

PERKINELMER INC  
Form 10-Q  
May 09, 2008  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 30, 2008

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-5075

**PerkinElmer, Inc.**

(Exact name of Registrant as specified in its Charter)

Massachusetts  
(State of incorporation)

940 Winter Street

Waltham, Massachusetts 02451

04-2052042  
(I.R.S. Employer Identification No.)

Edgar Filing: PERKINELMER INC - Form 10-Q

(Address of principal executive offices)

(781) 663-6900

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of May 6, 2008, there were outstanding 118,393,678 shares of common stock, \$1 par value per share.

**Table of Contents**

**TABLE OF CONTENTS**

	<b>Page</b>
<b>PART I. FINANCIAL INFORMATION</b>	
Item 1. <u>Financial Statements</u>	3
<u>Condensed Consolidated Income Statements</u>	3
<u>Condensed Consolidated Balance Sheets</u>	4
<u>Condensed Consolidated Statements of Cash Flows</u>	5
<u>Notes to Condensed Consolidated Financial Statements</u>	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	25
<u>Overview</u>	25
<u>Recent Developments</u>	25
<u>Critical Accounting Policies and Estimates</u>	26
<u>Consolidated Results of Continuing Operations</u>	27
<u>Reporting Segment Results of Continuing Operations</u>	33
<u>Liquidity and Capital Resources</u>	34
<u>Off-Balance Sheet Arrangements</u>	37
<u>Dividends</u>	38
<u>Contractual Obligations</u>	38
<u>Effects of Recently Adopted Accounting Pronouncements</u>	38
<u>Effects of Recently Issued Accounting Pronouncements</u>	39
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	40
Item 4. <u>Controls and Procedures</u>	41
<b>PART II. OTHER INFORMATION</b>	
Item 1. <u>Legal Proceedings</u>	42
Item 1A. <u>Risk Factors</u>	43
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	49
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	49
Item 6. <u>Exhibits</u>	50
<u>Signatures</u>	51
<u>Exhibit Index</u>	52

**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements**

**PERKINELMER, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED INCOME STATEMENTS**

(Unaudited)

	<b>Three Months Ended</b>	
	<b>March 30,</b>	<b>April 1,</b>
	<b>2008</b>	<b>2007</b>
	<b>(In thousands, except</b>	
	<b>per share data)</b>	
<b>Sales</b>	\$ 482,343	\$ 402,900
Cost of sales	284,766	244,210
Selling, general and administrative expenses	132,077	101,765
Research and development expenses	29,118	27,841
Restructuring and lease charges, net		4,438
In-process research and development charges		1,502
<b>Operating income from continuing operations</b>	<b>36,382</b>	<b>23,144</b>
Interest and other expense, net	5,310	2,766
Income from continuing operations before income taxes	31,072	20,378
Provision for income taxes	7,649	5,559
<b>Income from continuing operations</b>	<b>23,423</b>	<b>14,819</b>
Loss from discontinued operations, net of income taxes	(2,916)	
Loss on disposition of discontinued operations, net of income taxes	(369)	(127)
<b>Net income</b>	<b>\$ 20,138</b>	<b>\$ 14,692</b>
<b>Basic earnings (loss) per share:</b>		
Continuing operations	\$ 0.20	\$ 0.12
Loss from discontinued operations, net of income taxes	(0.02)	
Loss on disposition of discontinued operations, net of income taxes		
Net income	\$ 0.17	\$ 0.12
<b>Diluted earnings (loss) per share:</b>		
Continuing operations	\$ 0.20	\$ 0.12
Loss from discontinued operations, net of income taxes	(0.02)	
Loss on disposition of discontinued operations, net of income taxes		
Net income	\$ 0.17	\$ 0.12
<b>Weighted average shares of common stock outstanding:</b>		
Basic	117,305	121,685
Diluted	118,459	123,263

Edgar Filing: PERKINELMER INC - Form 10-Q

Cash dividends per common share	\$ 0.07	\$ 0.07
---------------------------------	---------	---------

The accompanying unaudited notes are an integral part of these condensed consolidated financial statements.

**Table of Contents**

**PERKINELMER, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(Unaudited)

	March 30, 2008	December 30, 2007
	(In thousands, except share and per share data)	
<b>Current assets:</b>		
Cash and cash equivalents	\$ 185,262	\$ 203,348
Accounts receivable, net	353,487	337,659
Inventories, net	223,465	202,394
Other current assets	113,306	98,797
Current assets of discontinued operations	628	750
<b>Total current assets</b>	<b>876,148</b>	<b>842,948</b>
<b>Property, plant and equipment, net:</b>		
At cost	598,717	579,771
Accumulated depreciation	(395,219)	(378,885)
Property, plant and equipment, net	203,498	200,886
Marketable securities and investments	4,985	5,919
Intangible assets, net	493,976	479,209
Goodwill	1,437,817	1,355,656
Other assets, net	56,985	59,451
Long-term assets of discontinued operations	5,194	5,268
<b>Total assets</b>	<b>\$ 3,078,603</b>	<b>\$ 2,949,337</b>
<b>Current liabilities:</b>		
Short-term debt	\$ 549	\$ 562
Accounts payable	189,800	186,388
Accrued restructuring and integration costs	10,371	12,821
Accrued expenses	355,666	346,778
Current liabilities of discontinued operations	1,338	1,049
<b>Total current liabilities</b>	<b>557,724</b>	<b>547,598</b>
Long-term debt	566,068	516,078
Long-term liabilities	336,892	310,384
<b>Total liabilities</b>	<b>1,460,684</b>	<b>1,374,060</b>
Commitments and contingencies (see Note 18)		
<b>Stockholders' equity:</b>		
Preferred stock \$1 par value per share, authorized 1,000,000 shares; none issued or outstanding		
Common stock \$1 par value per share, authorized 300,000,000 shares; issued and outstanding 117,847,000 and 117,585,000 at March 30, 2008 and December 30, 2007, respectively	117,847	117,585
Capital in excess of par value	262,913	257,850
Retained earnings	1,154,023	1,142,135

Edgar Filing: PERKINELMER INC - Form 10-Q

Accumulated other comprehensive income	83,136	57,707
<b>Total stockholders equity</b>	<b>1,617,919</b>	<b>1,575,277</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 3,078,603</b>	<b>\$ 2,949,337</b>

The accompanying unaudited notes are an integral part of these condensed consolidated financial statements.

**Table of Contents****PERKINELMER, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

	<b>Three Months Ended</b>	
	<b>March 30, 2008</b>	<b>April 1, 2007</b>
	<b>(In thousands)</b>	
<b>Operating activities:</b>		
Net income	\$ 20,138	\$ 14,692
Add: loss from discontinued operations, net of income taxes	2,916	
Add: loss on disposition of discontinued operations, net of income taxes	369	127
Net income from continuing operations	23,423	14,819
Adjustments to reconcile net income from continuing operations to net cash provided by continuing operations:		
Restructuring and lease charges, net		4,438
Depreciation and amortization	21,992	19,085
Stock-based compensation	5,242	2,888
Amortization of deferred debt issuance costs	381	74
Gains on dispositions, net	(889)	(401)
In-process research and development charges		1,502
Amortization of acquired inventory revaluation		1,377
Changes in operating assets and liabilities which provided (used) cash, excluding effects from companies purchased and divested:		
Accounts receivable, net	4,634	12,459
Inventories, net	(12,216)	(8,901)
Accounts payable	(2,046)	(10,155)
Accrued expenses and other	(22,145)	(19,802)
<b>Net cash provided by operating activities of continuing operations</b>	<b>18,376</b>	<b>17,383</b>
Net cash used in operating activities of discontinued operations	(2,771)	(131)
<b>Net cash provided by operating activities</b>	<b>15,605</b>	<b>17,252</b>
<b>Investing activities:</b>		
Capital expenditures	(7,256)	(11,393)
Payments for business development activity	(144)	(918)
Proceeds from disposition of investments, net	889	445
Payments for acquisitions and investments, net of cash and cash equivalents acquired	(76,232)	(39,995)
<b>Net cash used in investing activities of continuing operations</b>	<b>(82,743)</b>	<b>(51,861)</b>
Net cash used in investing activities of discontinued operations	(68)	
<b>Net cash used in investing activities</b>	<b>(82,811)</b>	<b>(51,861)</b>
<b>Financing activities:</b>		
Payments on debt	(305,000)	
Proceeds from borrowing	355,000	25,450
Payment of debt issuance costs	(585)	
Decrease in other credit facilities	(16)	(13)
Tax benefit from exercise of common stock options	4	703
Proceeds from issuance of common stock under stock plans	646	6,170
Purchases of common stock	(408)	(60,028)



Edgar Filing: PERKINELMER INC - Form 10-Q

Dividends paid	(8,236)	(8,630)
<b>Net cash provided by (used in) financing activities</b>	<b>41,405</b>	<b>(36,348)</b>
Effect of exchange rate changes on cash and cash equivalents	7,715	(540)
<b>Net decrease in cash and cash equivalents</b>	<b>(18,086)</b>	<b>(71,497)</b>
Cash and cash equivalents at beginning of period	203,348	191,059
<b>Cash and cash equivalents at end of period</b>	<b>\$ 185,262</b>	<b>\$ 119,562</b>

The accompanying unaudited notes are an integral part of these condensed consolidated financial statements.

**Table of Contents**

**PERKINELMER, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**Note 1: Basis of Presentation**

The condensed consolidated financial statements included herein have been prepared by PerkinElmer, Inc. (the Company), without audit, in accordance with the accounting principles generally accepted in the United States (the U.S.) and pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). Certain information in the footnote disclosures of these financial statements has been condensed or omitted where it substantially duplicates information provided in the Company's latest audited financial statements in accordance with the rules and regulations of the SEC. These financial statements should be read in conjunction with the Company's financial statements and notes included in its Annual Report on Form 10-K for the fiscal year ended December 30, 2007, filed with the SEC (the 2007 Form 10-K). The balance sheet amounts at December 30, 2007 in this report were derived from the Company's audited 2007 financial statements included in the 2007 Form 10-K. The financial statements reflect all adjustments that, in the opinion of management, are necessary to present fairly the Company's financial position, results of operations and cash flows for the periods indicated. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and classifications of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The results of operations for the three months ended March 30, 2008 and April 1, 2007, respectively, are not necessarily indicative of the results for the entire fiscal year or any future period.

*Recently Adopted Accounting Pronouncements*

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements* (SFAS No. 157), which clarifies the principle that fair value should be based on the assumptions market participants would use when pricing an asset or liability, establishes a fair value hierarchy that prioritizes the information used to develop those assumptions, and expands the related disclosure requirements. Under the standard, fair value measurements are to be separately disclosed by level within the fair value hierarchy. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements. SFAS No. 157 defines fair value based upon an exit price model. The FASB also issued FASB Staff Position (FSP) 157-2 in February 2008. FSP 157-2 delays the effective date of the application of SFAS No. 157 to fiscal years beginning after November 15, 2008 for all nonfinancial assets and nonfinancial liabilities that are recognized at fair value in the financial statements on a nonrecurring basis. The Company adopted SFAS No. 157 as of December 31, 2007, with the exception of the application of the statement to non-recurring nonfinancial assets and nonfinancial liabilities. See Note 17, below, for additional details.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159). SFAS No. 159 provides entities with an option to report selected financial assets and liabilities at fair value, with the objective to reduce both the complexity in accounting for financial instruments, and the volatility in earnings caused by measuring related financial assets and liabilities differently. Unrealized gains and losses on items for which the fair value option is elected would be reported in earnings. The Company adopted SFAS No. 159 as of December 31, 2007, and has elected not to measure any additional financial instruments and other items at fair value. Therefore, material financial assets and liabilities not carried at fair value, such as the Company's short-term and long-term debt obligations and trade accounts receivable and accounts payable, are still reported at their carrying values. Any future transacted financial asset or liability will be evaluated for the fair value election as prescribed by SFAS No. 159.

In March 2007, the FASB ratified Emerging Issues Task Force (EITF) Issue No. 06-10, *Accounting for Collateral Assignment Split-Dollar Life Insurance Agreements* (EITF No. 06-10). EITF No. 06-10 provides

---

**Table of Contents**

guidance for determining a liability for the post-retirement benefit obligation as well as recognition and measurement of the associated asset on the basis of the terms of the collateral assignment agreement. The Company adopted EITF No. 06-10 as of December 31, 2007 and the adoption did not have an impact on its consolidated financial statements.

In June 2007, the FASB ratified EITF Issue No. 07-3, *Accounting for Nonrefundable Advance Payments for Goods or Services Received for Use in Future Research and Development Activities* ( EITF No. 07-3 ). EITF No. 07-3 requires that nonrefundable advance payments for goods or services that will be used or rendered for future research and development activities be deferred, capitalized and recognized as an expense as the goods are delivered or the related services are performed. The Company adopted EITF No. 07-3, on a prospective basis, as of December 31, 2007 and the adoption did not have an impact on its consolidated financial statements.

*Recently Issued Accounting Pronouncements*

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* ( SFAS No. 141(R) ). SFAS No. 141(R) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements significant aspects of a business combination. Under SFAS No. 141(R), acquisition costs will generally be expensed as incurred; noncontrolling interests will be valued at fair value at the acquisition date; in-process research and development will be recorded at fair value as an indefinite-lived intangible asset at the acquisition date; restructuring costs associated with a business combination will generally be expensed subsequent to the acquisition date; and changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense. SFAS No. 141(R) amends SFAS No. 109, *Accounting for Income Taxes*, such that adjustments made to valuation allowances on deferred taxes and acquired tax contingencies associated with acquisitions that closed prior to the effective date of SFAS No. 141(R) would also apply the provisions of SFAS No. 141(R). SFAS No. 141(R) also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. Early adoption is not permitted. SFAS No. 141(R) is effective on a prospective basis for all business combinations for which the acquisition date is on or after the beginning of the first annual period subsequent to December 15, 2008, with the exception of the accounting for valuation allowances on deferred taxes and acquired tax contingencies. The Company will be required to adopt SFAS No. 141(R) in the first quarter of fiscal year 2009. The Company is currently evaluating the requirements of SFAS No. 141(R) and has not yet determined the impact of its adoption on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements - an amendment of Accounting Research Bulletin No. 51* ( SFAS No. 160 ). SFAS No. 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS No. 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. The Company will be required to adopt SFAS No. 160 in the first quarter of fiscal year 2009. The Company is currently evaluating the requirements of SFAS No. 160 and has not yet determined the impact, if any, of its adoption on its consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133* ( SFAS No. 161 ). SFAS No. 161 is intended to improve transparency in financial reporting by requiring enhanced disclosures of an entity's derivative instruments and hedging activities and their effects on the entity's financial position, financial performance, and cash flows. SFAS No. 161 applies to all derivative instruments within the scope of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* ( SFAS No. 133 ) as well as related hedged items, bifurcated derivatives, and nonderivative instruments that are designated and qualify as hedging instruments. SFAS No. 161 establishes principles and requirements for how an entity identifies derivative instruments and related hedged

---

**Table of Contents**

items that affect its financial position, financial performance, and cash flows. SFAS No. 161 also establishes disclosure requirements that the fair values of derivative instruments and their gains and losses are disclosed in a tabular format, that derivative features which are credit-risk related be disclosed to provide clarification to an entity's liquidity and cross-referencing within footnotes. The Company will be required to adopt SFAS No. 161 in the first quarter of fiscal year 2009. The Company is currently evaluating the requirements of SFAS No. 161 and has not yet determined the impact of its adoption on its consolidated financial statements.

**Note 2: Acquisitions**

*Acquisition of VaConics Lighting, Inc.* In the second quarter of 2008, the Company acquired specified assets and assumed specified liabilities of VaConics Lighting, Inc. ( VaConics ), a leading provider of custom and standard ceramic Xenon arc lamps. This acquisition is expected to expand the Company's Xenon lighting technology with lamp operations that include mobile phone cameras, medical endoscopes, surgical headlamps, forensic analyses, video projectors, searchlights, and infrared lighting. Consideration for this transaction was approximately \$3.9 million in cash. The excess of the purchase price over the fair value of the acquired net assets has been allocated to goodwill, all of which is tax deductible. The operations for this acquisition will be reported within the results of the Company's Optoelectronics segment from the acquisition date.

*Acquisition of LabMetrix Technologies SA.* In the second quarter of 2008, the Company acquired all of the stock of LabMetrix Technologies SA ( LabMetrix ) and acquired specified assets and assumed specified liabilities of Labmetrix Technologies Ltd. and LabMetrix Technologies, Inc., a provider of metrology-based multi-vendor analytical instrument qualification solutions. This acquisition is expected to add technology, tools, processes and compliance expertise to the Company's suite of OneSource® laboratory services, strengthening its support of customers in a wide range of industries including the pharmaceutical, medical device, food, toy and other consumer goods industries. Consideration for this transaction was approximately \$4.3 million in cash plus potential additional contingent consideration, which management expects to be immaterial to the Company. The excess of the purchase price over the fair value of the acquired net assets has been allocated to goodwill. None of the goodwill related to the LabMetrix acquisition is tax deductible and all of the goodwill related to the LabMetrix Technologies Ltd. and LabMetrix Technologies, Inc. acquisitions is tax deductible. The operations for this acquisition will be reported within the results of the Company's Life and Analytical Sciences segment from the acquisition date.

*Newborn Metabolic Screening Business from Pediatrix Medical Group, Inc.* In February 2008, the Company acquired the outstanding stock of Pediatrix Screening, Inc., which constituted the newborn metabolic screening business of Pediatrix Medical Group, Inc., and is now known as PerkinElmer Genetics, Inc. ( PKI Genetics ). PKI Genetics provides neonatal screening and consultative services to hospitals, medical groups and various states. This acquisition is expected to expand the Company's capabilities to supply state laboratories and other agencies with comprehensive newborn screening solutions. Consideration for this transaction was approximately \$66.3 million in cash. The excess of the purchase price over the fair value of the acquired net assets has been allocated to goodwill, which may be tax deductible if elected by the Company. The operations for this acquisition are reported within the results of the Company's Life and Analytical Sciences segment from the acquisition date.

