



The Capacitance Company
KEMET
CHARGED™

Quarter Ended September 30, 2011
Earnings Conference Call
October 27, 2011

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) restrictions in our debt agreements that limit our flexibility in operating our business; and (xvi) additional exercise of the warrant by K Equity which could potentially result in the existence of a significant stockholder who could seek to influence our corporate decisions.



Income Statement Highlights- U.S. GAAP

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

	For the Quarters Ended		
	<u>Sep-11</u>	<u>Jun-11</u>	<u>Sep-10</u>
Net sales	\$ 265,514	\$ 289,856	\$ 248,588
Gross margin	\$ 62,195	\$ 79,352	\$ 69,718
Gross margin as a percentage of net sales	23.4%	27.4%	28.0%
Selling, general and administrative expense	\$ 28,355	\$ 30,276	\$ 24,999
SG&A as a percentage of net sales	10.7%	10.4%	10.1%
Operating income	\$ 24,913	\$ 40,842	\$ 37,962
Net income	\$ 14,318	\$ 31,849	\$ 34,911
EPS basic	\$ 0.32	\$ 0.81	\$ 1.29
EPS diluted	\$ 0.27	\$ 0.61	\$ 0.68
Weighted-average shares outstanding:			
Basic	44,370	39,452	27,092
Diluted	52,230	52,338	51,194



Adjusted Net Income (Non-GAAP)

(Amounts in thousands, except per share data)

	For the Quarters Ended		
	Sep-11	Jun-11	Sep-10
Net income	\$ 14,318	\$ 31,849	\$ 34,911
<u>Adjustments:</u>			
Restructuring charges	1,605	1,025	2,303
Plant start-up costs	718	-	-
Amortization included in interest expense	1,012	1,044	830
Net foreign exchange (gain) loss	1,391	(123)	(2,679)
Net (gain) loss on disposals of assets	(40)	123	(1,770)
ERP integration costs	1,918	1,205	375
Stock-based compensation	984	1,191	333
Registration related fees	77	204	-
Acquisition related fees	-	610	-
Gain on licensing of assets	-	-	(2,000)
Tax impact of adjustments	406	(159)	(364)
Adjusted net income	\$ 22,389	\$ 36,969	\$ 31,939
Adjusted EPS - basic	\$ 0.50	\$ 0.94	\$ 1.18
Adjusted EPS - diluted	\$ 0.43	\$ 0.71	\$ 0.62
Weighted-average shares outstanding:			
Basic	44,370	39,452	27,092
Diluted	52,230	52,338	51,194
Adjusted EBITDA	\$ 42,121	\$ 56,331	\$ 53,448



Adjusted Gross Margin (Non-GAAP)

(Amounts in thousands, except percentages)

	For the Quarters Ended		
	<u>Sep-11</u>	<u>Jun-11</u>	<u>Sep-10</u>
Net sales	\$ 265,514	\$ 289,856	\$ 248,588
Cost of sales	\$ 203,319	\$ 210,504	\$ 178,870
<u>Adjustments:</u>			
Stock-based compensation	(206)	(249)	(32)
Adjusted cost of sales	\$ 203,113	\$ 210,255	\$ 178,838
Adjusted gross margin	\$ 62,401	\$ 79,601	\$ 69,750
Adjusted gross margin %	23.5%	27.5%	28.1%



