

Second Quarter 2024 Financial Results

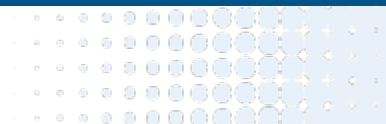
MKS Instruments, Inc.
August 8, 2024



Safe Harbor for Forward-Looking Statements

This presentation contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 regarding the future financial performance, business prospects and growth of MKS Instruments, Inc. (“MKS”, the “Company”, “our”, or “we”). These statements are only predictions based on current assumptions and expectations. Any statements that are not statements of historical fact (including statements containing the words “will,” “projects,” “intends,” “believes,” “plans,” “anticipates,” “expects,” “estimates,” “forecasts,” “continues” and similar expressions) should be considered forward-looking statements. Actual events or results may differ materially from those in the forward-looking statements set forth herein. Among the important factors that could cause actual events to differ materially from those in the forward-looking statements that we make are the level and terms of our substantial indebtedness and our ability to service such debt; our entry into the chemicals technology business through our acquisition of Atotech Limited (“Atotech”) in August 2022 (the “Atotech Acquisition”), which may expose us to significant additional liabilities; the risk that we are unable to integrate the Atotech Acquisition successfully or realize the anticipated synergies, cost savings and other benefits of the Atotech Acquisition; legal, reputational, financial and contractual risks resulting from the ransomware incident we identified in February 2023, and other risks related to cybersecurity, data privacy and intellectual property; competition from larger, more advanced or more established companies in our markets; the ability to successfully grow our business, including through growth of the Atotech business and growth of the Electro Scientific Industries, Inc. business, which we acquired in February 2019, and financial risks associated with those and potential future acquisitions, including goodwill and intangible asset impairments; manufacturing and sourcing risks, including those associated with limited and sole source suppliers and the impact and duration of supply chain disruptions, component shortages, and price increases; changes in global demand; the impact of a pandemic or other widespread health crisis; risks associated with doing business internationally, including geopolitical conflicts, such as the conflict in the Middle East, trade compliance, regulatory restrictions on our products, components or markets, particularly the semiconductor market, and unfavorable currency exchange and tax rate fluctuations, which risks become more significant as we grow our business internationally and in China specifically; conditions affecting the markets in which we operate, including fluctuations in capital spending in the semiconductor, electronics manufacturing and automotive industries, and fluctuations in sales to our major customers; disruptions or delays from third-party service providers upon which our operations may rely; the ability to anticipate and meet customer demand; the challenges, risks and costs involved with integrating or transitioning global operations of the companies we have acquired; risks associated with the attraction and retention of key personnel; potential fluctuations in quarterly results; dependence on new product development; rapid technological and market change; acquisition strategy; volatility of stock price; risks associated with chemical manufacturing and environmental regulation compliance; risks related to defective products; financial and legal risk management; and the other important factors described in MKS’ Annual Report on Form 10-K for the year ended December 31, 2023 and any subsequent Quarterly Reports on Form 10-Q, as filed with the U.S. Securities and Exchange Commission. MKS is under no obligation to, and expressly disclaims any obligation to, update or alter these forward-looking statements, whether as a result of new information, future events or otherwise after the date of this presentation. Amounts reported in this presentation are preliminary and subject to finalization prior to the filing of our Quarterly Report on form 10-Q for the quarter ended June 30, 2024.

Notes on Presentation



Use of Non-GAAP Financial Measures

This presentation includes financial measures that are not in accordance with U.S. generally accepted accounting principles (“Non-GAAP financial measures”). These Non-GAAP financial measures should be viewed in addition to, and not as a substitute for, MKS’ reported results under U.S. generally accepted accounting principles (“GAAP”), and may be different from Non-GAAP financial measures used by other companies. In addition, these Non-GAAP financial measures are not based on any comprehensive set of accounting rules or principles. MKS management believes the presentation of these Non-GAAP financial measures is useful to investors for comparing prior periods and analyzing ongoing business trends and operating results.

