

EFI Q2 2012 Earnings Call

July 19, 2012



Safe Harbor For Forward-Looking Statements

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Notes:

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Q2 2012 Summary

- \$164M revenue, up 16% Year-over-Year (YoY)
 - Record revenue quarter for total EFI, Industrial Inkjet, Software, and Recurring Revenue
 - Tenth consecutive quarter of double-digit growth
- Non-GAAP Gross Margin of 54.9%, down 100 bps YoY driven by expected shift in revenue mix
 - Non-GAAP Industrial Inkjet gross margin of 40.4%, up 290 bps YoY
- Non-GAAP Operating profit of \$19.7M, up 40% YoY
 - Non-GAAP Operating profit margin of 12.0%, up 200 bps YoY
- Non-GAAP EPS of \$0.30 compared to \$0.23 in Q2 2011
 - Non-operational currency loss of \$1.7M or \$0.03 per share in Q2 2012; \$0.4M or \$0.01 per share gain in Q2 2011
 - Excluding the currency impacts on Other Income & Expense, EPS growth of 50% YoY
- Cash flow from operating activities of \$8M
- Signed agreement to sell Foster City facility for \$180M before tax
 - Expected to close October 2012

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Q3 2012 Guidance

- Revenue growth of approximately 2% to 5% YoY or \$150-155M
 - Significant growth in Direct Businesses
 - Approximately 25% YoY growth in the Industrial Inkjet segment
 - Approximately 20% YoY growth in the Productivity Software segment
 - Cyclical decline in the Fiery business of approximately 20% YoY
- Non-GAAP EPS of \$0.25-\$0.27 compared to \$0.25 in Q3 2011
 - Assumes approximate \$0.9M or \$0.02 per share non-operational loss from currency using July 19 exchange rates

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Q2 2012 P&L Summary

| \$M | Q2 2012 | Q1 2012 | QoQ % | Q2 2011 | YoY % |
|--------------------|----------|----------|----------|----------|----------|
| NON-GAAP | | | | | |
| Revenue | \$ 163.9 | \$ 160.1 | +2% | \$ 141.2 | +16% |
| Operating Profit | 19.7 | 18.1 | +9% | 14.1 | +40% |
| Operating Profit % | 12.0% | 11.3% | +0.7 pts | 10.0% | +2.0 pts |
| Net Income | 14.2 | 14.2 | - | 11.3 | +26% |
| EPS | \$ 0.30 | \$ 0.30 | - | \$ 0.23 | +30% |

