EFI Q4 2012 Earnings Call

January 24, 2012

Safe Harbor For Forward-Looking Statements

Certain statements in this press release are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Statements other than statements of historical fact including words such as “anticipate”, “believe”, “estimate”, “expect”, “consider” and “plan” and statements in the future tense are forward looking statements. The statements in this presentation that could be deemed forward-looking statements include statements regarding EFI’s strategy, plans, expectations regarding its revenue growth, innovation and product cycle continuation, expectations regarding our future relocation from the Foster City campus, and any statements or assumptions underlying any of the foregoing.

Forward-looking statements are subject to certain risks and uncertainties that could cause our actual future results to differ materially, or cause a material adverse impact on our results. Potential risks and uncertainties include, but are not necessarily limited to, unforeseen expenses; the difficulty of aligning expense levels with revenue; management’s ability to forecast revenues, expenses and earnings; any world-wide financial and economic difficulties and downturns; adverse tax-related matters such as tax audits, changes in our effective tax rate or new tax legislative proposals; the unpredictability of development schedules and commercialization of products by the leading printer manufacturers and declines or delays in demand for our related products; changes in the mix of products sold; the uncertainty of market acceptance of new product introductions; intense competition in each of our businesses, including competition from products developed by EFI’s customers; challenge of managing asset levels, including inventory and variations in inventory levels; the uncertainty of continued success in technological advances; the challenges of obtaining timely, efficient and quality product manufacturing and supply of components; litigation involving intellectual property rights or other related matters; our ability to successfully integrate acquired businesses; the uncertainty regarding the amount and timing of future share repurchases by EFI and the origin of funds used for such repurchases; the market prices of EFI's common stock prior to, during and after the share repurchases; any disruptions in our operations and additional expenses that we may incur as a result of our planned relocation from the Foster City campus; the compliance with the new requirements regarding the “conflict minerals,” if they are found to be used in our products; and any other risk factors that may be included from time to time in the Company’s SEC reports.

The statements in this presentation are made as of the date of this press release. EFI undertakes no obligation to update information contained in this press release. For further information regarding risks and uncertainties associated with EFI’s businesses, please refer to the section entitled “Risk Factors” in the Company’s SEC filings, including, but not limited to, its annual report on Form 10-K and its quarterly reports on Form 10-Q, copies of which may be obtained by contacting EFI’s Investor Relations Department by phone at 650-357-3828 or by email at investor.relations@efi.com or EFI’s Investor Relations website at www.efi.com.

Notes:
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Financial Summary

Q4 2012

- Record revenue of $174M, up 7% Year-over-Year (YoY)
  - Record Industrial Inkjet revenue of $86M, up 19%
  - Record Productivity Software revenue of $29M, up 24%
- Non-GAAP Gross Margin of 54.4%, down 160 bps YoY driven by expected shift in revenue mix
- Non-GAAP Operating Profit of $24.5M, up 7%; 14.1% of revenue
- Non-GAAP EPS of $0.42 compared to $0.36 in Q4 2011
  - Non-operational currency gain of approximately $0.01 per share in Q4 2012
  - Favorable tax benefit of approximately $0.03 per share in Q4 2012 from R&D tax credit renewal
- Cash flow from operating activities of $28M
- Twelfth consecutive quarter of YoY revenue and non-GAAP EPS growth

FY 2012

- Record revenue of $652M, up 10% YoY
  - 3rd consecutive year of double-digit growth
- Non-GAAP EBITDA of $87M, up 14% YoY and comprising 13.3% of revenue
- Non-GAAP EPS of $1.29, up 14% or $0.17 YoY

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Q1 2013 Guidance

- Revenue of approximately $163-167M
  - Mid to High single-digit YoY growth in the Industrial Inkjet segment
  - Approximate 15% YoY growth in the Productivity Software segment
  - Approximate 5% YoY decline in Fiery revenue; flat sequentially