MKS is not providing a quantitative reconciliation of forward-looking Non-GAAP gross margin, operating expenses, operating income, operating margin, interest expense, net, income tax rate, net earnings, net earnings per diluted share and Adjusted EBITDA to their most directly comparable GAAP financial measures because it is unable to estimate with reasonable certainty the ultimate timing or amount of certain significant items without unreasonable efforts. These items include, but are not limited to, acquisition and integration costs, amortization of intangible assets, restructuring expense, goodwill and intangible asset impairments, excess and obsolescence inventory charges, amortization of debt issuance costs, debt refinancing fee, loss on extinguishment of debt, and the income tax effect of these items. These items are uncertain, depend on various factors, including, but not limited to, the Atotech Acquisition, and the interest rate and refinancing environment, and could have a material impact on GAAP reported results for the relevant period.

For further information regarding Non-GAAP financial measures, including a change in the fourth quarter of 2023 to the definition of Adjusted EBITDA, please refer to the appendix at the end of this presentation. In addition, for a detailed breakout of net revenues by end-market and division, please visit the Net Revenues by End Market & Division presentation available under Events & Presentation on the Investor Relations section of MKS’ website at investor.mks.com.

Q2 2024 Results: Resilience, Execution, Profitability



- Revenue at high end of guidance
- Strong gross margins above 47%, reflective of the value of our proprietary and differentiated solutions
- Non-GAAP EPS exceeded high end of guidance
- Proactively managed our leverage, reducing cash interest expense by \$0.14 per share

Q2 Highlights

Q2 2024

\$369M

REVENUE

Q/Q CHANGE 5%

Y/Y CHANGE -16%

Y/Y CHANGE¹ 5%

Excluding FX and Ransomware Recovery

- Revenue exceeded expectations driven by in-quarter demand conversion
- Early signs of improvement in DRAM and Logic/Foundry in support of Artificial Intelligence-related investments

¹ For further information regarding estimated impact of FX and Ransomware Recovery, refer to appendix at the end of this presentation.

Business Trends

Guidance
Q3 2024

\$360M

+/- \$15M

REVENUE

- Strategic photonics win through our World Class Optics initiative, with initial unit production starting this year
- Well positioned to leverage our technology to solve customer challenges with more complex chip architectures
- Expect Q3 revenue to be down slightly vs Q2'24 on a more gradual industry cycle recovery