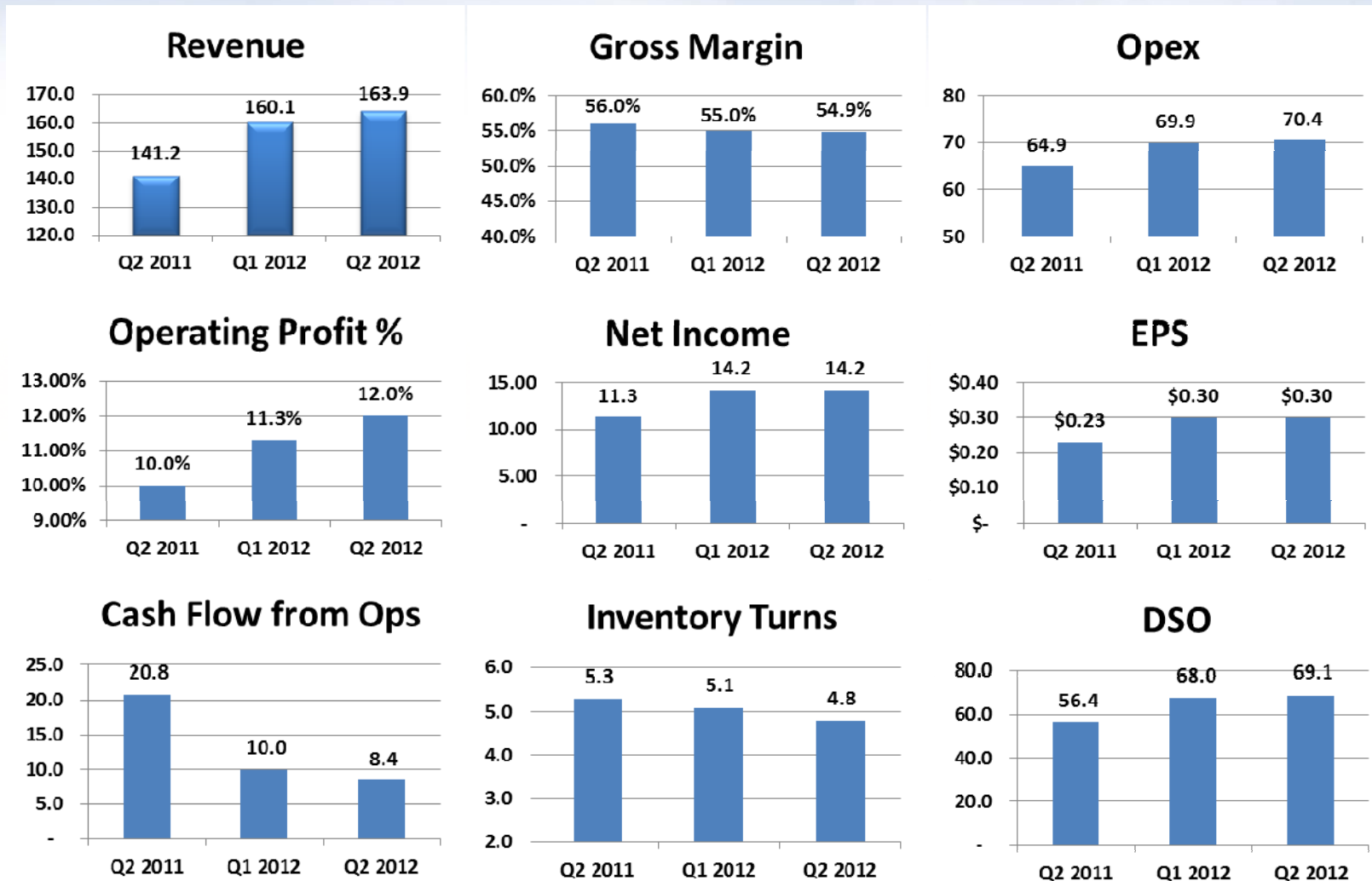
| | | | | | |
|-----------------|---------|---------|------|---------|-------|
| GAAP | | | | | |
| GAAP Net Income | 7.0 | 6.2 | +13% | 3.6 | +94% |
| GAAP EPS | \$ 0.15 | \$ 0.13 | +15% | \$ 0.07 | +114% |

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Q2 2012 Non-GAAP Key Performance Metrics



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- Revenue and Cash Flow from Ops are determined in accordance with GAAP.



Revenue by Segment & Geography

| Revenue (\$M) | Q2 2012 | Q1 2012 | QoQ % | Q2 2011 | YoY % |
|--|-------------|-------------|-------|-------------|-------|
| Industrial Inkjet <i>% of Total</i> | 79.8 49% | 75.1 47% | +6% | 57.3 41% | +39% |
| Productivity Software* <i>% of Total</i> | 25.7 16% | 24.1 15% | +7% | 19.3 14% | +33% |
| Fiery <i>% of Total</i> | 58.4 35% | 60.9 38% | (4%) | 64.6 46% | (10%) |

| | | | | | |
|--------------------------------------|-------------|-------------|------|-------------|-------|
| Americas <i>% of Total</i> | 82.7 51% | 82.2 51% | +1% | 82.9 59% | (0%) |
| EMEA <i>% of Total</i> | 51.6 31% | 55.1 34% | (6%) | 42.6 30% | +21% |
| APAC <i>% of Total</i> | 29.6 18% | 22.8 14% | +30% | 15.7 11% | +89% |
| Japan <i>% of Total</i> | 7.9 5% | 7.0 4% | +13% | 9.5 7% | (17%) |
| ROW <i>% of Total</i> | 21.7 13% | 15.8 10% | +37% | 6.2 4% | +250% |

| | | | | | |
|------------|-----------------|-----------------|------------|-----------------|-------------|
| EFI | \$ 163.9 | \$ 160.1 | +2% | \$ 141.2 | +16% |
|------------|-----------------|-----------------|------------|-----------------|-------------|

* Previously referred to as "APPS." In Q1 2012 we changed the name of our APPS operating segment to "Productivity Software."

