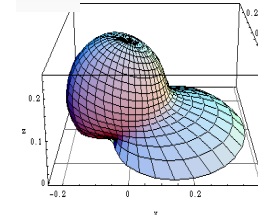
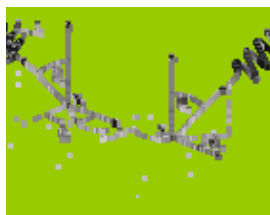




## Third Quarter 2009 Earnings Review



November 11, 2009

# Highlights

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- Third quarter 2009 net sales of \$45.6 million. Down 25.6% from the same period last year on a reported basis and down 24.8% adjusted for currency impact. Year over year sales difference narrowing in a number of key market segments.
- Continue to see an increasing number of important customer and OEM partner design wins, strengthening the company's view that as the economic climate improves, X-Rite's sales potential should be favorable.
- The X-Rite / Pantone combination is beginning to bring exciting new value to the marketplace as myPANTONE was launched in September on the Apple App Store. We have received significant positive feedback from the graphic arts community and sold over 25,000 copies of the iPhone / iPod compatible software in the first 60 days.
- Look for the Pantone Color Team featured in the October 26<sup>th</sup> issue of Fortune Magazine, helping the world figure out what colors will help sell products.

# Highlights

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- X-Rite's MatchRite iVue systems continue to march forward, setting the new standard for retail paint matching solutions. At the annual Fall Ace Hardware Tradeshow, iVue enjoyed orders of \$700,000, matching pre-recession sales levels.
- EasyTrax and Color Checker Passport were both announced as new product launches in the third quarter and will contribute to Q4, 2009 sales.
- Despite year over year sales declines, the Company's profit improvement program continues to deliver improvements in gross margin and profitability, while also contributing to positive operating cash flows.
- The debt to preferred stock and warrants exchange, combined with the company's aggressive debt repayment actions and operating performance is yielding an additional cushion relative to lender covenants
- The sale of the Viptronic campus in Brixon, Italy was completed as expected in September for \$2.3 million. The funds were used to pay down debt.

# Financial Summary

Dollars in millions

	<u>Third Quarter</u>			<u>September Year-to-Date</u>		
	<u>2009</u>	<u>2008</u>	2009 B/(W) <u>2008</u>	<u>2009</u>	<u>2008</u>	2009 B/(W) <u>2008</u>
<b>Net Sales</b>	\$45.6	\$61.3	(25.6) %	\$141.6	\$200.7	(29.4) %
<b>Operating Income (Loss)</b>	1.6	0.3	433.3 %	2.3	(1.3)	276.9 %
<b>Cash Interest Expense</b>	5.1	10.1	49.5 %	17.6	28.6	38.5 %
<b>Net Loss</b>	(9.0)	(15.5)	41.9 %	(25.3)	(53.2)	52.4 %
<b>EBITDA*</b>	10.7	14.0	(23.6) %	32.0	44.7	(28.4) %
<b>EBITDA as % of Revenue</b>	23.3 %	22.8 %	0.5 pct pts	22.6 %	22.3 %	0.3 pct pts

\* As defined by X-Rite's lender agreements. Refer to financial exhibits in press release for full reconciliation

## Net Sales by Product Segment

Dollars in millions

	<u>Third Quarter</u>		<u>2009 B/(W) 2008</u>	
	<u>2009</u>	<u>2008</u>	<u>Amount</u>	<u>Percent</u>
Imaging and Media	\$16.8	\$25.9	\$(9.1)	(35.1)%
Industrial	10.5	12.3	(1.8)	(14.6)
Retail	2.8	4.3	(1.5)	(34.9)
Color Support Services	5.8	7.2	(1.4)	(19.4)
Other	<u>1.5</u>	<u>1.5</u>		
Total Color Measurement	37.4	51.2	(13.8)	(26.7)
Color Standards (Pantone)	<u>8.2</u>	<u>10.1</u>	<u>(1.9)</u>	<u>(18.8)</u>
<b>Total</b>	<u>\$45.6</u>	<u>\$61.3</u>	<u>\$(15.7)</u>	<u>(25.6)%</u>

## Net Sales by Product Segment

Dollars in millions

	<u>September</u>		<u>2009 B/(W) 2008</u>	
	<u>Year-to-Date</u>		<u>Amount</u>	<u>Percent</u>
	<u>2009</u>	<u>2008</u>		
Imaging and Media	\$54.4	\$86.1	\$(31.7)	(36.8)%
Industrial	29.6	40.0	(10.4)	(26.0)
Retail	10.9	14.3	(3.4)	(23.8)
Color Support Services	17.6	22.3	(4.7)	(21.1)
Other	<u>4.4</u>	<u>4.5</u>	<u>(0.1)</u>	<u>(2.2)</u>
Total Color Measurement	116.9	167.2	(50.3)	(30.1)
Color Standards (Pantone)	<u>24.7</u>	<u>33.5</u>	<u>(8.8)</u>	<u>(26.3)</u>
<b>Total</b>	<u>\$141.6</u>	<u>\$200.7</u>	<u>\$(59.1)</u>	<u>(29.4)%</u>

