Electronic Components

KEMET

CHARGED.®

Earnings Conference Call

August 2, 2017

Quarter Ended June 30, 2017

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 outcomes 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 and cause a write down of long-lived assets or goodwill; (ii) an increase in the cost or a decrease in the availability of our principal or single-sourced purchased raw materials; (iii) changes in the competitive environment; (iv) uncertainty of the timing of customer product qualifications in heavily regulated industries; (v) economic, political, or regulatory changes in the countries in which we operate; (vi) difficulties, delays or unexpected costs in completing the restructuring plans; (vii) acquisitions and other strategic transactions expose us to a variety of risks; (viii) acquisition of TOKIN may not achieve all of the anticipated results; (ix) our business could be negatively impacted by increased regulatory scrutiny and litigation; (x) difficulties associated with retaining, attracting and training effective employees and management; (xi) the need to develop innovative products to maintain customer relationships and offset potential price erosion in older products; (xii) exposure to claims alleging product defects; (xiii) the impact of laws and regulations that apply to our business, including those relating to environmental matters; (xiv) the impact of international laws relating to trade, export controls and foreign corrupt practices; (xv) changes impacting international trade and corporate tax provisions related to the global manufacturing and sales of our products may have an adverse effect on our financial condition and results of operations; (xvi) volatility of financial and credit markets affecting our access to capital; (xvii) the need to reduce the total costs of our products to remain competitive; (xviii) potential limitation on the use of net operating losses to offset possible future taxable income; (xix) restrictions in our debt agreements that could limit our flexibility in operating our business; (xx) disruption to our information technology systems to function properly or control unauthorized access to our systems may cause business disruptions; (xxi) additional exercise of the warrant by K Equity, LLC which could potentially result in the existence of a significant stockholder who could seek to influence our corporate decisions; (xxii) fluctuation in distributor sales could adversely affect our results of operations, (xxiii) earthquakes and other natural disasters could disrupt our operations and have a material adverse effect on our financial condition and results of operations.

Our acquisition accounting, including the acquisition gains, are preliminary as management continues to evaluate the fair value of the net assets acquired and consideration transferred. In addition, the allocation of the purchase price is based on estimates and assumption that

Income Statement Highlights

U.S. GAAP (Unaudited)

(Amounts in thousands, except percentages and per share data)	For the Quarters Ended		
	Jun 2017	**Mar 2017**	**Jun 2016**
Net sales	**$ 274,000**	**$ 197,519**	**$ 184,935**
Gross margin	**$ 76,676**	**$ 49,839**	**$ 42,523**
Gross margin as a percentage of net sales	*28.0%*	*25.2%*	*23.0%*
Selling, general and administrative	**$ 37,870**	**$ 29,317**	**$ 25,914**
SG&A as a percentage of net sales	*13.8%*	*14.8%*	*14.0%*
Operating income (loss)	**$ 27,784**	**$ 8,742**	**$ 8,898**
Net income (loss)	**$ 221,404**	**$ 52,914**	**$ (12,205)**
Per basic and diluted share data:			
Net income (loss) per basic share	$ 4.67	$ 1.13	$ (0.26)
Net income (loss) per diluted share	3.84	0.93	(0.26)
Weighted avg. shares - basic	47,381	46,803	46,349
Weighted avg. shares - diluted	57,731	57,130	46,349

Income Statement Highlights
Non-GAAP (Unaudited)