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Gross Margin by Business Segment

Non-GAAP

| Non-GAAP Gross Margin % | Q2 2012 | Q1 2012 | QoQ % | Q2 2011 | YoY % |
|-------------------------------|---------|---------|----------|---------|----------|
| Industrial Inkjet | 40.4% | 39.3% | +110 bps | 37.5% | +290 bps |
| Productivity Software* | 71.9% | 71.3% | +60 bps | 70.1% | +180 bps |
| Fiery | 67.4% | 67.8% | -40 bps | 68.1% | -70 bps |
| EFI | 54.9% | 55.0% | -10 bps | 56.0% | -110 bps |

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Operating Expenses

Non-GAAP

| Non-GAAP Operating Expenses (\$M) | Q2 2012 | Q1 2012 | QoQ % | Q2 2011 | YoY % |
|--|----------------------|----------------------|------------------------|----------------------|-------------------------|
| Research & Development <i>% of Revenue</i> | 29.0 <i>17.7%</i> | 29.3 <i>18.3%</i> | (1%) <i>-60 bps</i> | 27.0 <i>19.1%</i> | +7% <i>-140 bps</i> |
| Sales & Marketing <i>% of Revenue</i> | 31.4 <i>19.2%</i> | 30.2 <i>18.9%</i> | +4% <i>+30 bps</i> | 28.5 <i>20.2%</i> | +10% <i>-100 bps</i> |
| General & Administrative <i>% of Revenue</i> | 10.0 <i>6.1%</i> | 10.4 <i>6.5%</i> | (4%) <i>-40 bps</i> | 9.4 <i>6.7%</i> | +6% <i>-60 bps</i> |
| EFI <i>% of Revenue</i> | 70.4 <i>42.9%</i> | 69.9 <i>43.7%</i> | +1% <i>-80 bps</i> | 64.9 <i>46.0%</i> | +8% <i>-310 bps</i> |

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Q2 2012 GAAP to Non-GAAP Opex Bridge

| Operating Expenses (\$M) | GAAP | Stock Based Comp Exp | Acquisition Related Transaction Costs | Amort of Identified Intangibles | Restructuring and Other | Special Items* | Non-GAAP |
|--|----------------------|-------------------------|--|---------------------------------------|----------------------------|--------------------|----------------------|
| Research & Development <i>% of Revenue</i> | 30.2 18.4% | (1.3) (0.8%) | - - | - - | - - | - - | 29.0 17.7% |
| Sales & Marketing <i>% of Revenue</i> | 32.2 19.6% | (0.8) (0.5%) | - - | - - | - - | - - | 31.4 19.2% |
| General & Administrative <i>% of Revenue</i> | 11.2 6.8% | (2.4) (1.5%) | (0.4) (0.2%) | - - | - - | 1.7 1% | 10.0 6.1% |
| Amortization of Intangibles <i>% of Revenue</i> | 4.6 2.8% | - - | - - | (4.6) (2.8%) | - - | - - | - - |
| Restructuring & Other <i>% of Revenue</i> | 1.2 0.7% | - - | - - | - - | (1.2) (0.7%) | - - | - - |
| EFI <i>% of Revenue</i> | 79.4 48.5% | (4.5) (2.7%) | (0.4) (0.2%) | (4.6) (2.8%) | (1.2) (0.7%) | 1.7 1.0% | 70.4 42.9% |

*Consists of change in fair value of contingent consideration of \$1.4 million and proceeds from litigation settlement of \$0.3 million, net of legal fees and costs.

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Consolidated P&L

Non-GAAP

| Non-GAAP Consolidated P&L (\$M) | Q2 2012 | Q1 2012 | QoQ % | Q2 2011 | YoY % |
|-----------------------------------|----------|----------|----------|----------|----------|
| Revenue | \$ 163.9 | \$ 160.1 | +2% | \$ 141.2 | +16% |
| GM % | 54.9% | 55.0% | -10 bps | 56.0% | -110 bps |
| Operating Expenses | 70.4 | 69.9 | +1% | 64.9 | +8% |
| Operating Profit | 19.7 | 18.1 | +9% | 14.1 | +40% |
| Operating Profit % | 12.0% | 11.3% | +0.7 pts | 10.0% | +2.0 pts |
| Other Income/Expense | (1.3) | 0.6 | (317%) | 0.8 | (263%) |
| Tax Rate | 23% | 24% | -1.4 pts | 24% | -1.4 pts |
| Net Income | 14.2 | 14.2 | - | 11.3 | +26% |
| EPS | \$ 0.30 | \$ 0.30 | - | \$ 0.23 | +30% |
| Diluted Sharecount (000's) | 47,814 | 47,359 | +1% | 48,458 | (1%) |

