

Non-GAAP Financial Measures

To supplement MSC's unaudited selected financial data presented on a basis consistent with Generally Accepted Accounting Principles ("GAAP"), the Company discloses certain non-GAAP financial measures, including adjusted operating income, adjusted net income, and adjusted net income per diluted share. The adjusted supplemental measures exclude non-recurring costs associated with the Barnes Distribution North America ("BDNA") acquisition, the co-location of our corporate headquarters in Davidson, North Carolina, and the executive separation costs related to the departure of the EVP of Human Resources and related tax effects. These non-GAAP measures are not in accordance with or an alternative for GAAP, and may be different from non-GAAP measures used by other companies. We believe that these non-GAAP measures have limitations in that they do not reflect all of the amounts associated with MSC's results of operations as determined in accordance with GAAP and that these measures should only be used to evaluate MSC's results of operations in conjunction with the corresponding GAAP measures. The presentation of this additional information is not meant to be considered in isolation or as a substitute for the most directly comparable GAAP measures. We compensate for the limitations of non-GAAP financial measures by relying upon GAAP results to gain a complete picture of Company performance.

In calculating non-GAAP financial measures, we exclude these non-recurring costs to facilitate a review of the comparability of the Company's operating performance on a period-to-period basis because such costs are not, in our view, related to the Company's ongoing operational performance. We use non-GAAP measures to evaluate the operating performance of our business, for comparison with forecasts and strategic plans, and for benchmarking performance externally against competitors. In addition, we use certain non-GAAP financial measures as performance metrics for management incentive programs. Since we find these measures to be useful, we believe that investors benefit from seeing results "through the eyes" of management in addition to seeing GAAP results. We believe that these non-GAAP measures, when read in conjunction with the Company's GAAP financials, provide useful information to investors by offering:

- The ability to make more meaningful period-to-period comparisons of the Company's ongoing operating results;
- The ability to better identify trends in the Company's underlying business and perform related trend analyses; and
- A better understanding of how management plans and measures the Company's underlying business.

The following tables reconcile GAAP operating income, GAAP net income and GAAP net income per diluted share ("EPS") to non-GAAP adjusted operating income, adjusted net income, and adjusted net income per diluted share:

	Thirteen Weeks Ended March 1, 2014	
	(dollars in thousands)	Margin
GAAP Operating income	\$81,722	12.4%
Non-recurring costs	8,037	
Adjusted Operating income	<u>\$89,759</u>	<u>13.6%</u>

	Thirteen Weeks Ended March 1, 2014	Thirteen Weeks Ended March 2, 2013
	(dollars in thousands)	
Sales	\$661,513	\$569,462
Cost of Sales	354,692	313,093
Gross Margin	306,821	256,369
Operating Expenses	225,099	165,793
Income from Operations	81,722	90,576
Non-recurring costs	8,037	1,773
Adjusted Operating income	\$89,759	\$92,349

	Thirteen Weeks Ended March 1, 2014	
<i>(in thousands, except per share amounts)</i>	\$(after tax)	Diluted EPS
GAAP net income	\$49,512	\$0.79
Non-recurring costs*	4,944	0.08
Adjusted net income	\$54,456	\$0.87

* On a pre-tax basis includes approximately \$484 of non-recurring relocation costs associated with the Co-Location of the Company's headquarters in Davidson, North Carolina, approximately \$4,581 of non-recurring transaction costs associated with the BDNA acquisition, and approximately \$2,972 for executive separation costs for the thirteen weeks ended March 1, 2014. The non-recurring costs were calculated using an effective tax rate of 38.5%.

	Twenty-Six Weeks Ended March 1, 2014	
	(dollars in thousands)	Margin
GAAP Operating income	\$178,472	13.3%
Non-recurring costs	13,815	
Adjusted Operating income	\$192,287	14.3%

	Twenty-Six Weeks Ended	
	March 1, 2014	March 2, 2013
	(dollars in thousands)	
Sales	\$1,340,023	\$1,146,953
Cost of Sales	718,347	625,495
Gross Margin	621,676	521,458
Operating Expenses	443,204	328,530
Income from Operations	178,472	192,928
Non-recurring costs	13,815	3,105
Adjusted Operating income	\$192,287	\$196,033

	Twenty-Six Weeks Ended	
	March 1, 2014	
<i>(in thousands, except per share amounts)</i>	\$(after tax)	Diluted EPS**
GAAP net income	\$108,558	\$1.72
Non-recurring costs*	8,512	0.13
Adjusted net income	\$117,070	\$1.86

* On a pre-tax basis includes approximately \$2,458 of non-recurring relocation costs associated with the Co-Location of the Company's headquarters in Davidson, North Carolina, approximately \$8,385 of non-recurring transaction costs associated with the BDNA acquisition, and approximately \$2,972 for executive separation costs for the twenty-six weeks ended March 1, 2014. The non-recurring costs were calculated using an effective tax rate of 38.4%.

** Individual amounts of earnings per share may not agree to the total due to rounding