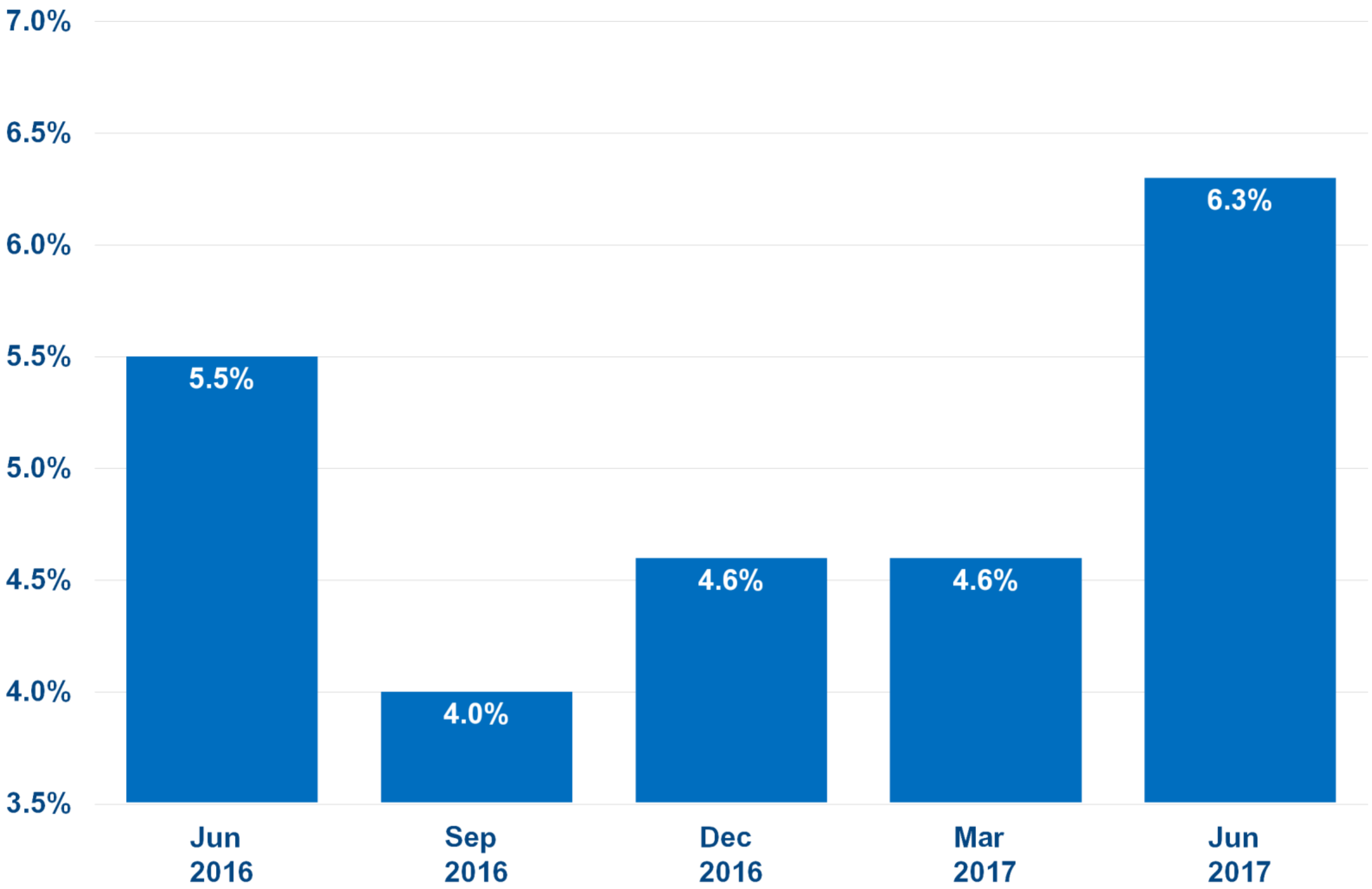
(Amounts in thousands, except percentages and per share data)	For the Quarters Ended Jun 2017	Mar 2017	Jun 2016
Net sales	**$ 274,000**	**$ 197,519**	**$ 184,935**
Adjusted gross margin	**$ 76,986**	**$ 50,230**	**$ 43,215**
Adjusted gross margin as a percentage of net sales	*28.1%*	*25.4%*	*23.4%*
Adjusted selling, general and administrative	**$ 35,984**	**$ 25,848**	**$ 21,980**
Adjusted SG&A as a percentage of net sales	*13.1%*	*13.1%*	*11.9%*
Adjusted operating income (loss)	**$ 31,658**	**$ 17,912**	**$ 14,362**
Adjusted net income (loss)	**$ 19,242**	**$ 7,845**	**$ 3,306**
Adjusted EBITDA	**$ 43,291**	**$ 27,230**	**$ 24,272**
Adjusted EBITDA margin as a percentage of net sales	*15.8%*	*13.8%*	*13.1%*
Per share data:			
Adjusted net income (loss) - basic	$ 0.41	$ 0.17	$ 0.07
Adjusted net income (loss) - diluted	$ 0.33	$ 0.14	$ 0.06
Weighted avg. shares - basic	47,381	46,803	46,349
Weighted avg. shares - diluted	57,731	57,130	52,097

Financial Highlights
(Unaudited)