- Non-GAAP EPS of $0.30-$0.32

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Q4 2012 P&L Summary

$M	Q4 2012	Q3 2012	QoQ %	Q4 2011	YoY %
NON-GAAP					
Revenue	$ 174.1	$ 154.1	+13%	$ 163.1	+7%
Operating Profit	24.5	16.7	+47%	22.8	+7%
Operating Profit %	14.1%	10.8%	+3.3 pts	14.0%	+0.1 pts
Net Income	19.8	13.3	+49%	16.6	+19%
EPS	$ 0.42	$ 0.28	+50%	$ 0.36	+17%
GAAP					
GAAP Net Income	56.8	13.4	+324%	11.5	+394%
GAAP EPS	$ 1.20	$ 0.28	+329%	$ 0.25	+380%

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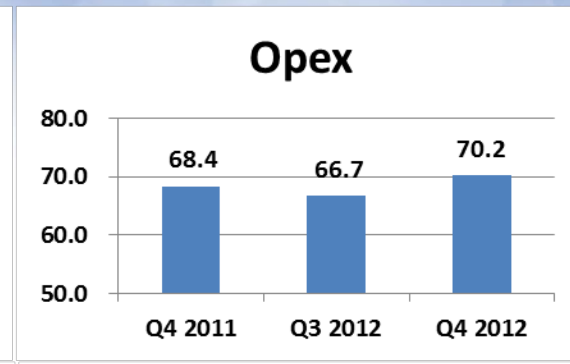
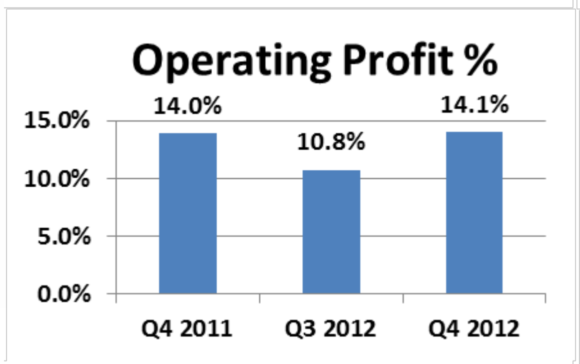
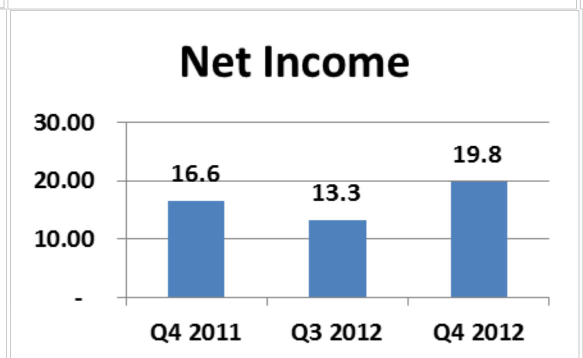
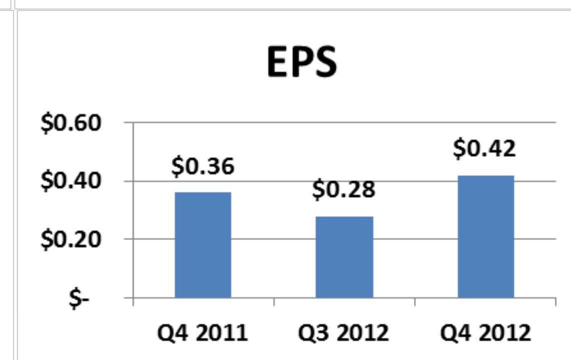
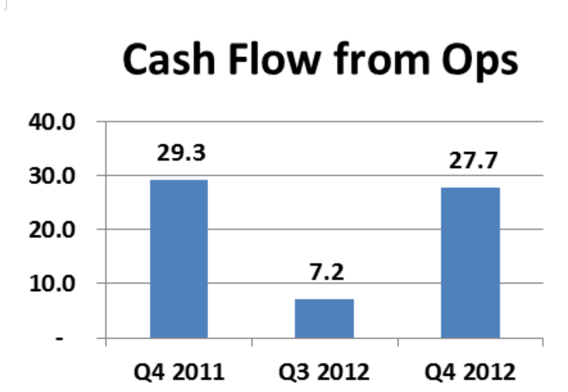
Q4 2012 Non-GAAP Key Performance Metrics

