COMMERCIAL METALS CO
Form DEFA14A
January 10, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

¨ Definitive Proxy Statement

x Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

COMMERCIAL METALS COMPANY

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Change You Can Count On
January 10, 2012

Cautionary Statements
This
written
and
verbal
presentation
may

contain forward-looking statements regarding the outlook for the Company s financial results, including net earnings (loss), operating profit (loss), economic conditions, credit availability, product pricing and demand, currency valuation, production rates, interest rates, inventory levels, margins, acquisitions, construction and operation of new facilities and general market conditions. These forward-looking statements generally can generally be identified by words such as expects, anticipates, believes, estimates, intends, plans to, ought, could, will, should, likely, appears, projects, forecasts, or other similar words or phrases. There are inherent risks and uncertainties in any forward-looking statement. Although the Company believes that its expectations are reasonable, it can give no assurance that these expectations will prove to have been correct, and actual results may vary materially. Except as required by law, the Company undertakes no obligation to update, amend or clarify any forward-looking statements to reflect events, new information or otherwise.

Developments that could impact the Company's expectations include the following: absence of global economic recovery or possible recession relapse; solvency of financial institutions and their ability or willingness to lend; success or failure of governmental efforts to stimulate the economy, including restoring credit availability and confidence in a recovery; continued sovereign debt problems in Greece and other countries within the euro zone and other foreign zones; customer non-compliance with contracts; construction activity or lack thereof; decisions by governments affecting the level of steel imports, including tariffs and duties; litigation claims and settlements; difficulties or delays in the execution of construction contracts resulting in cost overruns or contract disputes; metals pricing over which the Company exerts little influence; increased capacity and product availability from competing steel minimills and other steel suppliers, including import quantities and pricing; execution of cost minimization strategies; ability to retain key executives; court decisions and regulatory rulings; industry consolidation or changes in production capacity or utilization; global factors, including political and military uncertainties; currency fluctuations; interest rate changes; availability and pricing of raw materials including scrap metal, energy, insurance and supply prices; passage of new, or interpretation of existing, environmental laws and regulations; severe weather, especially in Poland; the pace of overall economic activity, particularly in China; and business disruptions, costs and future events related to the tender offer and proxy contest initiated by Carl C. Icahn and affiliated entities.

Important Additional Information

CMC s stockholders are strongly advised to carefully read CMC s solicitation/recommendation statement on Schedule 14D-9, which was filed with the U.S. Securities and Exchange Commission (the SEC) on December 19, 2011, and any amendments or supplements thereto. CMC s solicitation/recommendation statement sets forth the reasons for the recommendation of CMC s Board of Directors and related information. Free copies of the solicitation/recommendation statement are available at the SEC s web site at www.sec.gov, or at the CMC web site at www.cmc.com or by writing to CMC at 6565 N. MacArthur Blvd., Suite 800, Irving, Texas 75039, Attn: Corporate

Secretary.

Agenda

CMC: Global, Low-Cost, Vertically Integrated

The CMC Growth Story

Why Our Team is the Right Team

Why We Rejected Icahn s Bargain Basement Offer

Conclusion
1

CMC: Global, Low-Cost,
Vertically Integrated

CMC Recycles, Manufactures, Markets and Distributes Steel
Products and Related Raw Materials
We Are a Global, Low-Cost, Vertically
Integrated Steel Producer
FY 2011 Revenue: $7.9 Billion vs. $6.3 Billion FY 2010
3.7 M tons Captive Scrap Recycling
1.5 M tons Fabricating

4.7 M tons Steelmaking Capacity
1.9 M tons Processing & Distribution
Source: Company internal data
3

Fabrication
Mills
We Operate a Highly Integrated Global
Manufacturing
Platform
~40% of Recycling product
is supplied to Mills

Mills supplies ~80% of
Fabrication s raw materials
Recycling
Electric Arc Furnace Metals Value Chain
Sourcing of low
cost raw materials
Competitive
market sourcing
Efficient high
productivity mills
4

Distribution
Finished
Marketing
&
Distribution
is
an

Integral
Part
of Our Business
Raw Materials
Our Marketing & Distribution business allows us to leverage
our global partners and develop a deep knowledge of the
supply chain and end use markets
Marketing/Distribution
division
is
an
underappreciated
(and
undervalued)
asset that gives the company more exposure to global markets.
Aldo Mazzaferro, Macquarie, November 29, 2011
5
Note: Permission to use quotations neither sought nor obtained
Semi-finished