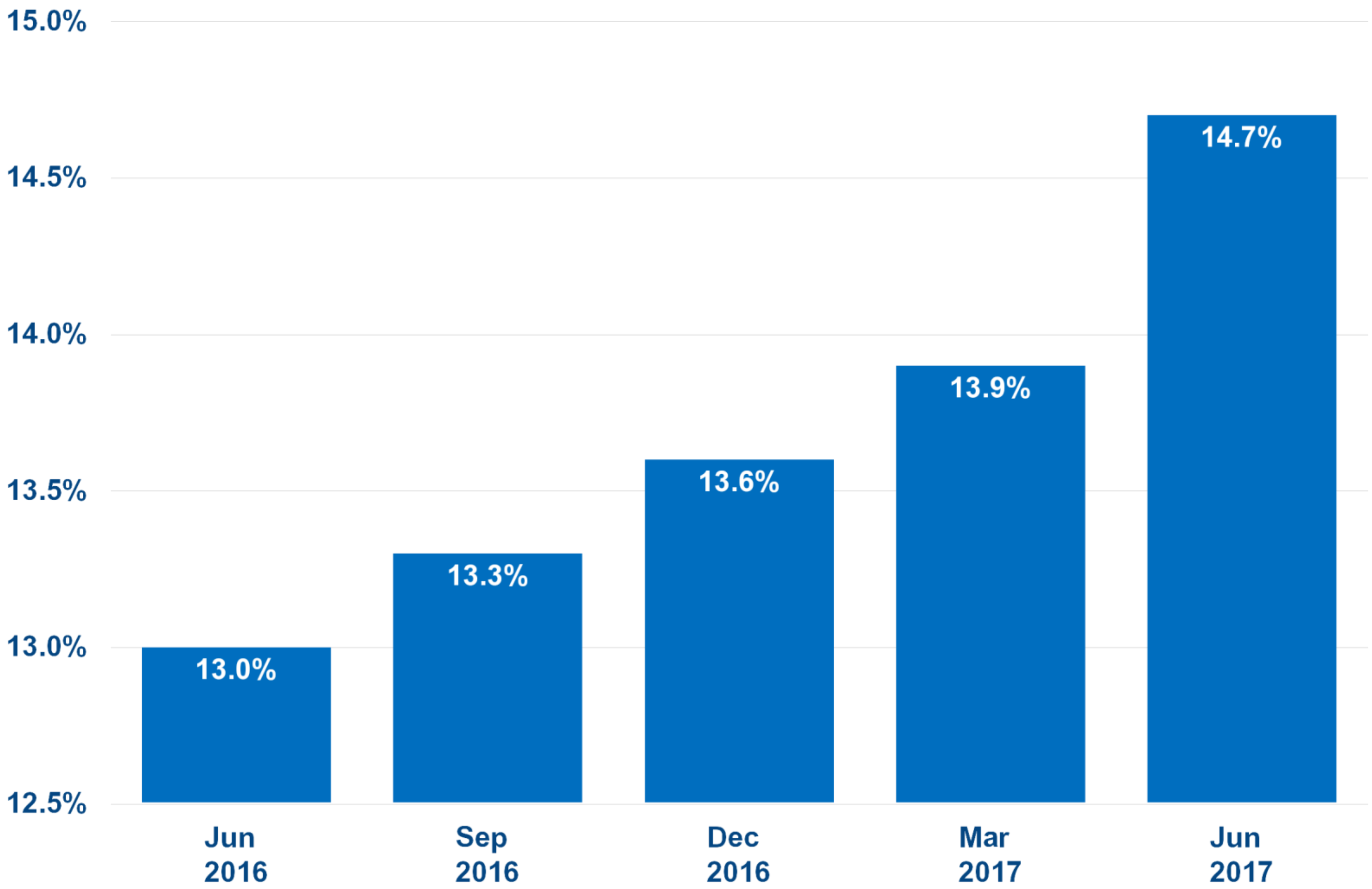
(Amounts in millions, except DSO and DPO)	Jun 2017	Mar 2017	FX Impact
Cash, cash equivalents	**$ 225.6**	**$ 109.8**	**$ 0.9**
Capital expenditures	**$ 7.3**	**$ 10.6**	
Short-term debt	$ 20.4	$ 2.0	
Long-term debt	330.3	387.3	
Debt (discount)/premium and issuance costs	(15.1)	(1.1)	
Total debt	**$ 335.6**	**$ 388.2**	**$ —**
Equity	**$ 386.5**	**$ 154.7**	**$ 5.8**
Net working capital (1)	**$ 194.1**	**$ 170.8**	**$ (2.4)**
Days in receivables (DSO)(2)	46	43	
Days in payables (DPO)(3)	63	43	

(1) Calculated as accounts receivable, net, plus inventories, net, less accounts payable.
(2) Current quarter's accounts receivable divided by annualized current quarter's Net sales multiplied by 365.
(3) Current quarter's accounts payable divided by annualized current quarter's cost of goods sold multiplied by 365.

LTM Operating Income Margins
U.S. GAAP (Unaudited)



LTM Adjusted EBITDA Margins
Non-GAAP (Unaudited)



Adjusted Gross Margin - GAAP Reconciliation

Solid Capacitors (Unaudited)

(Amounts in thousands)	For the Quarters Ended Jun 2017	Mar 2017	Jun 2016
Net sales	**$ 182,119**	**$ 148,970**	**$ 141,944**
Gross margin (U.S. GAAP)	**62,245**	**45,804**	**40,945**
Gross margin as a percentage of net sales	*34.2%*	*30.7%*	*28.8%*
Adjustments:			
Stock-based compensation expense	213	261	265
Adjusted gross margin (non-GAAP)	**$ 62,458**	**$ 46,065**	**$ 41,210**
Adjusted gross margin as a percentage of net sales	*34.3%*	*30.9%*	*29.0%*