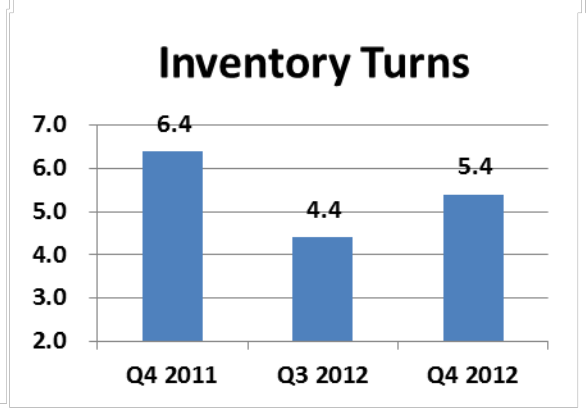


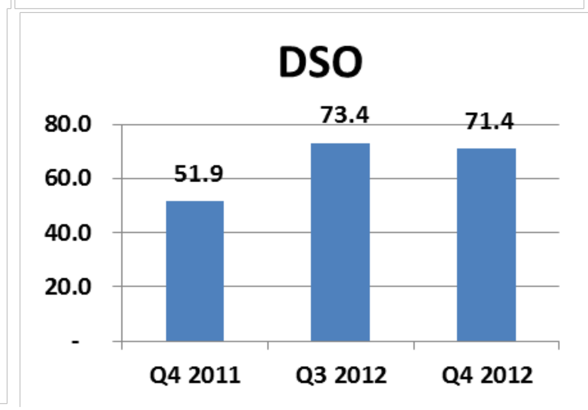












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- **Revenue and Cash Flow from Ops are determined in accordance with GAAP.**

Revenue by Segment & Geography

Revenue ($M)	Q4 2012	Q3 2012	QoQ %	Q4 2011	YoY %
Industrial Inkjet	86.2	79.1	+9%	72.6	+19%
% of Total	*49%*	*51%*		*44%*	
Productivity Software*	29.4	24.3	+21%	23.7	+24%
% of Total	*17%*	*16%*		*15%*	
Fiery	58.5	50.7	+15%	66.8	(12%)
% of Total	*34%*	*33%*		*41%*	
Americas	102.7	86.5	+19%	103.3	(1%)
% of Total	*59%*	*56%*		*63%*	
EMEA	47.6	41.1	+16%	44.7	+6%
% of Total	*27%*	*27%*		*28%*	
APAC	23.8	26.5	(10%)	15.1	+58%
% of Total	*14%*	*17%*		*9%*	
Japan	*5.6*	*7.5*	*(25%)*	*7.1*	*(21%)*
% of Total	*3%*	*5%*		*4%*	
ROW	*18.2*	*19.0*	*(4%)*	*8.0*	*+128%*
% of Total	*11%*	*12%*		*5%*	
EFI	**$ 174.1**	**$ 154.1**	**+13%**	**$ 163.1**	**+7%**

* 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 %	Q4 2012	Q3 2012	QoQ %	Q4 2011	YoY %
Industrial Inkjet	39.7%	40.3%	-60 bps	40.4%	-70 bps
Productivity Software*	72.8%	71.5%	+130 bps	70.9%	+190 bps
Fiery	66.7%	67.4%	-70 bps	67.6%	-90 bps
EFI	**54.4%**	**54.1%**	+30 bps	**56.0%**	-160 bps

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Operating Expenses

Non-GAAP

Non-GAAP Operating Expenses ($M)	Q4 2012	Q3 2012	QoQ %	Q4 2011	YoY %
Research & Development	28.6	27.7	+3%	28.3	+1%
% of Revenue	*16.4%*	*18.0%*	*-160 bps*	*17.4%*	*-100 bps*
Sales & Marketing	31.1	29.6	+5%	30.4	+2%
% of Revenue	*17.9%*	*19.2%*	*-130 bps*	*18.6%*	*-70 bps*
General & Administrative	10.5	9.4	+12%	9.7	+8%
% of Revenue	*6.0%*	*6.1%*	*-10 bps*	*5.9%*	*+10 bps*
EFI	**70.2**	**66.7**	**+5%**	**68.4**	**+3%**
% of Revenue	*40.3%*	*43.3%*	*-300 bps*	*41.9%*	*-160 bps*