Vertical Integration is Important for Electric
Arc Furnace Steel Producers
6
Company
Raw Materials
Steel Production
Fabrication,

Marketing and
Distribution
CMC
Arizona Micromill
G.A.M. Steel Pty.*
Nucor
Louisiana DRI Facility, David J.
Joseph (scrap)*, Trinidad DRI
Facility
NuMit (JV)*, Magnatrax*, Harris
Steel*
Steel Dynamics
Omnisource (scrap)*, Recycle
South (scrap)*, Mesabi Nugget
The Techs*, CMC Deck and
Joist*, Roanoke Electric*

CMC s vertically integrated business model enables the company to
capture profits from every step of the value chain in a normal demand
environment

Brian Yu, Citi, October 17, 2011

Note: Italicized text represents examples of selected investments/acquisitions made since 2006 and is not meant to be all-inclusive of each company s operations. Asterisks used to denote acquisitions. Permission
to use quotations
neither sought nor obtained

We have a Leading North American
Position
Source: Public filings, company websites, industry sources, and
CMC estimates
North America Recycling (Ferrous Processed)
North America Long Steel
Net tons (millions)

Net tons (millions)
Steel
Dynamics
1.3
CMC
Nucor
4.0
Gerdau
4.4
CMC
4.2
2.1
Schnitzer
Steel
Dynamics
5.8
Sims
8.9
Nucor
5.0

We are a leading supplier of rebar and other products to the domestic non-residential construction industry

Our mills are some of the lowest cost producers in North America

We have a nationwide presence, reducing dependence on any given geographic region

We are among the largest ferrous and nonferrous scrap recyclers in North America

We are a leading fabricator of rebar product
7

Complemented by Enhanced
International Presence
Source: Public filings, company websites, industry sources, and CMC estimates
1
Revenue from continuing operations for fiscal year ended August 31, 2011
Poland Steel Production (Long Products)
Net tons (millions)

Australian Steel Distribution
Net tons (millions)
Celsa
CMC
Poland
Arcelor
Mittal
CMC
Australia
Bluescope
Onesteel

Our international operations, begun over 80 years ago, represent 45% of our total revenues[1]

We are **the largest long products** producer in Poland, well-positioned to capitalize on the country s construction boom

Poland s real GDP is forecast to be 200bps+ higher than across the rest of Europe

Our International Marketing & Distribution business provides valuable insights to physical flows and demand around the world

Consistently profitable segment
8

The CMC Growth Story

Executing Our Plan:
The Board s Near-Term Priorities

Leverage Strategic Investments

World-class, low-cost micromill in Arizona

Market-leading platform in Poland

Optimize Product Mix Across the Portfolio

Focusing on highest value-added products

Drive substantial cost reductions to improve our competitive position

Exit from Croatia mill and unprofitable fabricating locations

The company is clearly taking more dramatic actions in an otherwise challenging environment in an effort to increase shareholder value

Brent Thielman, D.A. Davidson & Co, October 10, 2011

The Board is focused on positioning CMC to fully capture the benefits of the anticipated recovery

Source: Company filings and investor presentations

Note: Permission to use quotations neither sought nor obtained

10

The Board has Put the Right Team on the Field
Joe Alvarado
President & Chief Executive Officer

Formerly President of U.S. Tubular Products, a division of U.S. Steel

Previously President of Lone Star Technologies

Joined CMC as Executive Vice President and Chief Operating Officer in April 2010

Appointed Chief Executive Officer of CMC in September 2011

Member of Board of Directors of Spectra Energy
Barbara Smith
Senior Vice President & Chief Financial Officer

Third public company CFO role (prior positions at Gerdau Ameristeel and FARO Technologies, Inc.)

24 years of experience with Alcoa

Member of the Board of Directors of Minerals Technologies, Inc.