*Acquisition of ViaCell, Inc.* In November 2007, the Company completed a tender offer for all of the outstanding shares of common stock of ViaCell, Inc. ( ViaCell ), at a price of \$7.25 per share. ViaCell specializes in the collection, testing, processing and preservation of umbilical cord blood stem cells. The addition of ViaCell's ViaCord® product offering for the preservation of umbilical cord blood, and its sales and marketing organization, is expected to facilitate the expansion of the Company's neonatal and prenatal businesses. Aggregate consideration for this transaction was approximately \$295.8 million in cash, which excludes \$31.8 million in acquired cash. The excess of the purchase price over the fair value of the acquired net assets has been allocated to goodwill, none of which is tax deductible. The operations for this acquisition are reported within the results of the Company's Life and Analytical Sciences segment from the acquisition date.

Following the ViaCell acquisition, the Company committed to a preliminary plan of integration of certain ViaCell activities that included workforce reductions. As of March 30, 2008, the Company recorded \$1.6 million

---

**Table of Contents**

of severance liabilities with a corresponding adjustment to goodwill in accordance with EITF Issue No. 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination* ( EITF No. 95-3 ). The Company had not completed the preliminary integration plan as of the acquisition date and is still finalizing employee severance and facility closure costs, but expects to complete the plan no later than one year from the date of acquisition.

Following the ViaCell acquisition, the Company's Board of Directors (the Board ) approved a plan to sell the ViaCyt<sup>SM</sup> and Cellular Therapy Technology businesses that were acquired with ViaCell. The ViaCyt<sup>SM</sup> business focuses on the development of a proprietary media intended for the cryopreservation of human unfertilized oocytes. The Cellular Therapy Technology business focuses on the development of therapeutic uses of unrestricted somatic stem cells derived from umbilical cord blood, including the areas of cancer, cardiac disease and diabetes. The Company has determined that both businesses do not strategically fit with the other products offered by the Life and Analytical Sciences segment. The Company also determined that without investing capital into the operations of both businesses, it could not effectively compete in the marketplace with larger companies which focus on the market for such products. The Company is actively marketing and is currently committed to a plan to sell both of these businesses. The Company has classified the results of the ViaCyt<sup>SM</sup> and Cellular Therapy Technology businesses as discontinued operations in the accompanying financial statements.

The acquisitions were accounted for using the purchase method of accounting. Allocation of the purchase price for the acquisitions was based on estimates of the fair value of the net assets acquired, and is subject to adjustment upon finalization of the purchase price allocation. The fair values assigned to tangible and intangible assets acquired and liabilities assumed are based on management's estimates and assumptions, as well as other information compiled by management, including valuations that utilize customary valuation procedures and techniques. The excess purchase price over those assigned values was recorded as goodwill. In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets* ( SFAS No. 142 ), goodwill will be reviewed at least annually for impairment. Purchased intangibles with finite lives will be amortized on a straight-line basis over their respective estimated useful lives. See Note 13, below, for additional details.

In connection with purchase price and related allocations, the Company estimates the fair value of deferred revenue assumed in connection with these acquisitions. The estimated fair value of deferred revenue is determined by the legal performance obligation at the date of acquisition, and is generally based on the nature of the activities to be performed and the related costs to be incurred after consummation. The fair value of an assumed liability related to deferred revenue is estimated based on the current market cost of fulfilling the obligation, plus a normal profit margin thereon. The estimated costs to fulfill the deferred revenue are based on the historical direct costs related to providing the services. The Company does not include any costs associated with selling efforts, research and development, or the related fulfillment margins on these costs. In most acquisitions, profit associated with selling effort is excluded because the acquired entities would have concluded the selling effort on the support contracts prior to the acquisition date. The estimated research and development costs are not included in the fair value determination, as these costs are not deemed to represent a legal obligation at the time of acquisition. The sum of the costs and operating income approximates, in theory, the amount that the Company would be required to pay a third party to assume the obligation. As a result of purchase accounting, the Company recognized the deferred revenue related to the ViaCell acquisition at fair value, and did not recognize \$18.1 million of deferred revenue that would have been otherwise recorded in future periods.

As of March 30, 2008, the purchase price and related allocations for the ViaCell and PKI Genetics acquisitions were preliminary, and may be revised as a result of adjustments made to the purchase price, as well as additional information regarding assets and liabilities assumed, including contingent liabilities, deferred taxes, employee severance and facility closure costs, and revisions of preliminary estimates of fair values made at the date of purchase. The Company is not aware of any information that indicates the final purchase price allocation will differ materially from the preliminary estimates, and the Company expects to complete any outstanding asset valuations no later than one year from the date of acquisition.

**Table of Contents**

The components of the preliminary purchase price and allocation for the acquisition completed during the first quarter of 2008 are as follows:

	<b>PKI Genetics (In thousands)</b>
<b>Consideration and acquisition costs:</b>	
Cash payments	\$ 66,264
Cash acquired	(70)
Transaction costs	800
<b>Total consideration and acquisition costs</b>	<b>\$ 66,994</b>
<b>Allocation of purchase price</b>	
Current assets	\$ 2,735
Property, plant and equipment	553
Other assets	43
Identifiable intangible assets	22,300
Goodwill	52,736
Deferred taxes	(10,589)
Liabilities assumed	(784)
<b>Total</b>	<b>\$ 66,994</b>

**Note 3: Restructuring and Lease Charges, net**

The Company has undertaken a series of restructuring actions related to the impact of acquisitions, divestitures and the integration of its business units. Restructuring actions were recorded in accordance with SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*.

A description of the restructuring plans and the activity recorded for the three months ended March 30, 2008 are listed below. Details of these plans are discussed more fully in Note 3 to the financial statements in the 2007 Form 10-K.

The purpose of the restructuring plans approved in the fourth quarter of 2007, detailed below, was principally to shift resources into geographic regions and product lines that are more consistent with the Company's growth strategy. The pre-tax restructuring activity associated with these plans has been reported as restructuring expenses as a component of operating expenses from continuing operations. The Company expects the impact of immediate and future cost savings from these restructuring activities on operating results and cash flows to be negligible, as the Company has incurred and will incur offsetting costs.

**Q4 2007 Plan**

During the fourth quarter of 2007, the Company's management approved a plan to shift resources into geographic regions and product lines that are more consistent with the Company's growth strategy (the Q4 2007 Plan). As a result of the Q4 2007 Plan, the Company recognized a \$4.8 million pre-tax restructuring charge in the Life and Analytical Sciences segment related to a workforce reduction from reorganization activities. The Company also recognized a \$4.8 million pre-tax restructuring charge in the Optoelectronics segment related to a workforce reduction and the partial closure of a facility, which was offset by the recognition of a \$2.2 million deferred gain from the sale-leaseback of that facility during the fiscal year 2001. All actions related to the Q4 2007 Plan were completed by December 30, 2007.

**Table of Contents**

The following table summarizes the components of the Q4 2007 Plan recognized by segment:

	Life and Analytical Sciences	Optoelectronics (In thousands)	Total
Severance	\$ 4,846	\$ 450	\$ 5,296
Partial closure of excess facility		4,328	4,328
	4,846	4,778	9,624
Deferred gain on excess facility		(2,179)	(2,179)
<b>Total</b>	<b>\$ 4,846</b>	<b>\$ 2,599</b>	<b>\$ 7,445</b>

The following table summarizes the Q4 2007 Plan activity for the three months ended March 30, 2008:

	Headcount	Severance (Dollars in thousands)	Partial Closure of Excess Facility	Total
Balance at December 30, 2007	59	\$ 4,268	\$ 4,328	\$ 8,596
Amounts paid	(41)	(2,085)	(184)	(2,269)
<b>Balance at March 30, 2008</b>	<b>18</b>	<b>\$ 2,183</b>	<b>\$ 4,144</b>	<b>\$ 6,327</b>

The Company anticipates that the remaining payments of \$2.2 million for workforce reductions will be completed by the end of the first quarter of fiscal year 2009, and the remaining payments of \$4.1 million for the partial closure of the excess facility will be paid through fiscal year 2022, in accordance with the terms of the lease.

**ViaCell Plan**

Following the ViaCell acquisition, the Company committed to a preliminary plan of integration of certain ViaCell activities that included workforce reductions. As of March 30, 2008, the Company recorded \$1.6 million of severance liabilities with a corresponding adjustment to goodwill in accordance with EITF No. 95-3. The Company had not completed the preliminary integration plan as of the date of acquisition and is still finalizing employee severance and facility closure costs, but expects to complete the plan no later than one year from the date of acquisition.

The following table summarizes the ViaCell Plan activity for the three months ended March 30, 2008:

	Headcount	Severance (Dollars in thousands)
Balance at December 30, 2007	5	\$ 1,184
Provision	6	419
Amounts paid	(5)	(546)
<b>Balance at March 30, 2008</b>	<b>6</b>	<b>\$ 1,057</b>

The Company anticipates that the remaining payments of \$1.1 million will be completed by the end of the fourth quarter of fiscal year 2008.

**Previous Restructuring and Integration Plans**

## Edgar Filing: PERKINELMER INC - Form 10-Q

The principal actions of these restructuring plans were workforce reductions related to the integration of the Company's Life Sciences and Analytical Instruments businesses, which is now the Company's Life and Analytical Sciences segment, in order to reduce costs and achieve operational efficiencies as well as workforce reductions in both the Life and Analytical Sciences and Optoelectronics segments by shifting resources into geographic regions and product lines that are more consistent with the Company's growth strategy. During the



**Table of Contents**

three months ended March 30, 2008, the Company paid \$0.1 million related to these plans. As of March 30, 2008, the Company had approximately \$3.0 million of remaining liabilities associated with restructuring and integration plans from the fiscal years 2001 through the first quarter of 2007, primarily relating to remaining lease obligations related to those closed facilities in the Life and Analytical Sciences segment. The remaining terms of these leases vary in length and will be paid through fiscal year 2011. The Company anticipates that the remaining severance payments will be completed by the end of fiscal year 2008.

**Lease Charges**

To facilitate the sale of a business in 2001, the Company was required to guarantee the obligations that the buyer of the business assumed related to the lease for the building in which the business operates. The lease obligations continue through March 2011. While the Company assigned its interest in the lease to the buyer at the time of the sale of the business, in the event the buyer defaults under the lease, the Company is responsible for all remaining lease payments and certain other building related expenses. As an additional measure to facilitate the sale of the business, the Company obtained a letter of credit as partial security for a loan to the buyer, which could have been drawn upon by the buyer's lender in the event the buyer was delinquent in repayment of the loan. During the second quarter of 2007, the lessor of the building began the process to evict the buyer as a result of unpaid lease payments and building expenses and sought reimbursement from the Company. As a result of this action, the Company recorded a charge of \$4.5 million related to payments for this lease obligation and the potential drawdown of the letter of credit. During the third quarter of 2007, the buyer completed a recapitalization of the business with another lender. The proceeds of the recapitalization were used to pay off the remaining balance on the original securitized loan, as well as to make certain payments to the landlord for back rent and other obligations arising under the lease. The Company was also released from its obligation under the letter of credit on the original securitized loan. As a result of these actions, the Company recorded a reversal of \$1.4 million related to payments for this lease obligation and the release of the letter of credit in the third quarter of 2007. The Company is still responsible for the remaining accrual of \$3.1 million, which relates to the remaining lease and building obligations, reduced by estimated sublease rentals reasonably expected to be obtained for the property.

**Note 4: Interest and Other Expense, net**

Interest and other expense, net consisted of the following:

	Three Months Ended	
	March 30, 2008	April 1, 2007
	(In thousands)	
Interest income	\$ (1,358)	\$ (1,211)
Interest expense	6,318	2,255
Gains on dispositions of investments, net	(889)	(401)
Other expense, net	1,239	2,123
<b>Total interest and other expense, net</b>	<b>\$ 5,310</b>	<b>\$ 2,766</b>

**Note 5: Inventories, net**

Inventories consisted of the following:

	March 30, 2008	December 30, 2007
	(In thousands)	
Raw materials	\$ 82,397	\$ 75,196
Work in progress	16,483	14,125
Finished goods	124,585	113,073
<b>Total inventories, net</b>	<b>\$ 223,465</b>	<b>\$ 202,394</b>



**Table of Contents****Note 6: Income Taxes**

The Company regularly reviews its tax positions in each significant taxing jurisdiction in the process of evaluating its unrecognized tax benefits as required by FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes* (FIN No. 48). Adjustments are made to the Company's unrecognized tax benefits when: (i) facts and circumstances regarding a tax position change, causing a change in management's judgment regarding that tax position; (ii) a tax position is effectively settled with a tax authority; and/or (iii) the statute of limitations expires regarding a tax position.

At March 30, 2008, the Company had gross tax effected unrecognized tax benefits of \$50.6 million, of which \$36.2 million, if recognized, would affect the continuing operations effective tax rate. The remaining amount, if recognized, would affect goodwill and discontinued operations. However, upon the adoption of SFAS No. 141(R), changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense, including those associated with acquisitions that closed prior to the effective date of SFAS No. 141(R).

At March 30, 2008, the Company had \$25.7 million of FIN No. 48 accrued tax liabilities, including accrued interest, net of tax benefits, and penalties, which should be resolved within the next year as a result of the completion of various audits. A portion of the FIN No. 48 accrued tax liabilities could affect the continuing operations effective tax rate depending on the ultimate resolution; however, the Company cannot quantify an estimated range at this time. The Company is subject to U.S. federal income tax as well as income tax of multiple state and foreign jurisdictions.

During 2005, the Internal Revenue Service concluded its audit of federal income taxes for the years 1999 through 2002. There was a single open issue related to this audit which the Company favorably resolved during the fourth quarter of 2007. The U.S. federal income tax returns for 2003 through 2005 are currently under examination by the Internal Revenue Service, and are anticipated to be completed during fiscal year 2008. In addition, tax years ranging from 1997 through 2007 remain open to examination by various state and foreign tax jurisdictions (such as China, Indonesia, the Philippines and the United Kingdom) in which the Company has significant business operations. The tax years under examination vary by jurisdiction.

**Note 7: Debt**

*Amended Senior Unsecured Credit Facility.* On August 13, 2007, the Company entered into an amended and restated senior unsecured revolving credit facility providing for a facility through August 13, 2012, which amended and restated in its entirety the senior credit agreement dated as of October 31, 2005. During the first quarter of 2008, the Company exercised its option to increase the amended senior unsecured revolving credit facility to \$650.0 million from \$500.0 million. Letters of credit in the aggregate amount of approximately \$15.0 million were issued under the previous facility, which are treated as issued under the amended facility. The Company uses the amended senior unsecured revolving credit facility for general corporate purposes, which may include working capital, refinancing existing indebtedness, capital expenditures, share repurchases, acquisitions and strategic alliances. The interest rates under the amended senior unsecured revolving credit facility are based on the Eurocurrency rate at the time of borrowing plus a margin or the base rate from time to time. The base rate is the higher of (1) the corporate base rate announced from time to time by Bank of America, N.A. and (2) the Federal Funds rate plus 50 basis points. The Company may allocate all or a portion of its indebtedness under the amended senior unsecured revolving credit facility to interest based upon the Eurocurrency rate plus a margin or the base rate. The Eurocurrency margin as of March 30, 2008 was 40 basis points. The weighted average Eurocurrency interest rate as of March 30, 2008 was 2.68%, resulting in a weighted average effective Eurocurrency rate, including the margin, of 3.08%. The Company had drawn down approximately \$566.0 million of borrowings in U.S. Dollars under the facility as of March 30, 2008, with interest based on the above described Eurocurrency rate. The agreement for the facility contains affirmative, negative and financial covenants and events of default customary for financings of this type and those contained in the Company's previous senior revolving credit agreement. The financial covenants in the Company's amended and restated senior unsecured

**Table of Contents**

revolving credit facility include debt-to-capital ratios and a contingent maximum total leverage ratio, applicable if the Company's credit rating is down-graded below investment grade. The Company was in compliance with all applicable covenants as of March 30, 2008.

*Unsecured Interim Credit Facility.* On November 14, 2007, the Company entered into a \$300.0 million unsecured interim credit facility. The Company entered into this unsecured interim credit facility in order to pay the purchase price and transactional expenses of the ViaCell acquisition. This interim credit facility matured on March 31, 2008, at which point all amounts outstanding were due in full. The interest rates for this interim credit facility were based on either the Eurocurrency rate at the time of borrowing plus a margin, or on the base rate as in effect from time to time. The base rate is the higher of (1) the corporate base rate announced from time to time by Bank of America, N.A. and (2) the Federal Funds rate plus 50 basis points. The agreement for this facility contained affirmative, negative and financial covenants and events of default customary for financings of this type, and were consistent with those contained in the agreement for the Company's amended unsecured revolving credit facility, which is described above. On March 28, 2008, the Company paid in full the outstanding balance on the unsecured interim credit facility of \$300.0 million. The source of funds for the repayment was comprised of cash and cash equivalents held by the Company, and borrowings under the Company's amended and restated senior unsecured revolving credit facility.

