

PERKINELMER INC  
Form 10-Q  
November 10, 2010  
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 October 3, 2010

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 or other jurisdiction of incorporation or organization)

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) (Zip code)

(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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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.

Large accelerated filer   
Non-accelerated filer

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 November 4, 2010, there were outstanding 118,044,588 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>	29
<u>Overview</u>	29
<u>Recent Developments</u>	31
<u>Critical Accounting Policies and Estimates</u>	31
<u>Consolidated Results of Continuing Operations</u>	32
<u>Reporting Segment Results of Continuing Operations</u>	41
<u>Liquidity and Capital Resources</u>	43
<u>Dividends</u>	47
<u>Effects of Recently Adopted Accounting Pronouncements</u>	47
<u>Effects of Recently Issued Accounting Pronouncements</u>	47
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	48
Item 4. <u>Controls and Procedures</u>	49
<b>PART II. OTHER INFORMATION</b>	
Item 1. <u>Legal Proceedings</u>	50
Item 1A. <u>Risk Factors</u>	50
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	58
Item 6. <u>Exhibits</u>	58
<u>Signature</u>	60
<u>Exhibit Index</u>	61

**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>Nine Months Ended</b>	
	<b>October 3, 2010</b>	<b>October 4, 2009</b>	<b>October 3, 2010</b>	<b>October 4, 2009</b>
	<b>(In thousands, except</b>			
	<b>per share data)</b>			
<b>Sales</b>	\$ 419,143	\$ 377,036	\$ 1,234,376	\$ 1,122,290
Cost of sales	233,360	208,281	684,074	617,151
Selling, general and administrative expenses	120,552	112,755	365,392	347,690
Research and development expenses	23,814	23,301	69,797	67,127
Restructuring and lease charges, net		10,796	9,833	17,987
<b>Operating income from continuing operations</b>	<b>41,417</b>	<b>21,903</b>	<b>105,280</b>	<b>72,335</b>
Interest and other expense (income), net	6,680	4,550	(11,851)	12,958
Income from continuing operations before income taxes	34,737	17,353	117,131	59,377
Provision for income taxes	8,192	4,025	23,771	17,962
<b>Net income from continuing operations</b>	<b>26,545</b>	<b>13,328</b>	<b>93,360</b>	<b>41,415</b>
(Loss) income from discontinued operations, net of income taxes	(12,907)	1,829	(166)	7,794
(Loss) gain on disposition of discontinued operations, net of income taxes	(247)	(1,568)	2,231	(3,556)
<b>Net income</b>	<b>\$ 13,391</b>	<b>\$ 13,589</b>	<b>\$ 95,425</b>	<b>\$ 45,653</b>
<b>Basic earnings (loss) per share:</b>				
Net income from continuing operations	\$ 0.23	\$ 0.11	\$ 0.80	\$ 0.36
(Loss) income from discontinued operations, net of income taxes	(0.11)	0.02	(0.00)	0.07
(Loss) gain on disposition of discontinued operations, net of income taxes	(0.00)	(0.01)	0.02	(0.03)
Net income	\$ 0.11	\$ 0.12	\$ 0.81	\$ 0.39
<b>Diluted earnings (loss) per share:</b>				
Net income from continuing operations	\$ 0.22	\$ 0.11	\$ 0.79	\$ 0.36
(Loss) income from discontinued operations, net of income taxes	(0.11)	0.02	(0.00)	0.07
(Loss) gain on disposition of discontinued operations, net of income taxes	(0.00)	(0.01)	0.02	(0.03)
Net income	\$ 0.11	\$ 0.12	\$ 0.81	\$ 0.39

Weighted average shares of common stock outstanding:

Edgar Filing: PERKINELMER INC - Form 10-Q

Basic	117,475	116,211	117,342	116,227
Diluted	118,207	116,641	118,147	116,487
Cash dividends per common share	\$ 0.07	\$ 0.07	\$ 0.21	\$ 0.21

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)