Adjusted Gross Margin - GAAP Reconciliation

Film & Electrolytics (Unaudited)

(Amounts in thousands)	For the Quarters Ended Jun 2017	Mar 2017	Jun 2016
Net sales	**$ 48,010**	**$ 48,549**	**$ 42,991**
Gross margin (U.S. GAAP)	**5,092**	**4,035**	**1,578**
Gross margin as a percentage of net sales	*10.6%*	*8.3%*	*3.7%*
Adjustments:			
Stock-based compensation expense	97	130	119
Plant start-up costs	—	—	308
Adjusted gross margin (non-GAAP)	**$ 5,189**	**$ 4,165**	**$ 2,005**
Adjusted gross margin as a percentage of net sales	*10.8%*	*8.6%*	*4.7%*

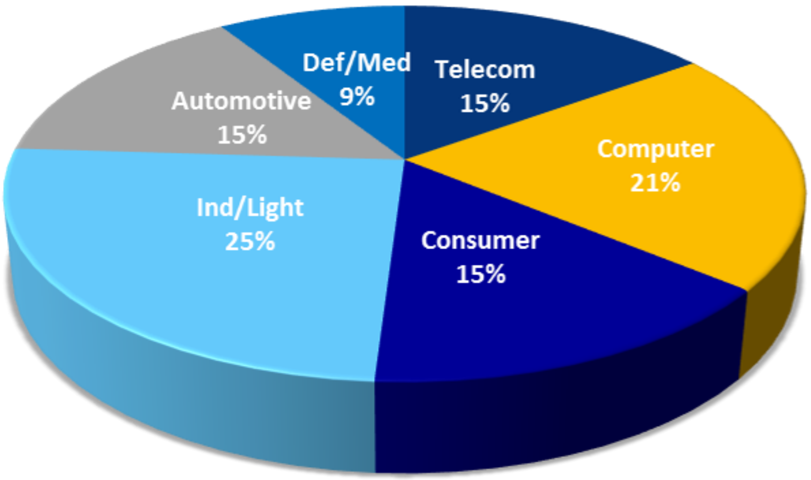
Gross Margin - U.S. GAAP
Electro-magnetic, Sensors & Actuators[(1)] (Unaudited)

(Amounts in thousands)	For the Quarter Ended Jun 2017
Net sales	**$ 43,871**
Gross margin	**9,339**
Gross margin as a percentage of net sales	*21.3%*

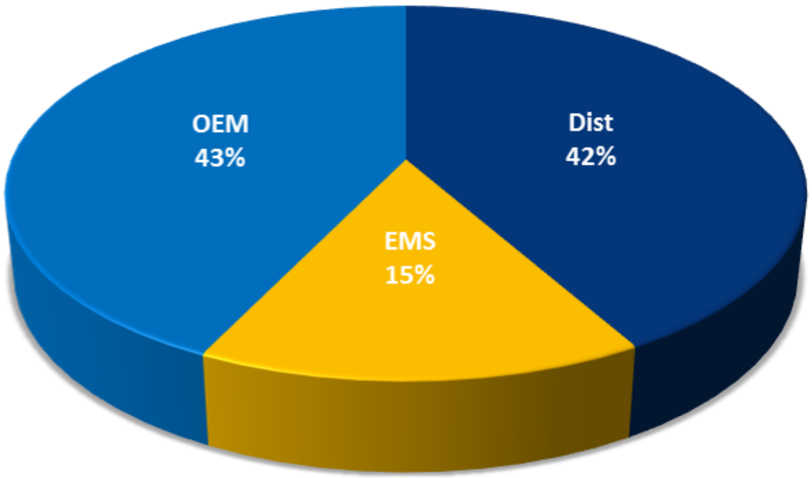
(1) Electro-magnetic, Sensors & Actuators ("MSA") is a new segment which is comprised of TOKIN's non-tantalum capacitor business acquired in connection with the TOKIN Acquisition on April 19, 2017.

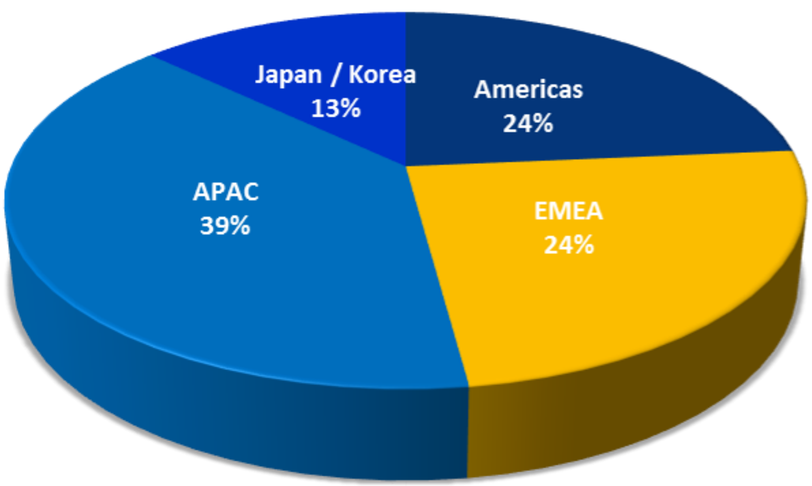
Sales Summary - Q1 FY2018
(Unaudited)