Electronics & Packaging

Q2 Highlights

Q2 2024

\$229M

REVENUE

Q/Q CHANGE +10%

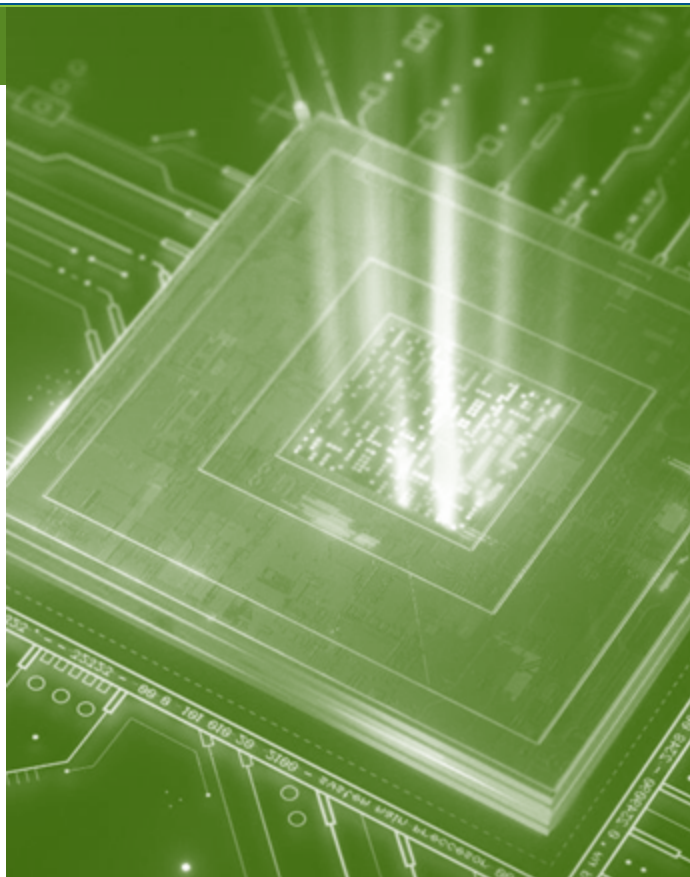
Y/Y CHANGE +2%

Y/Y CHANGE¹ +13%

Excluding FX, Palladium & Ransomware Recovery

- Double-digit growth led by chemistry with some seasonal strength relative to Q1, which included the Lunar New Year
- Demand led by AI server investment, a small but increasing proportion of the total server market
- Achieved early synergistic plating and chemistry design wins in the quarter

¹ For further information regarding estimated impact of FX, Palladium and Ransomware Recovery, refer to appendix at the end of this presentation.



Business Trends

Guidance

Q3 2024

\$220M

+/- \$10M

REVENUE

- Combined laser drilling and chemistry capabilities are resonating with customers
- Business well-positioned to capitalize on ongoing trends in miniaturization, complexity, and advanced chemistry
- Expect Q3 revenue to be down slightly vs Q2'24 until PC and smartphone market recovery occurs

Specialty Industrial

Q2 Highlights

Q2 2024

\$289M

REVENUE

Q/Q CHANGE -7%

Y/Y CHANGE -14%

Y/Y CHANGE¹ -3%

Excluding FX, Palladium and Ransomware Recovery



Business Trends

Guidance
Q3 2024

\$290M

+/- \$15M

REVENUE

- Specialty Industrial market leverages our proprietary technologies and related R&D investments, providing incremental margin and cash generation
- Developing innovative solutions for sustainable chemistries and extending equipment life
- Expect Q3 revenue to be in line with Q2'24

¹ For further information regarding estimated impact of FX, Palladium and Ransomware Recovery, refer to appendix at the end of this presentation.

Q2'24 Revenue & Select Financial Measures



	Q2'24	Q1'24	Q2'23	Y/Y Change Excl. FX, Pd and Ransomware Recovery ¹
Semiconductor	\$369M	\$351M	\$441M	5%
Electronics & Packaging	\$229M	\$208M	\$225M	13%
Specialty Industrial	\$289M	\$309M	\$337M	-3%
Revenue	\$887M	\$868M	\$1,003M	4%

Non-GAAP Financial Measures

Gross Margin	47.3%	47.8%	46.9%
Operating Margin	21.7%	20.2%	22.6%
Interest Expense, Net	\$69M	\$75M	\$79M
Income Tax Rate	20.5%	23.3%	35.5%
Net Earnings	\$103M	\$79M	\$88M
Net Earnings per Diluted Share	\$1.53	\$1.18	\$1.32
Adjusted EBITDA	\$228M	\$217M	\$265M
Adjusted EBITDA Margin	25.7%	25.0%	26.4%

GAAP Financial Measures

Gross Margin	47.3%	47.8%	46.9%
Operating Margin	14.4%	12.2%	-169.1%
Interest Expense, Net	\$74M	\$81M	\$84M
Income Tax Rate	-3.6%	23.1%	1.2%
Net Income (Loss)	\$23M	\$15M	(\$1,769)M
Net Income (Loss) per Diluted Share	\$0.33	\$0.22	(\$26.47)

Q2'24 SUMMARY

- Revenue at the high end of guidance driven by Semiconductor and Electronics & Packaging markets
- Gross margin at high end of guidance but down sequentially due to non-recurring favorability in Q1 and product mix including startup costs related to World Class Optics win
- Non-GAAP operating margin and Adjusted EBITDA margin exceeded high end of guidance due to strong gross margin and lower operating expenses
- Non-GAAP interest expense, net favorable to guidance reflecting savings from May closing of convertible senior notes and term loan B paydown with annualized cash interest savings >\$75 million at current interest rates
- Non-GAAP net earnings per diluted share well above guidance based on positive factors described above and non-GAAP tax rate of 20.5%

¹ For further information regarding estimated impact of FX, Palladium and Ransomware Recovery, refer to the appendix at the end of this presentation.

