



S A N M I N A

## FINANCIAL NEWS

### SANMINA REPORTS FOURTH QUARTER AND FULL FISCAL 2022 FINANCIAL RESULTS

San Jose, CA – November 7, 2022. Sanmina Corporation (“Sanmina” or the “Company”) (NASDAQ: SANM), a leading integrated manufacturing solutions company, today reported financial results for the fourth quarter and fiscal year ended October 1, 2022 and outlook for its fiscal first quarter ending December 31, 2022.

#### Fourth Quarter Fiscal 2022 Financial Highlights

- Revenue: \$2.2 billion
- GAAP operating margin: 5.0%
- GAAP diluted EPS: \$1.08
- Non-GAAP<sup>(1)</sup> operating margin: 5.6%
- Non-GAAP diluted EPS: \$1.50

#### Fiscal Year 2022 Financial Highlights

- Revenue: \$7.9 billion
- GAAP operating margin: 4.7%
- GAAP diluted EPS: \$4.06
- Non-GAAP operating margin: 5.3%
- Non-GAAP diluted EPS: \$4.99

#### Additional Highlights

- Cash flow from operations: Q4 \$82 million and FY'22 \$331 million
- Free cash flow: Q4 \$34 million and FY'22 \$201 million
- Share repurchases: 535,000 shares for \$24 million in Q4 and 8 million shares for \$317 million in FY'22
- Q4 ending cash and cash equivalents: \$530 million
- Q4 non-GAAP pre-tax ROIC: 34.1%

<sup>(1)</sup>Non-GAAP financial measures exclude charges or gains relating to: stock-based compensation expenses; restructuring costs (including employee severance costs, environmental investigation, remediation and related costs and other charges related to excess facilities and assets); acquisition and integration costs (consisting of costs associated with the acquisition and integration of acquired businesses into our operations); impairment charges for goodwill and other assets; amortization expense; and other unusual or infrequent items (e.g. charges or benefits associated with distressed customers, expenses, charges and recoveries relating to certain legal matters, gains and losses on sales of assets, deferred tax adjustments and discrete tax items). See [Schedule 1](#) below for more information regarding our use of non-GAAP financial measures, including the economic substance behind each exclusion, the manner in which management uses non-GAAP measures to conduct and evaluate the business, the material limitations associated with using such measures and the manner in which management compensates for such limitations. A reconciliation of the non-GAAP financial information contained in this release to their most directly comparable GAAP measures is included in the financial statements furnished with this release.

“We are pleased with our financial results for the fourth quarter and fiscal year. Broad-based demand and solid execution were the key drivers to sequential and year-over-year revenue, non-GAAP operating margin and non-GAAP EPS growth,” stated Jure Sola, Chairman and Chief Executive Officer of Sanmina Corporation. “We continue to see strong demand in our first quarter and expect growth in fiscal 2023 based on our current business and new opportunities.”

“We are executing our long-term strategy of expanding our presence in end-markets that require greater technical expertise, complex mission critical end-to-end solutions and embedded resilience that will give us a competitive advantage and further strengthen our financial model,” concluded Sola.

#### First Quarter Fiscal 2023 Outlook

The following outlook is for the fiscal first quarter ending December 31, 2022. These statements are forward-looking and actual results may differ materially.

- Revenue between \$2.1 billion to \$2.2 billion
- GAAP diluted earnings per share<sup>(2)</sup> between \$1.22 to \$1.32
- Non-GAAP diluted earnings per share<sup>(2)</sup> between \$1.41 to \$1.51

<sup>(2)</sup>Reflects the non-cash reduction in net income of an estimated \$2.5 million for partner's equity interest in the net income of Indian JV.