Joined CMC as Senior Vice President and Chief Financial Officer in June 2011
Both CEO and CFO
were external hires and are strong additions to
CMC s management team
Kuni Chen, CRT Capital, June 7, 2011
More than half of CMC's senior team is new to their current role
in the last two years
11
Note: Permission to use quotations neither sought nor obtained

We Have Taken
and Continue to Take
Decisive Action
Barbara Smith
becomes CFO
Joe Alvarado
becomes CEO

Joe Alvarado
appointed COO
Commissioned new
mill in Poland
Reduced global
salaried headcount
by 300
Arizona mill hit name
plate capacity
Announced closure
of 5 rebar plants
Announced closure of
Sisak facility in Croatia
IT headcount
Rationalization
We view the recent restructuring efforts by the new CEO and CFO
positively.
Michael Gambardella, JP Morgan, October 31, 2011
Expert technical
delegation to
Croatia
12
Note: Permission to use quotations neither sought nor obtained
Writedown of Deck
& Joist business
~$200mm

These Actions have Already Begun to Yield
Positive Results
Recent Action
Expected
Run-Rate EBITDA Impact
Closed Croatia operation
~$16 million

Closed 5 rebar and 8 CRP locations
~$10 million
Global Operations & IT Headcount Reductions
~$7 million
Total Expected EBITDA Benefit of Actions Taken
~$33 million

The decision to exit Sisak is positive and consistent with our view that new management will take aggressive action to streamline the Company, reduce costs, and exit noncore businesses

Kuni Chen, CRT Capital, July 7, 2011

13

Note: Expected EBITDA benefit of actions taken by end of fiscal year 2012
Permission to use quotations neither sought nor obtained.

We Continue to Strategically Invest in
Our North American Businesses

In 2008/9 we invested $155mm in a state of the art, ultra low-cost micro mill in Arizona

The mill is globally cost competitive and is well positioned to benefit from recovery in construction in the Southwestern U.S.

In 2010/11 we implemented SAP across our U.S. platform

Provides a foundation to improve efficiency, reduce overhead and provide business intelligence

Increased low cost recycling capacity provides for internal consumption and external sales

Capital expenditures are expected to be approximately $25mm

By investing in world class capacity and core infrastructure through the downturn, we have enhanced performance in the current environment and are positioning CMC to capture the benefits of the anticipated recovery
14

While Actively Developing Our Most
Attractive International Opportunities

We are the largest long products steel producer in Poland

Minimill capacity 1.9 million tons

Main products are rebar, wire rod and merchants

Goal is 70% domestic and 30% export sales

We continue to evolve the mix in Poland toward higher margin products

Acquisition of G.A.M. Steel Pty. in Australia in June 2011

Appointed Patrick Seil as President, CMC Asia, in September 2011

Former CEO positions at Oriental Steel Pipe and HG Metal Manufacturing

Held management positions at TradeARBED, Arcelor, and ArcelorMittal since 1991
15
1
Source: Public filings, company websites and investor presentations, industry sources, and CMC estimates
1

Management s Strategy is Bearing Fruit
Ahead of a Cyclical Recovery
16
Note: See attached reconciliations of non-GAAP measures
$ 5,538
$ 5,361
$ 5,873

$ 6,277
$ 6,659
$ 7,123
$ 7,427
$ 7,863
$ 8,075
$ 157
$ 40
$ 44
$ 78
$ 133
$ 227
$ 280
$ 291
$ 293
Q1 FY10
Q2 FY10
Q3 FY10
Q4 FY10
Q1 FY11
Q2 FY11
Q3 FY11
Q4 FY11
Q1 FY12
LTM Revenue from Continuing Operations
LTM Adjusted EBITDA from Continuing Operations excl. Restructuring Charges

Our Strategy is Delivering Shareholder Value
in Advance of a Cyclical Recovery
17

Reported $107.7 million in net income for 1Q12

Generated $38 million cash from operations in 1Q12

Declared our regular dividend for the 189th straight quarter in January 2012

Substantially completed our plan to wind down operations in Croatia

Completed our plan to adjust our fabricating cost structure with improved competitive and financial performance in this segment

Commissioned two new shredders in December 2011, as a part of our strategy to grow this profitable segment

Largely completed actions to reduce the overhead structure, which we expect will result in run rate savings of approximately $33 per year

Our Performance Compares Favorably to That
of Our Competitors
Nucor
4Q FY11
Schnitzer
1Q FY12
Steel