*Potential Private Placement Debt Issuance.* The Company is in the process of finalizing a private placement debt issuance that is scheduled to close on May 30, 2008. During the fourth quarter of 2007, the Company entered into forward interest rate contracts, with notional amounts totaling \$300.0 million, a weighted average interest rate of 4.25%, and a future dated settlement to coincide with the Company's potential debt issuance in 2008. These contracts are intended to hedge movements in interest rates prior to the Company's potential debt issuance in 2008. The Company had accumulated net derivative losses of \$18.7 million, net of taxes of \$12.2 million, in other comprehensive income as of March 30, 2008 and \$5.3 million, net of taxes of \$3.5 million, as of December 30, 2007, related to these cash flow hedges. The net derivative losses will be reclassified into net earnings when the hedged exposure affects net earnings. Once established, cash flow hedges are generally not removed until maturity unless an anticipated transaction is no longer likely to occur. Discontinued or dedesignated cash flow hedges are immediately settled with counterparties, and the related accumulated derivative gains or losses are recognized into net earnings on the consolidated financial statements. During the three months ended March 30, 2008, there were no cash flow hedges that were discontinued or dedesignated, and no ineffectiveness was recognized.

**Note 8: Earnings Per Share**

Basic earnings per share was computed by dividing net income by the weighted-average number of common shares outstanding during the period less restricted unvested shares. Diluted earnings per share was computed by dividing net income by the weighted-average number of common shares outstanding plus all potentially dilutive common stock equivalents, primarily shares issuable upon the exercise of stock options using the treasury stock method. The following table reconciles the number of shares utilized in the earnings per share calculations:

	<b>Three Months Ended</b>	
	<b>March 30, 2008</b>	<b>April 1, 2007</b>
	<b>(In thousands)</b>	
Number of common shares - basic	117,305	121,685
Effect of dilutive securities:		
Stock options	1,098	1,509
Restricted stock	56	69
Number of common shares - diluted	118,459	123,263
Number of potentially dilutive securities excluded from calculation due to antidilutive impact	7,933	8,392

**Table of Contents**

Antidilutive securities include outstanding stock options with exercise prices and average unrecognized compensation cost in excess of the average fair market value of the Company's common stock for the related period. Antidilutive options were excluded from the calculation of diluted net income per share and could become dilutive in the future.

**Note 9: Comprehensive Income**

The components of comprehensive income, net of income taxes, consist of the following:

	Three Months Ended	
	March 30, 2008	April 1, 2007
	(In thousands)	
Net income	\$ 20,138	\$ 14,692
Other comprehensive income:		
Foreign currency translation adjustments	38,844	4,737
Unrealized net losses on securities, net of income taxes	(53)	(169)
Unrealized and realized losses on derivatives, net of income taxes	(13,362)	
	25,429	4,568
Comprehensive income, net of income taxes	\$ 45,567	\$ 19,260

The components of accumulated other comprehensive income, net of income taxes, consist of the following:

	March 30, 2008	December 30, 2007
	(In thousands)	
Foreign currency translation adjustments	\$ 151,016	\$ 112,172
Unrecognized losses and prior service costs, net of income taxes	(49,080)	(49,080)
Unrealized net losses on securities, net of income taxes	(100)	(47)
Unrealized and realized losses on derivatives, net of income taxes	(18,700)	(5,338)
Accumulated other comprehensive income, net of income taxes	\$ 83,136	\$ 57,707

**Note 10: Industry Segment Information**

The Company follows SFAS No. 131, *Disclosures About Segments of an Enterprise and Related Information* ( SFAS No. 131 ). SFAS No. 131 establishes standards for the way public business enterprises report information about operating segments in annual financial statements and in interim reports to shareholders. The method for determining what information to report is based on the way that management organizes the segments within the Company for making operating decisions and assessing financial performance. The Company evaluates the performance of its operating segments based on sales and operating income. Intersegment sales and transfers are not significant. Based on the guidance in SFAS No. 131, the Company has two operating segments for financial reporting purposes. The operating segments and their principal products and services are:

*Life and Analytical Sciences.* The Company is a leading provider of analysis tools, including instruments, reagents, software, and consumables, to the analytical sciences, genetic screening, bio-discovery and laboratory services markets.

## Edgar Filing: PERKINELMER INC - Form 10-Q

*Optoelectronics.* The Company provides a broad range of medical imaging, optical sensor and specialty lighting components used in medical, consumer products and other specialty end markets.

The assets and expenses for the Company's corporate headquarters, such as legal, tax, accounting and finance, human resources, property and insurance management, information technology, treasury and other management and compliance costs, have been included as Corporate below. The Company has a process to

**Table of Contents**

allocate and recharge expenses to the reportable segments when such costs are administered or paid by the corporate headquarters based on the extent to which the segment benefited from the expenses. These amounts have been calculated in a consistent manner and are included in the Company's calculations of segment results to internally plan and assess the performance of each segment for all purposes, including determining the compensation of the business leaders for each of the Company's operating segments.

Sales and operating profit by segment, excluding discontinued operations, are shown in the table below:

	<b>Three Months Ended</b>	
	<b>March 30, 2008</b>	<b>April 1, 2007</b>
	(In thousands)	
<b>Life &amp; Analytical Sciences</b>		
Sales	\$ 356,614	\$ 299,538
Operating income from continuing operations	23,363	14,852
<b>Optoelectronics</b>		
Sales	125,729	103,362
Operating income from continuing operations	23,331	16,269
<b>Corporate</b>		
Operating loss from continuing operations	(10,312)	(7,977)
<b>Continuing Operations</b>		
Sales	\$ 482,343	\$ 402,900
Operating income from continuing operations	36,382	23,144
Interest and other expense, net (see Note 4)	(5,310)	(2,766)
Income from continuing operations before income taxes	\$ 31,072	\$ 20,378

**Note 11: Discontinued Operations**

As part of its continued efforts to focus on higher growth opportunities, the Company has discontinued certain businesses. The Company has accounted for these businesses as discontinued operations in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, and, accordingly, has presented the results of operations and related cash flows as discontinued operations for all periods presented. The assets and liabilities of these businesses have been presented separately and are reflected within the assets and liabilities from discontinued operations in the accompanying consolidated balance sheets as of March 30, 2008 and December 30, 2007.

The Company recorded the following gains and losses, which have been reported as loss on dispositions of discontinued operations:

	<b>Three Months Ended</b>	
	<b>March 30, 2008</b>	<b>April 1, 2007</b>
	(In thousands)	
Net loss on dispositions of discontinued operations	\$ (237)	\$ (28)
Net loss on dispositions of discontinued operations before income taxes	(237)	(28)
Provision for income taxes	132	99
Loss on dispositions of discontinued operations, net of income taxes	\$ (369)	\$ (127)

During the first three months of 2008 and 2007, the Company settled various commitments related to the divestiture of discontinued operations and recognized a pre-tax loss of \$0.2 million in 2008, and a pre-tax loss of \$28.1 thousand in 2007.





**Table of Contents**

Following the ViaCell acquisition, the Company's Board approved a plan to sell the ViaCyte<sup>SM</sup> and Cellular Therapy Technology businesses that were acquired with ViaCell. The ViaCyte<sup>SM</sup> business focuses on the development of a proprietary media intended for the cryopreservation of human unfertilized oocytes. The Cellular Therapy Technology business focuses on the development of therapeutic uses of unrestricted somatic stem cells derived from umbilical cord blood, including the areas of cancer, cardiac disease and diabetes. The Company has determined that both businesses do not strategically fit with the other products offered by the Life and Analytical Sciences segment. The Company also determined that without investing capital into the operations of both businesses, it could not effectively compete in the marketplace with larger companies which focus on the market for such products. The Company is actively marketing and is currently committed to a plan to sell both of these businesses. The Company has classified the results of the ViaCyte<sup>SM</sup> and Cellular Therapy Technology businesses as discontinued operations in the accompanying financial statements.

Summary operating results of the discontinued operations for the periods prior to the planned disposition were as follows:

	<b>Three Months Ended</b>	
	<b>March 30, 2008</b>	<b>April 1, 2007</b>
	<b>(In thousands)</b>	
Sales	\$	\$
Costs and expenses	(2,980)	
Operating loss from discontinued operations	(2,980)	
Other expense, net		
Loss from discontinued operations before income taxes	(2,980)	
Benefit from income taxes	(64)	
Loss from discontinued operations, net of income taxes	\$ (2,916)	\$

**Note 12: Stock Plans**

The Company has three stock-based compensation plans where the Company's common stock has been made available for stock option grants, restricted stock awards, performance units and stock grants as part of the Company's compensation programs (the Plans). The Plans are described in more detail in the Company's definitive proxy statement filed with the SEC on March 14, 2008 and Note 20 to the Company's financial statements filed with the 2007 Form 10-K.

For the three months ended March 30, 2008 and April 1, 2007, the total pre-tax stock-based compensation expense for the cost of stock options, restricted stock, restricted stock units, performance units and stock grants was \$4.7 million and \$4.2 million, respectively. The total income tax benefit recognized in the consolidated statements of operations for stock-based compensation was \$1.6 million and \$1.4 million for the three months ended March 30, 2008 and April 1, 2007, respectively. Stock-based compensation costs capitalized as part of inventory were approximately \$0.3 million as of March 30, 2008 and April 1, 2007.

**Stock Options:** The fair value of each option grant is estimated using the Black-Scholes option pricing model. The Company's weighted-average assumptions used in the Black-Scholes option pricing model are as follows:

	<b>Three Months Ended</b>	
	<b>March 30, 2008</b>	<b>April 1, 2007</b>
Risk-free interest rate	2.6%	4.9%
Expected dividend yield	1.2%	1.2%
Expected lives	4 years	4 years
Expected stock volatility	28%	36%



**Table of Contents**

The following table summarizes stock option activity for the three months ended March 30, 2008:

	Number of Shares (Shares in thousands)	Weighted- Average Price	Weighted-Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value (In millions)
Outstanding at December 30, 2007	11,246	\$ 24.41		
Granted	1,530	25.02		
Exercised	(37)	17.26		
Canceled	(307)	43.86		
Forfeited	(66)	24.50		
Outstanding at March 30, 2008	12,366	\$ 24.02	3.9	\$ 31.9
Exercisable at March 30, 2008	9,181	\$ 23.98	3.1	\$ 29.2
Vested and expected to vest in the future	10,466	\$ 24.02	3.9	\$ 27.0

The weighted-average grant-date fair values of options granted for the three months ended March 30, 2008 and April 1, 2007 were \$5.84 and \$7.45, respectively. The total intrinsic value of options exercised for the three months ended March 30, 2008 and April 1, 2007 were \$0.3 million and \$2.8 million, respectively. Cash received from option exercises for the three months ended March 30, 2008 and April 1, 2007 was \$0.6 million and \$6.2 million, respectively. The related tax benefit classified as a financing cash inflow was \$4.0 thousand and \$0.7 million for three months ended March 30, 2008 and April 1, 2007, respectively.

There was \$15.7 million of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested stock options granted as of March 30, 2008. This cost is expected to be recognized over a weighted-average period of 2.2 fiscal years and will be adjusted for any future changes in estimated forfeitures.

The following table summarizes total compensation recognized related to the stock options, which is a function of current and prior year awards and net of estimated forfeitures, included in the Company's consolidated statement of operations for the three months ended March 30, 2008 and April 1, 2007:

	Three Months Ended	
	March 30, 2008	April 1, 2007
	(In thousands)	
Cost of sales	\$ 316	\$ 246
Research and development expenses	110	185
Selling, general and administrative and other expenses	1,557	1,765
Compensation expense related to stock options	1,983	2,196
Less: income tax benefit	(624)	(717)
Net compensation expense related to stock options	\$ 1,359	\$ 1,479

**Restricted Stock Awards:** The following table summarizes the restricted stock award activity for the three months ended March 30, 2008:

Edgar Filing: PERKINELMER INC - Form 10-Q

	Number of Shares	Weighted- Average Grant- Date Fair Value
	(Shares in thousands)	
Nonvested at December 30, 2007	377	\$ 22.84
Granted	232	25.20
Vested		
Forfeited	(10)	23.99
Nonvested at March 30, 2008	599	\$ 23.74

## **Table of Contents**

The weighted-average grant-date fair values of restricted stock awards granted during the three months ended March 30, 2008 and April 1, 2007 were \$25.20 and \$23.48, respectively. There were no restricted stock awards that vested during the three months ended March 30, 2008 nor the three months ended April 1, 2007. The total compensation expense recognized related to the restricted stock awards, which is a function of current and prior year awards, was approximately \$2.2 million and \$0.7 million for the three months ended March 30, 2008 and April 1, 2007, respectively.

As of March 30, 2008, there was \$9.1 million of total unrecognized compensation cost, net of forfeitures, related to nonvested restricted stock awards. That cost is expected to be recognized over a weighted-average period of 1.9 fiscal years.

**Performance Units:** The Company granted 127,151 and 209,326 performance units during the three months ended March 30, 2008 and April 1, 2007, respectively. The weighted-average grant-date fair values of performance units granted during the three months ended March 30, 2008 and April 1, 2007 were \$24.86 and \$23.48, respectively. The total compensation expense recognized related to these performance units, which is a function of current and prior year awards, was approximately \$0.6 million and \$1.3 million for the three months ended March 30, 2008 and April 1, 2007, respectively. As of March 30, 2008, there were 544,805 performance units outstanding subject to forfeiture.

**Stock Awards:** The Company's stock award program provides non-employee Directors an annual equity award. For awards granted for 2008 and 2007, the award equaled the number of shares of the Company's common stock which has an aggregate fair market value of \$100,000 on the date of the award. The stock award is prorated for non-employee Directors who serve for only a portion of the year. The shares are granted following the annual shareholders meeting, on the third business day after the Company's first quarter earnings release. Directors may defer the receipt of shares into the Company's deferred compensation plan. The compensation expense associated with these stock awards is recognized when the stock award is granted. During the three months ended March 30, 2008, a new non-employee Director was awarded 667 shares. The weighted-average grant-date fair value of stock awards granted during the three months ended March 30, 2008 was \$25.00. The total compensation expense recognized related to these stock awards was approximately \$16.7 thousand for the three months ended March 30, 2008. There were no stock awards granted to non-employee Directors during the three months ended April 1, 2007.

**Employee Stock Purchase Plan:** During the three months ended March 30, 2008, the Company issued 44.0 thousand shares of common stock under the Employee Stock Purchase Plan at a weighted-average price of \$24.72 per share. There remain available for sale to employees an aggregate of 1.7 million shares of the Company's common stock out of the 5.0 million shares authorized by shareholders for issuance under this plan.

**Stock Repurchase Program:** On November 6, 2006, the Company announced that the Board authorized the Company to repurchase up to 10.0 million shares of common stock under a stock repurchase program (the "Repurchase Program"). The Repurchase Program will expire on October 25, 2010 unless this authorization is terminated earlier by the Board and may be suspended or discontinued at any time. The Company did not repurchase any shares of the Company's common stock under the Repurchase Program during the first quarter of 2008. A total of 17,549 shares of the Company's common stock was repurchased during the first quarter of 2008 to satisfy minimum statutory tax withholding obligations in connection with the vesting of restricted stock awards and restricted stock unit awards granted pursuant to the Company's equity incentive plans. The repurchased shares have been reflected as additional authorized but unissued shares, with the payments reflected in common stock and capital in excess of par value. Approximately 1.9 million shares of the Company's common stock remain available for repurchase from the 10.0 million shares authorized by the Board under the Repurchase Program.

**Table of Contents****Note 13: Goodwill and Intangible Assets**

Goodwill is subject to annual impairment testing using the guidance and criteria described in SFAS No. 142. The impairment test consists of a two-step process. The first step is the comparison of the fair value to the carrying value of the reporting unit to determine if the carrying value exceeds the fair value. The second step measures the amount of an impairment loss, and is only performed if the carrying value exceeds the implied fair value of the reporting unit. The annual impairment assessment is performed by the Company on the later of January 1 or the first day of each fiscal year. This same impairment test will be performed at other times during the course of the year should an event occur which suggests that the recoverability of goodwill should be reconsidered. The Company completed the annual impairment test using a measurement date of January 1, 2008 and concluded based on the first step of the process that there was no goodwill impairment.

The changes in the carrying amount of goodwill for the period ended March 30, 2008 from December 30, 2007 are as follows:

	<b>Life and Analytical Sciences</b>	<b>Optoelectronics (In thousands)</b>	<b>Consolidated</b>
Balance, December 30, 2007	\$ 1,307,083	\$ 48,573	\$ 1,355,656
Foreign currency translation	27,349	1,581	28,930
Acquisitions and earn-out adjustments	53,231		53,231
Balance, March 30, 2008	\$ 1,387,663	\$ 50,154	\$ 1,437,817

Identifiable intangible asset balances at March 30, 2008 and December 30, 2007 by category were as follows:

	<b>March 30, 2008</b>	<b>December 30, 2007</b>
	<b>(In thousands)</b>	
Patents	\$ 127,551	\$ 113,744
Less: Accumulated amortization	(64,082)	(61,421)
Net patents	63,469	52,323
Licenses	63,524	61,649
Less: Accumulated amortization	(31,612)	(30,709)
Net licenses	31,912	30,940
Core technology	370,564	357,066
Less: Accumulated amortization	(131,134)	(120,285)
Net core technology	239,430	236,781
Net amortizable intangible assets	334,811	320,044
Non-amortizing intangible assets:		
Trade names and trademarks	159,165	159,165
Totals	\$ 493,976	\$ 479,209

Total amortization expense related to finite-lived intangible assets for the three months ended March 30, 2008 and April 1, 2007 was \$13.6 million and \$10.4 million, respectively.