# Net Sales by Region

Dollars shown in millions

	<u>Third Quarter</u>		<u>2009 B/(W)2008</u>	
	<u>2009</u>	<u>2008</u>	<u>Amount</u>	<u>Percent</u>
Americas	\$18.2	\$22.8	\$(4.6)	(20.2)%
EMEA	16.7	26.2	(9.5)	(36.3)
Asia Pacific	<u>10.7</u>	<u>12.3</u>	<u>(1.6)</u>	<u>(13.0)</u>
Grand Total	<u>\$45.6</u>	<u>\$61.3</u>	<u>\$(15.7)</u>	<u>(25.6)%</u>

# Net Sales by Region



Dollars in millions

	<u>September</u>		<u>2009 B/(W)2008</u>	
	<u>Year-to-Date</u>		<u>Amount</u>	<u>Percent</u>
	<u>2009</u>	<u>2008</u>		
Americas	\$58.4	\$74.5	\$(16.1)	(21.6)%
EMEA	53.4	87.8	(34.4)	(39.2)
Asia Pacific	<u>29.8</u>	<u>38.4</u>	<u>(8.6)</u>	<u>(22.4)</u>
Grand Total	<u>\$141.6</u>	<u>\$200.7</u>	<u>\$(59.1)</u>	<u>(29.4)%</u>

# Third Quarter Gross Margins

	<u>Gross Margin</u>
2009 GAAP Gross Margin	59.2%
Add back:	
Restructuring Charges	<u>0.2</u>
2009 Adjusted Gross Margin	59.4%
2008 GAAP Gross Margin	51.4%
Add back:	
Inventory Valuation Adjustment	<u>6.4</u>
2008 Adjusted Gross Margin*	57.8%
2009 Adjusted Gross Margin B/(W) 2008	 1.6 pct pts

\* Adjusted gross margin excludes non-recurring charges

# 2009 Operating Expenses\*



Dollars in millions

	<u>Third Quarter</u>			<u>September Year-to-Date</u>		
	<u>2009</u>	<u>2008</u>	2009 B/(W) <u>2008</u>	<u>2009</u>	<u>2008</u>	2009 B/(W) <u>2008</u>
Sales and Marketing	\$11.9	\$15.5	\$3.6	\$38.6	\$50.5	\$11.9
Research and Development	5.4	6.8	1.4	17.0	23.2	6.2
General and Administrative	7.3	9.0	1.7	21.6	27.2	5.6
Total	<u>\$24.6</u>	<u>\$31.3</u>	<u>\$6.7</u>	<u>\$77.2</u>	<u>\$100.9</u>	<u>\$23.7</u>

\*excludes restructuring

# Year-to-Date 2009 Cash Flows Summary

	<u>Amount</u>	<u>Major Contributing Factors</u>						
Dollars in millions								
Year End 2008 Cash	\$50.8							
Cash Flows provided by Operating Activities	17.7 ←	<table border="1"> <tr> <td>Accounts Receivable</td> <td style="text-align: right;">\$9.9</td> </tr> <tr> <td>Inventories</td> <td style="text-align: right;">5.2</td> </tr> <tr> <td>Accounts Payable</td> <td style="text-align: right;">(3.8)</td> </tr> </table>	Accounts Receivable	\$9.9	Inventories	5.2	Accounts Payable	(3.8)
Accounts Receivable	\$9.9							
Inventories	5.2							
Accounts Payable	(3.8)							
Cash Flows provided by Investing Activities	3.1 ←	<table border="1"> <tr> <td>Proceeds from sale of assets</td> <td style="text-align: right;">\$10.0</td> </tr> <tr> <td>Capital Expenditures</td> <td style="text-align: right;">(3.7)</td> </tr> </table>	Proceeds from sale of assets	\$10.0	Capital Expenditures	(3.7)		
Proceeds from sale of assets	\$10.0							
Capital Expenditures	(3.7)							
Cash Flows used for Financing Activities	(44.9) ←	<table border="1"> <tr> <td>Debt Pay down, net</td> <td style="text-align: right;">\$(41.8)</td> </tr> <tr> <td>Interest Rate Cap</td> <td style="text-align: right;">(1.6)</td> </tr> <tr> <td>Debt Amendment and Equity Issuance Costs</td> <td style="text-align: right;">(1.6)</td> </tr> </table>	Debt Pay down, net	\$(41.8)	Interest Rate Cap	(1.6)	Debt Amendment and Equity Issuance Costs	(1.6)
Debt Pay down, net	\$(41.8)							
Interest Rate Cap	(1.6)							
Debt Amendment and Equity Issuance Costs	(1.6)							
Exchange Rate Effect on Cash	<u>2.3</u>							
Third Quarter 2009 Cash	<u><u>\$29.0</u></u>							