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Q4 2012 GAAP to Non-GAAP Opex Bridge

Operating Expenses ($M)	GAAP	Stock Based Comp Exp*	Amort of Identifited Intangibles*	Acquisition Related Transaction Costs	Restructuring and Other*	Building Sale Related*	Non-GAAP
Research & Development	30.1	(1.5)	-	-	-	-	28.6
% of Revenue	*17.3%*	*(1%)*	-	-	-	-	*16.4%*
Sales & Marketing	32.0	(0.9)	-	-	-	-	31.1
% of Revenue	*18.4%*	*(1%)*	-	-	-	-	*17.9%*
General & Administrative	13.9	(2.6)	-	(1.0)	-	0.2	10.5
% of Revenue	*8.0%*	*(1.5%)*	-	*(0.6%)*	-	*0.1%*	*6.0%*
Amortization of Intangibles	5.2	-	(5.2)	-	-	-	-
% of Revenue	*3.0%*	-	*(3.0%)*	-	-	-	-
Restructuring & Other	1.3	-	-	-	(1.3)	-	-
% of Revenue	*0.7%*	-	-	-	*(0.7%)*	-	-
EFI	**82.5**	**(5.0)**	**(5.2)**	**(1.0)**	**(1.3)**	**0.2**	**70.2**
% of Revenue	*47.4%*	*(2.9%)*	*(3.0%)*	*(0.6%)*	*(0.7%)*	*0.1%*	*40.3%*

* Includes Non-Cash Items

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Consolidated P&L

Non-GAAP

Non-GAAP Consolidated P&L ($M)	Q4 2012	Q3 2012	QoQ %	Q4 2011	YoY %
Revenue	$ 174.1	$ 154.1	+13%	$ 163.1	+7%
GM %	54.4%	54.1%	+30 bps	56.0%	-160 bps
Operating Expenses	70.2	66.7	+5%	68.4	+3%
Operating Profit	24.5	16.7	+47%	22.8	+7%
Operating Profit %	14.1%	10.8%	+3.3 pts	14.0%	+0.1 pts
EBITDA	26.5	18.5	+43%	24.6	+8%
Other Income/Expense	0.9	1.6	na	(1.5)	na
Tax Rate	21.9%	27.1%	-5.2 pts	22.0%	-0.1 pts
Net Income	19.8	13.3	+49%	16.6	+19%
EPS	$ 0.42	$ 0.28	+50%	$ 0.36	+17%
Diluted Sharecount (000's)	47,566	48,009	(1%)	46,765	+2%

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Q4 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*	Building Sale Related*	Non-GAAP
Revenue	$ 174.1	-	-	-	-	-	$ 174.1
Cost of Sales	79.8	(0.4)	-	-	-	-	79.4
GM %	54.2%						54.4%
Operating Expenses	82.5	(5.0)	(5.2)	(1.0)	(1.3)	0.2	70.2
Operating Profit %	6.8%						14.1%
Other Income/Expense	0.3					0.6	0.9
Pre-Tax Income	12.1	5.4	5.2	1.0	1.3	0.4	25.4
Tax Rate	(368%)						21.9%
Net Income	56.6						19.8
EPS Diluted Sharecount (000's)	$ 1.19 47,566						$ 0.42 47,566

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2012 Revenue by Segment & Geography