The statements above concerning our financial outlook for the first quarter and expectations for fiscal year 2023 growth constitute forward-looking statements within the meaning of the safe harbor provisions of Section 21E of the Securities Exchange Act of 1934. Actual results could differ materially from those projected in these statements as a result of a number of factors, most notably ongoing supply chain constraints, including those resulting from the continuing impacts of the COVID-19 pandemic, and geopolitical uncertainty, including from the conflict in Ukraine. Other factors that could cause our results to differ from our outlook include adverse changes to the key markets we target; significant uncertainties that can cause our future sales and net income to be variable; reliance on a small number of customers for a substantial portion of our sales; risks arising from our international operations; and the other factors set forth in the Company's annual and quarterly reports filed with the Securities Exchange Commission ("SEC").

The Company is under no obligation to (and expressly disclaims any such obligation to) update or alter any of the forward-looking statements made in this earnings release, the conference call or the Investor Relations section of our website whether as a result of new information, future events or otherwise, unless otherwise required by law.

#### **Company Conference Call Information**

Sanmina will hold a conference call to review its financial results for the fourth quarter and fiscal year 2022 and outlook for the first quarter fiscal 2023 on Monday, November 7, 2022 at 5:00 p.m. ET (2:00 p.m. PT). The access numbers are: domestic 866-652-5200 and international 412-317-6060, access code is 10172946. The conference will also be webcast live over the Internet. You can log on to the live webcast at [Q4 and Fiscal Year 2022 Earnings Webcast](#). Additional information in the form of a slide presentation is available on Sanmina's website at [www.sanmina.com](#). A replay of the conference call will be available for 48-hours. The access numbers are: domestic 877-344-7529 and international 412-317-0088, access code is 4302881.

#### **About Sanmina**

Sanmina Corporation, a Fortune 500 company, is a leading integrated manufacturing solutions provider serving the fastest growing segments of the global Electronics Manufacturing Services (EMS) market. Recognized as a technology leader, Sanmina provides end-to-end manufacturing solutions, delivering superior quality and support to Original Equipment Manufacturers (OEMs) primarily in the communications networks, cloud solutions, industrial, defense, medical and automotive markets. Sanmina has facilities strategically located in key regions throughout the world. More information about the Company is available at [www.sanmina.com](#).

#### **Sanmina Contact**

Paige Melching  
SVP, Investor Communications  
408-964-3610

**Sanmina Corporation**  
**Condensed Consolidated Balance Sheets**  
(\$ in thousands)  
(GAAP)

|   | October 1,<br>2022  | October 2,<br>2021  |
|---|---------------------|---------------------|
| (Unaudited)                               |                     |                     |
| <b>ASSETS</b>                             |                     |                     |
| Current assets:                           |                     |                     |
| Cash and cash equivalents                 | \$ 529,857          | \$ 650,026          |
| Accounts receivable, net                  | 1,138,894           | 1,192,434           |
| Contract assets                           | 503,674             | 348,741             |
| Inventories                               | 1,691,081           | 1,036,511           |
| Prepaid expenses and other current assets | 62,044              | 53,952              |
| Total current assets                      | <u>3,925,550</u>    | <u>3,281,664</u>    |
| Property, plant and equipment, net        | 575,170             | 532,985             |
| Deferred tax assets                       | 198,588             | 235,117             |
| Other                                     | 160,192             | 156,953             |
| Total assets                              | <u>\$ 4,859,500</u> | <u>\$ 4,206,719</u> |

**LIABILITIES AND STOCKHOLDERS' EQUITY**

|  |                     |                     |
|--|---------------------|---------------------|
| Current liabilities:   |                     |                     |
| Accounts payable   | \$ 2,029,534        | \$ 1,464,693        |
| Accrued liabilities  | 275,735             | 161,896             |
| Accrued payroll and related benefits                         | 130,892             | 117,648             |
| Short-term debt, including current portion of long-term debt | 17,500              | 18,750              |
| Total current liabilities                                    | <u>2,453,661</u>    | <u>1,762,987</u>    |
| Long-term liabilities:                                       |                     |                     |
| Long-term debt   | 329,237             | 311,572             |
| Other  | 215,333             | 253,532             |
| Total long-term liabilities                                  | <u>544,570</u>      | <u>565,104</u>      |
| Stockholders' equity   | 1,861,269           | 1,878,628           |
| Total liabilities and stockholders' equity                   | <u>\$ 4,859,500</u> | <u>\$ 4,206,719</u> |