# 2009 Debt Reduction

## 2009 DEBT REDUCTION

	First and Second Lien Credit Facilities	Cash	Subtotal: Net Debt from Credit Facilities	Mandatorily Redeemable Preferred Stock	Net Debt
Year End 2008	\$ 270.9	\$ 50.8	\$ 220.1	\$ -	\$ 220.1
Required Payments*	(7.3) <sup>(1)</sup>				
Voluntary Payments	(13.5)			-	
1st Quarter 2009	250.1	43.3	206.8	-	206.8
Required Payments*	(0.4)				
Voluntary Payments	(13.0)				
2nd Quarter 2009	236.7	33.8	202.9	-	202.9
Required Payments*	(2.7) <sup>(2)</sup>				
Voluntary Payments	(5.0)				
Preferred Stock Issuance	(41.7)			27.6 <sup>(3)</sup>	
3rd Quarter 2009	\$ 187.3	\$ 29.0	\$ 158.3	\$ 27.6	\$ 185.9

<sup>(1)</sup> Sale of former headquarters	\$ 6.9
Principal payment	\$ 0.4

<sup>(2)</sup> Sale of Viptronic facility	\$ 2.3
Principal payment	\$ 0.4

<sup>(3)</sup> Preferred Stock Issuance	\$ 41.7
Discount on Preferred Stock**	\$ (15.5)
Discount Amortization	\$ 0.6
Paid "in kind" Interest	\$ 0.8

\* Required per the Company's credit facility either as a scheduled principal payment or on proceeds from sale of assets.

\*\* Calculated using the fair market value of warrants issued in connection with Preferred Stock transaction.

Balance will be accreted over the term of the Mandatorily Redeemable Preferred Stock.

# Selected Working Capital Performance

Dollars in millions

	Third Quarter <u>2009</u>	Fourth Quarter <u>2008</u>
Accounts Receivables	\$27.2	\$36.8
Days Sales Outstanding (DSO)	54	56
Inventories	\$34.1	\$38.7*
Inventory Turns	2.2	1.9
Accounts Payable	\$7.9	\$11.6
Days Payable Outstanding (DPO)	35	43

\* Excludes demonstration inventory

# Summary

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- Although the Company does not believe it is losing overall market share, its sales performance is the number one issue. The X-Rite team is aggressively addressing future sales growth and is encouraged by recent customer discussions and design wins earned over the last several months.
- The profit improvement plan is working.
- The Company remains committed to keeping our business financially safe in the short term, while being poised for attractive sales and profit growth, which will be amplified with an economic turnaround.

# EBITDA and Non-GAAP Financial Measures

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In addition to the results reported in accordance with generally accepted accounting principles (GAAP) within this release, X-Rite may reference certain information that is considered a non-GAAP financial measure. Management believes these measures are useful and relevant to management and investors in their analysis of the Company's underlying business and operating performance. Management also uses this information for operational planning and decision-making purposes. Non-GAAP financial measures should not be considered a substitute for any GAAP measures. Additionally, non-GAAP measures as presented by X-Rite may not be comparable to similarly titled measures reported by other companies.

Non-GAAP measures used by X-Rite include adjusted EBITDA and net debt. Adjusted EBITDA is defined as net income adjusted for interest, taxes, depreciation, amortization, acquisition restructuring and other related charges, share based compensation, gains/losses on life insurance, foreign currency, property tax assessment on the former headquarters, and sales of assets. Net debt is defined as the Company's total indebtedness less cash. A reconciliation of GAAP to non-GAAP financial information discussed in this release is contained in the attached exhibits and on the Company's website at [www.xrite.com](http://www.xrite.com).

# Forward Looking Statements

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This release contains forward-looking statements based on current expectations, estimates, forecasts and projections about our business and the industry in which we operate and management's beliefs and assumptions. Forward-looking statements may be identified by the use of forward-looking terms such as "may," "will," "expects," "believes," "anticipates," "plans," "estimates," "projects," "targets," "forecasts," "model," and "seeks" or the negative of such terms or other variations on such terms or comparable terminology. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that could cause actual outcomes and results to differ materially. These risks and uncertainties include, but are not limited to, risks associated with our international operations; our substantial debt level; the possibility that the market for the sale of certain products and services may not develop as expected; our ability to protect our intellectual property rights; the existence or enactment of adverse U.S. and foreign government regulation; the risk that the development of products and services may not proceed as planned; adverse general domestic and international economic conditions including interest rate and currency exchange rate fluctuations; the difficulty of efficiently managing our cost structure for capital expenditures, materials and overhead, as well as operating expenses such as wages and benefits due to the vertical integration of our manufacturing processes; the impact of competitive products or technologies and competitive pricing pressures; potential business disruptions; the economic downturn in the global economy; and other risks that are described from time to time under the heading "Risk Factors" in our annual and quarterly reports on Form 10-K and 10-Q filed with the Securities and Exchange Commission. Readers of this information are cautioned not to place undue reliance on these forward-looking statements, since, while we believe the assumptions on which the forward-looking statements are based are reasonable, there can be no assurance that these forward-looking statements will prove to be accurate. This cautionary statement is applicable to all forward-looking statements contained in this release. We undertake no obligation to update, amend or clarify forward-looking statements, whether as a result of new information, future events or otherwise.