	October 3, 2010	January 3, 2010
	(In thousands, except share and per share data)	
<b>Current assets:</b>		
Cash and cash equivalents	\$ 250,988	\$ 179,707
Accounts receivable, net	323,536	320,180
Inventories, net	210,158	178,666
Other current assets	90,201	108,930
Current assets of discontinued operations	102,702	96,535
<b>Total current assets</b>	<b>977,585</b>	<b>884,018</b>
<b>Property, plant and equipment, net:</b>		
At cost	414,336	392,663
Accumulated depreciation	(253,286)	(239,637)
Property, plant and equipment, net	161,050	153,026
Marketable securities and investments	1,228	2,287
Intangible assets, net	439,440	442,675
Goodwill	1,528,084	1,419,485
Other assets, net	31,688	43,625
Long-term assets of discontinued operations	108,936	113,924
<b>Total assets</b>	<b>\$ 3,248,011</b>	<b>\$ 3,059,040</b>
<b>Current liabilities:</b>		
Short-term debt	\$ 150	\$ 146
Accounts payable	143,010	133,792
Accrued restructuring and integration costs	14,943	14,350
Accrued expenses	302,208	295,712
Current liabilities of discontinued operations	53,534	53,204
<b>Total current liabilities</b>	<b>513,845</b>	<b>497,204</b>
Long-term debt	670,131	558,197
Long-term liabilities	344,454	363,905
Long-term liabilities of discontinued operations	12,546	10,777
<b>Total liabilities</b>	<b>1,540,976</b>	<b>1,430,083</b>
<b>Commitments and contingencies (see Note 18)</b>		
<b>Stockholders' equity:</b>		
Preferred stock \$1 par value per share, authorized 1,000,000 shares; none issued or outstanding	118,034	117,023

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

Common stock \$1 par value per share, authorized 300,000,000 shares; issued and outstanding 118,034,000 shares and 117,023,000 shares at October 3, 2010 and at January 3, 2010, respectively

Capital in excess of par value	274,716	250,599
Retained earnings	1,359,201	1,288,586
Accumulated other comprehensive loss	(44,916)	(27,251)
<b>Total stockholders equity</b>	<b>1,707,035</b>	<b>1,628,957</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 3,248,011</b>	<b>\$ 3,059,040</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)**

	Nine Months Ended	
	October 3, 2010	October 4, 2009
	(In thousands)	
<b>Operating activities:</b>		
Net income	\$ 95,425	\$ 45,653
Add: loss (income) from discontinued operations, net of income taxes	166	(7,794)
Add: (gain) loss on disposition of discontinued operations, net of income taxes	(2,231)	3,556
<b>Net income from continuing operations</b>	<b>93,360</b>	<b>41,415</b>
Adjustments to reconcile net income from continuing operations to net cash provided by continuing operations:		
Restructuring and lease charges, net	9,833	17,987
Depreciation and amortization	65,870	57,946
Stock-based compensation	10,352	10,293
Amortization of deferred debt issuance costs	1,906	1,905
Gains on step acquisitions and dispositions, net	(28,942)	
Amortization of acquired inventory revaluation		285
Changes in operating assets and liabilities which (used) provided cash, excluding effects from companies purchased and divested:		
Accounts receivable, net	(902)	(14,343)
Inventories, net	(23,171)	(11,962)
Accounts payable	8,776	(9,961)
Accrued expenses and other	(16,143)	(21,401)
<b>Net cash provided by operating activities of continuing operations</b>	<b>120,939</b>	<b>72,164</b>
Net cash provided by operating activities of discontinued operations	14,392	13,459
<b>Net cash provided by operating activities</b>	<b>135,331</b>	<b>85,623</b>
<b>Investing activities:</b>		
Capital expenditures	(22,882)	(14,820)
Proceeds from dispositions of property, plant and equipment, net	11,014	
Changes in restricted cash balances	(1,200)	1,412
Payments for acquisitions and investments, net of cash and cash equivalents acquired	(148,988)	(101,926)
<b>Net cash used in investing activities of continuing operations</b>	<b>(162,056)</b>	<b>(115,334)</b>
Net cash provided by (used in) investing activities of discontinued operations	4,567	(27,799)
<b>Net cash used in investing activities</b>	<b>(157,489)</b>	<b>(143,133)</b>
<b>Financing activities:</b>		
Payments on debt	(157,846)	(276,047)
Proceeds from borrowings	261,000	339,500
Payments of debt issuance costs	(72)	(7)
Payments on other credit facilities	(111)	(79)
Payments for acquisition related contingent consideration	(136)	
Excess tax benefit from exercise of common stock options	82	30