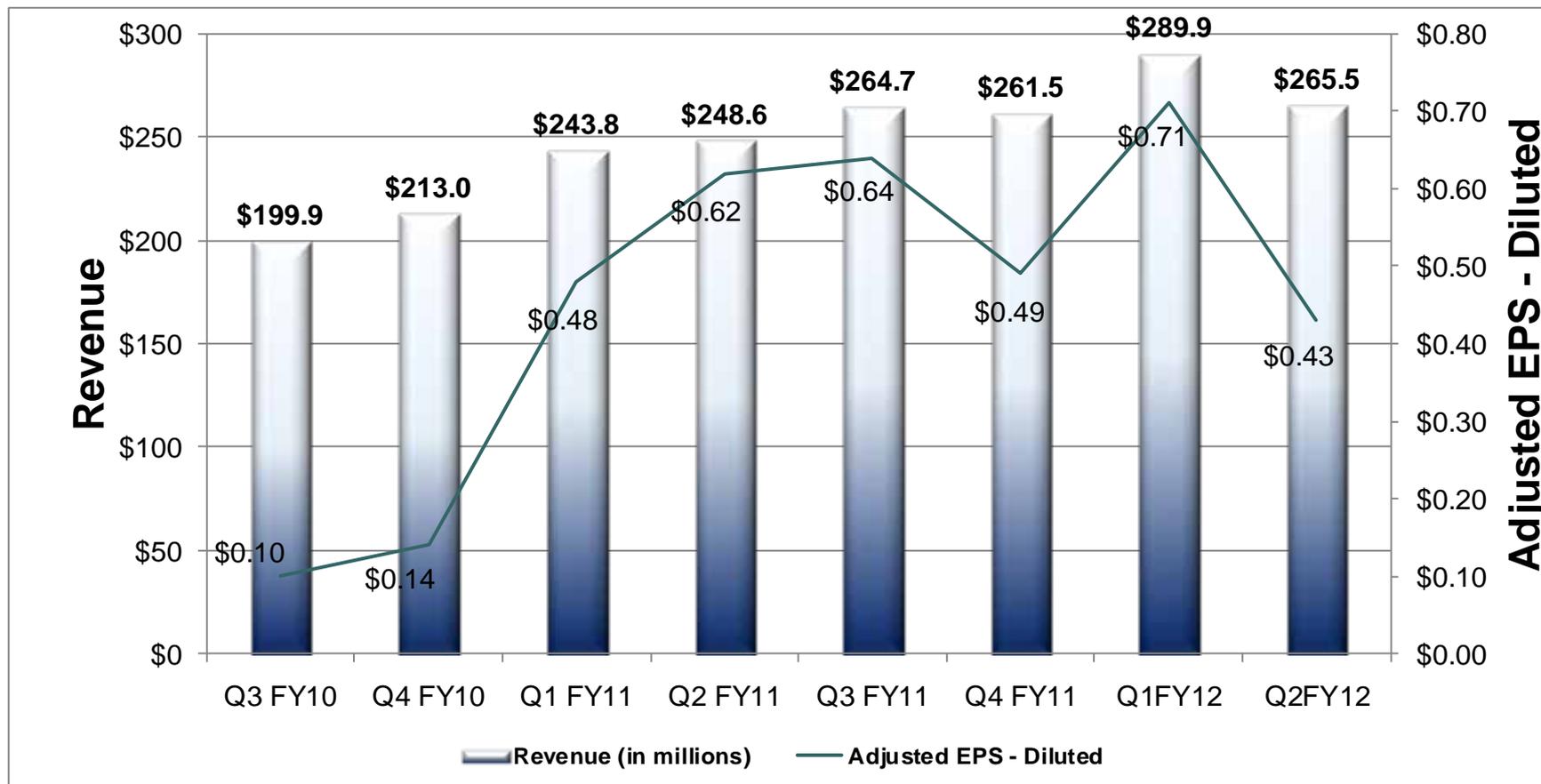
Adjusted Operating Income (Non-GAAP)

(Amounts in thousands)

	For the Quarters Ended		
	<u>Sep-11</u>	<u>Jun-11</u>	<u>Sep-10</u>
Operating income	\$ 24,913	\$ 40,842	\$ 37,962
<u>Adjustments:</u>			
Restructuring charges	1,605	1,025	2,303
Plant start-up costs	718	-	-
Stock-based compensation	984	1,191	333
Net (gain) loss on disposals of assets	(40)	123	(1,770)
Registration related fees	77	204	-
ERP integration costs	1,918	1,205	375
Acquisition related fees	-	610	-
Adjusted operating income	<u>\$ 30,175</u>	<u>\$ 45,200</u>	<u>\$ 39,203</u>



Consolidated Operating Results



Balance Sheet Highlights

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

	Sept-11	Q2 Exchange Rate Impact	Jun-11
Cash, including short-term restricted cash	\$ 163.7	(0.6)	\$ 134.0
Long-term restricted cash	\$ 2.2	(0.2)	\$ 2.4
Capital Expenditures	\$ 14.4		\$ 5.7
Short-Term Debt	\$ 38.0		\$ 39.3
Long-Term Debt	232.3		232.4
Debt Discount	(3.0)		(3.6)
Total Debt	<u>\$ 267.3</u>	(0.3)	<u>\$ 268.1</u>
Equity	\$ 399.5	(11.6)	\$ 396.0
Net Working Capital (1)	\$ 264.7	(3.1)	\$ 290.8
Days in Receivable (2)	39		46
Days in Payables (2)	34		41

(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

(Amounts in thousands, except per share data)