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Q2 2012 GAAP to Non-GAAP P&L Bridge

| GAAP to Non-GAAP Bridge (\$M) | GAAP | Stock Based Comp Exp | Amort of Identified Intangibles | Acquisition Related Transaction Costs | Restructuring and Other | Special Items* | Non-GAAP |
|-------------------------------|----------|----------------------|---------------------------------|---------------------------------------|-------------------------|----------------|----------|
| Revenue | \$ 163.9 | - | - | - | - | - | \$ 163.9 |
| Cost of Sales | 74.1 | (0.2) | - | - | - | - | 73.9 |
| GM % | 54.8% | | | | | | 54.9% |
| Operating Expenses | 79.4 | (4.5) | (4.6) | (0.4) | (1.2) | 1.7 | 70.4 |
| Operating Profit % | 6.3% | | | | | | 12.0% |
| Other Income/Expense | (1.3) | | | | | | (1.3) |
| Pre-Tax Income | 9.1 | 4.7 | 4.6 | 0.4 | 1.2 | (1.7) | 19.9 |
| Tax Rate | 22.6% | | | | | | 22.6% |
| Net Income | 7.0 | | | | | | 14.2 |
| EPS | \$ 0.15 | | | | | | \$ 0.30 |
| Diluted Sharecount (000's) | 47,814 | | | | | | 47,814 |

*Consists of change in fair value of contingent consideration of \$1.4 million and proceeds from litigation settlement of \$0.3 million, net of legal fees and costs.

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2012 YTD Revenue by Segment & Geography

| Revenue (\$M) | 2012 YTD | 2011 YTD | YoY % | LTM* June 2012 | LTM* June 2011 | YoY % |
|------------------------------------|--------------|--------------|-------|-------------------|-------------------|-------|
| Inkjet <i>% of Total</i> | 154.9 48% | 108.3 39% | +43% | 286.9 45% | 221.9 40% | +29% |
| APPS <i>% of Total</i> | 49.8 15% | 36.0 13% | +38% | 95.1 15% | 69.7 13% | +36% |
| Fiery <i>% of Total</i> | 119.3 37% | 137.0 49% | (13%) | 252.4 40% | 263.7 47% | (4%) |

| | | | | | | |
|--------------------------------------|--------------|--------------|-------|--------------|--------------|-------|
| Americas <i>% of Total</i> | 164.9 51% | 157.1 56% | +5% | 353.1 56% | 318.5 57% | +11% |
| EMEA <i>% of Total</i> | 106.7 32% | 87.1 31% | +23% | 198.0 31% | 168.6 30% | +17% |
| APAC <i>% of Total</i> | 52.4 16% | 37.1 13% | +41% | 83.3 13% | 68.2 12% | +22% |
| Japan <i>% of Total</i> | 14.9 5% | 21.3 8% | (30%) | 29.3 5% | 41.2 7% | (29%) |
| ROW <i>% of Total</i> | 37.5 12% | 15.7 6% | +138% | 54.0 9% | 26.9 5% | +101% |

| | | | | | | |
|------------|-----------------|-----------------|-------------|-----------------|-----------------|-------------|
| EFI | \$ 324.0 | \$ 281.3 | +15% | \$ 634.4 | \$ 555.3 | +14% |
|------------|-----------------|-----------------|-------------|-----------------|-----------------|-------------|

* Last 12 months ending June of the year indicated

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2012 YTD Consolidated P&L

Non-GAAP

| Non-GAAP Consolidated P&L (\$M) | 2012 YTD | 2011 YTD | YoY % |
|-----------------------------------|----------|----------|----------|
| Revenue | \$ 324.0 | \$ 281.3 | +15% |
| GM % | 54.9% | 56.2% | -130 bps |
| Operating Expenses | 140.3 | 128.3 | +9% |
| Operating Profit | 37.7 | 29.7 | +27% |
| Operating Profit % | 11.6% | 10.6% | +1.1 pts |
| Other Income/Expense | (0.8) | 3.2 | (125%) |
| Tax Rate | 23% | 25% | -1.2 pts |
| Net Income | 28.3 | 24.8 | +14% |
| EPS | \$ 0.60 | \$ 0.51 | +16% |
| Diluted Sharecount (000's) | 47,599 | 48,365 | (2%) |