Revenue ($M)	2012	2011	YoY %
Inkjet	320.2	240.3	+33%
% of Total	*49%*	*41%*	
Productivity Software*	103.5	81.2	+27%
% of Total	*16%*	*14%*	
Fiery	228.4	270.1	(15%)
% of Total	*35%*	*46%*	
Americas	354.1	345.3	+3%
% of Total	*54%*	*58%*	
EMEA	195.4	178.5	+9%
% of Total	*30%*	*30%*	
APAC	102.6	67.8	+51%
% of Total	*16%*	*11%*	
Japan	*27.9*	*35.7*	(22%)
% of Total	*4%*	*6%*	
ROW	*74.7*	*32.1*	+133%
% of Total	*11%*	*5%*	
EFI	**$ 652.1**	**$ 591.6**	**+10%**

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2012 Consolidated P&L

Non-GAAP

Non-GAAP Consolidated P&L ($M)	2012	2011	YoY %
Revenue	$ 652.1	$ 591.6	+10%
GM %	54.6%	56.2%	-160 bps
Operating Expenses	277.0	263.6	+5%
Operating Profit	78.9	69.0	+14%
Operating Profit %	12.1%	11.7%	+0.4 pts
EBITDA	87.0	76.4	+14%
Other Income/Expense	1.7	0.2	+750%
Tax Rate	23.7%	23.3%	+0.4 pts
Net Income	61.5	53.1	+16%
EPS	$ 1.29	$ 1.12	+15%
Diluted Sharecount (000's)	47,734	47,579	+0%

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Key Balance Sheet Figures

Key Balance Sheet Figures ($M)	Q4 2012	Q3 2012	Q4 2011
Total Cash & Investments*	$ 365.0	$ 192.5	$ 219.2
Cash Conversion Cycle (CCC)**	65.5	74.6	49.1
Accounts Receivable (net)	$ 135.1	$ 122.9	$ 91.9
DSO	71.4	73.4	51.9
Inventory, net	$ 58.3	$ 63.7	$ 44.8
Inventory Turns**	5.4	4.4	6.4
Total Assets	**$ 1,074.2**	**$ 830.9**	**$ 739.7**
Cash Flow from Operations	$ 27.7	$ 7.2	$ 29.3

* Excludes $56.9 million long term restricted investments at Q4 2011. Transferred to Assets Held for Sale in Q3 2012.
** 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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Key Cash and Valuation Metrics

($M)	Q4 2012	Q3 2012	QoQ %	Q4 2011	YoY %
Cash Metrics					
Cash Flow From Operations	$ 27.7	$ 7.2	+285%	$ 29.3	(5%)
LTM* Cash Flow From Operations	53.3	54.9	(3%)	72.1	(26%)
Cash Per Share	7.67	4.01	+91%	4.69	+64%
Valuation Metrics					
Enterprise Value (EV)**	$ 538.3	$ 605.4	(11%)	$ 447.2	+20%
EV Multiple of LTM EBITDA	*6.2*	*7.1*	*(13%)*	*5.9*	*+6%*
EV Multiple of LTM Cash Flow From Operations	*10.1*	*11.0*	*(8%)*	*6.2*	*+63%*

* Last 12 months ending the third calendar month of the quarter indicated
** Calculated using closing common stock share price on last trading day of the quarter indicated