Dynamics
4Q FY11
Note: Median company guidance for fiscal year end based on range provided in companies
press releases and only includes
companies that provided EPS guidance. Median Wall Street Estimates as per IBES are as of 1 day prior to press release containing guidance
1
EPS from continuing operations excludes a GAAP tax benefit of $102 million ($0.87 per share) based on a share count of 116.5 million, related to the Company   s Croatian investment, which the Company announced it is exiting
Most Recent Quarter EPS Excluding One-Time Items
CMC
1Q FY12
18

Wall Street Analysts Recognize Our Superior
Growth Prospects
2011A-2013E Median Wall Street Estimated EBITDA CAGR
19
Note: Financials calendarized to August 31 year end. Median Wall Street Estimates from IBES as of December 30, 2011.
11.2%

16.5%
26.3%
34.6%
43.8%
43.8%
Schnitzer
Steel Dynamics
Nucor
U.S. Steel
AK Steel
CMC

Why Our Team
is the Right Team

Our Board is Independent & Highly Qualified
Of our ten continuing directors:

5 have been appointed in the last two years

9 have financial or operational experience in metals and/or construction industries

9 have CEO or CFO-level experience

All
but the CEO are independent

All
have experience on other public company boards

All
are highly qualified
21

We Have Added 4 Highly Qualified
Independent Directors Since 2010
Richard Kelson
Rick Mills
Sarah Raiss
Joined: January 1, 2012

Former Corporate Vice-President
and President of Components
Group of Cummins, Inc.

Director of Flowserve Corporation

Former Director of Gerdau
Ameristeel and Rohm & Haas
Company
Joined: 2011

Former Executive Vice President
Corporate Services, TransCanada
Corporation

Director of Shoppers Drug Mart
Corporation and Business
Development Bank of Canada

Former service on the Advisory
Committee on Senior Level
Retention and Compensation for
the Treasury Board of Canada
Rhys Best
22
Joined: 2010

Former Chairman of the Board
of Directors, President and CEO
of Lone Star Technologies, Inc.

Chairman of Crosstex Energy, L.P.

Director of Trinity Industries, Inc.
and Cabot Oil & Gas Corporation
Joined: 2010

Chairman, President and CEO
of ServCo, LLC

Former EVP and CFO of Alcoa,
Inc.

Director of MeadWestvaco
Corporation, PNC Financial
Services Group, Inc.

Our Nominees Are
The Right Team to Lead CMC
Harold L. Adams
Director (Independent)

Mr. Adams served as the Chairman, President and CEO of an international architecture firm

Extensive experience in the construction industry

Prior experience on several other public company boards
Joseph Alvarado
Chief Executive Officer

Mr. Alvarado has extensive steel industry experience

Previously served as President of U.S. Steel Tubular Products, Inc., a division of U.S. Steel, and as President and COO of its predecessor, Lone Star Technologies

Member of the Board of Directors of Spectra Energy

Experience on other boards, both public and private
Anthony Massaro
Non-Executive
Chairman of the Board (Independent)

Mr. Massaro brings extensive engineering and general industrial experience

Extensive senior-level experience at Westinghouse

Experience on several public company boards

Previously served as CEO of Lincoln Electric
23

Icahn Has Stated Publicly That He Will Direct His
Deputies to Advance His Self-Interested Agenda
George Hebard

Currently a Managing Director at Icahn Capital

First

started
working
for
Carl
Icahn
in
1998
Steve Mongillo

Until earlier this year, a Director of American Railcar Industries, an Icahn-controlled entity in which
Icahn
serves as Chairman

Until earlier this year, a Director of WestPoint International, an Icahn-controlled entity

Until earlier this year, a Managing Director at Icahn Capital

Affiliated with Carl Icahn
for more than 3 years
James Unger

Vice
Chairman,
Director
and
former
CEO
of
American
Railcar
Industries,
in
which
Icahn
serves
as
Chairman

Former
Director,
President,
Senior
Vice
President
and
CFO
of
ACF
Industries
(1984-2005),

an
Icahn-
controlled
entity
and
during
the
1980 s
one
of
Icahn s
principal
vehicles
for
his
investments
in
other
companies

Served
as
an
officer
or
director
of
numerous
other
companies
which
were
either
controlled
by
Icahn
or
in which Icahn
had an interest through the ownership of securities

Affiliated with Carl Icahn
for more than two decades
24

We Believe That Icahn s Nominees Cannot
Be Seated Under Federal Law
Under Section 8 of the Clayton Act:

Individuals (directly or through their agents) are prohibited from simultaneously serving on the boards of companies which compete with each other

Icahn owns or controls PSC Metals, which competes with CMC, and has proposed nominees who are Icahn insiders

CMC believes that the proposed nominees close relationship with
Icahn raises a serious question as to whether their election would violate the federal antitrust laws

If Icahn s agenda was not self-interested, we believe he would have nominated truly independent candidates
We believe that none of these three directors could legally serve on CMC s Board
25

Our Slate of Nominees is Superior
CMC Nominees
Icahn Nominees
Adams
Alvarado
Massaro
Unger

Mongillo
Hebard
Public Board
Experience[1]
CEO-Level
Experience
Relevant
Industry
Experience
Independent
1
Excludes companies controlled by Icahn or companies in which Icahn had a significant interest
26

Why We Rejected Icahn s
Bargain Basement Offer

An opportunistic bid from Icahn
Brian Yu, Citi, November 28, 2011

$15.00 per share in cash

A
significant

discount
of
17.1%
to
CMC s
52-week
high
of
$18.09

No premium
to CMC s share price of $15.03 as recently as May 19, 2011

A
miniscule
premium
of
3.9%
to
CMC s
one-year
average
price
of
$14.43

If successful, Icahn intends to combine CMC with PSC Metals, a subsidiary of Icahn Enterprises LP

Offer conditioned on

Removal of shareholder rights plan;

Waiver of Delaware 203 condition;

At least 40.1% of outstanding shares tendered; and

Eleven other conditions

Offer will remain open until midnight (EST) January 10, 2012 (unless extended at the offeror s option)
28
Note: Permission to use quotations neither sought nor obtained

Icahn is Trying to Get a Bargain at the Expense
of CMC s Other Shareholders

Why would you want to pay full price for something? **The whole**

idea is to buy a bargain

Charles Bradford, Bradford Research, December 11, 2011

I agree with management in thinking that **the bid is**

opportunistic and is at a weaker part of the cycle.
Arun Viswanathan, Susquehanna International, December 6, 2011
Carl Icahn is probably investing in CMC because he believes it is a cyclical business at a good part of the cycle
Kenneth Squire, Barron s, August 13, 2011
[We] acquired the Shares in the belief that the Shares were undervalued at current levels [$14.34]
Schedule 13D filed by the Icahn Group on July 28, 2011
29
Note: Permission to use quotations neither sought nor obtained

Icahn s
Proposal came
after a 15% dip
in CMC s stock,
to create the
illusion of a
meaningful

premium
Icahn s Offer was Timed to Create the Illusion
of a Meaningful Premium
30
Note: As of November 25, 2011, the trading day before Icahn s proposal
$11.45
$7.00
$9.00
$11.00
$13.00
$15.00
$17.00
$19.00
Nov-2009
Mar-2010
Jul-2010
Nov-2010
Mar-2011
Jul-2011
Nov-2011
1 Year Average $14.43
$15.00 Offer Price
3.9%
Premium

5.2 x
7.2 x
6.1 x
5.6 x
4.8 x
4.8 x
CMC @ $15

AK Steel[1]
U.S. Steel[1]
Nucor
Schnitzer
Steel Dynamics
Icahn s Offer Is Very Low, Based on the
Implied Multiple of EBITDA
2013E EV/EBITDA
 Once the cycle in this industry rebounds, Commercial Metals
will not only benefit from increased EBITDA, but also might get a
higher valuation multiple on its EBITDA
Kenneth Squire, Barron s, August 15, 2011
31
Source: CapIQ, IBES median estimates and market data as at December 30, 2011
Note: Permission to use quotations neither sought nor obtained
1
Adjusted to exclude the effects of pension and OPEB liabilities

CMC s Financial Performance is Closely
Related to Non-Residential Construction
1
Source: U.S. Census Bureau
2
Source: McGraw-Hill Construction Research and Analytics, November 28, 2011
3

Source: Company filings
4
Source: Wall Street median estimates from IBES as of December
30, 2011
Note: All data calendarized to August 31 year end. Refer to Reconciliation. See attached reconciliations of non-GAAP measures
32
2%
6%
11%
16%
15%
(2)%
(17)%
(5)%
(1)%
17%
32%
$299
$527
$650
$637
$564
$279
$78
$291
$ 409
$ 543
$ 633
2004
2005
2006
2007
2008
2009
2010
2011
2012E
2013E
2014E