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Key Balance Sheet Figures

| Key Balance Sheet Figures (\$M) | Q2 2012 | Q1 2012 | Q2 2011 |
|---------------------------------|-----------------|-----------------|-----------------|
| Total Cash & Investments* | \$ 192.4 | \$ 203.4 | \$ 231.9 |
| Cash Flow from Operations | \$ 8.4 | \$ 10.0 | \$ 20.8 |
| Cash Conversion Cycle (CCC) | 64.7 | 64.5 | 58.6 |
| Accounts Receivable (net) | \$ 124.5 | \$ 119.5 | \$ 87.5 |
| DSO | 69.1 | 68 | 56.40 |
| Inventory, net | \$ 61.2 | \$ 56.5 | \$ 46.7 |
| Inventory Turns | 4.8 | 5.1 | 5.3 |
| Total Assets | \$ 824.3 | \$ 818.9 | \$ 721.4 |

* Excludes \$56.9 million long term restricted investments and \$0.9 million restricted cash.

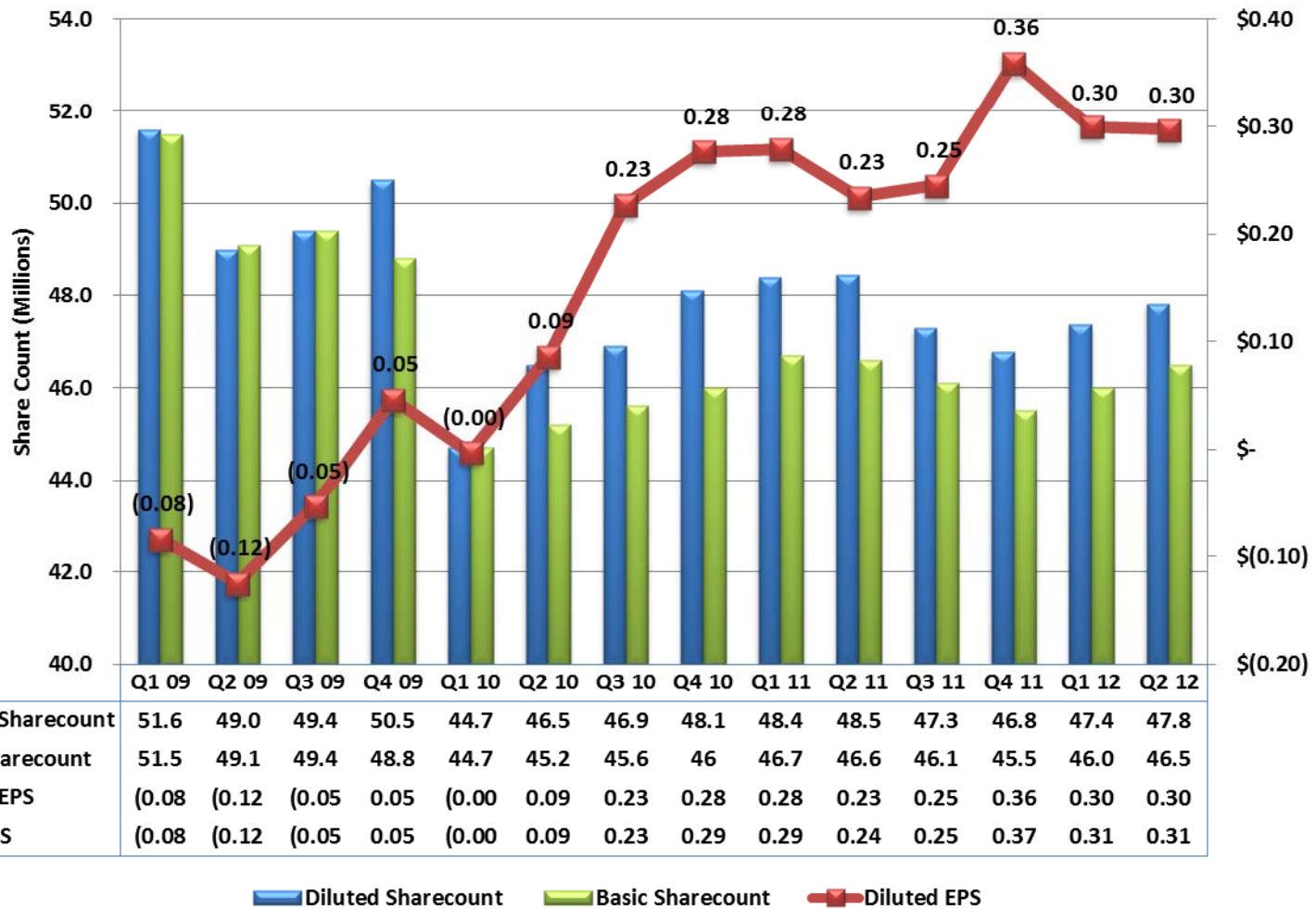
** CCC and Inventory Turns calculations changed effective Q1 2012 to conform to industry standard calculations. Inventory turns calculated using ending inventory rather than average inventory. CCC is calculated DSO + DOI – DPO. Prior periods have been revised to conform to the new calculation method.