Balance Sheet & Cash Flow

	Q2'24	Q1'24
Cash, Cash Equivalents & Short-Term Investments	\$851M	\$846M
Accounts Receivable	\$597M	\$576M
Inventories	\$938M	\$971M
Total Current Assets	\$2,648M	\$2,661M
Total Assets	\$8,863M	\$8,931M
Debt Principal	\$5,017M	\$4,892M
Total Liabilities	\$6,630M	\$6,507M
Stockholders' Equity	\$2,233M	\$2,424M
Operating Cash Flow	\$122M	\$67M
Capex	\$26M	\$18M
Free Cash Flow	\$96M	\$49M
Unlevered Free Cash Flow	\$156M	\$108M

Q2'24 SUMMARY

- Liquidity of more than \$1.5 billion, consisting of \$851 million of cash, cash equivalents and short-term investments and an undrawn revolving credit facility of \$675 million
- Net leverage ratio of 4.6x
- Free cash flow of \$96 million and unlevered free cash flow of \$156 million
- Issued cash dividend of \$15 million or \$0.22 per share

Outlook



	Q3'24		Q2'24 Actual
Revenue	\$870M	+/- \$40M	\$887M
Non-GAAP Financial Measures			
Gross Margin	46.5%	+/- 100 bps	47.3%
Operating Expenses	\$235M	+/- \$5M	\$227M
Operating Income	\$170M		\$192M
Operating Margin	19.5%		21.7%
Interest Expense, Net	\$54M		\$69M
Income Tax Rate	16.5%		20.5%
Net Earnings	\$96M		\$103M
Net Earnings per Diluted Share	\$1.43	+/- \$0.28	\$1.53
Adjusted EBITDA	\$206M	+/- \$23M	\$228M
Diluted Share Count	67.6M		67.5M

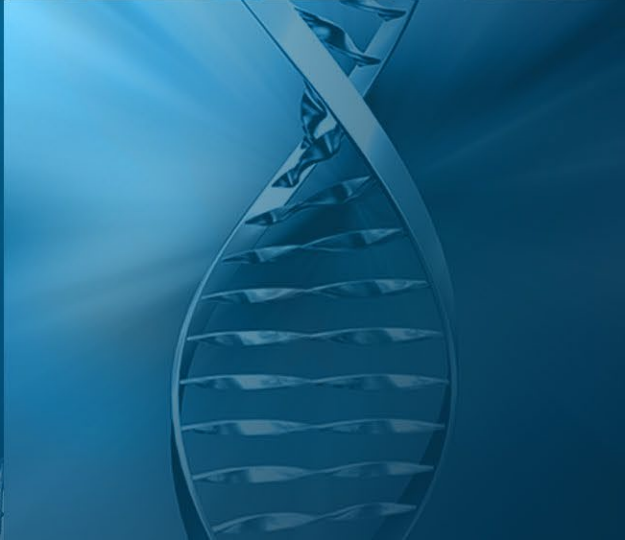
Outlook

- Q3 '24 Revenue outlook by end-market:
 - Semiconductor – \$360M +/- \$15M
 - Electronics & Packaging – \$220M +/- \$10M
 - Specialty Industrial – \$290M +/- \$15M
- Second half revenue expected to be relatively in line with first half
- Q3 '24 Gross Margin reflects anticipated product mix
- Q3 '24 Non-GAAP Opex of \$235 million +/- \$5 million with similar run rate expected for Q4 '24
- Repriced Term Loan B debt in July reducing annualized cash interest by an incremental \$9 million
- Voluntary debt paydown of \$110 million reducing annualized cash interest by an incremental \$8 million at current interest rates
- Q3 '24 Non-GAAP EPS of \$1.43 +/- \$0.28; recent convertible note offering and term loan B paydown expected to be accretive to non-GAAP EPS by approximately \$0.27 per share for full quarter impact
- Q3 '24 Non-GAAP Tax Rate of 16.5%; expect to remain on track to achieve a Non-GAAP Tax Rate of 20% for full year '24