**Sanmina Corporation**  
**Condensed Consolidated Statements of Income**  
(\$ in thousands, except per share amounts)  
(GAAP)  
(Unaudited)

|  | Three Months Ended |                    | Twelve Months Ended |                    |
|--|--------------------|--------------------|---------------------|--------------------|
|  | October 1,<br>2022 | October 2,<br>2021 | October 1,<br>2022  | October 2,<br>2021 |
| Net sales  | \$ 2,202,561       | \$ 1,643,976       | \$ 7,890,475        | \$ 6,756,643       |
| Cost of sales  | 2,024,172          | 1,513,094          | 7,249,961           | 6,204,838          |
| Gross profit   | <u>178,389</u>     | <u>130,882</u>     | <u>640,514</u>      | <u>551,805</u>     |
| Operating expenses:  |                    |                    |                     |                    |
| Selling, general and administrative                          | 59,771             | 56,990             | 244,569             | 234,537            |
| Research and development                                     | 6,023              | 5,484              | 21,343              | 20,911             |
| Restructuring and other                                      | 3,085              | 1,655              | 6,815               | 15,057             |
| Total operating expenses                                     | <u>68,879</u>      | <u>64,129</u>      | <u>272,727</u>      | <u>270,505</u>     |
| Operating income   | 109,510            | 66,753             | 367,787             | 281,300            |
| Interest income  | 430                | 234                | 1,628               | 925                |
| Interest expense   | (7,111)            | (4,894)            | (22,473)            | (19,551)           |
| Other income (expense), net                                  | (19,204)           | 7,063              | (26,314)            | 44,331             |
| Interest and other, net                                      | <u>(25,885)</u>    | <u>2,403</u>       | <u>(47,159)</u>     | <u>25,705</u>      |
| Income before income taxes                                   | 83,625             | 69,156             | 320,628             | 307,005            |
| Provision for income taxes                                   | 18,901             | 12,591             | 64,507              | 38,007             |
| Net income   | <u>\$ 64,724</u>   | <u>\$ 56,565</u>   | <u>\$ 256,121</u>   | <u>\$ 268,998</u>  |
| Basic income per share                                       | \$ 1.12            | \$ 0.87            | \$ 4.18             | \$ 4.12            |
| Diluted income per share                                     | \$ 1.08            | \$ 0.84            | \$ 4.06             | \$ 4.01            |
| Weighted-average shares used in computing per share amounts: |                    |                    |                     |                    |
| Basic  | 58,023             | 65,352             | 61,310              | 65,318             |
| Diluted  | 59,844             | 67,146             | 63,117              | 67,084             |

**Sanmina Corporation**  
**Reconciliation of GAAP to Non-GAAP Measures**  
(\$ in thousands, except per share amounts)  
(Unaudited)