INDUSTRY

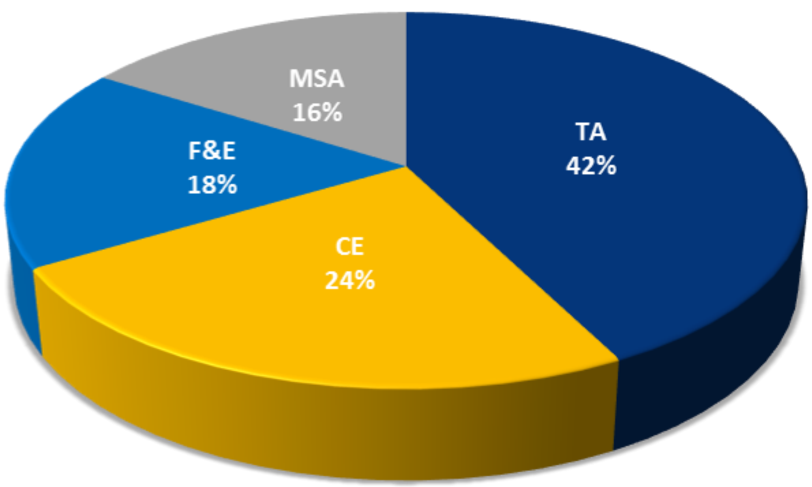


CHANNEL





REGION



PRODUCT LINE

Appendix

Adjusted Gross Margin

Non-GAAP (Unaudited)

(Amounts in thousands, except percentages)	For the Quarters Ended Jun 2017	Mar 2017	Jun 2016
Net Sales	**$ 274,000**	**$ 197,519**	**$ 184,935**
Gross Margin (U.S. GAAP)	**$ 76,676**	**$ 49,839**	**$ 42,523**
Gross margin as a percentage of net sales	*28.0%*	*25.2%*	*23.0%*
Adjustments:			
Stock-based compensation expense	310	391	384
Plant start-up costs	—	—	308
Adjusted gross margin (non-GAAP)	**$ 76,986**	**$ 50,230**	**$ 43,215**
Adjusted gross margin as a percentage of net sales	*28.1%*	*25.4%*	*23.4%*

Adjusted Selling, General & Administrative Expenses
Non-GAAP (Unaudited)

Electronic Components KEMET CHARGED.

(Amounts in thousands, except percentages)	For the Quarters Ended Jun 2017	Mar 2017	Jun 2016
Net sales	**$ 274,000**	**$ 197,519**	**$ 184,935**
Selling, general and administrative expenses (U.S. GAAP)	**$ 37,870**	**$ 29,317**	**$ 25,914**
Selling, general, and administrative as a percentage of net sales	*13.8%*	*14.8%*	*14.0%*
Less adjustments:			
ERP integration/IT transition costs	—	1,760	1,768
Stock-based compensation expense	745	806	785
Legal expenses related to antitrust class actions	1,141	406	1,175
TOKIN investment-related expenses	—	497	206
Adjusted selling, general and administrative expenses (non-GAAP)	**$ 35,984**	**$ 25,848**	**$ 21,980**
Adjusted selling, general, and administrative as a percentage of net sales	*13.1%*	*13.1%*	*11.9%*

Adjusted Operating Income (Loss)

Non-GAAP (Unaudited)

(Amounts in thousands)	For the Quarters Ended Jun 2017	Mar 2017	Jun 2016
Operating income (loss) (U.S. GAAP)	**$ 27,784**	**$ 8,742**	**$ 8,898**
Adjustments:			
Restructuring charges	1,613	1,087	688
Legal expenses related to antitrust class actions	1,141	406	1,175
Stock-based compensation expense	1,101	1,249	1,228
Net (gain) loss on sales and disposals of assets	19	85	91
ERP integration/IT transition costs	—	1,760	1,768
TOKIN investment-related expenses	—	497	206
Plant start-up costs	—	—	308
Write down of long-lived assets	—	4,086	—
Adjusted operating income (loss) (non-GAAP)	**$ 31,658**	**$ 17,912**	**$ 14,362**

Adjusted Net Income (Loss)

Non-GAAP (Unaudited)

Electronic Components KEMET CHARGED.

