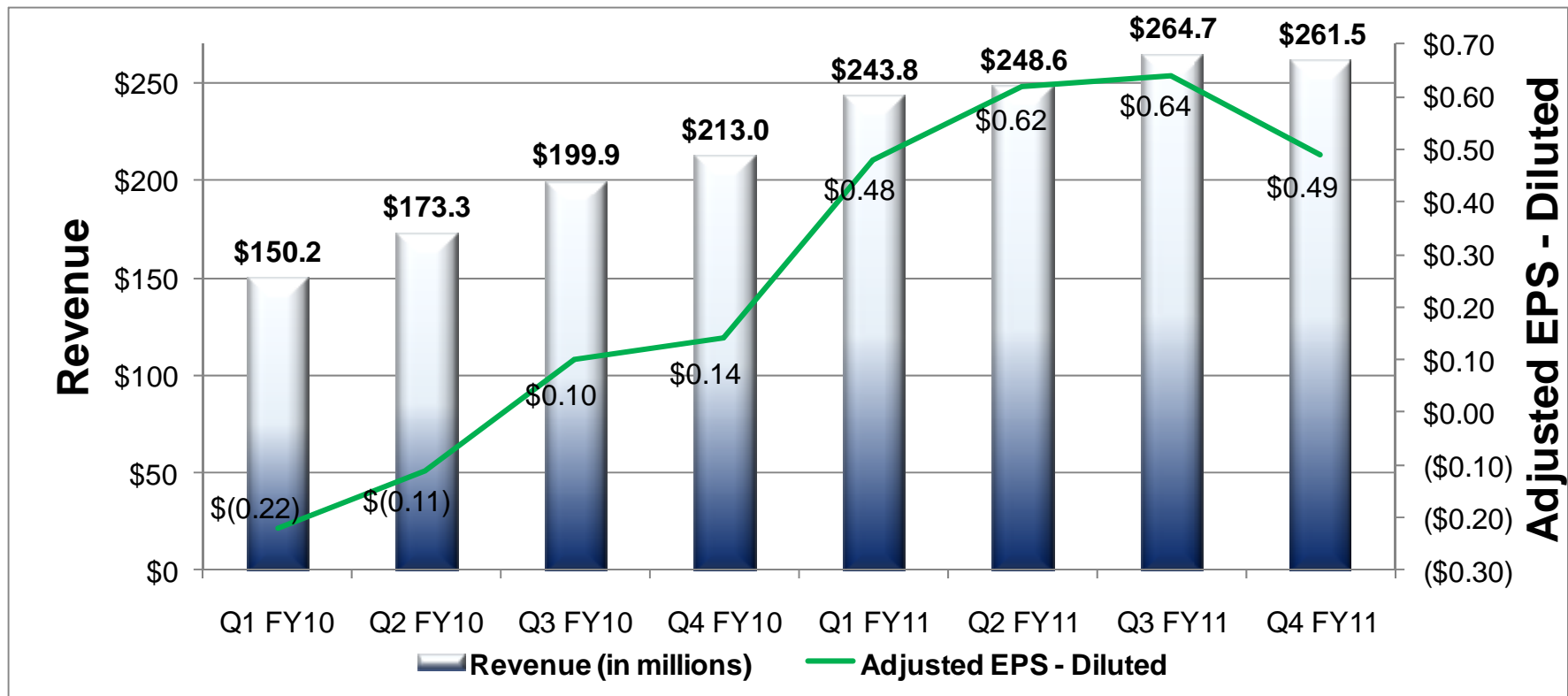


(Amounts in thousands, except percentages)

For the Quarters Ended

	<u>Mar-11</u>	<u>Dec-10</u>	<u>Mar-10</u>
Net sales	\$ 261,452	\$ 264,654	\$ 212,980
Cost of sales	198,958	192,132	169,556
<u>Adjustments:</u>			
Stock-based compensation	(90)	(52)	-
Inventory write-downs	(2,991)	-	-
Total adjustments	(3,081)	(52)	-
Adjusted cost of sales	195,877	192,080	169,556
Adjusted gross margin	\$ 65,575	\$ 72,574	\$ 43,424
Adjusted gross margin %	25.1%	27.4%	20.4%

Consolidated Operating Results



Note: For the first and second quarters of fiscal year 2010 adjusted EPS is the same on both a basic and diluted basis.