|   | Three Months Ended |                   |                    | Twelve Months Ended |                    |
|---|--------------------|-------------------|--------------------|---------------------|--------------------|
|   | October 1,<br>2022 | July 2,<br>2022   | October 2,<br>2021 | October 1,<br>2022  | October 2,<br>2021 |
| GAAP Operating Income   | \$ 109,510         | \$ 94,618         | \$ 66,753          | \$ 367,787          | \$ 281,300         |
| GAAP operating margin   | 5.0%               | 4.7%              | 4.1%               | 4.7%                | 4.2%               |
| Adjustments:  |                    |                   |                    |                     |                    |
| Stock compensation expense (1)  | 10,563             | 10,683            | 8,829              | 39,608              | 34,977             |
| Amortization of intangible assets   | 234                | 251               | 274                | 1,010               | 558                |
| Distressed customer charges (2)   | -                  | -                 | -                  | -                   | (1,049)            |
| Legal and other (3)   | -                  | 500               | 830                | 1,333               | 2,703              |
| Restructuring costs   | 3,085              | 3,994             | 1,655              | 11,425              | 15,057             |
| Transaction costs   | -                  | 200               | -                  | 700                 | -                  |
| Gain on sales of long-lived assets  | -                  | -                 | -                  | (4,610)             | -                  |
| Non-GAAP Operating Income   | <u>\$ 123,392</u>  | <u>\$ 110,246</u> | <u>\$ 78,341</u>   | <u>\$ 417,253</u>   | <u>\$ 333,546</u>  |
| Non-GAAP operating margin   | 5.6%               | 5.5%              | 4.8%               | 5.3%                | 4.9%               |
| GAAP Net Income   | \$ 64,724          | \$ 79,543         | \$ 56,565          | \$ 256,121          | \$ 268,998         |
| Adjustments:  |                    |                   |                    |                     |                    |
| Operating income adjustments (see above)  | 13,882             | 15,628            | 11,588             | 49,466              | 52,246             |
| Gain on liquidation of foreign entity   | -                  | -                 | -                  | -                   | (8,493)            |
| Loss on termination of pension plan   | 2,380              | -                 | -                  | 2,380               | -                  |
| (Gain) / reversal of gain on sale of intellectual property  | 7,000              | -                 | -                  | 7,000               | (15,000)           |
| Loss on extinguishment of debt  | 1,370              | -                 | -                  | 1,370               | -                  |
| Legal and other (3)   | -                  | -                 | (7,692)            | (110)               | (15,939)           |
| Adjustments for taxes (4)   | 489                | (14,818)          | 3,377              | (1,588)             | (15,625)           |
| Non-GAAP Net Income   | <u>\$ 89,845</u>   | <u>\$ 80,353</u>  | <u>\$ 63,838</u>   | <u>\$ 314,639</u>   | <u>\$ 266,187</u>  |
| GAAP Net Income Per Share:  |                    |                   |                    |                     |                    |
| Basic   | \$ 1.12            | \$ 1.33           | \$ 0.87            | \$ 4.18             | \$ 4.12            |
| Diluted   | \$ 1.08            | \$ 1.29           | \$ 0.84            | \$ 4.06             | \$ 4.01            |
| Non-GAAP Net Income Per Share:  |                    |                   |                    |                     |                    |
| Basic   | \$ 1.55            | \$ 1.34           | \$ 0.98            | \$ 5.13             | \$ 4.08            |
| Diluted   | \$ 1.50            | \$ 1.30           | \$ 0.95            | \$ 4.99             | \$ 3.97            |
| Weighted-average shares used in computing per share amounts:  |                    |                   |                    |                     |                    |
| Basic   | 58,023             | 59,970            | 65,352             | 61,310              | 65,318             |
| Diluted   | 59,844             | 61,702            | 67,146             | 63,117              | 67,084             |
| (1) Stock compensation expense was as follows:  |                    |                   |                    |                     |                    |
| Cost of sales   | \$ 3,610           | \$ 3,724          | \$ 3,710           | \$ 14,065           | \$ 14,472          |
| Selling, general and administrative   | 6,807              | 6,819             | 5,009              | 25,037              | 20,119             |
| Research and development  | 146                | 140               | 110                | 506                 | 386                |
| Total   | <u>\$ 10,563</u>   | <u>\$ 10,683</u>  | <u>\$ 8,829</u>    | <u>\$ 39,608</u>    | <u>\$ 34,977</u>   |
| (2) Relates to accounts receivable and inventory write-downs (recoveries) associated with distressed customers. |                    |                   |                    |                     |                    |
| (3) Represents expenses, charges and recoveries associated with certain legal matters.                          |                    |                   |                    |                     |                    |
| (4) GAAP provision for income taxes   | \$ 18,901          | \$ 2,226          | \$ 12,591          | \$ 64,507           | \$ 38,007          |
| Adjustments:  |                    |                   |                    |                     |                    |
| Tax impact of operating income adjustments  | 879                | 534               | 347                | 1,926               | 1,363              |
| Discrete tax items  | 2,415              | 18,394            | 3,337              | 16,899              | 34,237             |
| Deferred tax adjustments  | (3,783)            | (4,110)           | (7,061)            | (17,237)            | (19,975)           |
| Subtotal - adjustments for taxes  | (489)              | 14,818            | (3,377)            | 1,588               | 15,625             |
| Non-GAAP provision for income taxes   | <u>\$ 18,412</u>   | <u>\$ 17,044</u>  | <u>\$ 9,214</u>    | <u>\$ 66,095</u>    | <u>\$ 53,632</u>   |
| Q1 FY23 Earnings Per Share Outlook*:  | Q1 FY23 EPS Range  |                   |                    |                     |                    |
|   | Low                | High              |                    |                     |                    |
| GAAP diluted earnings per share   | \$ 1.22            | \$ 1.32           |                    |                     |                    |
| Stock compensation expense  | \$ 0.19            | \$ 0.19           |                    |                     |                    |
| Non-GAAP diluted earnings per share   | <u>\$ 1.41</u>     | <u>\$ 1.51</u>    |                    |                     |                    |