(in thousands)	For the Quarters Ended Jun 2017	Mar 2017	Jun 2016
Net income (loss) (U.S. GAAP)	**$ 221,404**	**$ 52,914**	**$ (12,205)**
Adjustments:			
Equity (income) loss from TOKIN	(75,417)	(41,372)	(223)
Acquisition Gain	(136,386)	—	—
Net foreign exchange (gain) loss	5,043	1,507	(1,920)
Restructuring charges	1,613	1,087	688
Legal expenses related to antitrust class actions	1,141	406	1,175
Stock-based compensation expense	1,101	1,249	1,228
(Gain) loss on early extinguishment of debt	486	—	—
Amortization included in interest expense	460	200	190
Income tax effect of non-U.S. GAAP adjustments (1)	(222)	(374)	—
Net (gain) loss on sales and disposals of assets	19	85	91
Change in value of TOKIN option	—	(14,200)	12,000
ERP integration/IT transition costs	—	1,760	1,768
TOKIN investment-related expenses	—	497	206
Write down of long-lived assets	—	4,086	—
Plant start-up costs	—	—	308
Adjusted net income (loss) (non-GAAP)	**$ 19,242**	**$ 7,845**	**$ 3,306**
Adjusted net income (loss) per share - basic	$ 0.41	$ 0.17	$ 0.07
Adjusted net income (loss) per share - diluted	$ 0.33	$ 0.14	$ 0.06
Adjusted EBITDA (non-GAAP)	**$ 43,291**	**$ 27,230**	**$ 24,272**
Weighted avg. shares - basic	47,381	46,803	46,349
Weighted avg. shares - diluted	57,731	57,130	52,097

(1) The income tax effect of the excluded items is calculated by applying the applicable jurisdictional income tax rate, considering the deferred tax valuation for each applicable jurisdiction.

Adjusted EBITDA Reconciliation

Non-GAAP (Unaudited)

Electronic Components KEMET CHARGED.

(Amounts in thousands)	For the Quarters Ended Jun 2017	Mar 2017	Jun 2016
Net income (loss) (U.S. GAAP)	$ 221,404	$ 52,914	$ (12,205)
Interest expense, net	10,894	9,994	9,920
Income tax expense (benefit)	1,150	(150)	1,800
Depreciation and amortization	12,243	9,367	9,436
EBITDA (non-GAAP)	245,691	72,125	8,951
Excluding the following items:			
Equity (income) loss from TOKIN	(75,417)	(41,372)	(223)
Acquisition Gain	(136,386)	—	—
Net foreign exchange (gain) loss	5,043	1,507	(1,920)
Restructuring charges	1,613	1,087	688
Legal expenses related to antitrust class actions	1,141	406	1,175
Stock-based compensation expense	1,101	1,249	1,228
(Gain) loss on early extinguishment of debt	486	—	—
Net (gain) loss on sales and disposals of assets	19	85	91
Change in value of TOKIN option	—	(14,200)	12,000
Write down of long-lived assets	—	4,086	—
TOKIN investment-related expenses	—	497	206
Plant start-up costs	—	—	308
ERP integration/IT transition costs	—	1,760	1,768
Adjusted EBITDA (non-GAAP)	**$ 43,291**	**$ 27,230**	**$ 24,272**

Adjusted EBITDA Reconciliation

Non-GAAP (Unaudited)

(Amounts in thousands, except percentages)	Quarter Ended Sep 2015	Quarter Ended Dec 2015	Quarter Ended Mar 2016	Quarter Ended Jun 2016	LTM Jun 2016
Net Sales	**$ 186,123**	**$ 177,184**	**$ 183,926**	**$ 184,935**	**$ 732,168**
Net income (loss)	7,194	(8,600)	(15,173)	(12,205)	(28,784)
Income tax expense (benefit)	1,438	2,760	2,056	1,800	8,054
Interest expense, net	9,808	9,848	9,925	9,920	39,501
Depreciation and amortization	9,265	9,674	10,160	9,436	38,535
EBITDA	27,705	13,682	6,968	8,951	57,306
Excluding the following items (Non-GAAP):					
Change in value of NEC TOKIN options	(2,200)	(700)	—	12,000	9,100
Equity (gain) loss from NEC TOKIN	(162)	6,505	11,648	(223)	17,768
Restructuring charges	23	1,714	617	688	3,042
ERP integration costs / IT transition costs	282	167	859	1,768	3,076
Stock-based compensation expense	1,328	1,154	1,013	1,228	4,723
Legal expenses related to antitrust class actions	541	1,300	482	1,175	3,498
Net foreign exchange (gain) loss	(3,171)	(1,036)	122	(1,920)	(6,005)
NEC TOKIN investment-related expenses	186	225	265	206	882
Plant start-up costs	187	160	319	308	974
Plant shut-down costs	—	231	141	—	372
Net (gain) loss on sales and disposals of assets	(304)	129	608	91	524
Adjusted EBITDA (non-GAAP)	**$ 24,415**	**$ 23,531**	**$ 23,042**	**$ 24,272**	**$ 95,260**
Adjusted EBITDA Margin (non-GAAP)	*13.1%*	*13.3%*	*12.5%*	*13.1%*	*13.0%*

Adjusted EBITDA Reconciliation

Non-GAAP (Unaudited)

Electronic Components KEMET CHARGED.