Balance Sheet Highlights



(Amounts in millions, except days in receivables/payables)

	Mar-11	Q4 Exchange Rate Impact	Dec-10
Cash and Cash Equivalents	\$ 152.1	0.8	\$ 127.8
Restricted Cash	\$ 2.3	0.1	\$ 2.2
Capital Expenditures	\$ 15.4		\$ 5.7
Short-Term Debt	\$ 43.7		\$ 41.7
Long-Term Debt	234.0		235.6
Debt Discount	(4.4)		(5.0)
Total Debt	<u>\$ 273.3</u>	(0.4)	<u>\$ 272.3</u>
Equity	\$ 359.8	(10.5)	\$ 329.9
Net Working Capital (1)	\$ 276.2	5.4	\$ 265.0
Days in Receivable (2)	52		47
Days in Payables (2)	42		43

(1) Includes only Receivables, Inventories, and Accounts Payable

(2) DSO and DPO are calculated by annualizing the current quarter's net sales and cost of sales

Adjusted Net Income Reconciliation to Net Income



<i>(Amounts in thousands, except per share data)</i>	<u>Q1 FY11</u>	<u>Q2 FY11</u>	<u>Q3 FY11</u>	<u>Q4 FY11</u>
Including adjustments (GAAP)				
Net income (loss)	\$ (20,099)	\$ 34,911	\$ 27,167	\$ 21,065
Net income (loss) per share (basic)	\$ (0.74)	\$ 1.29	\$ 0.96	\$ 0.57
Net income (loss) per share (diluted)	\$ (0.74)	\$ 0.68	\$ 0.52	\$ 0.40
Excluding the following items (Non-GAAP)				
Net income (loss)	\$ (20,099)	\$ 34,911	\$ 27,167	\$ 21,065
Adjustments:				
Restructuring charges	1,792	2,303	1,102	1,974
Net foreign exchange (gain) loss	1,272	(2,679)	1,785	(3,266)
Amortization included in interest expense	1,924	830	1,210	966
Stock-based compensation expense	149	333	429	872
ERP integration costs	280	375	602	658
(Gain) loss on sales and disposals of assets	335	(1,770)	29	145
Loss on early extinguishment of debt	38,248	-	-	-
Gain on licensing of patents	-	(2,000)	-	-
Debt and stock registration related fees	-	-	950	581
Inventory write-downs	-	-	-	2,991
Income tax effect of non-GAAP adjustments	(268)	(364)	(196)	(428)
Adjusted net income (excluding adjustments)	<u>\$ 23,633</u>	<u>\$ 31,939</u>	<u>\$ 33,078</u>	<u>\$ 25,558</u>
Adjusted net income per basic share (excluding adjustments)	\$ 0.87	\$ 1.18	\$ 1.17	\$ 0.69
Adjusted net income per diluted share (excluding adjustments)	\$ 0.48	\$ 0.62	\$ 0.64	\$ 0.49

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Adjusted Net Income Reconciliation to Net Income