Edgar Filing: PERKINELMER INC - Form 10-Q

Proceeds from issuance of common stock under stock plans	15,171	2,262
Purchases of common stock	(995)	(14,619)
Dividends paid	(24,729)	(24,528)
<b>Net cash provided by financing activities of continuing operations</b>	<b>92,364</b>	<b>26,512</b>
Net cash used in financing activities of discontinued operations	(2,844)	(1,564)
<b>Net cash provided by financing activities</b>	<b>89,520</b>	<b>24,948</b>
Effect of exchange rate changes on cash and cash equivalents	3,919	4,038
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>71,281</b>	<b>(28,524)</b>

93.71

	Second Quarter	167.66	129.62
	Third Quarter	173.03	142.85
	Fourth Quarter	162.38	97.84
2017	First Quarter	132.85	102.95
	Second Quarter	132.29	105.62
	Third Quarter	135.03	57.01
	Fourth Quarter	72.76	58.20
2018	First Quarter	67.25	52.72
	Second Quarter	85.67	60.00
	Third Quarter	127.55	88.49
	Fourth Quarter (through October 2, 2018)	126.46	119.25

P-16

## Incyte Corporation

Incyte Corporation is a biopharmaceutical company. The company discovers, develops, and commercializes proprietary small molecule drugs, primarily used in oncology. Its common stock trades on the Nasdaq under the symbol "INCY."

### Historical Information of the Common Stock of Incyte Corporation

The following table sets forth the high and low closing prices of this Basket Component from the first quarter of 2008 through October 2, 2018.

	<b>High (\$)</b>	<b>Low (\$)</b>
2008 First Quarter	12.42	8.53
Second Quarter	11.34	7.50
Third Quarter	10.30	7.19
Fourth Quarter	7.41	2.49
2009 First Quarter	4.08	2.05
Second Quarter	3.84	2.06
Third Quarter	8.13	3.32
Fourth Quarter	9.40	5.45
2010 First Quarter	14.15	9.41
Second Quarter	14.78	11.07
Third Quarter	15.99	10.56
Fourth Quarter	17.17	14.51
2011 First Quarter	16.53	13.37
Second Quarter	20.76	15.85
Third Quarter	20.10	13.18
Fourth Quarter	16.30	11.78
2012 First Quarter	19.94	14.78
Second Quarter	23.69	17.35
Third Quarter	25.84	17.38
Fourth Quarter	18.46	15.96
2013 First Quarter	24.95	17.00
Second Quarter	24.49	19.13

Edgar Filing: PERKINELMER INC - Form 10-Q

Third Quarter	38.15	22.48
Fourth Quarter	51.28	34.71
2014 First Quarter	68.83	49.94
Second Quarter	56.44	43.10
Third Quarter	56.59	45.35
Fourth Quarter	78.89	45.60
2015 First Quarter	97.08	71.49
Second Quarter	110.15	88.46
Third Quarter	131.47	95.16
Fourth Quarter	126.46	100.21
2016 First Quarter	103.80	63.05
Second Quarter	87.71	68.69
Third Quarter	94.29	76.11
Fourth Quarter	108.10	83.28
2017 First Quarter	152.66	102.32
Second Quarter	141.55	115.19
Third Quarter	138.27	109.15
Fourth Quarter	116.60	93.56
2018 First Quarter	100.98	83.06
Second Quarter	83.98	60.85
Third Quarter	74.23	61.75
Fourth Quarter (through October 2, 2018)	69.85	68.82

P-17

**Spark Therapeutics, Inc.**

Spark Therapeutics, Inc. focuses on discovering, developing and delivering gene therapy products. The company's products address genetic diseases, including blindness, hemophilia and neurodegenerative diseases. Its common stock trades on the Nasdaq under the symbol "ONCE."

**Historical Information of the Common Stock of Spark Therapeutics, Inc.**

The following table sets forth the high and low closing prices of this Basket Component from the January 30, 2015 through October 2, 2018.