(Amounts in thousands, except percentages)	Quarter Ended Dec 2015	Quarter Ended Mar 2016	Quarter Ended Jun 2016	Quarter Ended Sep 2016	LTM Sep 2016
Net Sales	$ 177,184	$ 183,926	$ 184,935	$ 187,308	$ 733,353
Net income (loss)	(8,600)	(15,173)	(12,205)	(4,998)	(40,976)
Income tax expense (benefit)	2,760	2,056	1,800	830	7,446
Interest expense, net	9,848	9,925	9,920	9,904	39,597
Depreciation and amortization	9,674	10,160	9,436	9,440	38,710
EBITDA	13,682	6,968	8,951	15,176	44,777
Excluding the following items (Non-GAAP):					
Change in value of NEC TOKIN options	(700)	—	12,000	(1,600)	9,700
Equity (gain) loss from NEC TOKIN	6,505	11,648	(223)	(181)	17,749
Restructuring charges	1,714	617	688	3,998	7,017
ERP integration costs / IT transition costs	167	859	1,768	1,783	4,577
Stock-based compensation expense	1,154	1,013	1,228	1,104	4,499
Legal expenses related to antitrust class actions	1,300	482	1,175	766	3,723
Net foreign exchange (gain) loss	(1,036)	122	(1,920)	(724)	(3,558)
NEC TOKIN investment-related expenses	225	265	206	194	890
Plant start-up costs	160	319	308	119	906
Plant shut-down costs	231	141	—	—	372
Net (gain) loss on sales and disposals of assets	129	608	91	84	912
Write down of long-lived assets	—	—	—	6,193	6,193
Adjusted EBITDA (non-GAAP)	$ 23,531	$ 23,042	$ 24,272	$ 26,912	$ 97,757
Adjusted EBITDA Margin (non-GAAP)	*13.3%*	*12.5%*	*13.1%*	*14.4%*	*13.3%*

Adjusted EBITDA Reconciliation

Non-GAAP (Unaudited)

(Amounts in thousands, except percentages)	Quarter Ended Mar 2016	Quarter Ended Jun 2016	Quarter Ended Sep 2016	Quarter Ended Dec 2016	LTM Dec 2016
Net Sales	**$ 183,926**	**$ 184,935**	**$ 187,308**	**$ 188,029**	**$ 744,198**
Net income (loss)	(15,173)	(12,205)	(4,998)	12,278	(20,098)
Income tax expense (benefit)	2,056	1,800	830	1,810	6,496
Interest expense, net	9,925	9,920	9,904	9,913	39,662
Depreciation and amortization	10,160	9,436	9,440	9,095	38,131
EBITDA	6,968	8,951	15,176	33,096	64,191
Excluding the following items (Non-GAAP):					
Change in value of NEC TOKIN options	—	12,000	(1,600)	(6,900)	3,500
Equity (gain) loss from NEC TOKIN	11,648	(223)	(181)	133	11,377
Restructuring charges	617	688	3,998	(369)	4,934
ERP integration costs / IT transition costs	859	1,768	1,783	1,734	6,144
Stock-based compensation expense	1,013	1,228	1,104	1,139	4,484
Legal expenses related to antitrust class actions	482	1,175	766	293	2,716
Net foreign exchange (gain) loss	122	(1,920)	(724)	(2,621)	(5,143)
NEC TOKIN investment-related expenses	265	206	194	204	869
Plant start-up costs	319	308	119	—	746
Plant shut-down costs	141	—	—	—	141
Net (gain) loss on sales and disposals of assets	608	91	84	132	915
Write down of long-lived assets	—	—	6,193	—	6,193
Adjusted EBITDA (non-GAAP)	**$ 23,042**	**$ 24,272**	**$ 26,912**	**$ 26,841**	**$ 101,067**
Adjusted EBITDA Margin (non-GAAP)	*12.5%*	*13.1%*	*14.4%*	*14.3%*	*13.6%*

Adjusted EBITDA Reconciliation

Non-GAAP (Unaudited)