**Table of Contents****Note 14: Warranty Reserves**

The Company provides warranty protection for certain products for periods usually ranging from one to three years beyond the date of sale. The majority of costs associated with warranty obligations include the replacement of parts and the time of service personnel to respond to repair and replacement requests. A warranty reserve is recorded based upon historical results, supplemented by management's expectations of future costs. Warranty reserves are included in "Accrued expenses" on the condensed consolidated balance sheets. A summary of warranty reserve activity for the three months ended March 30, 2008 and April 1, 2007 is as follows:

	<b>Three Months Ended</b>	
	<b>March 30, 2008</b>	<b>April 1, 2007</b>
	<b>(In thousands)</b>	
Balance beginning of period	\$ 10,971	\$ 10,054
Provision charged to income	3,506	3,630
Payments	(3,623)	(3,824)
Adjustments to previously provided warranties, net	(761)	117
Foreign currency translation and acquisitions	581	765
Balance end of period	\$ 10,674	\$ 10,742

**Note 15: Employee Benefit Plans**

The following table summarizes the components of net periodic benefit cost (credit) for the Company's various defined benefit employee pension and post-retirement plans for the three months ended March 30, 2008 and April 1, 2007:

	<b>Defined Benefit Pension Benefits</b>		<b>Post-Retirement Medical Benefits</b>	
	<b>Three Months Ended</b>			
	<b>March 30, 2008</b>	<b>April 1, 2007</b>	<b>March 30, 2008</b>	<b>April 1, 2007</b>
	<b>(In thousands)</b>			
Service cost	\$ 1,249	\$ 1,340	\$ 25	\$ 23
Interest cost	6,788	6,090	57	60
Expected return on plan assets	(6,760)	(6,010)	(258)	(242)
Amortization of prior service	(51)	15	(79)	(79)
Recognition of actuarial losses (gains)	761	1,383	(91)	(96)
Net periodic benefit cost (credit)	\$ 1,987	\$ 2,818	\$ (346)	\$ (334)

**Note 16: Settlement of Insurance Claim**

During the second quarter of 2007 the Company settled an insurance claim resulting from a fire that occurred within its Life and Analytical Sciences facility in Boston, Massachusetts in March 2005. As a result of that settlement, the Company recorded gains of \$15.3 million during the second quarter of 2007. The Company received the final settlement payment of \$21.5 million in June 2007, and had previously received during 2005 and 2006 a total of \$35.0 million in advance payments towards costs incurred and for building, inventory and equipment damages. Of the \$56.5 million in total settlement proceeds received by the Company, \$25.6 million related to reimbursement of costs incurred; \$23.7 million related to damages to the building, inventory and equipment; and \$7.2 million related to business interruption costs which were recorded as reductions to cost of sales and selling, general and administrative expenses.

The Company accrued \$9.7 million representing its management's estimate of the total cost for decommissioning the building, including environmental matters, that was damaged in the fire. The Company paid \$0.5 million during the first quarter of 2008 and \$3.9 million during fiscal year 2007 towards decommissioning the building, and anticipates that the remaining payments of \$5.3 million will be completed by the



end of fiscal year 2008.

**Table of Contents**

**Note 17: Fair Value Measurements**

The Company adopted SFAS No. 157 as of December 31, 2007, with the exception of the application of the statement to non-recurring nonfinancial assets and nonfinancial liabilities that was delayed by FSP 157-2. Non-recurring nonfinancial assets and nonfinancial liabilities for which the Company has not applied the provisions of SFAS No. 157 include those measured at fair value in goodwill and indefinite lived intangible assets for impairment testing, those initially measured at fair value in a business combination, and asset retirement obligations initially measured at fair value.

**Valuation Hierarchy:** SFAS No. 157 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs, where available. The following summarizes the three levels of inputs required by the standard to measure fair value: Level 1 inputs are quoted prices in active markets for identical assets or liabilities; Level 2 inputs are observable prices that are based on inputs not quoted on active markets, but corroborated by market data; and Level 3 inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities based on the Company's assumptions. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

The following table shows the assets and liabilities carried at fair value measured on a recurring basis at March 30, 2008 classified in one of the three classifications described above:

	Total Carrying Value at March 30, 2008	Fair Value Measurements at March 30, 2008 Using:		
		Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
(In thousands)				
Marketable securities	\$ 2,530	\$ 2,530	\$	\$
Foreign exchange derivative liabilities	(30)		(30)	
Interest rate derivative liabilities	(26,625)		(26,625)	

**Valuation Techniques:** The Company's Level 1 and Level 2 assets and liabilities are comprised of investments in equity and fixed-income securities as well as derivative contracts. For financial assets and liabilities that utilize Level 1 and Level 2 inputs the Company utilizes both direct and indirect observable price quotes, including common stock price quotes, foreign exchange forward prices, and bank price quotes. Below is a summary of valuation techniques for Level 1 and Level 2 financial assets and liabilities.

Marketable securities	Include equity and fixed-income securities measured at fair value using the quoted market prices at the reporting date.
Foreign exchange derivative liabilities	Include foreign exchange derivative contracts that are valued using quoted forward foreign exchange prices at the reporting date.
Interest rate derivative liabilities	Include interest rate derivative contracts that are valued at the quoted market price from a third party bank rate at the reporting date.

**Note 18: Contingencies**

The Company is conducting a number of environmental investigations and remedial actions at current and former locations of the Company and, along with other companies, has been named a potentially responsible party ( PRP ) for certain waste disposal sites. The Company accrues for environmental issues in the accounting period that the Company's responsibility is established and when the cost can be reasonably estimated. The Company has accrued \$4.3 million as of March 30, 2008, which represents management's estimate of the total

---

**Table of Contents**

cost of ultimate disposition of known environmental matters. Such amount is not discounted and does not reflect the recovery of any amounts through insurance or indemnification arrangements. These cost estimates are subject to a number of variables, including the stage of the environmental investigations, the magnitude of the possible contamination, the nature of the potential remedies, possible joint and several liability, the time period over which remediation may occur, and the possible effects of changing laws and regulations. For sites where the Company has been named a PRP, management does not currently anticipate any additional liability to result from the inability of other significant named parties to contribute. The Company expects that the majority of such accrued amounts could be paid out over a period of up to ten years. As assessment and remediation activities progress at each individual site, these liabilities are reviewed and adjusted to reflect additional information as it becomes available. There have been no environmental problems to date that have had or are expected to have a material adverse effect on the Company's financial position, results of operations or cash flows. While it is possible that a loss exceeding the amounts recorded in the consolidated financial statements may be incurred, the potential exposure is not expected to be materially different from those amounts recorded.

Enzo Biochem, Inc. and Enzo Life Sciences, Inc. (collectively, Enzo) filed a complaint dated October 23, 2002 in the United States District Court for the Southern District of New York, Civil Action No. 02-8448, against Amersham plc, Amersham BioSciences, PerkinElmer, Inc., PerkinElmer Life Sciences, Inc., Sigma-Aldrich Corporation, Sigma Chemical Company, Inc., Molecular Probes, Inc., and Orchid BioSciences, Inc. The complaint alleges that the Company has breached its distributorship and settlement agreements with Enzo, infringed Enzo's patents, engaged in unfair competition and fraud, and committed torts against Enzo by, among other things, engaging in commercial development and exploitation of Enzo's patented products and technology, separately and together with the other defendants. Enzo seeks injunctive and monetary relief. In 2003, the court severed the lawsuit and ordered Enzo to serve individual complaints against the five defendants. The Company subsequently filed an answer and a counterclaim alleging that Enzo's patents are invalid. In July 2006, the court issued a decision regarding the construction of the claims in Enzo's patents that effectively limited the coverage of certain of those claims and, the Company believes, excludes certain of the Company's products from the coverage of Enzo's patents. Summary judgment motions were filed by the defendants in January 2007, and a hearing with oral argument on those motions took place in July 2007, but a decision on those motions has not been rendered, and a trial date has not been set.

PharmaStem Therapeutics, Inc. (PharmaStem) filed a complaint dated February 22, 2002 against ViaCell, Inc., which is now a wholly owned subsidiary of the Company, and several other defendants in the United States District Court for the District of Delaware, alleging infringement of United States Patents No. 5,004,681 and No. 5,192,553, relating to certain aspects of the collection, cryopreservation and storage of hematopoietic stem cells and progenitor cells from umbilical cord blood (PharmaStem I). After several years of proceedings at the District Court level, the United States Court of Appeals for the Federal Circuit issued a decision in July 2007 that ViaCell did not infringe these two patents and that the two patents are invalid. PharmaStem filed a certiorari petition in January 2008 seeking to have the United States Supreme Court review the appellate court's decision as to the invalidity of the patents, but did not seek any further review of the non-infringement decision. However, the United States Supreme Court denied certiorari in March 2008, so the decision by the United States Court of Appeals for the Federal Circuit in favor of ViaCell is final and non-appealable. PharmaStem had also filed a second complaint against ViaCell and other defendants in July 2004 in the United States District Court for the District of Massachusetts, alleging infringement of United States Patents No. 6,461,645 and 6,569,427, which also relate to certain aspects of the collection, cryopreservation and storage of hematopoietic stem cells and progenitor cells from umbilical cord blood (PharmaStem II). The Company believes that the issues presented in PharmaStem II, which was subsequently consolidated in the District of Delaware with similar cases brought by PharmaStem against other family cord blood banks, are substantially the same as the issues presented in PharmaStem I, and that ViaCell does not infringe the patents at issue in the second case and that those patents are invalid for the same reasons as cited by the Court of Appeals in PharmaStem I. The Delaware court granted ViaCell's motion in October 2005 to stay the proceedings in PharmaStem II pending the outcome of PharmaStem I and a decision from the United States Patent and Trademark Office (U.S. PTO) on certain patent re-examination issues. Although the U.S. PTO had previously issued notice of its intent to allow the remaining

**Table of Contents**

claims of all of the patents, the U.S. PTO subsequently decided to begin the process of re-examining each patent. ViaCell has informed the Delaware Court overseeing PharmaStem II of the status of the re-examinations, that the Federal Circuit had ruled in its favor in the PharmaStem I case, and that the Federal Circuit's decision in the PharmaStem I case is final and non-appealable given the denial of certiorari by the United States Supreme Court. The Delaware Court has yet to take any action in response to these notices.

The Company believes it has meritorious defenses to these lawsuits and other proceedings, and it is contesting the actions vigorously in all of the above unresolved matters. The Company is currently unable, however, to determine whether resolution of any of these matters will have a material adverse impact on its consolidated financial statements.

The Company is also subject to various other claims, legal proceedings and investigations covering a wide range of matters that arise in the ordinary course of its business activities. Although the Company has established accruals for potential losses that it believes are probable and reasonably estimable, in the opinion of the Company's management, based on its review of the information available at this time, the total cost of resolving these other contingencies at March 30, 2008, should not have a material adverse effect on the Company's consolidated financial statements. Each of these matters is subject to uncertainties, and it is possible that some of these matters may be resolved unfavorably to the Company.

---

## **Table of Contents**

### **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*This quarterly report on Form 10-Q, including the following management's discussion and analysis, contains forward-looking information that you should read in conjunction with the consolidated financial statements and notes to consolidated financial statements that we have included elsewhere in this report. For this purpose, any statements contained in this report that are not statements of historical fact may be deemed to be forward-looking statements. Words such as believes, plans, anticipates, intends, expects, will and similar expressions are intended to identify forward-looking statements. Our actual results may differ materially from the plans, intentions or expectations we disclose in the forward-looking statements we make. We have included important factors below under the heading Risk Factors in Part II, Item 1A. that we believe could cause actual results to differ materially from the forward-looking statements we make. We are not obligated to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.*

### **Overview**

We are a leading provider of technology, services and solutions to the diagnostics, detection and analysis and photonics markets. We design, manufacture, market and service components, systems and products in two reporting segments:

*Life and Analytical Sciences.* We are a leading provider of analysis tools, including instruments, reagents, software, and consumables, to the analytical sciences, genetic screening, bio-discovery and laboratory services markets.

*Optoelectronics.* We provide a broad range of medical imaging, optical sensor and specialty lighting components used in medical, consumer products and other specialty end markets.

The health sciences markets include all of the businesses in our Life and Analytical Sciences segment and the medical imaging business, as well as elements of the medical sensors and lighting businesses in our Optoelectronics segment. The photonics markets include the remaining businesses in our Optoelectronics segment.

### **Recent Developments**

#### ***Acquisitions:***

*Acquisition of VaConics Lighting, Inc.* In the second quarter of 2008, we acquired specified assets and assumed specified liabilities of VaConics Lighting, Inc. ( VaConics ), a leading provider of custom and standard ceramic Xenon arc lamps. This acquisition is expected to expand our Xenon lighting technology with lamp operations that include mobile phone cameras, medical endoscopes, surgical headlamps, forensic analyses, video projectors, searchlights, and infrared lighting. Consideration for this transaction was approximately \$3.9 million in cash. The excess of the purchase price over the fair value of the acquired net assets has been allocated to goodwill, all of which is tax deductible. The operations for this acquisition will be reported within the results of our Optoelectronics segment from the acquisition date.

*Acquisition of LabMetrix Technologies SA.* In the second quarter of 2008, we acquired all of the stock of LabMetrix Technologies SA ( LabMetrix ) and acquired specified assets and assumed specified liabilities of Labmetrix Technologies Ltd. and LabMetrix Technologies, Inc., a provider of metrology-based multi-vendor analytical instrument qualification solutions. This acquisition is expected to add technology, tools, processes and compliance expertise to our suite of OneSource® laboratory services, strengthening our support of customers in a wide range of industries including the pharmaceutical, medical device, food, toy and other consumer goods industries. Consideration for this transaction was approximately \$4.3 million in cash plus potential additional contingent consideration, which we expect to be immaterial to us. The excess of the purchase price over the fair value of the acquired net assets has been allocated to goodwill. None of the goodwill related to the LabMetrix acquisition is tax deductible and all of the goodwill related to the LabMetrix Technologies Ltd. and LabMetrix Technologies, Inc. acquisitions is tax deductible. The operations for this acquisition will be reported within the results of our Life and Analytical Sciences segment from the acquisition date.

---

## **Table of Contents**

*Newborn Metabolic Screening Business from Pediatrix Medical Group, Inc.* In February 2008, we acquired the outstanding stock of Pediatrix Screening, Inc., which constituted the newborn metabolic screening business of Pediatrix Medical Group, Inc., and is now known as PerkinElmer Genetics, Inc. ( PKI Genetics ). PKI Genetics provides neonatal screening and consultative services to hospitals, medical groups and various states. This acquisition is expected to expand our capabilities to supply state laboratories and other agencies with comprehensive newborn screening solutions. Consideration for this transaction was approximately \$66.3 million in cash. The excess of the purchase price over the fair value of the acquired net assets has been allocated to goodwill, which may be tax deductible if elected by us. The operations for this acquisition are reported within the results of our Life and Analytical Sciences segment from the acquisition date.

*Acquisition of ViaCell, Inc.* In November 2007, we completed a tender offer for all of the outstanding shares of common stock of ViaCell, Inc. ( ViaCell ), at a price of \$7.25 per share. ViaCell specializes in the collection, testing, processing and preservation of umbilical cord blood stem cells. The addition of ViaCell's ViaCord® product offering for the preservation of umbilical cord blood, and its sales and marketing organization, is expected to facilitate the expansion of our neonatal and prenatal businesses. Aggregate consideration for this transaction was approximately \$295.8 million in cash, which excludes \$31.8 million in acquired cash. The excess of the purchase price over the fair value of the acquired net assets has been allocated to goodwill, none of which is tax deductible. The operations for this acquisition are reported within the results of our Life and Analytical Sciences segment from the acquisition date.

Following the ViaCell acquisition, we committed to a preliminary plan of integration of certain ViaCell activities that included workforce reductions. As of March 30, 2008, we recorded \$1.6 million of severance liabilities with a corresponding adjustment to goodwill in accordance with Emerging Issues Task Force ( EITF ) Issue No. 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination* ( EITF No. 95-3 ). We had not completed the preliminary integration plan as of the date of acquisition and are still finalizing employee severance and facility closure costs, but expect to complete the plan no later than one year from the date of acquisition.

Following the ViaCell acquisition, our Board of Directors (our Board ) approved a plan to sell the ViaCyte<sup>SM</sup> and Cellular Therapy Technology businesses that were acquired with ViaCell. The ViaCyte<sup>SM</sup> business focuses on the development of a proprietary media intended for the cryopreservation of human unfertilized oocytes. The Cellular Therapy Technology business focuses on the development of therapeutic uses of unrestricted somatic stem cells derived from umbilical cord blood, including the areas of cancer, cardiac disease and diabetes. We have determined that both businesses do not strategically fit with the other products offered by the Life and Analytical Sciences segment. We also determined that without investing capital into the operations of both businesses, we could not effectively compete in the marketplace with larger companies which focus on the market for such products. We are actively marketing and are currently committed to a plan to sell both of these businesses. We have classified the results of the ViaCyte<sup>SM</sup> and Cellular Therapy Technology businesses as discontinued operations in the accompanying financial statements.

### **Critical Accounting Policies and Estimates**

The preparation of consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, sales and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to bad debts, inventories, intangible assets, income taxes, restructuring, pensions and other post-retirement benefits, stock-based compensation, warranty costs, contingencies and litigation. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are those policies that affect our more significant judgments and estimates used in the preparation of our consolidated financial statements. We believe our critical accounting policies include

---

**Table of Contents**

our policies regarding revenue recognition, allowances for doubtful accounts, inventory valuation, business combinations, value of long-lived assets, including intangibles, employee compensation and benefits, restructuring activities, gains or losses on dispositions and income taxes. For a more detailed discussion of our critical accounting policies, please refer to our Annual Report on Form 10-K for the fiscal year ended December 30, 2007, as filed with the Securities and Exchange Commission (the "SEC") (the "2007 Form 10-K").