	<b>High (\$)</b>	<b>Low (\$)</b>
2015 First Quarter	77.50	42.55
Second Quarter	76.14	52.65
Third Quarter	69.77	38.91
Fourth Quarter	61.81	42.36
2016 First Quarter	41.85	22.46
Second Quarter	56.28	31.40
Third Quarter	64.71	51.95
Fourth Quarter	63.18	40.51
2017 First Quarter	65.02	52.41
Second Quarter	64.47	49.66
Third Quarter	89.23	58.13
Fourth Quarter	89.37	44.76
2018 First Quarter	67.51	50.23
Second Quarter	90.59	62.06
Third Quarter	92.39	54.55
Fourth Quarter (through October 2, 2018)	53.84	50.94

**REGENXBIO Inc.**

REGENXBIO Inc. focuses on the development, commercialization, and licensing of recombinant, and adeno-associated virus gene therapy. Its common stock trades on the Nasdaq under the symbol “RGNX.”

**Historical Information of the Common Stock of REGENXBIO Inc.**

The following table sets forth the high and low closing prices of this Basket Component from the September 17, 2015 through October 2, 2018.

	<b>High (\$)</b>	<b>Low (\$)</b>
2015 Third Quarter	30.70	19.52
Fourth Quarter	24.78	14.15
2016 First Quarter	17.00	9.46
Second Quarter	13.68	7.84
Third Quarter	15.95	7.32
Fourth Quarter	24.00	13.82
2017 First Quarter	24.10	16.95
Second Quarter	22.80	16.70
Third Quarter	32.95	18.00
Fourth Quarter	34.60	26.00
2018 First Quarter	37.50	24.05
Second Quarter	74.35	27.20
Third Quarter	82.15	65.00
Fourth Quarter (through October 2, 2018)	75.15	69.40

P-19

**Sage Therapeutics, Inc.**

Sage Therapeutics, Inc. develops treatments for central nervous system disorders. The company provides treatments for schizophrenia, major depressive disorder, pain, and traumatic brain injury conditions. Its common stock trades on the Nasdaq under the symbol “SAGE.”

**Historical Information of the Common Stock of Sage Therapeutics, Inc.**

The following table sets forth the high and low closing prices of this Basket Component from the July 18, 2014 through October 2, 2018.

	<b>High (\$)</b>	<b>Low (\$)</b>
2014 Third Quarter	33.40	25.86
Fourth Quarter	43.75	30.50
2015 First Quarter	53.38	36.99
Second Quarter	86.71	46.26
Third Quarter	76.98	40.75
Fourth Quarter	60.95	41.09
2016 First Quarter	56.51	28.63
Second Quarter	39.42	26.96
Third Quarter	46.78	31.10
Fourth Quarter	55.68	38.71
2017 First Quarter	71.07	46.01
Second Quarter	84.94	64.75
Third Quarter	88.52	61.40
Fourth Quarter	167.34	60.72
2018 First Quarter	192.33	152.15
Second Quarter	175.76	140.36
Third Quarter	169.04	138.11
Fourth Quarter (through October 2, 2018)	139.28	138.90

**Viking Therapeutics, Inc.**

Viking Therapeutics, Inc. focuses on the development of therapeutics for patients suffering from metabolic and endocrine disorders. Its common stock trades on the Nasdaq under the symbol “VKTX.”

**Historical Information of the Common Stock of Viking Therapeutics, Inc.**

The following table sets forth the high and low closing prices of this Basket Component from the April 29, 2015 through October 2, 2018.

	<b>High (\$)</b>	<b>Low (\$)</b>
2015 Second Quarter	9.70	6.73
Third Quarter	7.57	5.18
Fourth Quarter	6.90	2.02
2016 First Quarter	3.39	1.42
Second Quarter	1.93	1.18
Third Quarter	1.47	1.23
Fourth Quarter	1.43	0.94
2017 First Quarter	1.69	1.18
Second Quarter	1.43	0.98
Third Quarter	1.91	0.93
Fourth Quarter	4.34	1.74
2018 First Quarter	6.93	4.11
Second Quarter	12.74	3.88
Third Quarter	19.65	9.70
Fourth Quarter (through October 2, 2018)	16.21	15.24

**Vertex Pharmaceuticals Incorporated**

Vertex Pharmaceuticals Incorporated discovers, develops, and commercializes pharmaceutical products. The company develops drugs for the treatment of cystic fibrosis, cancer, inflammatory bowel, autoimmune disease, and neurological disorders. Its common stock trades on the Nasdaq under the symbol “VRTX.”