(Amounts in thousands, except percentages)	Quarter Ended Sep 2016	Quarter Ended Dec 2016	Quarter Ended Mar 2017	Quarter Ended Jun 2017	LTM Jun 2017
Net Sales	**$ 187,308**	**$ 188,029**	**$ 197,519**	**$ 274,000**	**$ 846,856**
Net income (loss)	(4,998)	12,278	52,914	221,404	281,598
Income tax expense (benefit)	830	1,810	(150)	1,150	3,640
Interest expense, net	9,904	9,913	9,994	10,894	40,705
Depreciation and amortization	9,440	9,095	9,367	12,243	40,145
EBITDA	15,176	33,096	72,125	245,691	366,088
Excluding the following items (Non-GAAP):					
Change in value of NEC TOKIN options	(1,600)	(6,900)	(14,200)	—	(22,700)
Equity (gain) loss from NEC TOKIN	(181)	133	(41,372)	(75,417)	(116,837)
Acquisition Gain	—	—	—	(136,386)	(136,386)
Restructuring charges	3,998	(369)	1,087	1,613	6,329
ERP integration costs / IT transition costs	1,783	1,734	1,760	—	5,277
Stock-based compensation expense	1,104	1,139	1,249	1,101	4,593
Legal expenses related to antitrust class actions	766	293	406	1,141	2,606
Net foreign exchange (gain) loss	(724)	(2,621)	1,507	5,043	3,205
NEC TOKIN investment-related expenses	194	204	497	—	895
Plant start-up costs	119	—	—	—	119
Net (gain) loss on sales and disposals of assets	84	132	85	19	320
(Gain) loss on early extinguishment of debt	—	—	—	486	486
Write down of long-lived assets	6,193	—	4,086	—	10,279
Adjusted EBITDA (non-GAAP)	**$ 26,912**	**$ 26,841**	**$ 27,230**	**$ 43,291**	**$ 124,274**
Adjusted EBITDA Margin (non-GAAP)	*14.4%*	*14.3%*	*13.8%*	*15.8%*	*14.7%*

Adjusted EBITDA Reconciliation
Non-GAAP (Unaudited)

(Amounts in thousands, except percentages)	Fiscal Year 2017
Net Sales	**$ 757,791**
Net income (loss)	47,989
Income tax expense (benefit)	4,290
Interest expense, net	39,731
Depreciation and amortization	37,338
EBITDA	129,348
Excluding the following items (Non-GAAP):	
Change in value of NEC TOKIN options	(10,700)
Equity (gain) loss from NEC TOKIN	(41,643)
Restructuring charges	5,404
ERP integration costs / IT transition costs	7,045
Stock-based compensation expense	4,720
Legal expenses related to antitrust class actions	2,640
Net foreign exchange (gain) loss	(3,758)
NEC TOKIN investment-related expenses	1,101
Plant start-up costs	427
Plant shut-down costs	—
Net (gain) loss on sales and disposals of assets	392
Write down of long-lived assets	10,279
Pension plan adjustment	—
(Income) loss from discontinued operations	—
(Gain) loss on early extinguishment of debt	—
Professional fees related to financing activities	—
Adjusted EBITDA (non-GAAP)	**$ 105,255**
Adjusted EBITDA Margin (non-GAAP)	*13.9%*

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 for the reasons described below.

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 by excluding the items outlined in the quantitative reconciliation provided earlier in this presentation which might otherwise make comparisons of our ongoing business with prior periods more difficult and obscure trends in ongoing operations. The Company 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 selling, general and administrative expenses

Adjusted selling, general and administrative expenses represents selling, general and administrative expenses excluding adjustments which are outlined in the quantitative reconciliation provided earlier in this presentation. Management uses Adjusted selling, general and administrative expenses to facilitate our analysis and understanding of our business operations by excluding the items outlined in the quantitative reconciliation provided earlier in this presentation which might otherwise make comparisons of our ongoing business with prior periods more difficult and obscure trends in ongoing operations. The Company believes that Adjusted selling, general and administrative expenses is useful to investors because it provides a supplemental way to understand the underlying operating performance of the Company. Adjusted selling, general and administrative expenses should not be considered as an alternative to selling, general and administrative expenses or any other performance measure derived in accordance with GAAP.

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 to facilitate our analysis and understanding of our business operations by excluding the items outlined in the quantitative reconciliation provided earlier in this presentation which might otherwise make comparisons of our ongoing business with prior periods more difficult and obscure trends in ongoing operations. The Company believes that Adjusted operating income is useful to investors to provide a supplemental way to understand the underlying operating performance of the Company and monitor and understand changes in our ability to generate income from ongoing business operations. Adjusted operating income should not be considered as an alternative to operating loss or any other performance measure derived in accordance with GAAP.

Non-GAAP Financial Measures
Continued

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 by excluding the items outlined in the quantitative reconciliation provided earlier in this presentation which might otherwise make comparisons of our ongoing business with prior periods more difficult and obscure trends in ongoing operations. The Company believes that Adjusted net income (loss) and Adjusted EPS are useful to investors because they provide a supplemental way to understand the underlying operating performance of the Company and allows investors to monitor and understand changes in our ability to generate income from ongoing business operations. 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.

Adjusted EBITDA

Adjusted EBITDA represents net loss before income tax expense (benefit), interest expense, net, and depreciation and amortization expense, excluding adjustments which are more specifically outlined in the quantitative reconciliation provided earlier in this presentation. 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 to 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.