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Share Count & Non-GAAP EPS



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Appendix

2011 Revenue by Business Segment

| Revenue (\$M) | Q1 2011 | Q2 2011 | Q3 2011 | Q4 2011 | 2011 |
|------------------------|------------|------------|------------|------------|------------|
| Industrial Inkjet | \$ 51.0 | \$ 57.3 | \$ 59.4 | \$ 72.6 | \$ 240.3 |
| <i>YoY Change</i> | <i>16%</i> | <i>14%</i> | <i>14%</i> | <i>18%</i> | <i>16%</i> |
| Productivity Software* | 16.7 | 19.3 | 21.5 | 23.7 | 81.2 |
| <i>YoY Change</i> | <i>45%</i> | <i>54%</i> | <i>36%</i> | <i>33%</i> | <i>41%</i> |
| Fiery | 72.4 | 64.6 | 66.4 | 66.8 | 270.1 |
| <i>YoY Change</i> | <i>30%</i> | <i>15%</i> | <i>9%</i> | <i>2%</i> | <i>13%</i> |
| Total Revenue | \$ 140.1 | \$ 141.2 | \$ 147.3 | \$ 163.1 | \$ 591.6 |
| <i>YoY Change</i> | <i>26%</i> | <i>19%</i> | <i>14%</i> | <i>12%</i> | <i>17%</i> |

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2010 Revenue by Business Segment

| Revenue (\$M) | Q1 2010 | Q2 2010 | Q3 2010 | Q4 2010 | 2010 |
|------------------------|-------------|------------|------------|------------|------------|
| Industrial Inkjet | \$ 43.8 | \$ 50.2 | \$ 52.2 | \$ 61.4 | \$ 207.7 |
| <i>YoY Change</i> | <i>37%</i> | <i>38%</i> | <i>18%</i> | <i>31%</i> | <i>30%</i> |
| Productivity Software* | 11.5 | 12.5 | 15.8 | 17.9 | 57.7 |
| <i>YoY Change</i> | <i>-12%</i> | <i>6%</i> | <i>37%</i> | <i>50%</i> | <i>19%</i> |
| Fiery | 55.5 | 56.4 | 61.0 | 65.7 | 238.6 |
| <i>YoY Change</i> | <i>9%</i> | <i>35%</i> | <i>36%</i> | <i>19%</i> | <i>24%</i> |
| Total Revenue | \$ 110.8 | \$ 119.1 | \$ 129.0 | \$ 145.0 | \$ 504.0 |
| <i>YoY Change</i> | <i>15%</i> | <i>32%</i> | <i>28%</i> | <i>27%</i> | <i>26%</i> |

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2011 Gross Margin by Business Segment

Non-GAAP

| Non-GAAP Gross Margin % | Q1 2011 | Q2 2011 | Q3 2011 | Q4 2011 | 2011 |
|-------------------------|----------|----------|----------|----------|----------|
| Industrial Inkjet | 36.1% | 37.5% | 39.6% | 40.4% | 38.6% |
| YoY Change | +370 bps | +390 bps | +510 bps | +560 bps | +470 bps |
| Productivity Software* | 68.1% | 70.1% | 70.5% | 70.9% | 70.0% |
| YoY Change | +270 bps | +100 bps | +330 bps | +90 bps | +190 bps |
| Fiery | 68.0% | 68.1% | 67.5% | 67.6% | 67.8% |
| YoY Change | +80 bps | +70 bps | -80 bps | +30 bps | +20 bps |
| Total Gross Margin | 56.4% | 56.0% | 56.6% | 56.0% | 56.2% |
| YoY Change | +310 bps | +267 bps | +210 bps | +210 bps | +240 bps |

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2010 Gross Margin by Business Segment