[T]he most important catalysts we see for the shares outside of company specific events and earnings are forward looking indicators for construction activity (most notably ABI) and overall U.S. and global economic growth

Luke Folta, Jefferies, July 8, 2011

During Periods of Non-Residential Construction Growth, CMC has Historically Outperformed

Source: Bloomberg, Census Bureau
Note: Peer Index is an average of the share performance of U.S.
steel industry peers (AK Steel, Nucor, Schnitzer,
Steel Dynamics, U.S. Steel). Permission to use quotations neither sought nor obtained
33

Construction Activity is Expected to Grow Significantly
Now is Precisely the Wrong Time to Sell CMC
Source: McGraw-Hill Construction Research and Analytics, November 28, 2011
S
34

Conclusion

We believe:

CMC is executing on a plan that is already delivering value to shareholders

The Board has put in place the right executive management team, with demonstrated experience

CMC is poised to capture further value in an up-cycle in the company s end markets

Recent results demonstrate progress on our plan

Icahn s bid is opportunistic in every way

Opportunistically
timed
to
take
advantage
of
a
temporary
decline
in
the
stock
price
of
the Company and its U.S. steel industry peers

Opportunistically timed to capture the benefits of management s strategic plan that
are in the early stages of being realized

Icahn s nominees and proposals are designed to facilitate his acquisition of
control of CMC without paying an appropriate premium
CMC has the Right Team for Shareholders
Change You Can Count On
Vote for CMC s WHITE card
our team is the right team
36
Note: U.S. steel industry peers include AK Steel, Nucor, Schnitzer, Steel Dynamics and U.S. Steel

Appendix

38
Regulation G Reconciliation -
Annual
Fiscal Year
2004
2005
2006

2007
2008
2009
2010
2011
Net earnings (loss)
$ 132
$ 286
$ 356
$ 355
$ 232
$ 21
$ (205)
$ (130)
Net earnings (loss)
from discontinued operations
(4)
13
2
25
(36)
(21)
(106)
(149)
Net earnings (loss)
from continuing operations
$ 136
$ 273
$ 354
$ 330
$ 268
$ 42
$ (100)
$ 19
Interest Expense
28
30
28
36
56
77
74
70
Income taxes (benefit)
67
150
185
172
115
8

(62)
19
D&A and Impairment
68
74
83
100
124
152
165
178
Consolidated Adjusted EBITDA
from Continuing Operations
$ 299
$ 527
$ 650
$ 637
$ 564
$ 279
$ 78
$ 286
Restructuring Charges from
Continuing Operations:
Severance
-
-
-
-
-
-
-
5
Adjusted EBITDA from
Continuing Operations
excl. restructuring charges
$ 299
$ 527
$ 650
$ 637
$ 564
$ 279
$ 78
$ 291
Revenue from Continuing
Operations
$ 4,376
$ 5,962
$ 6,814
$ 7,881
$ 9,837

$ 6,364
$ 6,277
$ 7,863

Note: The Company believes the above adjusted EBITDA computations help investors assess the Company s operating performance without the impact of depreciation, amortization and restructuring charges. Non-GAAP numbers should be read in conjunction with GAAP financial measures, as non-GAAP metrics are merely a supplement to, and not a replacement for, GAAP financial measures. It should be noted as well that our Adjusted EBITDA metric may be different from similar metrics provided by other companies. Quarterly numbers may not add to full-year numbers due to rounding

Regulation G Reconciliation -
Quarterly
39
Note: The Company believes the above adjusted EBITDA computations help investors assess the Company s operating performance without the impact of depreciation, amortization and restructuring charges. Non-GAAP numbers should be read in conjunction with GAAP financial measures, as non-GAAP metrics are merely a supplement to, and not a replacement for, GAAP financial measures. It should be noted as well that our Adjusted

EBITDA metric may be different from similar metrics provided by other companies

Fiscal Quarter	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012
Net earnings (loss)	$ 62	$ (35)	$ (13)	$ 7	$ (31)	$ (173)	$ (9)	$ 8	$ 1	$ (46)	$ 36	$ (120)	$ 108
Net earnings (loss) from Discontinued Operations	6	(7)	(4)	(17)	(8)	(80)							