\* Due to uncertainty regarding the timing of recognition of restructuring charges, impairment charges and other unusual or infrequent items, if any, that could be incurred during the first quarter of FY23, an estimate of such items is not included in the outlook for Q1 FY23 GAAP EPS.

**Sanmina Corporation**  
**Condensed Consolidated Cash Flow**  
(\$ in thousands)  
(Uaudited)

|  | Three Month Periods |                    |                    |                    |                  | Twelve Month Periods |                   |
|--|---------------------|--------------------|--------------------|--------------------|------------------|----------------------|-------------------|
|  | Q4'22               | Q3'22              | Q2'22              | Q1'22              | Q4'21            | FY22                 | FY21              |
| GAAP Net Income                                  | \$ 64,724           | \$ 79,543          | \$ 53,220          | \$ 58,634          | \$ 56,565        | \$ 256,121           | \$ 268,998        |
| Depreciation and amortization                    | 26,686              | 27,065             | 27,567             | 27,465             | 27,452           | 108,783              | 109,656           |
| Other, net                                       | 35,180              | 18,739             | 15,429             | 12,101             | 9,673            | 81,449               | 44,066            |
| Net change in net working capital                | (44,692)            | (23,664)           | (17,243)           | (29,900)           | (1,969)          | (115,499)            | (84,378)          |
| Cash provided by operating activities            | <u>81,898</u>       | <u>101,683</u>     | <u>78,973</u>      | <u>68,300</u>      | <u>91,721</u>    | <u>330,854</u>       | <u>338,342</u>    |
| Purchases of long-term investments               | (300)               | (700)              | (1,000)            | -                  | (1,000)          | (2,000)              | (2,705)           |
| Net purchases of property & equipment            | (48,155)            | (37,434)           | (27,263)           | (17,362)           | (29,490)         | (130,214)            | (72,212)          |
| Proceeds from sale of intellectual property      | -                   | -                  | -                  | -                  | -                | -                    | 5,000             |
| Cash paid for businesses acquired                | -                   | -                  | -                  | -                  | -                | -                    | (21,408)          |
| Cash used in investing activities                | <u>(48,455)</u>     | <u>(38,134)</u>    | <u>(28,263)</u>    | <u>(17,362)</u>    | <u>(30,490)</u>  | <u>(132,214)</u>     | <u>(91,325)</u>   |
| Net share repurchases                            | (23,438)            | (124,365)          | (113,146)          | (67,773)           | (32,394)         | (328,722)            | (61,066)          |
| Net borrowing activities                         | 27,987              | (4,688)            | (4,688)            | (4,688)            | (4,688)          | 13,923               | (18,752)          |
| Proceeds from other notes receivable             | -                   | 500                | -                  | -                  | 2,500            | 500                  | 2,500             |
| Cash provided by (used for) financing activities | <u>4,549</u>        | <u>(128,553)</u>   | <u>(117,834)</u>   | <u>(72,461)</u>    | <u>(34,582)</u>  | <u>(314,299)</u>     | <u>(77,318)</u>   |
| Effect of exchange rate changes                  | <u>(1,440)</u>      | <u>(1,584)</u>     | <u>(700)</u>       | <u>(786)</u>       | <u>(467)</u>     | <u>(4,510)</u>       | <u>(199)</u>      |
| Net change in cash & cash equivalents            | <u>\$ 36,552</u>    | <u>\$ (66,588)</u> | <u>\$ (67,824)</u> | <u>\$ (22,309)</u> | <u>\$ 26,182</u> | <u>\$ (120,169)</u>  | <u>\$ 169,500</u> |
| Free cash flow:                                  |                     |                    |                    |                    |                  |                      |                   |
| Cash provided by operating activities            | \$ 81,898           | \$ 101,683         | \$ 78,973          | \$ 68,300          | \$ 91,721        | \$ 330,854           | \$ 338,342        |
| Net purchases of property & equipment            | (48,155)            | (37,434)           | (27,263)           | (17,362)           | (29,490)         | (130,214)            | (72,212)          |
| Proceeds from sale of intellectual property      | -                   | 500                | -                  | -                  | 2,500            | 500                  | 7,500             |
|  | <u>\$ 33,743</u>    | <u>\$ 64,749</u>   | <u>\$ 51,710</u>   | <u>\$ 50,938</u>   | <u>\$ 64,731</u> | <u>\$ 201,140</u>    | <u>\$ 273,630</u> |