Non-GAAP

| Non-GAAP Gross Margin % | Q1 2010 | Q2 2010 | Q3 2010 | Q4 2010 | 2010 |
|-------------------------|----------|----------|----------|----------|----------|
| Industrial Inkjet | 32.4% | 33.6% | 34.5% | 34.8% | 33.9% |
| YoY Change | +330 bps | +360 bps | +80 bps | +170 bps | +210 bps |
| Productivity Software* | 65.4% | 69.1% | 67.2% | 70.0% | 68.1% |
| YoY Change | -40 bps | +140 bps | -40 bps | +160 bps | +80 bps |
| Fiery | 67.2% | 67.4% | 68.3% | 67.3% | 67.6% |
| YoY Change | -190 bps | +20 bps | +230 bps | +180 bps | +60 bps |
| Total Gross Margin | 53.3% | 53.3% | 54.5% | 53.9% | 53.8% |
| YoY Change | -200 bps | +113 bps | +250 bps | +140 bps | +80 bps |

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Reconciliation of GAAP to Non-GAAP

| GAAP to Non-GAAP Reconciliation (\$M) | Q111 | Q211 | Q311 | Q411 | FY11 | Q112 | Q212 | Q312 | Q412 | FY12 |
|---|---------|---------|---------|---------|---------|---------|---------|------|------|---------|
| GAAP | | | | | | | | | | |
| Net Income (Loss) | 6.2 | 3.6 | 6.1 | 11.5 | 27.4 | 6.2 | 7.0 | | | 13.2 |
| EPS | \$ 0.13 | \$ 0.07 | \$0.13 | \$ 0.25 | \$ 0.58 | \$ 0.13 | \$ 0.15 | | | \$ 0.28 |
| ADJUSTMENTS | | | | | | | | | | |
| COGS: Stock Based Compensation Expense | 0.2 | 0.4 | 0.7 | 0.3 | 1.6 | 0.3 | 0.2 | | | 0.5 |
| OPEX: Stock Based Compensation Expense | 5.0 | 6.7 | 4.6 | 5.5 | 21.8 | 4.4 | 4.5 | | | 8.9 |
| OPEX: Amortization of Identified Intangibles | 3.4 | 3.0 | 2.3 | 2.5 | 11.2 | 4.2 | 4.6 | | | 8.8 |
| OPEX: Acquisition-Related Transaction Costs | 0.6 | 0.2 | 0.7 | 0.8 | 2.4 | 0.4 | 0.4 | | | 0.8 |
| OPEX: Litigation Settlement | - | - | - | - | - | - | (0.3) | | | (0.3) |
| OPEX: Change in Fair Value of Contingent Consideration | - | - | 1.5 | - | 1.5 | - | (1.4) | | | (1.4) |
| OPEX: Restructuring and Other | 1.4 | 0.4 | 0.6 | 0.9 | 3.3 | 1.1 | 1.2 | | | 2.3 |
| OI&E: Gain on Sale of Minority Investment in a Privately-Held Company | - | - | (2.9) | - | (2.9) | - | | | | - |
| Tax Effect of Non-GAAP Adjustments | (3.3) | (3.0) | (2.0) | (4.9) | (13.2) | (2.4) | (2.0) | | | (4.4) |
| NON-GAAP | | | | | | | | | | |
| Non-GAAP Net Income (Loss) | \$ 13.5 | \$ 11.3 | \$ 11.6 | \$ 16.6 | \$ 53.1 | \$ 14.2 | \$ 14.2 | \$ - | \$ - | \$ 28.3 |
| Non-GAAP EPS | \$ 0.28 | \$ 0.23 | \$0.25 | \$ 0.30 | \$ 1.12 | \$ 0.30 | \$ 0.30 | | | \$ 0.60 |

Notes:

- This information is current as of July 19, 2012 and is not subject to update.
- Non-GAAP numbers have been adjusted to exclude certain items.



About our Non-GAAP Net Income and Adjustments

Use of Non-GAAP Financial Information

To supplement our condensed consolidated financial results prepared in accordance with GAAP, we use non-GAAP measures of net income and earnings per diluted share that are GAAP net income and GAAP earnings per diluted share adjusted to exclude certain recurring and non-recurring costs, expenses, and gains.