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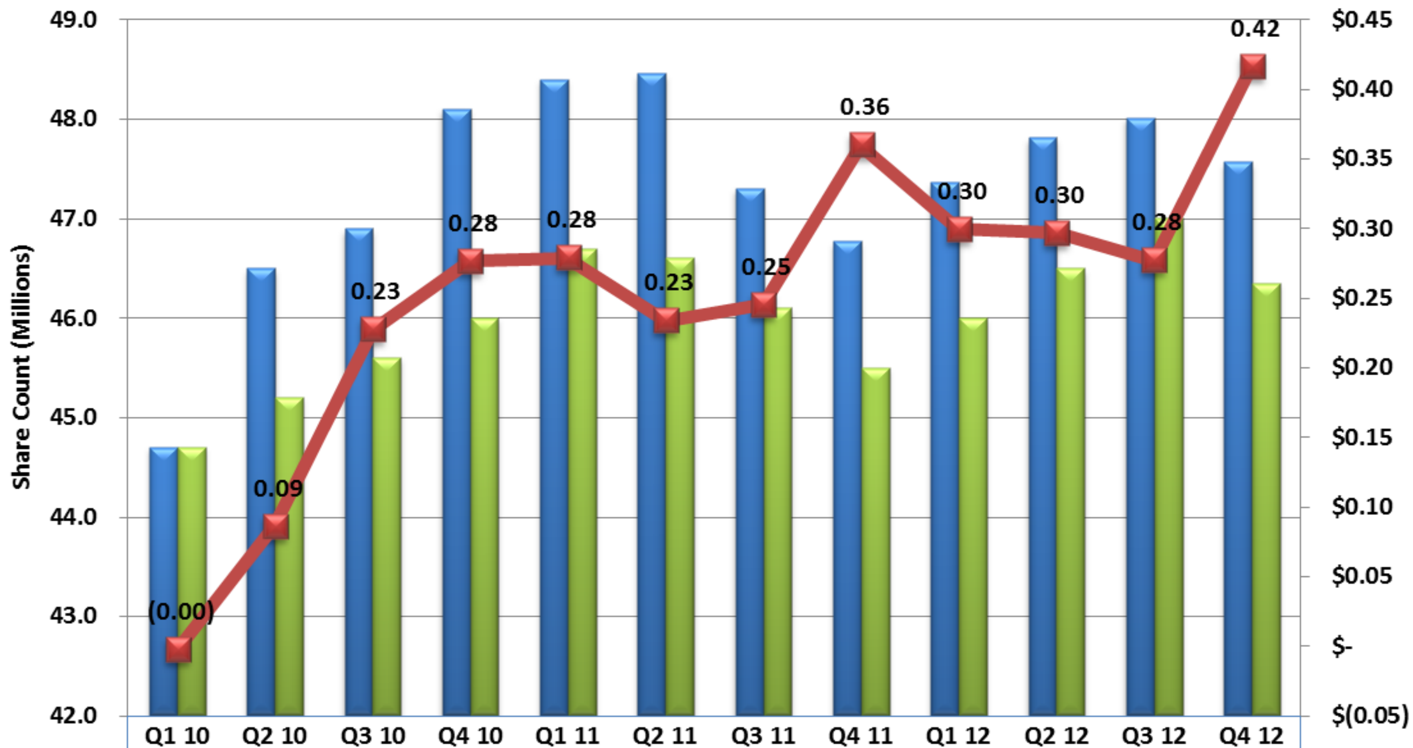
Share Count & Non-GAAP EPS



	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12
Diluted Sharecount	44.7	46.5	46.9	48.1	48.4	48.5	47.3	46.8	47.4	47.8	48.0	47.6
Basic Sharecount	44.7	45.2	45.6	46	46.7	46.6	46.1	45.5	46.0	46.5	47.0	46.3
Diluted EPS	(0.00)	0.09	0.23	0.28	0.28	0.23	0.25	0.36	0.30	0.30	0.28	0.42
Basic EPS	(0.00)	0.09	0.23	0.29	0.29	0.24	0.25	0.37	0.31	0.31	0.28	0.43

Diluted Sharecount Basic Sharecount Diluted EPS

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Appendix

Foster City Building Sale Accounting Matrix

	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013
Business Deal	• Signed definitive agreement to sell for $180M gross proceeds • 1 year free transitional period to vacate	• Closed deal, Gilead legally owns the building • Q4 2012 taxable event	• Search new location, plan the move	• Search new location, plan the move (continued)	• Search new location, plan the move (continued)	• Move to new facilities
Economic value cash impact		• Received $180M gross proceeds offset by transactional and legal costs	• pay tax on capital gain related to building sale	• incur moving and other related costs	• incur moving and other related costs	• Begin recurring operating costs for new facility*
GAAP P&L (Non-cash imputed items driven by one year free transitional period)		• Depreciation of the building (previously restricted investment) • Imputed interest expense related to 180M proceeds • Imputed sublease income for portion occupied by purchaser	• Depreciation, interest exp, and sublease income continue	• Depreciation, interest exp, and sublease income continue • incurring moving and other related costs	• Depreciation, interest exp, and sublease income continue • incurring moving and other related costs	• Gain on sale of building, net of tax • incurring moving and other related costs
Balance Sheet		• Reported Building within PP&E • Reported Proceeds within Accrued Liabs • Reported Sublease Receivable in Prepaids				• Building, Sublease Receivable, and Proceeds removed