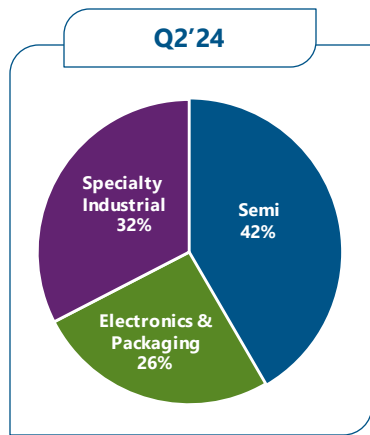
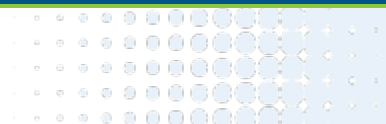
MKS is well-positioned for the next cyclical upturn

- **Executing well while navigating cyclical softness in end markets**
- **Differentiated product and technology portfolio**
- **Favorable secular trends**

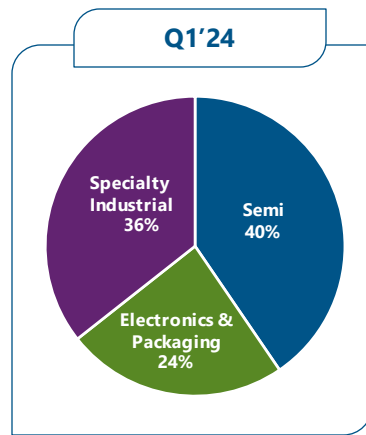
Q&A



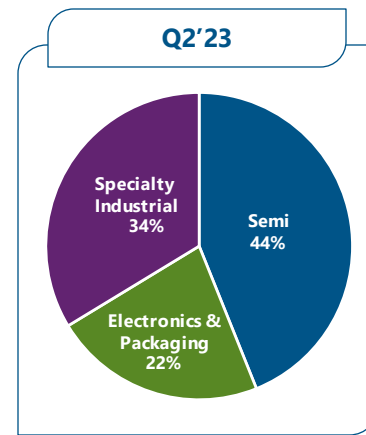
Revenue



Consumables & Service 43%



Consumables & Service 42%



Consumables & Service 38%

Revenue



	Q2'24	Q1'24	Q2'23
Semiconductor	\$ 369	\$ 351	\$ 441
Electronics & Packaging	229	208	225
Specialty Industrial	289	309	337
	\$ 887	\$ 868	\$ 1,003
Consumables & Service	\$ 380	\$ 364	\$ 377
Consumables & Service %	43%	42%	38%

Q2'24 vs Q2'23 ⁽¹⁾					
Total Change	FX	Pd	Change Excluding FX & Pd	Ransomware Recovery	Change Excluding FX, Pd & Ransomware Recovery
-16%	-1%	0%	-15%	-20%	5%
2%	-4%	-6%	11%	-2%	13%
-14%	-2%	-1%	-11%	-9%	-3%
-12%	-2%	-2%	-8%	-12%	4%

¹ "Total Change" represents the percentage change in net revenues. "FX" and "Pd" reflect the estimated impact of foreign exchange rates and palladium prices on net revenues, respectively. "Ransomware Recovery" reflects the estimated impact of the ransomware incident identified in Q1'23 on net revenues in Q2 '23. "Change Excluding FX & Pd" is the difference between (i) "Total Change" and (ii) "FX" and "Pd." "Change Excluding FX, Pd & Ransomware Recovery" is the difference between (i) "Total Change" and (ii) "FX", "Pd" and "Ransomware Recovery".