**Consolidated Results of Continuing Operations*****Sales***

Sales for the three months ended March 30, 2008 were \$482.3 million, versus \$402.9 million for the three months ended April 1, 2007, an increase of \$79.4 million, or 20%, which includes an approximate 6% increase in sales attributable to favorable changes in foreign exchange rates and an approximate 4% increase from acquisitions. The analysis in the remainder of this paragraph compares segment sales for the three months ended March 30, 2008 as compared to the three months ended April 1, 2007 and includes the effect of foreign exchange rate fluctuations and acquisitions. The total increase in sales reflects a \$57.1 million, or 19%, increase in our Life and Analytical Sciences segment sales, due to increases in sales of consumables and reagents of \$25.5 million, instruments of \$21.3 million, and laboratory service of \$10.3 million. Our Optoelectronics segment sales grew \$22.4 million, or 22%, primarily due to increases in sales of our specialty lighting products of \$11.1 million, medical imaging products of \$9.8 million, and optical sensors of \$1.5 million.

***Cost of Sales***

Cost of sales for the three months ended March 30, 2008 was \$284.8 million, versus \$244.2 million for the three months ended April 1, 2007, an increase of approximately \$40.6 million, or 17%. As a percentage of sales, cost of sales decreased to 59.0% in the three months ended March 30, 2008 from 60.6% in the three months ended April 1, 2007, resulting in an increase in gross margin of 160 basis points to 41.0% in the three months ended March 30, 2008, from 39.4% in the three months ended April 1, 2007. Amortization of intangible assets increased due to the acquisitions completed in 2008 and 2007 and was \$9.2 million for the three months ended March 30, 2008 as compared to \$8.5 million for the three months ended April 1, 2007. The amortization of purchase accounting adjustments to record the inventory from certain acquisitions completed in 2007 was approximately \$1.4 million for the three months ended April 1, 2007. Stock option expense was \$0.3 million and \$0.2 million for the three months ended March 30, 2008 and April 1, 2007, respectively. The combined favorable impact of productivity improvements, increased sales volume, and growth in higher gross margin products such as ViaCord® increased gross margin, which was partially offset by inflation, increased freight costs and growth in lower gross margin products such as laboratory service and specialty lighting.

***Selling, General and Administrative Expenses***

Selling, general and administrative expenses for the three months ended March 30, 2008 were \$132.1 million as compared to \$101.8 million for the three months ended April 1, 2007, an increase of approximately \$30.3 million, or 30%. As a percentage of sales, selling, general and administrative expenses were 27.4% for the period ended March 30, 2008, compared to 25.3% in the three months ended April 1, 2007. Amortization of intangible assets was \$3.9 million for the three months ended March 30, 2008 as compared to \$1.6 million for the three months ended April 1, 2007. Stock option expense was \$1.6 million and \$1.8 million for the three months ended March 30, 2008 and April 1, 2007, respectively. Increased sales and marketing expenses to support recent acquisitions, particularly the acquisition of ViaCell, also increased selling, general and administrative expenses.

***Research and Development Expenses***

Research and development expenses for the three months ended March 30, 2008 were \$29.1 million versus \$27.8 million for the three months ended April 1, 2007, an increase of \$1.3 million, or 5%. As a percentage of sales, research and development expenses decreased to 6.0% in the three months ended March 30, 2008, from

**Table of Contents**

6.9% in the three months ended April 1, 2007. Amortization of intangible assets was \$0.5 million for the three months ended March 30, 2008 as compared to \$0.4 million for the three months ended April 1, 2007. Research and development expenses also included stock option expense of \$0.1 million and \$0.2 million for the three months ended March 30, 2008 and April 1, 2007, respectively. We directed research and development efforts similarly during 2008 and 2007, primarily toward genetic screening, bio-discovery, and analytical sciences markets within our Life and Analytical Sciences segment, and medical imaging and photonics within our Optoelectronics segment, in order to help accelerate our growth initiatives.

**Restructuring and Lease Charges, Net**

We have undertaken a series of restructuring actions related to the impact of acquisitions, divestitures and the integration of our business units. Restructuring actions were recorded in accordance with Statement of Financial Accounting Standards ( SFAS ) No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*.

A description of the restructuring plans and the activity recorded for the three months ended March 30, 2008 are listed below. Details of these plans are discussed more fully in Item 7 Management’s Discussion and Analysis of Financial Condition and Results of Operations in the 2007 Form 10-K.

The purpose of the restructuring plans approved in the fourth quarter of 2007, detailed below, was principally to shift resources into geographic regions and product lines that are more consistent with our growth strategy. The pre-tax restructuring activity associated with these plans has been reported as restructuring expenses as a component of operating expenses from continuing operations. We expect the impact of immediate and future cost savings from these restructuring activities on operating results and cash flows to be negligible, as we have incurred and will incur offsetting costs.

**Q4 2007 Plan**

During the fourth quarter of 2007, our management approved a plan to shift resources into geographic regions and product lines that are more consistent with our growth strategy (the Q4 2007 Plan ). As a result of the Q4 2007 Plan, we recognized a \$4.8 million pre-tax restructuring charge in the Life and Analytical Sciences segment related to a workforce reduction from reorganization activities. We also recognized a \$4.8 million pre-tax restructuring charge in the Optoelectronics segment related to a workforce reduction and the partial closure of a facility, which was offset by the recognition of a \$2.2 million deferred gain from the sale-leaseback of that facility during the fiscal year 2001. All actions related to the Q4 2007 Plan were completed by December 30, 2007.

The following table summarizes the components of the Q4 2007 Plan recognized by segment:

	Life and Analytical Sciences	Optoelectronics (In thousands)	Total
Severance	\$ 4,846	\$ 450	\$ 5,296
Partial closure of excess facility		4,328	4,328
	4,846	4,778	9,624
Deferred gain on excess facility		(2,179)	(2,179)
Total	\$ 4,846	\$ 2,599	\$ 7,445

The following table summarizes the Q4 2007 Plan activity for the three months ended March 30, 2008:

	Headcount	Severance (Dollars in thousands)	Partial Closure of Excess Facility	Total
Balance at December 30, 2007	59	\$ 4,268	\$ 4,328	\$ 8,596



Edgar Filing: PERKINELMER INC - Form 10-Q

Amounts paid	(41)	(2,085)	(184)	(2,269)
Balance at March 30, 2008	18	\$ 2,183	\$ 4,144	\$ 6,327

**Table of Contents**

We anticipate that the remaining payments of \$2.2 million for workforce reductions will be completed by the end of the first quarter of fiscal year 2009, and the remaining payments of \$4.1 million for the partial closure of the excess facility will be paid through fiscal year 2022, in accordance with the terms of the lease.

***ViaCell Plan***

Following the ViaCell acquisition, we committed to a preliminary plan of integration of certain ViaCell activities that included workforce reductions. As of March 30, 2008, we recorded \$1.6 million of severance liabilities with a corresponding adjustment to goodwill in accordance with EITF No. 95-3. We had not completed the preliminary integration plan as of the date of acquisition and are still finalizing employee severance and facility closure costs, but expect to complete the plan no later than one year from the date of acquisition.

The following table summarizes the ViaCell Plan activity for the three months ended March 30, 2008:

	Headcount (Dollars in thousands)	Severance
Balance at December 30, 2007	5	\$ 1,184
Provision	6	419
Amounts paid	(5)	(546)
Balance at March 30, 2008	6	\$ 1,057

We anticipate that the remaining payments of \$1.1 million will be completed by the end of the fourth quarter of fiscal year 2008.

***Previous Restructuring and Integration Plans***

The principal actions of these restructuring plans were workforce reductions related to the integration of our Life Sciences and Analytical Instruments businesses, which is now our Life and Analytical Sciences segment, in order to reduce costs and achieve operational efficiencies as well as workforce reductions in both the Life and Analytical Sciences and Optoelectronics segments by shifting resources into geographic regions and product lines that are more consistent with our growth strategy. During the three months ended March 30, 2008, we paid \$0.1 million related to these plans. As of March 30, 2008, we had approximately \$3.0 million of remaining liabilities associated with restructuring and integration plans from the fiscal years 2001 through the first quarter of 2007, primarily relating to remaining lease obligations related to those closed facilities in the Life and Analytical Sciences segment. The remaining terms of these leases vary in length and will be paid through fiscal year 2011. We anticipate that the remaining severance payments will be completed by the end of fiscal year 2008.

***Lease Charges***

To facilitate the sale of a business in 2001, we were required to guarantee the obligations that the buyer of the business assumed related to the lease for the building in which the business operates. The lease obligations continue through March 2011. While we assigned our interest in the lease to the buyer at the time of the sale of the business, in the event the buyer defaults under the lease, we are responsible for all remaining lease payments and certain other building related expenses. As an additional measure to facilitate the sale of the business, we obtained a letter of credit as partial security for a loan to the buyer, which could have been drawn upon by the buyer's lender in the event the buyer was delinquent in repayment of the loan. During the second quarter of 2007, the lessor of the building began the process to evict the buyer as a result of unpaid lease payments and building expenses and sought reimbursement from us. As a result of this action, we recorded a charge of \$4.5 million related to payments for this lease obligation and the potential drawdown of the letter of credit. During the third quarter of 2007, the buyer completed a recapitalization of the business with another lender. The proceeds of the recapitalization were used to pay off the remaining balance on the original securitized loan, as well as to make certain payments to the landlord for back rent and other obligations arising under the lease. We were also

**Table of Contents**

released from our obligation under the letter of credit on the original securitized loan. As a result of these actions, we recorded a reversal of \$1.4 million related to payments for this lease obligation and the release of the letter of credit in the third quarter of 2007. We are still responsible for the remaining accrual of \$3.1 million, which relates to the remaining lease and building obligations, reduced by estimated sublease rentals reasonably expected to be obtained for the property.

***In-process Research and Development Charge***

There was no in-process research and development ( IPR&D ) charge for the three months ended March 30, 2008. The IPR&D charge for the three months ended April 1, 2007 was \$1.5 million, which related to the acquisitions of Evotec Technologies GmbH and Euroscreen Products S.A. We believe that the estimated purchased research and development amounts so determined represent the fair value of each project at the acquisition date, and the amount represents our management s best estimate of the amount a third party would pay for the projects.

***Interest and Other Expense, Net***

Interest and other expense, net consisted of the following:

	<b>Three Months Ended</b>	
	<b>March 30, 2008</b>	<b>April 1, 2007</b>
	<b>(In thousands)</b>	
Interest income	\$ (1,358)	\$ (1,211)
Interest expense	6,318	2,255
Gains on dispositions of investments, net	(889)	(401)
Other expense, net	1,239	2,123
<b>Total interest and other expense, net</b>	<b>\$ 5,310</b>	<b>\$ 2,766</b>

Interest and other expense, net for the three months ended March 30, 2008 was \$5.3 million versus \$2.8 million for the three months ended April 1, 2007, an increase of \$2.5 million. The increase in interest and other expense, net, in the three months ended March 30, 2008 as compared to the three months ended April 1, 2007 was primarily due to higher outstanding debt balances. Interest income increased \$0.1 million due to higher overall cash balances, and interest expense increased \$4.1 million due to higher outstanding debt balances. We also recognized a net gain on dispositions of investments of \$0.9 million associated with the dissolution of certain investments. Other expenses for the three months ended March 30, 2008 as compared to the three months ended April 1, 2007 decreased by \$0.9 million, and consisted primarily of expenses related to foreign currency translation and business development related costs. A more complete discussion of our liquidity is set forth below under the heading Liquidity and Capital Resources.

***Provision for Income Taxes***

The three months ended March 30, 2008 provision for income taxes from continuing operations was \$7.6 million, as compared to a provision of \$5.6 million for the three months ended April 1, 2007. The effective tax rate from continuing operations was 24.6% for the three months ended March 30, 2008 as compared to 27.3% for the three months ended April 1, 2007. The lower effective tax rate in 2008 was primarily due to the non-deductible IPR&D charge of \$1.5 million recorded in the three months ended April 1, 2007.

***Discontinued Operations***

As part of our continued efforts to focus on higher growth opportunities, we have discontinued certain businesses. We have accounted for these businesses as discontinued operations in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, and, accordingly, have presented the results of

**Table of Contents**

operations and related cash flows as discontinued operations for all periods presented. The assets and liabilities of these businesses have been presented separately and are reflected within the assets and liabilities from discontinued operations in the accompanying consolidated balance sheets as of March 30, 2008 and December 30, 2007.

We recorded the following gains and losses, which have been reported as loss on dispositions of discontinued operations:

	<b>Three Months Ended</b>	
	<b>March 30,</b>	<b>April 1,</b>
	<b>2008</b>	<b>2007</b>
	<b>(In thousands)</b>	
Net loss on dispositions of discontinued operations	\$ (237)	\$ (28)
Net loss on dispositions of discontinued operations before income taxes	(237)	(28)
Provision for income taxes	132	99
Loss on dispositions of discontinued operations, net of income taxes	\$ (369)	\$ (127)

During the first three months of 2008 and 2007, we settled various commitments related to the divestiture of discontinued operations and recognized a pre-tax loss of \$0.2 million in 2008, and a pre-tax loss of \$28.1 thousand in 2007.

Following the ViaCell acquisition, our Board approved a plan to sell the ViaCyte<sup>SM</sup> and Cellular Therapy Technology businesses that were acquired with ViaCell. The ViaCyte<sup>SM</sup> business focuses on the development of a proprietary media intended for the cryopreservation of human unfertilized oocytes. The Cellular Therapy Technology business focuses on the development of therapeutic uses of unrestricted somatic stem cells derived from umbilical cord blood, including the areas of cancer, cardiac disease and diabetes. We have determined that both businesses do not strategically fit with the other products offered by the Life and Analytical Sciences segment. We also determined that without investing capital into the operations of both businesses, we could not effectively compete in the marketplace with larger companies which focus on the market for such products. We are actively marketing and are currently committed to a plan to sell both of these businesses. We have classified the results of the ViaCyte<sup>SM</sup> and Cellular Therapy Technology businesses as discontinued operations in the accompanying financial statements.

Summary operating results of the discontinued operations for the periods prior to the planned disposition were as follows:

	<b>Three Months Ended</b>	
	<b>March 30,</b>	<b>April 1,</b>
	<b>2008</b>	<b>2007</b>
	<b>(In thousands)</b>	
Sales	\$	\$
Costs and expenses	(2,980)	
Operating loss from discontinued operations	(2,980)	
Other expense, net		
Loss from discontinued operations before income taxes	(2,980)	
Benefit from income taxes	(64)	
Loss from discontinued operations, net of income taxes	\$ (2,916)	\$

**Contingencies, Including Tax Matters**

We are conducting a number of environmental investigations and remedial actions at our current and former locations and, along with other companies, have been named a potentially responsible party ( PRP ) for certain waste disposal sites. We accrue for environmental issues in the accounting period that our responsibility is



**Table of Contents**

established and when the cost can be reasonably estimated. We have accrued \$4.3 million as of March 30, 2008, which represents our management's estimate of the total cost of ultimate disposition of known environmental matters. This amount is not discounted and does not reflect the recovery of any amounts through insurance or indemnification arrangements. These cost estimates are subject to a number of variables, including the stage of the environmental investigations, the magnitude of the possible contamination, the nature of the potential remedies, possible joint and several liability, the time period over which remediation may occur, and the possible effects of changing laws and regulations. For sites where we have been named a PRP, our management does not currently anticipate any additional liability to result from the inability of other significant named parties to contribute. We expect that the majority of such accrued amounts could be paid out over a period of up to ten years. As assessment and remediation activities progress at each individual site, these liabilities are reviewed and adjusted to reflect additional information as it becomes available. There have been no environmental problems to date that have had or are expected to have a material adverse effect on our financial position, results of operations, or cash flows. While it is possible that a loss exceeding the amounts recorded in the consolidated financial statements may be incurred, the potential exposure is not expected to be materially different from those amounts recorded.

Enzo Biochem, Inc. and Enzo Life Sciences, Inc. (collectively, Enzo) filed a complaint dated October 23, 2002 in the United States District Court for the Southern District of New York, Civil Action No. 02-8448, against Amersham plc, Amersham BioSciences, PerkinElmer, Inc., PerkinElmer Life Sciences, Inc., Sigma-Aldrich Corporation, Sigma Chemical Company, Inc., Molecular Probes, Inc., and Orchid BioSciences, Inc. The complaint alleges that we have breached our distributorship and settlement agreements with Enzo, infringed Enzo's patents, engaged in unfair competition and fraud, and committed torts against Enzo by, among other things, engaging in commercial development and exploitation of Enzo's patented products and technology, separately and together with the other defendants. Enzo seeks injunctive and monetary relief. In 2003, the court severed the lawsuit and ordered Enzo to serve individual complaints against the five defendants. We subsequently filed an answer and a counterclaim alleging that Enzo's patents are invalid. In July 2006, the court issued a decision regarding the construction of the claims in Enzo's patents that effectively limited the coverage of certain of those claims and, we believe, excludes certain of our products from the coverage of Enzo's patents. Summary judgment motions were filed by the defendants in January 2007, and a hearing with oral argument on those motions took place in July 2007, but a decision on those motions has not been rendered, and a trial date has not been set.