<i>(Amounts in thousands, except per share data)</i>	<u>Q1 FY10</u>	<u>Q2 FY10</u>	<u>Q3 FY10</u>	<u>Q4 FY10</u>
Including adjustments (GAAP)				
Net income (loss)	\$ 25,090	\$ (93,075)	\$ (1,779)	\$ 317
Net income (loss) per share (basic)	\$ 0.93	\$ (3.45)	\$ (0.07)	\$ 0.01
Net income (loss) per share (diluted)	\$ 0.90	\$ (3.45)	\$ (0.07)	\$ 0.01
Excluding the following items (Non-GAAP)				
Net income (loss)	\$ 25,090	\$ (93,075)	\$ (1,779)	\$ 317
Adjustments:				
Net foreign exchange (gain) loss	4,221	1,416	562	(2,093)
Amortization included in interest expense	2,564	3,319	3,703	3,806
Stock-based compensation expense	241	1,379	168	77
(Gain) loss on sales and disposals of assets	206	52	240	(1,501)
Gain on early extinguishment of debt	(38,921)	-	-	-
Restructuring charges	-	1,267	1,322	6,609
Cancellation of incentive plan	-	1,161	-	-
Write off of capitalized advisor fees	-	413	-	-
Increase in value of warrant	-	81,088	-	-
Write down of long-lived assets	-	-	656	-
Income tax effect of non-GAAP adjustments	738	(67)	(143)	(463)
Adjusted net income (loss) (excluding adjustments)	<u>\$ (5,861)</u>	<u>\$ (3,047)</u>	<u>\$ 4,729</u>	<u>\$ 6,752</u>
Adjusted net income (loss) per basic share (excluding adjustments)	\$ (0.22)	\$ (0.11)	\$ 0.18	\$ 0.25
Adjusted net income (loss) per diluted share (excluding adjustments)	\$ (0.22)	\$ (0.11)	\$ 0.10	\$ 0.14

Adjusted EBITDA Reconciliation to Net Income



(Amounts in thousands)

	<u>Q4 FY10</u>	<u>Q1 FY11</u>	<u>Q2 FY11</u>	<u>Q3 FY11</u>	<u>Q4 FY11</u>
Net income (loss)	\$ 317	\$ (20,099)	\$ 34,911	\$ 27,167	\$ 21,065
Income tax expense	2,387	1,275	593	625	211
Interest expense, net	6,223	7,437	7,250	7,728	7,542
Depreciation and amortization expense	13,453	14,510	14,132	12,661	11,629
EBITDA	22,380	3,123	56,886	48,181	40,447
<u>Adjustments:</u>					
Stock-based compensation expense		149	333	429	872
(Gain) loss on disposals of assets	(1,501)	335	(1,770)	29	145
Net foreign exchange (gain) loss	(2,093)	1,272	(2,679)	1,785	(3,266)
ERP integration costs	-	280	375	602	658
Restructuring charges	6,609	1,792	2,303	1,102	1,974
Loss on early extinguishment of debt		38,248	-	-	-
Gain on licensing of patents	-	-	(2,000)	-	-
Debt and stock registration related fees	-	-	-	950	581
Inventory write-downs	-	-	-	-	2,991
Total Adjustments	3,092	42,076	(3,438)	4,897	3,955
Adjusted EBITDA	\$ 25,472	\$ 45,199	\$ 53,448	\$ 53,078	\$ 44,402

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 gross margin

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

Adjusted operating income

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

Non-GAAP Financial Measures

Continued



Adjusted net income and Adjusted EPS

Adjusted net income and Adjusted EPS represent net income and EPS, excluding adjustments which are more specifically outlined in the quantitative reconciliation provided earlier in this presentation. Management uses Adjusted net income and Adjusted EPS to evaluate the Company's operating performance and believes that Adjusted net income 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 and Adjusted EPS should not be considered as alternatives to net income, operating income or any other performance measures derived in accordance with GAAP.

Adjusted EBITDA

Adjusted EBITDA represents net income (loss) before income tax expense, interest expense, and depreciation and amortization expense, adjusted to exclude the following: restructuring charges, stock-based compensation expense, gain/loss on disposals of assets, loss on the early extinguishment of debt, debt and stock registration related fees, ERP integration costs, net foreign exchange gain/loss, inventory write-downs and gain on licensing of patents. 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

Continued



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.