**Historical Information of the Common Stock of Vertex Pharmaceuticals Incorporated**

The following table sets forth the high and low closing prices of this Basket Component from the first quarter of 2008 through October 2, 2018.

	<b>High (\$)</b>	<b>Low (\$)</b>
2008 First Quarter	23.89	14.59
Second Quarter	33.90	24.81
Third Quarter	34.68	25.60
Fourth Quarter	32.65	20.71
2009 First Quarter	35.00	26.96
Second Quarter	36.08	26.23
Third Quarter	38.11	32.40
Fourth Quarter	43.35	32.11
2010 First Quarter	44.24	37.42
Second Quarter	40.85	32.58
Third Quarter	37.44	32.15
Fourth Quarter	38.35	32.43
2011 First Quarter	51.07	35.49
Second Quarter	58.01	45.01
Third Quarter	53.18	40.00
Fourth Quarter	45.12	26.66
2012 First Quarter	42.94	32.20
Second Quarter	64.85	35.49
Third Quarter	59.04	48.41
Fourth Quarter	59.42	38.89
2013 First Quarter	54.98	43.65
Second Quarter	85.36	52.58



Edgar Filing: PERKINELMER INC - Form 10-Q

Third Quarter	88.57	74.53
Fourth Quarter	77.81	60.18
2014 First Quarter	85.48	67.80
Second Quarter	94.68	62.44
Third Quarter	113.90	84.74
Fourth Quarter	120.78	101.10
2015 First Quarter	134.25	107.88
Second Quarter	135.82	116.43
Third Quarter	141.48	98.50
Fourth Quarter	133.26	107.23
2016 First Quarter	123.45	78.40
Second Quarter	96.09	79.15
Third Quarter	102.83	85.00
Fourth Quarter	95.36	72.02
2017 First Quarter	109.35	74.89
Second Quarter	135.53	107.45
Third Quarter	166.11	128.23
Fourth Quarter	155.55	137.28
2018 First Quarter	177.13	151.60
Second Quarter	169.96	145.72
Third Quarter	192.74	167.73
Fourth Quarter (through October 2, 2018)	191.93	191.57

P-22

798 2,340 1,651

Total interest and other expense (income), net

\$6,680 \$4,550 \$(11,851) \$12,958

**Note 6: Inventories, net**

Inventories consisted of the following:

October 3,                      January 3,  
2010                                      2010  
(In thousands)

Edgar Filing: PERKINELMER INC - Form 10-Q

Raw materials	\$ 75,096	\$ 61,491
Work in progress	12,014	11,892
Finished goods	123,048	105,283
Total inventories, net	\$ 210,158	\$ 178,666

**Note 7: Income Taxes**

The Company regularly reviews its tax positions in each significant taxing jurisdiction in the process of evaluating its unrecognized tax benefits. The Company makes adjustments to its 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 October 3, 2010, the Company had gross tax effected unrecognized tax benefits of \$44.3 million, of which \$38.5 million, if recognized, would affect the continuing operations effective tax rate. The remaining amount, if recognized, would affect discontinued operations. With the Company's adoption of the new authoritative guidance on business combinations in the first quarter of fiscal year 2009, changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date will affect income tax expense, including those associated with acquisitions that closed prior to the effective date of the new authoritative guidance on business combinations.

**Table of Contents**

At October 3, 2010, the Company had uncertain tax positions of \$5.8 million, including accrued interest, net of tax benefits and penalties, which are expected to be resolved within the next year. A portion of the uncertain tax positions 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 to income tax of numerous state and foreign jurisdictions.