PharmaStem Therapeutics, Inc. (PharmaStem) filed a complaint dated February 22, 2002 against ViaCell, Inc., which is now our wholly owned subsidiary, and several other defendants in the United States District Court for the District of Delaware, alleging infringement of United States Patents No. 5,004,681 and No. 5,192,553, relating to certain aspects of the collection, cryopreservation and storage of hematopoietic stem cells and progenitor cells from umbilical cord blood (PharmaStem I). After several years of proceedings at the District Court level, the United States Court of Appeals for the Federal Circuit issued a decision in July 2007 that ViaCell did not infringe these two patents and that the two patents are invalid. PharmaStem filed a certiorari petition in January 2008 seeking to have the United States Supreme Court review the appellate court's decision as to the invalidity of the patents, but did not seek any further review of the non-infringement decision. However, the United States Supreme Court denied certiorari in March 2008, so the decision by the United States Court of Appeals for the Federal Circuit in favor of ViaCell is final and non-appealable. PharmaStem had also filed a second complaint against ViaCell and other defendants in July 2004 in the United States District Court for the District of Massachusetts, alleging infringement of United States Patents No. 6,461,645 and 6,569,427, which also relate to certain aspects of the collection, cryopreservation and storage of hematopoietic stem cells and progenitor cells from umbilical cord blood (PharmaStem II). We believe that the issues presented in PharmaStem II, which was subsequently consolidated in the District of Delaware with similar cases brought by PharmaStem against other family cord blood banks, are substantially the same as the issues presented in PharmaStem I, and that ViaCell does not infringe the patents at issue in the second case and that those patents are invalid for the same reasons as cited by the Court of Appeals in PharmaStem I. The Delaware court granted ViaCell's motion in October 2005 to stay the proceedings in PharmaStem II pending the outcome of PharmaStem I and a decision from the United States Patent and Trademark Office (U.S. PTO) on certain patent

---

**Table of Contents**

re-examination issues. Although the U.S. PTO had previously issued notice of its intent to allow the remaining claims of all of the patents, the U.S. PTO subsequently decided to begin the process of re-examining each patent. ViaCell has informed the Delaware Court overseeing PharmaStem II of the status of the re-examinations, that the Federal Circuit had ruled in its favor in the PharmaStem I case, and that the Federal Circuit's decision in the PharmaStem I case is final and non-appealable given the denial of certiorari by the United States Supreme Court. The Delaware Court has yet to take any action in response to these notices.

We believe we have meritorious defenses to these lawsuits and other proceedings, and we are contesting the actions vigorously in all of the above unresolved matters. We are currently unable, however, to determine whether resolution of any of these matters will have a material adverse impact on our consolidated financial statements.

During 2005, the Internal Revenue Service concluded its audit of federal income taxes for the years 1999 through 2002. There was a single open issue related to this audit which we favorably resolved during the fourth quarter of 2007. The U.S. federal income tax returns for 2003 through 2005 are currently under examination by the Internal Revenue Service, and are anticipated to be completed during fiscal year 2008. In addition, tax years ranging from 1997 through 2007 remain open to examination by various state and foreign tax jurisdictions (such as China, Indonesia, the Philippines and the United Kingdom) in which we have significant business operations. The tax years under examination vary by jurisdiction. We regularly review our tax positions in each significant taxing jurisdiction in the process of evaluating our unrecognized tax benefits as required by FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, which we adopted as of January 1, 2007. Adjustments are made to our unrecognized tax benefits when: (i) facts and circumstances regarding a tax position change, causing a change in management's judgment regarding that tax position; (ii) a tax position is ultimately settled with a tax authority; and/or (iii) the statute of limitations expires regarding a tax position.

We are also subject to various other claims, legal proceedings and investigations covering a wide range of matters that arise in the ordinary course of our business activities. Although we have established accruals for potential losses that we believe are probable and reasonably estimable, in the opinion of our management, based on its review of the information available at this time, the total cost of resolving these other contingencies at March 30, 2008 should not have a material adverse effect on our consolidated financial statements. Each of these matters is subject to uncertainties, and it is possible that some of these matters may be resolved unfavorably to us.

**Reporting Segment Results of Continuing Operations**

*Life and Analytical Sciences*

Sales for the three months ended March 30, 2008 were \$356.6 million, versus \$299.5 million for the three months ended April 1, 2007, an increase of \$57.1 million, or 19%, which includes an approximate 6% increase from acquisitions and an approximate 6% increase in sales attributable to favorable changes in foreign exchange rates. The following analysis in the remainder of this paragraph compares selected sales by market and product type for the three months ended March 30, 2008, as compared to the three months ended April 1, 2007, and includes the effect of acquisitions and foreign exchange rate fluctuations. Sales to genetic screening customers increased by \$26.5 million, sales to analytical sciences customers increased by \$16.7 million, our laboratory service sales increased by \$10.3 million, and sales to bio-discovery customers increased by \$3.6 million. Sales by type of product included increases in consumables and reagents of \$25.5 million, instruments of \$21.3 million, and laboratory service of \$10.3 million.

Operating income for the three months ended March 30, 2008 was \$23.4 million, as compared to \$14.9 million for the three months ended April 1, 2007, an increase of \$8.5 million, or 57%. Amortization of intangible assets increased due to the acquisitions completed in 2008 and 2007 and was \$12.8 million for the three months ended March 30, 2008, as compared to \$9.8 million for the three months ended April 1, 2007. Restructuring and

---

## **Table of Contents**

lease charges were \$4.4 million for the three months ended April 1, 2007 as a result of our restructuring plan from the first quarter of fiscal year 2007. Amortization of purchase accounting adjustments to record inventory and the IPR&D charge from certain acquisitions completed in the three months ending April 1, 2007 were \$1.4 million and \$1.5 million, respectively. Stock option expense was \$0.8 million and \$0.7 million for the three months ended March 30, 2008 and April 1, 2007, respectively. The combined favorable impact of productivity improvements and increased sales volume, increased operating income, which was partially offset by inflation, increased freight costs, and increased sales and marketing expenses to support recent acquisitions, particularly the acquisition of ViaCell.

### ***Optoelectronics***

Sales for the three months ended March 30, 2008 were \$125.7 million, versus \$103.4 million for the three months ended April 1, 2007, an increase of \$22.4 million, or 22%, which includes an approximate 3% increase in sales attributable to favorable changes in foreign exchange rates. The analysis in the remainder of this paragraph compares selected sales by product type for the three months ended March 30, 2008, as compared to the three months ended April 1, 2007, and includes the effect of foreign exchange fluctuations. The increase in sales was primarily a result of an increase in sales of our specialty lighting products of \$11.1 million, primarily due to the performance of photoflash products, specifically in the mobile phone camera modules, an increase of \$9.8 million in sales of our medical imaging products due to the performance of our amorphous silicon business, and an increase in sales of our optical sensors of \$1.5 million.

Operating income for the three months ended March 30, 2008 was \$23.3 million, versus \$16.3 million for the three months ended April 1, 2007, an increase of \$7.1 million, or 43%. Amortization of intangible assets was \$0.8 million and \$0.7 million for the three months ended March 30, 2008 and April 1, 2007, respectively. Stock option expense was \$0.3 million and \$0.4 million for the three months ended March 30, 2008 and April 1, 2007, respectively. Increased sales volume and capacity and productivity improvements made within the amorphous silicon business increased operating income, which was partially offset by inflation.

### **Liquidity and Capital Resources**

We require cash to pay our operating expenses, make capital expenditures, service our debt and other long-term liabilities, repurchase shares of our common stock and pay dividends on our common stock. Our principal sources of funds are from our operations and the capital markets, particularly the debt markets. In the near term, we anticipate that our operations will generate sufficient cash to fund our operating expenses, capital expenditures, interest payments on our debt and dividends on our common stock. In the long term, we expect to use internally generated funds and external sources to satisfy our debt and other long-term liabilities.

Principal factors that could affect the availability of our internally generated funds include:

deterioration of sales due to weakness in markets in which we sell our products and services, and

changes in our working capital requirements.

Principal factors that could affect our ability to obtain cash from external sources include:

financial covenants contained in the financial instruments controlling our borrowings that limit our total borrowing capacity,

increases in interest rates applicable to our outstanding variable rate debt,

a ratings downgrade that would limit our ability to borrow under our accounts receivable and senior credit facility and our overall access to the corporate debt market,

volatility in the markets for corporate debt,



a decrease in the market price for our common stock, and

volatility in the public equity markets.

---

**Table of Contents**

On November 6, 2006, we announced that our Board authorized us to repurchase up to 10.0 million shares of our common stock under a stock repurchase program (the Repurchase Program). The Repurchase Program will expire on October 25, 2010 unless this authorization is terminated earlier by our Board, and may be suspended or discontinued at any time. We did not repurchase any shares of our common stock under the Repurchase Program during the first quarter of 2008. A total of 17,549 shares of our common stock was repurchased during the first quarter of 2008 to satisfy minimum statutory tax withholding obligations in connection with the vesting of restricted stock awards and restricted stock unit awards granted pursuant to our equity incentive plans. The repurchased shares have been reflected as additional authorized but unissued shares, with the payments reflected in common stock and capital in excess of par value. Approximately 1.9 million shares of our common stock remain available for repurchase from the 10.0 million shares authorized by our Board under the Repurchase Program. Any repurchased shares will be available for use in connection with corporate programs. If we continue to repurchase shares, the repurchase program will be funded using our existing financial resources, including cash and cash equivalents, and our existing amended senior unsecured revolving credit facility.

At March 30, 2008, we had cash and cash equivalents of approximately \$185.3 million and an amended senior unsecured revolving credit facility with \$69.0 million available for additional borrowing. In addition, we are in the process of finalizing a private placement debt issuance that is scheduled to close on May 30, 2008. The proceeds from this debt issuance will be used to partially repay the existing \$566.0 million of borrowings under our amended senior unsecured revolving credit facility.

In connection with the settlement of an insurance claim resulting from a fire that occurred within our Life and Analytical Sciences facility in Boston, Massachusetts in March 2005, we accrued \$9.7 million during the second quarter of 2007, representing our management's estimate of the total cost for decommissioning the building, including environmental matters, that was damaged in the fire. We paid \$0.5 million during the first quarter of 2008 and \$3.9 million during fiscal year 2007 towards decommissioning the building, and we anticipate that the remaining payments of \$5.3 million will be completed by the end of fiscal year 2008.

Our businesses are not materially affected by conditions in the global financial markets and economic conditions generally. However, increasing or high interest rates and/or widening credit spreads, especially if such changes are rapid, may create a less favorable environment for certain of our businesses, and may affect the fair value of financial instruments that we issue or hold. For example, beginning in the second half of 2007, difficulties in the mortgage and broader credit markets in the United States and elsewhere resulted in a relatively sudden and substantial decrease in the availability of credit and a corresponding increase in funding costs. Credit spreads widened significantly, affecting volatility and liquidity in the debt and equity markets. These conditions have persisted through the end of the first quarter of 2008, and we cannot predict how long these conditions will exist or how our businesses may be affected. Increases in interest rates or credit spreads, as well as limitations on the availability of credit, can affect our ability to borrow under future potential facilities on a secured or unsecured basis, which may adversely affect our liquidity and results of operations. In difficult credit markets, we may be forced to fund our operations at a higher cost, or we may be unable to raise as much funding as we need to support our business activities.

***Cash Flows***

*Operating Activities.* Net cash provided by continuing operations was \$18.4 million for the three months ended March 30, 2008, compared to net cash provided by continuing operations of \$17.4 million for the three months ended April 1, 2007, an increase of \$1.0 million. The increase in cash provided by operating activities for the three months ended March 30, 2008 was driven by income from continuing operations of \$23.4 million and depreciation and amortization of \$22.0 million. These amounts were partially offset by a net increase in working capital of \$9.6 million. Contributing to the net increase in working capital for the three months ended March 30, 2008, excluding the effect of foreign exchange rate fluctuations, was an increase in inventory of \$12.2 million and a decrease in

---

**Table of Contents**

accounts payable of \$2.0 million, partially offset by a decrease in accounts receivable of \$4.6 million. In both the Life and Analytical Sciences and Optoelectronics segments the timing of revenue performance in the first quarter of fiscal year 2008 as compared to the fourth quarter of fiscal year 2007 decreased the accounts receivable balance, which was partially offset by the timing of accounts payable disbursements during the first quarter of fiscal year 2008. The increase in inventory was primarily the result of expanding the amount of inventory held at sales locations within the Life and Analytical Sciences segment to improve timing of sales. There was no incremental use of our accounts receivable securitization facility during fiscal 2007 or the first quarter of fiscal 2008, which totaled \$45.0 million at both March 30, 2008 and April 1, 2007. Changes in accrued expenses, other assets and liabilities and other items, net, totaled \$17.4 million in the three months ended March 30, 2008, and primarily related to timing of payments for tax, restructuring, and salary and benefits.

*Investing Activities.* Net cash used in continuing operations investing activities was \$82.7 million for the three months ended March 30, 2008, compared to \$51.9 million of cash used in continuing operations investing activities for the three months ended April 1, 2007. For the three months ended March 30, 2008, we used \$66.2 million of net cash for acquisitions and used \$10.0 million in related transaction costs, earn-out payments, acquired licenses and other costs in connection with these and other transactions. Capital expenditures for the three months ended March 30, 2008 were \$7.3 million, mainly in the areas of tooling and other capital equipment purchases, in addition to improvements in our amorphous silicon facility within our Optoelectronics segment. Also included were payments of \$0.1 million related to business development costs. These cash outflows were partially offset by \$0.9 million from the sale of investments.

*Financing Activities.* Net cash provided by continuing operations financing activities was \$41.4 million for the three months ended March 30, 2008, as compared to \$36.3 million of cash used in continuing operations financing activities for the three months ended April 1, 2007. In the three months ended March 30, 2008, we repurchased approximately 17.5 thousand shares of our common stock at a total cost of \$0.4 million to satisfy minimum statutory tax withholding obligations in connection with the vesting of restricted stock awards. This compares to repurchases of approximately 2.5 million shares of our common stock in the open market for the three months ended April 1, 2007 of \$60.0 million, including commissions. This use of cash was offset by proceeds from common stock option exercises of \$0.6 million and the related tax benefit. Debt borrowings from our amended senior unsecured revolving credit facility for the three months ended March 30, 2008 totaled \$355.0 million, offset by debt reductions to our credit facilities, with aggregate payments of \$305.0 million. This compares to debt reductions in the three months ended April 1, 2007 of \$25.4 million. We paid \$0.6 million for debt issuance costs during the three months ended March 30, 2008. In addition, we paid \$8.2 million in dividends for the three months ended March 30, 2008.

***Borrowing Arrangements***

*Amended Senior Unsecured Credit Facility.* On August 13, 2007, we entered into an amended and restated senior unsecured revolving credit facility providing for a facility through August 13, 2012, which amended and restated in its entirety the senior credit agreement dated as of October 31, 2005. During the first quarter of 2008, we exercised our option to increase the amended senior unsecured revolving credit facility to \$650.0 million from \$500.0 million. Letters of credit in the aggregate amount of approximately \$15.0 million were issued under the previous facility, which are treated as issued under the amended facility. We use the amended senior unsecured revolving credit facility for general corporate purposes, which may include working capital, refinancing existing indebtedness, capital expenditures, share repurchases, acquisitions and strategic alliances. The interest rates under the amended senior unsecured revolving credit facility are based on the Eurocurrency rate at the time of borrowing plus a margin or the base rate from time to time. The base rate is the higher of (1) the corporate base rate announced from time to time by Bank of America, N.A. and (2) the Federal Funds rate plus 50 basis points. We may allocate all or a portion of our indebtedness under the amended senior unsecured revolving credit facility to interest based upon the Eurocurrency rate plus a margin or the base rate. The Eurocurrency margin as of March 30, 2008 was 40 basis points. The weighted average Eurocurrency interest rate as of March 30, 2008 was 2.68%, resulting in a weighted average effective Eurocurrency rate, including the

**Table of Contents**

margin, of 3.08%. We had drawn down approximately \$566.0 million of borrowings in U.S. Dollars under the facility as of March 30, 2008, with interest based on the above described Eurocurrency rate. The agreement for the facility contains affirmative, negative and financial covenants and events of default customary for financings of this type and those contained in our previous senior revolving credit agreement. The financial covenants in our amended and restated senior unsecured revolving credit facility include debt-to-capital ratios and a contingent maximum total leverage ratio, applicable if our credit rating is down-graded below investment grade. We were in compliance with all applicable covenants as of March 30, 2008.

*Unsecured Interim Credit Facility.* On November 14, 2007, we entered into a \$300.0 million unsecured interim credit facility. We entered into this unsecured interim credit facility in order to pay the purchase price and transactional expenses of the ViaCell acquisition. This interim credit facility matured on March 31, 2008, at which point all amounts outstanding were due in full. The interest rates for this interim credit facility were based on either the Eurocurrency rate at the time of borrowing plus a margin, or on the base rate as in effect from time to time. The base rate is the higher of (1) the corporate base rate announced from time to time by Bank of America, N.A. and (2) the Federal Funds rate plus 50 basis points. The agreement for this facility contained affirmative, negative and financial covenants and events of default customary for financings of this type, and were consistent with those contained in the agreement for our amended unsecured revolving credit facility, which is described above. On March 28, 2008, we paid in full the outstanding balance on the unsecured interim credit facility of \$300.0 million. The source of funds for the repayment was comprised of our cash and cash equivalents, and borrowings under our amended and restated senior unsecured revolving credit facility.

*Potential Private Placement Debt Issuance.* We are in the process of finalizing a private placement debt issuance that is scheduled to close on May 30, 2008. During the fourth quarter of 2007, we entered into forward interest rate contracts, with notional amounts totaling \$300.0 million, a weighted average interest rate of 4.25%, and a future dated settlement to coincide with our potential debt issuance in 2008. These contracts are intended to hedge movements in interest rates prior to our potential debt issuance in 2008. We had accumulated net derivative losses of \$18.7 million, net of taxes of \$12.2 million, in other comprehensive income as of March 30, 2008 and \$5.3 million, net of taxes of \$3.5 million, as of December 30, 2007, related to these cash flow hedges. The net derivative losses will be reclassified into net earnings when the hedged exposure affects net earnings. Once established, cash flow hedges are generally not removed until maturity unless an anticipated transaction is no longer likely to occur. Discontinued or dedesignated cash flow hedges are immediately settled with counterparties, and the related accumulated derivative gains or losses are recognized into net earnings on the consolidated financial statements. During the three months ended March 30, 2008, there were no cash flow hedges that were discontinued or dedesignated, and no ineffectiveness was recognized.