in millions except percentages

Appendix – GAAP to Non-GAAP Reconciliations

	Q2'24	Q1'24	Q2'23
Net income (loss)	\$ 23	\$ 15	\$ (1,769)
Acquisition and integration costs (Note 1)	2	1	5
Restructuring and other (Note 2)	2	3	11
Amortization of intangible assets	61	62	76
Goodwill and intangible asset impairments (Note 3)	—	—	1,827
Amortization of debt issuance costs (Note 4)	5	6	5
Fees and expenses related to amendments to the Term Loan Facility (Note 5)	—	3	—
Ransomware incident (Note 6)	—	—	4
Loss on extinguishment of debt (Note 7)	38	9	—
Tax effect of Non-GAAP adjustments (Note 9)	(28)	(20)	(71)
Non-GAAP net earnings	<u>\$ 103</u>	<u>\$ 79</u>	<u>\$ 88</u>
Non-GAAP net earnings per diluted share	<u>\$ 1.53</u>	<u>\$ 1.18</u>	<u>\$ 1.32</u>
Weighted average diluted shares outstanding	67.5	67.4	67.0
GAAP and Non-GAAP gross profit	<u>\$ 419</u>	<u>\$ 415</u>	<u>\$ 470</u>
GAAP and Non-GAAP gross margin	47.3%	47.8%	46.9%

in millions, other than per diluted share amounts and percentages

Appendix – GAAP to Non-GAAP Reconciliations

	Q2'24	Q1'24	Q2'23
Operating expenses	\$ 292	\$ 309	\$ 2,166
Acquisition and integration costs (Note 1)	2	1	5
Restructuring and other (Note 2)	2	3	11
Amortization of intangible assets	61	62	76
Goodwill and intangible asset impairments (Note 3)	—	—	1,827
Fees and expenses related to amendments to the Term Loan Facility (Note 5)	—	3	—
Ransomware incident (Note 6)	—	—	4
Non-GAAP operating expenses	<u>\$ 227</u>	<u>\$ 240</u>	<u>\$ 243</u>
Income (loss) from operations	\$ 127	\$ 106	\$ (1,696)
Operating margin	14.4%	12.2%	-169.1%
Acquisition and integration costs (Note 1)	2	1	5
Restructuring and other (Note 2)	2	3	11
Amortization of intangible assets	61	62	76
Goodwill and intangible asset impairments (Note 3)	—	—	1,827
Fees and expenses related to amendments to the Term Loan Facility (Note 5)	—	3	—
Ransomware incident (Note 6)	—	—	4
Non-GAAP income from operations	<u>\$ 192</u>	<u>\$ 175</u>	<u>\$ 227</u>
Non-GAAP operating margin	21.7%	20.2%	22.6%
Interest expense, net	\$ 74	\$ 81	\$ 84
Amortization of debt issuance costs (Note 4)	5	6	5
Non-GAAP interest expense, net	<u>\$ 69</u>	<u>\$ 75</u>	<u>\$ 79</u>