We believe that the presentation of non-GAAP net income and non-GAAP earnings per diluted share provides important supplemental information regarding non-cash expenses, significant recurring and non-recurring items that we believe are important to understanding our financial and business trends relating to our financial condition and results of operations. Non-GAAP net income and non-GAAP earnings per diluted share are among the primary indicators used by management as a basis for planning and forecasting future periods and by management and our board of directors to determine whether our operating performance has met specified targets and thresholds. Management uses non-GAAP net income and non-GAAP earnings per diluted share when evaluating operating performance because it believes that the exclusion of the items described below, for which the amounts and/or timing may vary significantly depending upon the Company's activities and other factors, facilitates comparability of the Company's operating performance from period to period. We have chosen to provide this information to investors so they can analyze our operating results in the same way that management does and use this information in their assessment of our business and the valuation of our Company.

Use and Economic Substance of Non-GAAP Financial Measures

We compute non-GAAP net income and non-GAAP earnings per diluted share by adjusting GAAP net income and GAAP earnings per diluted share to remove the impact of recurring amortization of acquisition-related intangibles and stock-based compensation expense, as well as restructuring-related and non-recurring charges and gains and the tax effect of these adjustments. Such non-recurring charges and gains include acquisition-related transaction costs and costs to integrate such acquisitions into our business.

- Recurring charges and gains, including:
 - Amortization of acquisition-related intangibles. Intangible assets acquired to date are being amortized on a straight-line basis.
 - Stock-based compensation expense recognized in accordance with FASB Accounting Standards Codification ("ASC"), Topic 718, Stock Compensation.
- Non-recurring charges and gains consists of:
 - Restructuring related charges.
 - We have incurred Restructuring and other charges as we reduced the number and size of our facilities and the size of our workforce.
 - Acquisition-related executive deferred compensation costs, which are dependent on the continuing employment of a former shareholder, which are being amortized on a straight-line basis.
 - Expenses incurred to integrate businesses acquired during the periods reported.
 - Acquisition-related transaction costs associated with businesses acquired during the periods reported and anticipated transactions.
 - We have excluded a \$1.4 million benefit from our non-GAAP operating results related to the change in fair value on the Entrac acquisition contingent consideration. Our management determined that we should analyze the total return provided by the investment when evaluating operating results of an acquired entity. The total return consists of operating profit generated from the acquired entity compared to the purchase price paid, including the final amounts paid for contingent consideration without considering any post-acquisition adjustments related to the change in the fair value of the contingent consideration. Because management believes the final purchase price paid for the acquisition reflects the accounting value assigned to both contingent consideration and to the intangible assets, we exclude the GAAP impact of any adjustments to the fair value of acquisition-related contingent consideration from the operating results of an acquisition in subsequent periods. We believe this approach is useful in understanding the long-term return provided by an acquisition and that investors benefit from a supplemental non-GAAP financial measure that excludes the impact of this adjustment.
 - Pursuant to a settlement executed in April 2012, we received an additional \$0.3 million in insurance proceeds, net of legal fees and costs, related to our previously disclosed settlement of the shareholder derivative litigation concerning our historical option granting practices
- Tax effect of non-GAAP adjustments.
 - After excluding the items described above, we apply the principles of ASC Topic 740, Income Taxes, to estimate the non-GAAP income tax provision in each jurisdiction in which we operate. The expected annual non-GAAP income tax rate assumes that the U.S. federal research and development tax credit will be retroactively re-enacted in 2012 as well as achieving certain operational efficiencies related to our foreign business operations that will be implemented in the second half of 2012.
 - We have excluded the recognition of interest expense accrued on prior year tax reserves of \$0.1 and \$0.2 million from our non-GAAP net income for the three and six months ended June 30, 2012 and 2011, respectively, to facilitate comparability of our operating performance from period to period.

Usefulness of Non-GAAP Financial Information to Investors

These non-GAAP measures are not in accordance with or an alternative to GAAP and may be materially different from other non-GAAP measures, including similarly titled non-GAAP measures, used by other companies. The presentation of this additional information should not be considered in isolation from, as a substitute for, or superior to, net income or earnings per diluted share prepared in accordance with GAAP. Non-GAAP financial measures have limitations as they do not reflect certain items that may have a material impact upon our reported financial results. We expect to continue to incur expenses of a nature similar to the non-GAAP adjustments described above, and exclusion of these items from our non-GAAP net income and non-GAAP earnings per diluted share should not be construed as an inference that these costs are unusual, infrequent, or non-recurring.

Notes:

- This information is current as of July 19, 2012 and is not subject to update.