*Only item included in Non-GAAP P&L

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
YoY Change	*16%*	*14%*	*14%*	*18%*	*16%*
Productivity Software*	16.7	19.3	21.5	23.7	81.2
YoY Change	*45%*	*54%*	*36%*	*33%*	*41%*
Fiery	72.4	64.6	66.4	66.8	270.1
YoY Change	*30%*	*15%*	*9%*	*2%*	*13%*
Total Revenue	$ 140.1	$ 141.2	$ 147.3	$ 163.1	$ 591.6
YoY Change	*26%*	*19%*	*14%*	*12%*	*17%*

* Previously referred to as "APPS."

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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
YoY Change	*37%*	*38%*	*18%*	*31%*	*30%*
Productivity Software*	11.5	12.5	15.8	17.9	57.7
YoY Change	*-12%*	*6%*	*37%*	*50%*	*19%*
Fiery	55.5	56.4	61.0	65.7	238.6
YoY Change	*9%*	*35%*	*36%*	*19%*	*24%*
Total Revenue	$ 110.8	$ 119.1	$ 129.0	$ 145.0	$ 504.0
YoY Change	*15%*	*32%*	*28%*	*27%*	*26%*

* Previously referred to as “APPS.”

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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

* Previously referred to as "APPS."

Notes:
- This information is current as of January 24, 2013 and is not subject to update.
- Non-GAAP numbers have been adjusted to exclude certain items. See GAAP to Non-GAAP reconciliation & the description of our use of non-GAAP information in the press release for the relevant period.

Reconciliation of GAAP to Non-GAAP

GAAP to Non-GAAP Reconciliation ($M)	Q111	Q211	Q311	Q411	FY11	Q112	Q212	Q312	Q412	FY12
GAAP										
Net Income (Loss)	**6.2**	**3.6**	**6.1**	**11.5**	**27.4**	**6.2**	**7.0**	**13.4**	**56.6**	**83.3**
EPS	**$ 0.13**	**$ 0.07**	**$0.13**	**$ 0.25**	**$ 0.58**	**$ 0.13**	**$ 0.15**	**$0.28**	**$ 1.19**	**$ 1.75**
ADJUSTMENTS										
COGS: Stock Based Compensation Expense	0.2	0.4	0.7	0.3	**1.6**	0.3	0.2	0.3	0.4	**1.2**
OPEX: Stock Based Compensation Expense	5.0	6.7	4.6	5.5	**21.8**	4.4	4.5	4.6	5.0	**18.5**
OPEX: Amortization of Identified Intangibles	3.4	3.0	2.3	2.5	**11.2**	4.2	4.6	4.6	5.2	**18.6**
OPEX: Acquisition-Related Transaction Costs	0.6	0.2	0.7	0.8	**2.4**	0.4	0.4	0.4	1.0	**2.2**
OPEX: Litigation Settlement	-	-	-	-	**-**	-	(0.3)	0.5	-	**0.2**
OPEX: Change in FV 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	1.3	**5.9**
OPEX: Building Sale Related	-	-	-	-	**-**	-	-	-	(0.2)	**(0.2)**
OI&E: Gain on Sale of Minority Investment in a Privately-Held Company	-	-	(2.9)	-	**(2.9)**	-				**-**
OI&E: Interest on Building Sale	-	-	-	-	**-**	-			(0.6)	**(0.6)**
Tax Effect of Non-GAAP Adjustments	(3.3)	(3.0)	(2.0)	(4.9)	**(13.2)**	(2.4)	(2.0)	(12.8)	(48.9)	**(66.1)**
NON-GAAP										
Non-GAAP Net Income (Loss)	**$ 13.5**	**$ 11.3**	**$ 11.6**	**$ 16.6**	**$ 53.1**	**$ 14.2**	**$ 14.2**	**$ 13.3**	**$ 19.8**	**$ 61.5**
Non-GAAP EPS	**$ 0.28**	**$ 0.23**	**$0.25**	**$ 0.42**	**$ 1.12**	**$ 0.30**	**$ 0.30**	**$0.28**	**$ 0.42**	**$ 1.29**