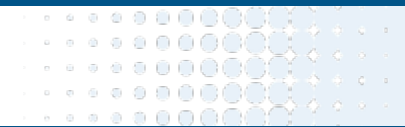
in millions, except percentages

Appendix – GAAP to Non-GAAP Reconciliations

	Q2'24	Q1'24	Q4'23	Q3'23	Q2'23
Net income (loss)	\$ 23	\$ 15	\$ (68)	\$ 39	\$ (1,769)
Interest expense, net	74	81	83	89	84
Other (income) expense, net (Note 10)	(7)	(3)	12	7	11
(Benefit) provision for income taxes	(1)	4	(11)	(17)	(22)
Depreciation	25	26	25	25	25
Amortization of intangible assets	61	62	70	68	76
Stock-based compensation	11	15	11	13	13
Excess and obsolete charge from discontinued product line (Note 11)	—	—	—	13	—
Acquisition and integration costs (Note 1)	2	1	3	3	5
Restructuring and other (Note 2)	2	3	7	1	11
Goodwill and intangible asset impairments (Note 3)	—	—	75	—	1,827
Gain on sale of long-lived assets (Note 12)	—	—	—	(2)	—
Fees and expenses related to amendments to the Term Loan Facility (Note 5)	—	3	2	—	—
Ransomware incident (Note 6)	—	—	1	2	4
Loss on extinguishment of debt (Note 7)	38	9	8	—	—
Adjusted EBITDA (Note 10)	<u>\$ 228</u>	<u>\$ 217</u>	<u>\$ 218</u>	<u>\$ 241</u>	<u>\$ 265</u>
Adjusted EBITDA margin	25.7%	25.0%	24.4%	25.8%	26.4%
Debt principal outstanding as of June 30, 2024	\$ 5,017				
Cash, cash equivalents & short-term investments as of June 30, 2024	<u>851</u>				
Net debt as of June 30, 2024	<u>\$ 4,166</u>				
Adjusted EBITDA for twelve months ended June 30, 2024 (Note 10)	\$ 904				
Net leverage ratio at June 30, 2024	4.6x				

in millions, except percentages and net leverage ratio

Appendix – GAAP to Non-GAAP Reconciliations



	Q2'24	Q1'24	Q2'23
Net cash provided by (used in) operating activities	\$ 122	\$ 67	\$ (59)
Purchases of property, plant and equipment	(26)	(18)	(18)
Free cash flow	<u>\$ 96</u>	<u>\$ 49</u>	<u>\$ (77)</u>

	Q2'24	Q1'24	Q2'23
Free cash flow	\$ 96	\$ 49	\$ (77)
Cash paid for interest	77	75	84
Tax effect on cash paid for interest ¹	(16)	(16)	(18)
Unlevered free cash flow	<u>\$ 156</u>	<u>\$ 108</u>	<u>\$ (11)</u>

¹Tax effect of cash paid for interest was calculated at the US Federal Statutory rate of 21%

in millions

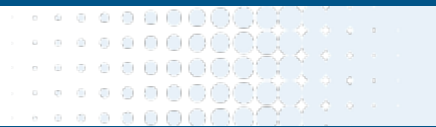
Appendix – GAAP to Non-GAAP Reconciliations

	Q2'24			Q1'24		
	Income Before	(Benefit)	Effective Tax	Income Before	Provision for	Effective Tax
	Income Tax	Provision for		Income Tax	Income Taxes	
		Income Taxes	Rate			Rate
GAAP	\$ 22	\$ (1)	-3.6%	\$ 19	\$ 4	23.1%
Acquisition and integration costs (Note 1)	2	—		1	—	
Restructuring and other (Note 2)	2	—		3	—	
Amortization of intangible assets	61	—		62	—	
Amortization of debt issuance costs (Note 4)	5	—		6	—	
Fees and expenses related to amendments to the Term Loan Facility (Note 5)	—	—		3	—	
Loss on extinguishment of debt (Note 7)	38	—		9	—	
Tax effect of Non-GAAP adjustments (Note 9)	—	28		—	20	
Non-GAAP	\$ 130	\$ 27	20.5%	\$ 103	\$ 24	23.3%

	Q2'23		
	(Loss) Income	(Benefit)	Effective Tax
	Before Income	Provision for	
	Tax	Income Taxes	Rate
GAAP	\$ (1,791)	\$ (22)	1.2%
Acquisition and integration costs (Note 1)	5	—	
Restructuring and other (Note 2)	11	—	
Amortization of intangible assets	76	—	
Goodwill and intangible asset impairments (Note 3)	1,827	—	
Amortization of debt issuance costs (Note 4)	5	—	
Ransomware incident (Note 6)	4	—	
Tax effect of Non-GAAP adjustments (Note 9)	—	71	
Non-GAAP	\$ 137	\$ 49	35.5%