**Sanmina Corporation**  
**Pre-Tax Return on Invested Capital (ROIC)**  
(\$ in thousands)  
(Unaudited)

|                                      | Three Month Periods |              |              |              |              |
|--------------------------------------|---------------------|--------------|--------------|--------------|--------------|
|                                      | Q4 FY22             | Q3 FY22      | Q2 FY22      | Q1 FY22      | Q4 FY21      |
| GAAP operating income                | \$ 109,510          | \$ 94,618    | \$ 82,226    | \$ 81,433    | \$ 66,753    |
| x 4.0                                | 4.0                 | 4.0          | 4.0          | 4.0          | 4.0          |
| Annualized GAAP operating income     | 438,040             | 378,472      | 328,904      | 325,732      | 267,012      |
| Average invested capital (1)         | ÷ 1,447,439         | 1,397,241    | 1,365,669    | 1,337,989    | 1,316,373    |
| <b>GAAP pre-tax ROIC</b>             | <b>30.3%</b>        | <b>27.1%</b> | <b>24.1%</b> | <b>24.3%</b> | <b>20.3%</b> |
| Non-GAAP operating income            | \$ 123,392          | \$ 110,246   | \$ 95,251    | \$ 88,364    | \$ 78,341    |
| x 4.0                                | 4.0                 | 4.0          | 4.0          | 4.0          | 4.0          |
| Annualized non-GAAP operating income | 493,568             | 440,984      | 381,004      | 353,456      | 313,364      |
| Average invested capital (1)         | ÷ 1,447,439         | 1,397,241    | 1,365,669    | 1,337,989    | 1,316,373    |
| <b>Non-GAAP pre-tax ROIC</b>         | <b>34.1%</b>        | <b>31.6%</b> | <b>27.9%</b> | <b>26.4%</b> | <b>23.8%</b> |

(1) Invested capital is defined as total assets (not including cash and cash equivalents and deferred tax assets) less total liabilities (excluding short-term and long-term debt).

## Schedule 1

The statements above and financial information provided in this earnings release include non-GAAP measures of operating income, operating margin, net income, diluted earnings per share and pre-tax return on invested capital (ROIC). Management excludes from these measures stock-based compensation, restructuring, acquisition and integration expenses, impairment charges, amortization charges and other unusual or infrequent items, as adjusted for taxes, as more fully described below.