The Company re-measured several of its uncertain tax positions related to fiscal years 2006 through 2009 during the second quarter of fiscal year 2010 based on new information arising from events during the quarter that affected positions for those years. The Company also effectively settled several income tax audits worldwide. The re-measurements and closure of audits included uncertain tax positions in the Philippines and the federal and certain state governments within the United States. These re-measurements and closure of audits, as well as other discrete items, resulted in the recognition of \$4.2 million of income tax benefits in continuing operations during the first nine months of fiscal year 2010. Tax years ranging from 1999 through 2009 remain open to examination by various tax jurisdictions in which the Company has significant business operations, such as Singapore, Canada, Germany, the United Kingdom and the United States. The tax years under examination vary by jurisdiction.

**Note 8: Debt**

*Amended Senior Unsecured Revolving Credit Facility.* On August 13, 2007, the Company entered into an amended and restated senior unsecured revolving credit facility which provides for a \$650.0 million facility through August 13, 2012. Letters of credit in the aggregate amount of approximately \$14.0 million are treated as issued under this 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 (i) the corporate base rate announced from time to time by Bank of America, N.A. and (ii) 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 October 3, 2010 was 40 basis points. The weighted average Eurocurrency interest rate as of October 3, 2010 was 0.26%, resulting in a weighted average effective Eurocurrency rate, including the margin, of 0.66%. The Company had drawn down approximately \$518.0 million of borrowings in U.S. Dollars under the facility as of October 3, 2010, 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, which are consistent with those financial covenants contained in the Company's previous senior revolving credit agreement. The financial covenants in the Company's amended and restated senior unsecured 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.

*6% Senior Unsecured Notes.* On May 30, 2008, the Company issued and sold seven-year senior notes at a rate of 6% with a face value of \$150.0 million and received \$150.0 million in gross proceeds from the issuance. The debt, which matures in May 2015, is unsecured. Interest on the 6% senior notes is payable semi-annually on May 30th and November 30th. The Company may redeem some or all of its 6% senior notes at any time in an amount not less than 10% of the original aggregate principal amount, plus accrued and unpaid interest, plus the applicable make-whole amount. The financial covenants in the Company's 6% senior notes include debt-to-capital ratios which, if the Company's credit rating is down-graded below investment grade, would be replaced by a contingent maximum total leverage ratio.

The Company entered into forward interest rate contracts in October 2007, with notional amounts totaling \$300.0 million and a weighted average interest rate of 4.25%, that were intended to hedge movements in interest rates prior to the Company's expected debt issuance. In May 2008, the Company settled forward interest rate

**Table of Contents**

contracts with notional amounts totaling \$150.0 million upon the issuance of its 6% senior unsecured notes, and recognized \$8.4 million, net of taxes of \$5.4 million, of accumulated derivative losses in other comprehensive loss. During the fourth quarter of fiscal year 2008, the Company concluded that the remaining portion of the expected debt issuance, with a notional amount totaling \$150.0 million, was no longer probable. As a result of the debt issuance no longer being probable, the Company discontinued and settled the forward interest rate contracts with notional amounts totaling \$150.0 million and recognized a loss of \$17.5 million in interest and other expense (income), net.

As of October 3, 2010, the balance remaining in accumulated other comprehensive loss related to the effective cash flow hedges was \$5.6 million, net of taxes of \$3.6 million. The derivative losses are being amortized into interest expense when the hedged exposure affects interest expense. The Company amortized into interest expense \$1.5 million during the first nine months of fiscal year 2010 and \$2.0 million during fiscal year 2009.

**Note 9: 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:

	Three Months Ended		Nine Months Ended	
	October 3, 2010	October 4, 2009	October 3, 2010	October 4, 2009
	(In thousands)			
Number of common shares basic	117,475	116,211	117,342	116,227
Effect of dilutive securities:				
Stock options	556	332	657	186
Restricted stock	176	98	148	74
Number of common shares diluted	118,207	116,641	118,147	116,487
Number of potentially dilutive securities excluded from calculation due to antidilutive impact	5,391	6,252	5,052	8,707

Antidilutive securities include outstanding stock options with exercise prices and average unrecognized compensation cost in excess of the average fair market value of 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 10: Industry Segment Information**

The Company discloses information about its operating segments 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. The Company's management reviews the results of the Company's operations by these two operating segments. The accounting policies of the operating segments are the same as those described in Note 1 to the audited consolidated financial statements in the 2009 Form 10-K. The principal products and services of these operating segments are:

*Human Health.* Develops diagnostics, tools and applications to help detect disease earlier and more accurately and to accelerate the discovery and development of critical new therapies. Within the Human Health segment, the Company serves both the diagnostics and research markets. Specifically,

**Table of Contents**

the Human Health segment includes the Company's products and services that address the genetic screening and bio-discovery markets and its technology serving the digital imaging market.