(10)
(7)
(14)
(12)
(8)
(114)
(17)
Net earnings (loss) from
Continuing Operations
$ 56
$ (28)
$ (9)
$ 24
$ (23)
$ (93)
$ 1
$ 15
$ 15
$ (34)
$ 45
$ (6)
$ 125
Interest Expense
26
18
19
15
19
20
18
17
18
18
18
16
16
Income taxes (benefit)
25
10
14
(41)
(14)
(50)
4
(2)
7
(13)
15
11
(95)

D&A and Impairment
38
34
35
44
41
40
39
45
39
40
38
61
35
Consolidated Adjusted
EBITDA from Continuing
Operations
$ 145
$ 34
$ 58
$ 42
$ 23
$ (83)
$ 62
$ 75
$ 79
$ 10
$ 115
$ 82
$ 81
Restructuring Charges
from Continuing
Operations:
Severance
-
-
-
-
-
-
-
-
-
-
-
5
-
Adjusted EBITDA from
Continuing Operations
excl. restructuring charges

$ 145
$ 34
$ 58
$ 42
$ 23
$ (83)
$ 62
$ 75
$ 79
$ 10
$ 115
$ 87
$ 81
Revenue from Continuing
Operations
$ 2,219 $ 1,494 $ 1,247 $ 1,404 $ 1,393 $ 1,317 $ 1,759 $ 1,808 $ 1,775 $ 1,782 $ 2,063 $ 2,244 $ 1,987

Regulation G Reconciliation -
LTM
40
Note: The Company believes the above adjusted EBITDA computations help investors assess the Company s operating performance without the impact of depreciation, amortization and restructuring charges. Non-GAAP numbers should be read in conjunction with GAAP financial measures, as non-GAAP metrics are merely a supplement to, and not a replacement for, GAAP financial measures. It should be noted as well that our Adjusted

EBITDA metric may
be different from similar metrics provided by other companies
LTM as of Fiscal Quarter
Q1 2010
Q2 2010
Q3 2010
Q4 2010
Q1 2011
Q2 2011
Q3 2011
Q4 2011
Q1 2012
Net earnings (loss)
$(72)
$(210)
$(206)
$(205)
$(173)
$(46)
$(1)
$(130)
$(23)
Net earnings (loss) from
Discontinued Operations
(35)
(109)
(115)
(106)
(112)
(43)
(41)
(149)
(152)
Net earnings (loss) from
Continuing Operations
$(37)
$(102)
$(91)
$(100)
$(62)
$(3)
$40
$19
$129
Interest Expense
71
73
72
74
73

71
71
70
68
Income taxes (benefit)
(31)
(91)
(101)
(62)
(41)
(4)
7
19
(83)
D&A and Impairment
155
160
164
165
164
164
162
178
173
Consolidated Adjusted
EBITDA from Continuing
Operations
$157
$40
$44
$78
$133
$227
$280
$286
$288
Restructuring Charges from
Continuing Operations:
Severance
-
-
-
-
-
-
-
5
5
Adjusted EBITDA from
Continuing Operations

excl. restructuring charges
$157
$40
$44
$78
$133
$227
$280
$291
$293
Revenue from Continuing
Operations
$5,538
$5,361
$5,873
$6,277
$6,659
$7,123
$7,427
$7,863
$8,075

41
Regulation G Reconciliation -
EPS
($ per diluted share)
1Q Fiscal Year 2012
Reported net earnings
$0.93

Net earnings (loss) from discontinued operations
(0.14)
Net earnings from continuing operations
$1.07
Tax benefit[1]
0.87
Net earnings from continuing operations excluding tax benefit
$0.20

Note: The Company believes the above net earnings per share from continuing operations excluding tax benefit computation helps investors assess the Company s operating performance without the impact of net tax benefits. Non-GAAP numbers should be read in conjunction with GAAP financial measures, as non-GAAP metrics are merely a supplement to, and not a replacement for, GAAP financial measures. It should be noted that our net earnings per share from continuing operations excluding tax benefit computation metric may be calculated differently from similar metrics provided by other companies

1
Tax benefit related to ordinary worthless stock and bad debt deduction from the company s investment in the Croatian subsidiary

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