Notes:
- This information is current as of January 24, 2013 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 the costs to integrate such acquisitions into our business, sale of a non-strategic minority investment in a privately held company, and changes in fair value of contingent consideration. These excluded items are described below:
- Recurring charges and gains, including:
    - Amortization of acquisition-related intangibles. Intangible assets acquired to date are being amortized on a straight-line basis. Post-acquisition non-competition agreements are amortized over their term.
    - Stock-based compensation expense recognized in accordance with ASC 718, Stock Compensation.
- Non-recurring charges and gains, including:
    - Restructuring and other, that consists of:
        - Restructuring charges incurred as we are consolidating our facilities and, as a result, reduce the size of our workforce.
        - Acquisition-related executive deferred compensation costs, which are dependent on the continuing employment of a former shareholder of an acquired company 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.
    - On November 1, 2012, we sold our 294,000 square foot building located at 303 Velocity Way in Foster City, California, which serves as our corporate headquarters, along with approximately four acres of land and certain other assets related to the property, to Gilead for $179.6 million. The property is subject to a leaseback of up to one year for which rent is not required to be paid. This constitutes a form of continuing involvement that prevents gain recognition. Until we vacate the building, the proceeds from the sale including imputed interest, net of direct transaction costs, are accounted for as a current liability on our balance sheet. Imputed interest expense and depreciation, net of accrued sublease income of $0.4 million has been accrued as of December 31, 2012.
    - Change in fair value of 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.

Notes:

• This information is current as of January 24, 2013 and is not subject to update.

About our Non-GAAP Net Income and Adjustments

(continued)

- Gain on sale of minority investment in a privately-held company. Other investments, included within other assets, consist of equity and debt investments in privately-held companies that develop products, markets, and services that are considered to be strategic to us. Each of these investments had been fully impaired in prior years. In 2011, we sold one of these investments for $2.9 million because it was no longer considered to be strategic.
- Settlement of a dispute with the lessor of a facility in the U.K. for $0.5 million in 2012, which was partially offset by the receipt of an additional $0.3 million in insurance proceeds in 2012, net of legal fees and costs, related to our previously disclosed settlement of the shareholder derivative litigation concerning our historical stock option granting practices.

- Tax effect of non-GAAP adjustments as follows:
    - After excluding the items described above, we apply the principles of ASC 740, Income Taxes, to estimate the non-GAAP income tax provision in each jurisdiction in which we operate.
    - We have excluded a $43.6 million benefit from our non-GAAP net income for the year ended December 31, 2012 related to a partial recovery of our initial investment in the stock of VUTEk, Inc. This capital loss will never be recognized for financial reporting purposes; consequently, this tax benefit constitutes a permanent tax difference that is recognized in the Consolidated Statement of Operations during 2012.
    - We have excluded a $6.4 million benefit from our non-GAAP net income for the year ended December 31, 2012 related to the step-up of the value of acquired intangibles for tax purposes as a result of an operational restructuring in Spain.
    - We have excluded the recognition of previously unrecognized tax benefits of $10.9 and $2.7 million from our non-GAAP net income for the years ended December 31, 2012 and 2011, respectively, to facilitate comparability of our operating performance between the years. These tax benefits primarily arose from the release of previously unrecognized tax benefits resulting from the expiration of U.S. federal and state statutes of limitations.
    - We have excluded interest accrued on prior year tax reserves of $0.3 and $0.4 million from our non-GAAP net income for the years ended December 31, 2012 and 2011, respectively, as well as other tax benefits of $0.4 million for the year ended December 31, 2011.

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 October 20, 2011 and is not subject to update
- See GAAP to Non-GAAP reconciliation