**Off-Balance Sheet Arrangements*****Receivables Securitization Facility***

During 2001, we established a wholly owned consolidated subsidiary to maintain a receivables purchase agreement with a third party financial institution. Under this arrangement, we sold, on a revolving basis, certain of our accounts receivable balances to the consolidated subsidiary which simultaneously sold an undivided percentage ownership interest in designated pools of receivables to a third party financial institution. As collections reduce the balance of sold accounts receivable, new receivables are sold. Our consolidated subsidiary retains the risk of credit loss on the receivables. Accordingly, the full amount of the allowance for doubtful accounts has been provided for on our balance sheet. The amount of receivables sold and outstanding with the third party financial institution may not exceed \$65.0 million. Under the terms of this arrangement, our consolidated subsidiary retains collection and administrative responsibilities for the balances. The aggregate amount of receivables sold to the consolidated subsidiary was \$78.6 million as of March 30, 2008 and \$79.0 million as of December 30, 2007. At each of March 30, 2008 and December 30, 2007, an undivided interest of \$45.0 million in the receivables had been sold to the third party financial institution under this arrangement. The remaining interest in receivables of \$33.6 million and \$34.0 million that were sold to and held by the consolidated subsidiary were included in accounts receivable in the consolidated financial statements at March 30, 2008 and December 30, 2007, respectively.

---

## **Table of Contents**

The agreement requires the third party financial institution to be paid interest during the period from the date the receivable is sold to its maturity date. At March 30, 2008, the effective interest rate was LIBOR plus approximately 101 basis points. The servicing fees received constitute adequate compensation for services performed. No servicing asset or liability is therefore recorded. The agreement also includes conditions that require us to maintain a senior unsecured credit rating of BB or above, as defined by Standard & Poor's Rating Services, and Ba2 or above, as defined by Moody's Investors Service. At March 30, 2008, we had a senior unsecured credit rating of BBB, with a stable outlook from Standard & Poor's Rating Services, and of Baa3, with a stable outlook from Moody's Investors Service. In January 2008, our consolidated subsidiary entered into an agreement to extend the term of the accounts receivable securitization facility to January 23, 2009.

### **Dividends**

Our Board declared regular quarterly cash dividends of seven cents per share in the first quarter of 2008 and in each quarter of 2007.

### **Contractual Obligations**

For a discussion of our contractual obligations, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2007 Form 10-K. There were no material changes to our contractual obligations during the first quarter of 2008.

### **Effects of Recently Adopted Accounting Pronouncements**

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS No. 157), which clarifies the principle that fair value should be based on the assumptions market participants would use when pricing an asset or liability, establishes a fair value hierarchy that prioritizes the information used to develop those assumptions, and expands the related disclosure requirements. Under the standard, fair value measurements are to be separately disclosed by level within the fair value hierarchy. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements. SFAS No. 157 defines fair value based upon an exit price model. The FASB also issued FASB Staff Position (FSP) 157-2 in February 2008. FSP 157-2 delays the effective date of the application of SFAS No. 157 to fiscal years beginning after November 15, 2008 for all nonfinancial assets and nonfinancial liabilities that are recognized at fair value in the financial statements on a nonrecurring basis. We adopted SFAS No. 157 as of December 31, 2007, with the exception of the application of the statement to non-recurring nonfinancial assets and nonfinancial liabilities. See Note 17 to our financial statements for additional details.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159). SFAS No. 159 provides entities with an option to report selected financial assets and liabilities at fair value, with the objective to reduce both the complexity in accounting for financial instruments, and the volatility in earnings caused by measuring related financial assets and liabilities differently. Unrealized gains and losses on items for which the fair value option is elected would be reported in earnings. We adopted SFAS No. 159 as of December 31, 2007, and have elected not to measure any additional financial instruments and other items at fair value. Therefore, material financial assets and liabilities not carried at fair value, such as our short-term and long-term debt obligations and trade accounts receivable and accounts payable, are still reported at their carrying values. Any future transacted financial asset or liability will be evaluated for the fair value election as prescribed by SFAS No. 159.

In March 2007, the FASB ratified EITF Issue No. 06-10, *Accounting for Collateral Assignment Split-Dollar Life Insurance Agreements* (EITF No. 06-10). EITF No. 06-10 provides guidance for determining a liability for the post-retirement benefit obligation as well as recognition and measurement of the associated asset on the basis of the terms of the collateral assignment agreement. We adopted EITF No. 06-10 as of December 31, 2007 and the adoption did not have an impact on our consolidated financial statements.

---

## **Table of Contents**

In June 2007, the FASB ratified EITF Issue No. 07-3, *Accounting for Nonrefundable Advance Payments for Goods or Services Received for Use in Future Research and Development Activities* ( EITF No. 07-3 ). EITF No. 07-3 requires that nonrefundable advance payments for goods or services that will be used or rendered for future research and development activities be deferred, capitalized and recognized as an expense as the goods are delivered or the related services are performed. We adopted EITF No. 07-3, on a prospective basis, as of December 31, 2007 and the adoption did not have an impact on our consolidated financial statements.

### **Effects of Recently Issued Accounting Pronouncements**

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* ( SFAS No. 141(R) ). SFAS No. 141(R) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements significant aspects of a business combination. Under SFAS No. 141(R), acquisition costs will generally be expensed as incurred; noncontrolling interests will be valued at fair value at the acquisition date; in-process research and development will be recorded at fair value as an indefinite-lived intangible asset at the acquisition date; restructuring costs associated with a business combination will generally be expensed subsequent to the acquisition date; and changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense. SFAS No. 141(R) amends SFAS No. 109, *Accounting for Income Taxes*, such that adjustments made to valuation allowances on deferred taxes and acquired tax contingencies associated with acquisitions that closed prior to the effective date of SFAS No. 141(R) would also apply the provisions of SFAS No. 141(R). SFAS No. 141(R) also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. Early adoption is not permitted. SFAS No. 141(R) is effective on a prospective basis for all business combinations for which the acquisition date is on or after the beginning of the first annual period subsequent to December 15, 2008, with the exception of the accounting for valuation allowances on deferred taxes and acquired tax contingencies. We will be required to adopt SFAS No. 141(R) in the first quarter of fiscal year 2009. We are currently evaluating the requirements of SFAS No. 141(R) and have not yet determined the impact of its adoption on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of Accounting Research Bulletin No. 51* ( SFAS No. 160 ). SFAS No. 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS No. 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. We will be required to adopt SFAS No. 160 in the first quarter of fiscal year 2009. We are currently evaluating the requirements of SFAS No. 160 and have not yet determined the impact, if any, of its adoption on our consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133* ( SFAS No. 161 ). SFAS No. 161 is intended to improve transparency in financial reporting by requiring enhanced disclosures of an entity's derivative instruments and hedging activities and their effects on the entity's financial position, financial performance, and cash flows. SFAS No. 161 applies to all derivative instruments within the scope of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* ( SFAS No. 133 ) as well as related hedged items, bifurcated derivatives, and nonderivative instruments that are designated and qualify as hedging instruments. SFAS No. 161 establishes principles and requirements for how an entity identifies derivative instruments and related hedged items that affect its financial position, financial performance, and cash flows. SFAS No. 161 also establishes disclosure requirements that the fair values of derivative instruments and their gains and losses are disclosed in a tabular format, that derivative features which are credit-risk related be disclosed to provide clarification to an entity's liquidity and cross-referencing within footnotes. We will be required to adopt SFAS No. 161 in the first quarter of fiscal year 2009. We are currently evaluating the requirements of SFAS No. 161 and have not yet determined the impact of its adoption on our consolidated financial statements.

---

**Table of Contents**

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**  
**Market Risk**

*Market Risk.* We are exposed to market risk, including changes in interest rates and currency exchange rates. To manage the volatility relating to these exposures, we enter into various derivative transactions pursuant to our policies to hedge against known or forecasted market exposures. We briefly describe several of the market risks we face below. The following disclosure supplements the disclosure provided under the heading, Item 7A. Quantitative and Qualitative Disclosure About Market Risk, in our 2007 Form 10-K.

*Foreign Exchange Risk.* The potential change in foreign currency exchange rates poses a substantial risk to us, as approximately 63% of our business is conducted outside of the United States, generally in foreign currencies. Our risk management strategy currently uses forward contracts to mitigate certain balance sheet foreign currency transaction exposures. The intent is to offset gains and losses that occur on the underlying exposures, with gains and losses resulting from the forward contracts that hedge these exposures. In addition, we are able to partially mitigate the impact that fluctuations in currencies have on our net income as a result of our manufacturing facilities located in countries outside the United States, material sourcing and other spending which occur in countries outside the United States, resulting in a natural hedge.

Principal hedged currencies include the British Pound (GBP), Canadian Dollar (CAD), Euro (EUR), Japanese Yen (JPY), and Singapore Dollar (SGD). We held forward foreign exchange contracts with U.S. equivalent notional amounts totaling \$123.0 million as of March 30, 2008 and \$207.5 million as of April 1, 2007. The approximate fair value of these foreign currency derivative contracts was insignificant. The gains and losses realized on foreign currency derivative contracts are not material and the duration of these contracts was generally 30 days during both 2008 and 2007.

We do not enter into foreign currency derivative contracts for trading or other speculative purposes, nor do we use leveraged financial instruments. Although we attempt to manage our foreign currency exchange risk through the above activities, when the U.S. dollar weakens against other currencies in which we transact business, generally sales and net income will be positively but not proportionately impacted.

*Foreign Currency Risk Value-at-Risk Disclosure.* We continue to measure foreign currency risk using the Value-at-Risk model described in our 2007 Form 10-K. These measures continue to approximate our risks.

*Interest Rate Risk.* As described above, our debt portfolio includes variable rate instruments. Fluctuations in interest rates can therefore have a direct impact on both our short-term cash flows, as they relate to interest, and our earnings. To manage the volatility relating to these exposures, we enter into various derivative transactions pursuant to our policies to hedge against known or forecasted interest rate exposures.

We are in the process of finalizing a private placement debt issuance that is scheduled to close on May 30, 2008. During the fourth quarter of 2007, we entered into forward interest rate contracts, with notional amounts totaling \$300.0 million, a weighted average interest rate of 4.25%, and a future dated settlement to coincide with our potential debt issuance in 2008. These contracts are intended to hedge movements in interest rates prior to our potential debt issuance in 2008. We had accumulated net derivative losses of \$18.7 million, net of taxes of \$12.2 million, in other comprehensive income as of March 30, 2008 and \$5.3 million, net of taxes of \$3.5 million, as of December 30, 2007, related to these cash flow hedges. The net derivative losses will be reclassified into net earnings when the hedged exposure affects net earnings. Once established, cash flow hedges are generally not removed until maturity unless an anticipated transaction is no longer likely to occur. Discontinued or dedesignated cash flow hedges are immediately settled with counterparties, and the related accumulated derivative gains or losses are recognized into net earnings on the consolidated financial statements. During the three months ended March 30, 2008, there were no cash flow hedges that were discontinued or dedesignated, and no ineffectiveness was recognized.

**Table of Contents**

*Interest Rate Risk Sensitivity.* Our 2007 Form 10-K presents sensitivity measures for our interest rate risk. The measures for our sensitivity analysis have not changed materially. We refer to our 2007 Form 10-K for our sensitivity disclosure.

**Item 4. Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of our quarter ended March 30, 2008. The term disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on their evaluation of our disclosure controls and procedures as of the end of our quarter ended March 30, 2008, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended March 30, 2008 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.



**Table of Contents****PART II. OTHER INFORMATION****Item 1. Legal Proceedings**

Enzo Biochem, Inc. and Enzo Life Sciences, Inc. (collectively, Enzo) filed a complaint dated October 23, 2002 in the United States District Court for the Southern District of New York, Civil Action No. 02-8448, against Amersham plc, Amersham BioSciences, PerkinElmer, Inc., PerkinElmer Life Sciences, Inc., Sigma-Aldrich Corporation, Sigma Chemical Company, Inc., Molecular Probes, Inc., and Orchid BioSciences, Inc. The complaint alleges that we have breached our distributorship and settlement agreements with Enzo, infringed Enzo's patents, engaged in unfair competition and fraud, and committed torts against Enzo by, among other things, engaging in commercial development and exploitation of Enzo's patented products and technology, separately and together with the other defendants. Enzo seeks injunctive and monetary relief. In 2003, the court severed the lawsuit and ordered Enzo to serve individual complaints against the five defendants. We subsequently filed an answer and a counterclaim alleging that Enzo's patents are invalid. In July 2006, the court issued a decision regarding the construction of the claims in Enzo's patents that effectively limited the coverage of certain of those claims and, we believe, excludes certain of our products from the coverage of Enzo's patents. Summary judgment motions were filed by the defendants in January 2007, and a hearing with oral argument on those motions took place in July 2007, but a decision on those motions has not been rendered, and a trial date has not been set.

PharmaStem Therapeutics, Inc. (PharmaStem) filed a complaint dated February 22, 2002 against ViaCell, Inc., which is now our wholly owned subsidiary, and several other defendants in the United States District Court for the District of Delaware, alleging infringement of United States Patents No. 5,004,681 and No. 5,192,553, relating to certain aspects of the collection, cryopreservation and storage of hematopoietic stem cells and progenitor cells from umbilical cord blood (PharmaStem I). After several years of proceedings at the District Court level, the United States Court of Appeals for the Federal Circuit issued a decision in July 2007 that ViaCell did not infringe these two patents and that the two patents are invalid. PharmaStem filed a certiorari petition in January 2008 seeking to have the United States Supreme Court review the appellate court's decision as to the invalidity of the patents, but did not seek any further review of the non-infringement decision. However, the United States Supreme Court denied certiorari in March 2008, so the decision by the United States Court of Appeals for the Federal Circuit in favor of ViaCell is final and non-appealable. PharmaStem had also filed a second complaint against ViaCell and other defendants in July 2004 in the United States District Court for the District of Massachusetts, alleging infringement of United States Patents No. 6,461,645 and 6,569,427, which also relate to certain aspects of the collection, cryopreservation and storage of hematopoietic stem cells and progenitor cells from umbilical cord blood (PharmaStem II). We believe that the issues presented in PharmaStem II, which was subsequently consolidated in the District of Delaware with similar cases brought by PharmaStem against other family cord blood banks, are substantially the same as the issues presented in PharmaStem I, and that ViaCell does not infringe the patents at issue in the second case and that those patents are invalid for the same reasons as cited by the Court of Appeals in PharmaStem I. The Delaware court granted ViaCell's motion in October 2005 to stay the proceedings in PharmaStem II pending the outcome of PharmaStem I and a decision from the United States Patent and Trademark Office (U.S. PTO) on certain patent re-examination issues. Although the U.S. PTO had previously issued notice of its intent to allow the remaining claims of all of the patents, the U.S. PTO subsequently decided to begin the process of re-examining each patent. ViaCell has informed the Delaware Court overseeing PharmaStem II of the status of the re-examinations, that the Federal Circuit had ruled in its favor in the PharmaStem I case, and that the Federal Circuit's decision in the PharmaStem I case is final and non-appealable given the denial of certiorari by the United States Supreme Court. The Delaware Court has yet to take any action in response to these notices.

We believe we have meritorious defenses to these lawsuits and other proceedings, and we are contesting the actions vigorously in all of the above unresolved matters. We are currently unable, however, to determine whether resolution of any of these matters will have a material adverse impact on our consolidated financial statements.

## **Table of Contents**

We are also subject to various other claims, legal proceedings and investigations covering a wide range of matters that arise in the ordinary course of our business activities. Although we have established accruals for potential losses that we believe are probable and reasonably estimable, in the opinion of our management, based on its review of the information available at this time, the total cost of resolving these other contingencies at March 30, 2008 should not have a material adverse effect on our consolidated financial statements. Each of these matters is subject to uncertainties, and it is possible that some of these matters may be resolved unfavorably to us.

### **Item 1A. Risk Factors**

The following important factors affect our business and operations generally or affect multiple segments of our business and operations:

***If we do not introduce new products in a timely manner, we may lose market share and be unable to achieve revenue growth targets.***

We sell many of our products in industries characterized by rapid technological change, frequent new product and service introductions, and evolving customer needs and industry standards. Many of the businesses competing with us in these industries have significant financial and other resources to invest in new technologies, substantial intellectual property portfolios, substantial experience in new product development, regulatory expertise, manufacturing capabilities, and the distribution channels to deliver products to customers. Our products could become technologically obsolete over time, or we may invest in technology that does not lead to revenue growth, or continue to sell products for which the demand from our customers is declining, in which case we may lose market share or not achieve our revenue growth targets. The success of our new product offerings will depend upon several factors, including our ability to:

accurately anticipate customer needs,

innovate and develop new technologies and applications,

successfully commercialize new technologies in a timely manner,

price our products competitively, and manufacture and deliver our products in sufficient volumes and on time, and

differentiate our offerings from our competitors' offerings.

Many of our products are used by our customers to develop, test and manufacture their products. We must anticipate industry trends and consistently develop new products to meet our customers' expectations. In developing new products, we may be required to make significant investments before we can determine the commercial viability of the new product. If we fail to accurately foresee our customers' needs and future activities, we may invest heavily in research and development of products that do not lead to significant sales. We may also suffer a loss in market share and potential sales revenue if we are unable to commercialize our technology in a timely and efficient manner.

In addition, some of our licensed technology is subject to contractual restrictions, which may limit our ability to develop or commercialize products for some applications.

***We may not be able to successfully execute acquisitions or license technologies, integrate acquired businesses or licensed technologies into our existing businesses, or make acquired businesses or licensed technologies profitable.***

We have in the past, and may in the future, supplement our internal growth by acquiring businesses and licensing technologies that complement or augment our existing product lines, such as ViaCell, Inc., acquired in November 2007 and the Newborn Metabolic Screening Business from Pediatrix Medical Group, Inc., acquired in February 2008. However, we may be unable to identify or complete promising acquisitions or license transactions for many reasons, including:

competition among buyers and licensees,

---

**Table of Contents**

the high valuations of businesses and technologies,

the need for regulatory and other approval, and

our inability to raise capital to fund these acquisitions.