	Q3 FY11	Q4 FY11	Q1 FY12	Q2 FY12
GAAP				
Net income	\$ 27,167	\$ 21,065	\$ 31,849	\$ 14,318
Net income per share (basic)	\$ 0.96	\$ 0.57	\$ 0.81	\$ 0.32
Net income per share (diluted)	\$ 0.52	\$ 0.40	\$ 0.61	\$ 0.27
Excluding the following items (Non-GAAP)				
Net income	\$ 27,167	\$ 21,065	\$ 31,849	\$ 14,318
Adjustments:				
Restructuring charges	1,102	1,974	1,025	1,605
Plant start-up costs	-	-	-	718
Net foreign exchange (gain) loss	1,785	(3,266)	(123)	1,391
Amortization included in interest expense	1,210	966	1,044	1,012
Stock-based compensation expense	429	872	1,191	984
ERP integration costs	602	658	1,205	1,918
(Gain) loss on sales and disposals of assets	29	145	123	(40)
Registration related fees	950	581	204	77
Inventory write-downs	-	2,991	-	-
Acquisition related fees	-	-	610	-
Income tax effect of non-GAAP adjustments	(196)	(428)	(159)	406
Adjusted net income (excluding adjustments)	\$ 33,078	\$ 25,558	\$ 36,969	\$ 22,389
Adjusted net income per basic share (excluding adjustments)	\$ 1.17	\$ 0.69	\$ 0.94	\$ 0.50
Adjusted net income per diluted share (excluding adjustments)	\$ 0.64	\$ 0.49	\$ 0.71	\$ 0.43



Adjusted Net Income Reconciliation to Net Income

(Amounts in thousands, except per share data)

	<u>Q3 FY10</u>	<u>Q4 FY10</u>	<u>Q1 FY11</u>	<u>Q2 FY11</u>
GAAP				
Net income (loss)	\$ (1,779)	\$ 317	\$ (20,099)	\$ 34,911
Net income (loss) per share (basic)	\$ (0.07)	\$ 0.01	\$ (0.74)	\$ 1.29
Net income (loss) per share (diluted)	\$ (0.07)	\$ 0.01	\$ (0.74)	\$ 0.68
Excluding the following items (Non-GAAP)				
Net income (loss)	\$ (1,779)	\$ 317	\$ (20,099)	\$ 34,911
Adjustments:				
Net foreign exchange (gain) loss	562	(2,093)	1,272	(2,679)
Amortization included in interest expense	3,703	3,806	1,924	830
Stock-based compensation expense	168	77	149	333
(Gain) loss on sales and disposals of assets	240	(1,501)	335	(1,770)
Restructuring charges	1,322	6,609	1,792	2,303
Write down of long-lived assets	656	-	-	-
ERP integration costs	-	-	280	375
Loss on early extinguishment of debt	-	-	38,248	-
Gain on licensing of patents	-	-	-	(2,000)
Income tax effect of non-GAAP adjustments	(143)	(463)	(268)	(364)
Adjusted net income (excluding adjustments)	<u>\$ 4,729</u>	<u>\$ 6,752</u>	<u>\$ 23,633</u>	<u>\$ 31,939</u>
Adjusted net income per basic share (excluding adjustments)	\$ 0.18	\$ 0.25	\$ 0.87	\$ 1.18
Adjusted net income per diluted share (excluding adjustments)	\$ 0.10	\$ 0.14	\$ 0.48	\$ 0.62



Adjusted EBITDA Reconciliation to Net Income

(Amounts in thousands)

	<u>Q2 FY12</u>	<u>Q1 FY12</u>	<u>Q2 FY11</u>
Net income	\$ 14,318	\$ 31,849	\$ 34,911
Income tax expense	2,047	1,731	593
Interest expense, net	7,251	7,357	7,250
Depreciation and amortization expense	11,852	11,159	14,132
EBITDA	<u>35,468</u>	<u>52,096</u>	<u>56,886</u>
<u>Adjustments:</u>			
Stock-based compensation expense	984	1,191	333
Net (gain) loss on disposals of assets	(40)	123	(1,770)
Net foreign exchange (gain) loss	1,391	(123)	(2,679)
ERP integration costs	1,918	1,205	375
Restructuring charges	1,605	1,025	2,303
Plant start-up costs	718	-	-
Registration related fees	77	204	-
Acquisition related fees	-	610	-
Gain on licensing of patents	-	-	(2,000)
Total Adjustments	<u>6,653</u>	<u>4,235</u>	<u>(3,438)</u>
Adjusted EBITDA	<u>\$ 42,121</u>	<u>\$ 56,331</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 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 (loss) 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 before income tax expense, interest expense, and depreciation and amortization expense, adjusted to exclude the following: restructuring charges, stock-based compensation expense, net gain/loss on disposals of assets, plant start-up costs, registration related fees, ERP integration costs, net foreign exchange gain/loss, acquisition related fees 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.