Management excludes these items principally because they are not directly related to the Company's ongoing core business operations. We use such non-GAAP measures in order to (1) make more meaningful period-to-period comparisons of the Company's operations, both internally and externally, (2) guide management in assessing the performance of the business, internally allocating resources and making decisions in furtherance of Company's strategic plan, (3) provide investors with a better understanding of how management plans and measures the business and (4) provide investors with a better understanding of our ongoing, core business. The material limitations to management's approach include the fact that the items excluded are nonetheless charges, benefits and expenses required to be recognized under GAAP and, in some cases, consume cash which reduces the Company's liquidity. Management compensates for these limitations primarily by reviewing GAAP results to obtain a complete picture of the Company's performance and by including a reconciliation of non-GAAP results to GAAP results in its earnings releases.

Additional information regarding the economic substance of each exclusion, management's use of the resultant non-GAAP measures, the material limitations of management's approach and management's methods for compensating for such limitations is provided below.

*Stock-based Compensation Expense*, which consists of non-cash charges for the estimated fair value of equity awards granted to employees and directors, is excluded in order to permit more meaningful period-to-period comparisons of the Company's results since the Company grants different amounts and value of equity awards each quarter. In addition, given the fact that competitors grant different amounts and types of equity awards and may use different valuation assumptions, excluding stock-based compensation permits more accurate comparisons of the Company's core results with those of its competitors.

*Restructuring, Acquisition and Integration Expenses*, which consist of severance, lease termination costs, exit costs, environmental investigation, remediation and related costs and other charges primarily related to closing and consolidating manufacturing facilities and those associated with the acquisition and integration of acquired businesses, are excluded because such charges (1) can be driven by the timing of acquisitions and exit activities which are difficult to predict, (2) are not directly related to ongoing business results and (3) generally do not reflect expected future operating expenses. In addition, given the fact that the Company's competitors complete acquisitions and adopt restructuring plans at different times and in different amounts than the Company, excluding these charges or benefits permits more accurate comparisons of the Company's core results with those of its competitors. Items excluded by the Company may be different from those excluded by the Company's competitors and restructuring and integration expenses include both cash and non-cash expenses. Cash expenses reduce the Company's liquidity. Therefore, management also reviews GAAP results including these amounts.

*Impairment Charges*, which consist of non-cash charges, are excluded because such charges are non-recurring and do not reduce the Company's liquidity. In addition, given the fact that the Company's competitors may record impairment charges at different times, excluding these charges permits more accurate comparisons of the Company's core results with those of its competitors.

*Amortization Charges*, which consist of non-cash charges impacted by the timing and magnitude of acquisitions of businesses or assets, are also excluded because such charges do not reduce the Company's liquidity. In addition, such charges can be driven by the timing of acquisitions, which is difficult to predict. Excluding these charges permits more accurate comparisons of the Company's core results with those of its competitors because the Company's competitors complete acquisitions at different times and for different amounts than the Company.

*Other Unusual or Infrequent Items*, such as charges or benefits associated with distressed customers, expenses, charges and recoveries relating to certain legal matters, gains and losses on sales of assets, deferred tax adjustments and discrete tax items, are excluded because such items are typically non-recurring, difficult to predict or not directly related to the Company's ongoing or core operations and are therefore not considered by management in assessing the current operating performance of the Company and forecasting earnings trends. However, items excluded by the Company may be different from those excluded by the Company's competitors. In addition, these items include both cash and non-cash expenses. Cash expenses reduce the Company's liquidity. Management compensates for these limitations by reviewing GAAP results including these amounts.

*Adjustments for Taxes*, which consist of the tax effects of the various adjustments that we exclude from our non-GAAP measures, and adjustments related to deferred tax and discrete tax items. Including these adjustments permits more accurate comparisons of the Company's core results with those of its competitors. We determine the tax adjustments based upon the various applicable effective tax rates. In those jurisdictions in which we do not expect to realize a tax cost or benefit (due to a history of operating losses or other factors), a reduced tax rate is applied.