Some of the businesses we may seek to acquire may be unprofitable or marginally profitable. Accordingly, the earnings or losses of acquired businesses may dilute our earnings. For these acquired businesses to achieve acceptable levels of profitability, we must improve their management, operations, products and market penetration. We may not be successful in this regard and may encounter other difficulties in integrating acquired businesses into our existing operations, such as incompatible management, information or other systems, cultural differences or difficulties in predicting financial results. As a result, our financial results may differ from our forecasts or the expectations of the investment community in a given quarter or over the long term.

To finance our acquisitions, we may have to raise additional funds, either through public or private financings. We may be unable to obtain such funds or may be able to do so only on terms unacceptable to us. We may also incur expenses in evaluating possible acquisitions that we ultimately do not acquire, which expenses then may adversely impact our profitability.

***If the markets into which we sell our products decline, or do not grow as anticipated due to a decline in general economic conditions or uncertainties surrounding the approval of government or industrial funding proposals, we may see an adverse effect on the results of our business operations.***

Our customers include pharmaceutical and biotechnology companies, laboratories, academic and research institutions, public health authorities, private healthcare organizations, doctors and government agencies. Our quarterly sales and results of operations are highly dependent on the volume and timing of orders received during the quarter. In addition, our revenues and earnings forecasts for future quarters are often based on the expected trends in our markets. However, the markets we serve do not always experience the trends that we may expect. Negative fluctuations in our customers' markets, general economic conditions or cuts in government funding would likely result in a reduction in demand for our products and services. In addition, government funding is subject to the political process, which is inherently fluid and unpredictable. Our revenues may be adversely affected if our customers delay or reduce purchases as a result of uncertainties surrounding the approval of government or industrial funding proposals. Such declines could harm our consolidated financial position, results of operations, cash flows and trading price of our common stock, and could limit our ability to sustain profitability.

***We may not be successful in adequately protecting our intellectual property.***

Patent and trade secret protection is important to us because developing new products, processes and technologies gives us a competitive advantage, although it is time-consuming and expensive. We own many United States and foreign patents and intend to apply for additional patents. Patent applications we file, however, may not result in issued patents or, if they do, the claims allowed in the patents may be narrower than what is needed to protect fully our products, processes and technologies. Similarly, applications to register our trademarks may not be granted in all countries in which they are filed. For our intellectual property that is protected by keeping it secret, such as trade secrets and know-how, we may not use adequate measures to protect this intellectual property.

Third parties may also challenge the validity of our issued patents, may circumvent or design around our patents and patent applications, or may claim that our products, processes or technologies infringe their patents. In addition, third parties may assert that our product names infringe their trademarks. We may incur significant expense in legal proceedings to protect our intellectual property against infringement by third parties or to defend against claims of infringement by third parties. Claims by third parties in pending or future lawsuits could result in awards of substantial damages against us or court orders that could effectively prevent us from manufacturing, using, importing or selling our products in the United States or other countries.

## **Table of Contents**

***If we are unable to renew our licenses or otherwise lose our licensed rights, we may have to stop selling products or we may lose competitive advantage.***

We may not be able to renew our existing licenses, or licenses we may obtain in the future, on terms acceptable to us, or at all. If we lose the rights to a patented or other proprietary technology, we may need to stop selling products incorporating that technology and possibly other products, redesign our products or lose a competitive advantage. Potential competitors could in-license technologies that we fail to license and potentially erode our market share.

Our licenses typically subject us to various economic and commercialization obligations. If we fail to comply with these obligations, we could lose important rights under a license, such as the right to exclusivity in a market. In some cases, we could lose all rights under the license. In addition, rights granted under the license could be lost for reasons out of our control. For example, the licensor could lose patent protection for a number of reasons, including invalidity of the licensed patent, or a third party could obtain a patent that curtails our freedom to operate under one or more licenses.

***If we do not compete effectively, our business will be harmed.***

We encounter aggressive competition from numerous competitors in many areas of our business. We may not be able to compete effectively with all of these competitors. To remain competitive, we must develop new products and periodically enhance our existing products. We anticipate that we may also have to adjust the prices of many of our products to stay competitive. In addition, new competitors, technologies or market trends may emerge to threaten or reduce the value of entire product lines.

***Our quarterly operating results could be subject to significant fluctuation, and we may not be able to adjust our operations to effectively address changes we do not anticipate, which could increase the volatility of our stock price and potentially cause losses to our shareholders.***

Given the nature of the markets in which we participate, we cannot reliably predict future sales and profitability. Changes in competitive, market and economic conditions may require us to adjust our operations, and we may not be able to make those adjustments or make them quickly enough to adapt to changing conditions. A high proportion of our costs are fixed, due in part to our research and development and manufacturing costs. Thus, small declines in sales could disproportionately affect our operating results in a quarter. Factors that may affect our quarterly operating results include:

demand for and market acceptance of our products,

competitive pressures resulting in lower selling prices,

adverse changes in the level of economic activity in regions in which we do business,

decline in general economic conditions or government funding,

adverse income tax audit settlements,

differing tax laws and changes in those laws, or changes in the countries in which we are subject to tax,

adverse changes in industries, such as pharmaceutical and biomedical,

Edgar Filing: PERKINELMER INC - Form 10-Q

changes in the portions of our sales represented by our various products and customers,

delays or problems in the introduction of new products,

our competitors' announcement or introduction of new products, services or technological innovations,

increased costs of raw materials or supplies, and

changes in the volume or timing of product orders.

## **Table of Contents**

***Disruptions in the supply of raw materials and supplies from our limited or single source suppliers could have an adverse effect on the results of our business operations, and could damage our relationships with customers.***

The production of our products requires a wide variety of raw materials and supplies that are generally available from alternate sources of supply. However, certain critical raw materials and supplies required for the production of some of our principal products are available from limited or single sources of supply. We generally have multi-year contracts with no minimum purchase requirements with these suppliers, but those contracts may not fully protect us from a failure by certain suppliers to supply critical materials or from the delays inherent in being required to change suppliers and, in some cases, validate new raw materials. Such raw materials and supplies could usually be obtained from alternative sources with the potential for an increase in price, decline in quality or delay in delivery, but a prolonged inability to obtain certain raw materials or supplies is possible and could have an adverse effect on our business operations, and could damage our relationships with customers.

***If we are unable to produce an adequate quantity of products to meet our customers' demands, our revenue growth may be adversely affected.***

We have an established global manufacturing base with facilities in multiple locations around the world. Each of these facilities faces risks to its production capacity that may relate to natural disasters, labor relations or regulatory compliance. In addition, in any of these facilities, we may not manage the manufacturing or production processes at expected levels, we may fail to anticipate or act on the need to increase the production capacity, or we may be unable to quickly resolve technical manufacturing issues that arise from time to time. Any of these risks could cause our revenue growth to be adversely affected.

***The manufacture and sale of products may expose us to product liability claims for which we could have substantial liability.***

We face an inherent business risk of exposure to product liability claims if our products or product candidates are alleged or found to have caused injury, damage or loss. We believe that our current liability insurance coverage is adequate for our present clinical and commercial activities, however we may in the future be unable to obtain insurance with adequate levels of coverage for potential liability on acceptable terms or claims of this nature may be excluded from coverage under the terms of any insurance policy that we can obtain. If we are unable to obtain such insurance or the amounts of any claims successfully brought against us substantially exceed our coverage, then our business could be adversely impacted.

***If we fail to maintain satisfactory compliance with the regulations of the United States Food and Drug Administration and other governmental agencies, we may be forced to recall products and cease their manufacture and distribution, and we could be subject to civil or criminal penalties.***

Some of the products produced by our Life and Analytical Sciences segment are subject to regulation by the United States Food and Drug Administration ( FDA ) and similar international agencies. These regulations govern a wide variety of product activities, from design and development to labeling, manufacturing, promotion, sales, resales and distribution. If we fail to comply with those regulations or those of similar international agencies, we may have to recall products, cease their manufacture and distribution, and may be subject to fines or criminal prosecution. Other aspects of our operations are subject to regulation by different government agencies in the United States and other countries. If we fail to comply with those regulations, we could be subject to fines, penalties, criminal prosecution or other sanctions.

***Changes in governmental regulations may reduce demand for our products or increase our expenses.***

We compete in markets in which we or our customers must comply with federal, state, local and foreign regulations, such as environmental, health and safety, and food and drug regulations. We develop, configure and market our products to meet customer needs created by these regulations. Any significant change in these regulations could reduce demand for our products or increase our costs of producing these products.

---

**Table of Contents**

*The healthcare industry is highly regulated and if we fail to comply with its extensive system of laws and regulations, we could suffer fines and penalties or be required to make significant changes to our operations which could have a significant adverse effect on the results of our business operations.*

The healthcare industry, including our genetic screening business, is subject to extensive and frequently changing international and United States federal, state and local laws and regulations. In addition, legislative provisions relating to healthcare fraud and abuse, patient privacy violations and misconduct involving government insurance programs provide federal enforcement personnel with substantial powers and remedies to pursue suspected violations. We believe that our business will continue to be subject to increasing regulation as the federal government continues to strengthen its position on healthcare matters, the scope and effect of which we cannot predict. If we fail to comply with applicable laws and regulations, we could suffer civil and criminal damages, fines and penalties, exclusion from participation in governmental healthcare programs, and the loss of various licenses, certificates and authorizations necessary to operate our business, as well as incur liabilities from third-party claims, all of which could have a significant adverse effect on our business.

*Economic, political and other risks associated with foreign operations could adversely affect our international sales and profitability.*

Because we sell our products worldwide, our businesses are subject to risks associated with doing business internationally. Our sales originating outside the United States represented the majority of our total sales in the fiscal quarter ended March 30, 2008. We anticipate that sales from international operations will continue to represent a substantial portion of our total sales. In addition, many of our manufacturing facilities, employees and suppliers are located outside the United States. Accordingly, our future results of operations could be harmed by a variety of factors, including:

changes in foreign currency exchange rates,

changes in a country's or region's political or economic conditions, particularly in developing or emerging markets,

longer payment cycles of foreign customers and timing of collections in foreign jurisdictions,

trade protection measures and import or export licensing requirements,

differing tax laws and changes in those laws, or changes in the countries in which we are subject to tax,

adverse income tax audit settlements,

differing business practices associated with foreign operations,

difficulty in staffing and managing widespread operations,

differing labor laws and changes in those laws,

differing protection of intellectual property and changes in that protection, and



differing regulatory requirements and changes in those requirements.

***If we do not retain our key personnel, our ability to execute our business strategy will be limited.***

Our success depends to a significant extent upon the continued service of our executive officers and key management and technical personnel, particularly our experienced engineers, and on our ability to continue to attract, retain, and motivate qualified personnel. The competition for these employees is intense. The loss of the services of one or more of our key personnel could have a material adverse effect on our operating results. In addition, there could be a material adverse effect on us should the turnover rates for engineers and other key personnel increase significantly or if we are unable to continue to attract qualified personnel. We do not maintain any key person life insurance policies on any of our officers or employees.

## **Table of Contents**

Our success also depends on our ability to execute our leadership succession plan. The inability to successfully transition these and other key management roles could have a material adverse effect on our operating results.

### ***Restrictions in our credit facility may limit our activities.***

Our amended senior unsecured revolving credit facility contains, and future debt instruments to which we may become subject may contain, restrictive covenants that limit our ability to engage in activities that could otherwise benefit our company. Our amended senior unsecured revolving credit facility includes restrictions on our ability and the ability of our subsidiaries to:

pay dividends on, redeem or repurchase our capital stock,

sell assets,

incur obligations that restrict their ability to make dividend or other payments to us,

guarantee or secure indebtedness,

enter into transactions with affiliates, and

consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries on a consolidated basis.

We are also required to meet specified financial ratios under the terms of our amended senior unsecured revolving credit facility. Our ability to comply with these financial restrictions and covenants is dependent on our future performance, which is subject to prevailing economic conditions and other factors, including factors that are beyond our control such as foreign exchange rates, interest rates, changes in technology and changes in the level of competition.

Our failure to comply with any of these restrictions in our amended senior unsecured revolving credit facility may result in an event of default under that facility, which could permit acceleration of the debt under that facility, and require us to prepay that debt before its scheduled due date.

### ***Our results of operations will be adversely affected if we fail to realize the full value of our intangible assets.***

As of March 30, 2008, our total assets included \$1.9 billion of net intangible assets. Net intangible assets consist principally of goodwill associated with acquisitions and costs associated with securing patent rights, trademark rights and technology licenses, net of accumulated amortization. We test certain of these items specifically all of those that are considered non-amortizing at least on an annual basis for potential impairment by comparing the carrying value to the fair market value of the reporting unit to which they are assigned. All of our amortizing intangible assets are evaluated for impairment should discrete events occur that call into question the recoverability of the intangible assets.

Adverse changes in our business or the failure to grow our Life and Analytical Sciences segment may result in impairment of our intangible assets which could adversely affect our results of operations.

**Table of Contents****Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**  
**Stock Repurchase Program**

The following table provides information with respect to the shares of common stock repurchased by us for the periods indicated.

Period	Issuer Repurchases of Equity Securities			
	Total Number of Shares Purchased(1)(2)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
December 31, 2007 - February 3, 2008	17,549	\$ 23.27	0	1,949,208
February 4, 2008 - March 2, 2008	0	\$ 0.00	0	1,949,208
March 3, 2008 - March 30, 2008	0	\$ 0.00	0	1,949,208
Activity for quarter ended March 30, 2008	17,549	\$ 23.37	0	1,949,208

- (1) On November 6, 2006, we announced that our Board authorized us to repurchase up to 10.0 million shares of our common stock under a stock repurchase program (the "Repurchase Program"). The Repurchase Program will expire on October 25, 2010 unless this authorization is terminated earlier by the Board and may be suspended or discontinued at any time. We did not repurchase any shares of our common stock under the Repurchase Program during the first quarter of 2008. Approximately 1.9 million shares of our common stock remain available for repurchase from the 10.0 million shares authorized by our Board under the Repurchase Program.
- (2) During the first quarter of 2008, 17,549 shares of our common stock were repurchased to satisfy minimum statutory tax withholding obligations in connection with the vesting of restricted stock awards and restricted stock unit awards granted pursuant to our equity incentive plans.

**Item 4. Submission of Matters to a Vote of Security Holders**

There were no matters submitted to a vote of security holders during the quarter ended March 30, 2008. The following matters were submitted to a vote of the stock holders at our 2008 annual meeting of stockholders held on April 22, 2008: (1) a proposal to elect the ten nominees for Director named below for terms of one year each; and (2) a proposal to ratify the selection of Deloitte & Touche LLP as our independent registered public accounting firm for the current fiscal year. The number of shares of common stock outstanding and eligible to vote as of the record date of February 25, 2008 was 117,634,879. Set forth below is the number of votes cast for or against or abstaining with respect to each nominee for Director and the number of votes cast for or against or abstaining on the proposal to ratify Deloitte & Touche LLP as our independent registered public accounting firm.

*Proposal #1* To elect the following nominees as our Directors for terms of one year each:

	For	Against	Abstain
Friel, R.F.	94,360,315	7,826,813	869,740
Lopardo, N.A.	94,119,959	8,044,744	892,165
Michas, A.P.	94,367,780	7,752,215	936,873
Mullen, J.C.	94,596,322	7,584,190	876,356
Sato, V.L.	94,588,059	7,603,162	865,647
Schmergel, G.	94,492,063	7,700,297	864,508
Sicchitano, K.J.	94,499,900	7,680,006	876,962

Edgar Filing: PERKINELMER INC - Form 10-Q

Sullivan, P.J.	95,512,259	6,675,090	869,519
Summe, G.L.	94,311,305	7,817,428	928,135
Tod, G.R.	90,862,460	11,313,516	880,892

**Table of Contents**

*Proposal #2* To ratify the selection of Deloitte & Touche LLP as our independent registered public accounting firm for the current fiscal year.

<b>For</b>	<b>Against</b>	<b>Abstain</b>
101,252,803	896,224	907,841

**Item 6. Exhibits**

- 3.2 PerkinElmer, Inc.'s Amended and Restated By-Laws were filed with the Commission on April 28, 2008 as Exhibit 3.1 to our current report on Form 8-K and are herein incorporated by reference.
- 10.1 Second Amended and Restated Employment Agreement by and between Robert F. Friel and PerkinElmer, Inc., effective as of February 1, 2008, was filed with the Commission on January 25, 2008 as Exhibit 10.1 to our current report on Form 8-K and is herein incorporated by reference.
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

**Table of Contents**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PERKINELMER, INC.

By: /s/ JEFFREY D. CAPELLO  
**Jeffrey D. Capello**

**Senior Vice President and**

**Chief Financial Officer**

**(Principal Financial Officer)**

May 9, 2008

PERKINELMER, INC.

By: /s/ MICHAEL L. BATTLES  
**Michael L. Battles**

**Vice President, Corporate Controller and**

**Chief Accounting Officer**

**(Principal Accounting Officer)**

May 9, 2008

**Table of Contents**

**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Exhibit Name</b>
3.2	PerkinElmer, Inc.'s Amended and Restated By-Laws were filed with the Commission on April 28, 2008 as Exhibit 3.1 to our current report on Form 8-K and are herein incorporated by reference.
10.1	Second Amended and Restated Employment Agreement by and between Robert F. Friel and PerkinElmer, Inc., effective as of February 1, 2008, was filed with the Commission on January 25, 2008 as Exhibit 10.1 to our current report on Form 8-K and is herein incorporated by reference.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.