in millions, except percentages

Appendix – GAAP to Non-GAAP Reconciliations



Non-GAAP financial measures adjust GAAP financial measures for the items listed below. These Non-GAAP financial measures should be viewed in addition to, and not as a substitute for, MKS' reported GAAP results, and may be different from Non-GAAP financial measures used by other companies. In addition, these Non-GAAP financial measures are not based on any comprehensive set of accounting rules or principles. MKS management believes the presentation of these Non-GAAP financial measures is useful to investors for comparing prior periods and analyzing ongoing business trends and operating results. Totals presented may not sum and percentages may not recalculate using figures presented due to rounding.

Note 1: Acquisition and integration costs relate to the Atotech Acquisition.

Note 2: Restructuring costs primarily related to severance costs due to global cost-saving initiatives.

Note 3: During the three months ended June 30, 2023, we noted softer industry demand, particularly in the personal computer and smartphone markets and concluded there was a triggering event at our Materials Solutions Division, which represents the former Atotech business, and Equipment Solutions Business, which represents the former Electro Scientific Industries business and is a reporting unit of our Photonics Solutions Division. We performed a quantitative assessment which resulted in an impairment of \$1.3 billion for our Materials Solutions Division and \$0.5 billion for our Equipment Solutions Business.

Note 4: We recorded additional interest expense related to the amortization of debt issuance costs associated with our term loan facility.

Note 5: In the first quarter of 2024, we recorded fees and expenses related to an amendment to our term loan facility where we borrowed additional amounts under our USD term loan B and EUR term loan B and fully paid our term loan A.

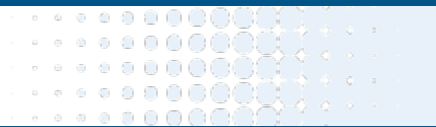
Note 6: We recorded costs, net of recoveries, associated with the ransomware incident we identified on February 3, 2023. These costs were primarily comprised of various third-party consulting services, including forensic experts, restoration experts, legal counsel, and other information technology and accounting professional expenses, enhancements to our cybersecurity measures, and costs to restore our systems and access our data.

Note 7: During the three and six months ended June 30, 2024, we recorded a charge to write-off deferred financing fees and original issue discount costs related to extinguishment of debt on our USD term loan B and EUR term loan B. Additionally, during the three months ended March 31, 2024 and the six months ended June 30, 2024, we recorded a charge to write-off deferred financing fees and original issue discount costs related to the extinguishment of our term loan A.

Note 8: During the six months ended June 30, 2023, we recorded a reduction in benefit for income taxes for a retrospective approval of an income tax rate reduction from a foreign jurisdiction.

Note 9: Non-GAAP adjustments are tax effected at applicable statutory rates resulting in a difference between the GAAP and Non-GAAP tax rates.

Appendix – GAAP to Non-GAAP Reconciliations



Non-GAAP financial measures adjust GAAP financial measures for the items listed below. These Non-GAAP financial measures should be viewed in addition to, and not as a substitute for, MKS' reported GAAP results, and may be different from Non-GAAP financial measures used by other companies. In addition, these Non-GAAP financial measures are not based on any comprehensive set of accounting rules or principles. MKS management believes the presentation of these Non-GAAP financial measures is useful to investors for comparing prior periods and analyzing ongoing business trends and operating results. Totals presented may not sum and percentages may not recalculate using figures presented due to rounding.

Note 10: In the fourth quarter of 2023, we modified our definition of Adjusted EBITDA to exclude other (income) expense, net from this Non-GAAP measure. Other (income) expense, net primarily relates to changes in foreign exchange rates. We believe this change enhances investor insight into our operational performance. We have applied this modified definition of Adjusted EBITDA to all periods presented.

Note 11: We recorded an excess and obsolescence inventory charge related to a product line that is being discontinued.

Note 12: We recorded a gain on the sale of a minority interest investment in a private company.