*Environmental Health.* Provides technologies and applications to facilitate the creation of safer food and consumer products, more secure surroundings and efficient energy resources. The Environmental Health segment serves the environmental and safety, industrial and laboratory services markets. Specifically, the Environmental Health segment includes the Company's products and services that address the analytical sciences and laboratory service and support markets.

The expenses for the Company's corporate headquarters, such as legal, tax, audit, human resources, information technology and other management and compliance costs, have been included as Corporate below. The Company has a process to 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 income by operating segment, excluding discontinued operations, are shown in the table below:

	Three Months Ended		Nine Months Ended	
	October 3, 2010	October 4, 2009	October 3, 2010	October 4, 2009
	(In thousands)			
<b>Human Health</b>				
Sales	\$ 194,510	\$ 179,132	\$ 580,568	\$ 538,666
Operating income from continuing operations	24,980	19,041	72,606	56,000
<b>Environmental Health</b>				
Sales	224,633	197,904	653,808	583,624
Operating income from continuing operations	26,109	11,261	61,813	42,408
<b>Corporate</b>				
Operating loss from continuing operations	(9,672)	(8,399)	(29,139)	(26,073)
<b>Continuing Operations</b>				
Sales	\$ 419,143	\$ 377,036	\$ 1,234,376	\$ 1,122,290
Operating income from continuing operations	41,417	21,903	105,280	72,335
Interest and other expense (income), net (see Note 5)	6,680	4,550	(11,851)	12,958
Income from continuing operations before income taxes	\$ 34,737	\$ 17,353	\$ 117,131	\$ 59,377

**Table of Contents****Note 11: Stockholders Equity****Comprehensive Income:**

The components of comprehensive income consisted of the following:

	Three Months Ended		Nine Months Ended	
	October 3, 2010	October 4, 2009	October 3, 2010	October 4, 2009
	(In thousands)			
Net income	\$ 13,391	\$ 13,589	\$ 95,425	\$ 45,653
Other comprehensive income (loss):				
Foreign currency translation adjustments	52,896	19,808	(18,551)	13,667
Unrealized net gains (losses) on securities, net of income taxes	38	42	(11)	192
Reclassification adjustments for losses on derivatives included in net income, net of income taxes	299	299	897	897
	53,233	20,149	(17,665)	14,756
<b>Comprehensive income</b>	<b>\$ 66,624</b>	<b>\$ 33,738</b>	<b>\$ 77,760</b>	<b>\$ 60,409</b>

The components of accumulated other comprehensive loss consisted of the following:

	October 3, 2010	January 3, 2010
	(In thousands)	
Foreign currency translation adjustments	\$ 69,491	\$ 88,042
Unrecognized losses and prior service costs, net of income taxes	(108,649)	(108,649)
Unrealized net losses on securities, net of income taxes	(175)	(164)
Unrealized and realized losses on derivatives, net of income taxes	(5,583)	(6,480)
<b>Accumulated other comprehensive loss</b>	<b>\$ (44,916)</b>	<b>\$ (27,251)</b>

**Stock Repurchase Program:**

On October 23, 2008, the Company announced that the Board had authorized the Company to repurchase up to 10.0 million shares of common stock under a stock repurchase program (the "Repurchase Program"). On August 31, 2010, the Company announced that the Board had authorized the Company to repurchase an additional 5.0 million shares of common stock under the Repurchase Program. The Repurchase Program will expire on October 22, 2012 unless terminated earlier by the Board, and may be suspended or discontinued at any time. During the first nine months of fiscal year 2010, the Company did not repurchase any shares of its common stock in the open market under the Repurchase Program. As of October 3, 2010, approximately 13.0 million shares of the Company's common stock remained available for repurchase from the 15.0 million shares authorized by the Board under the Repurchase Program.

The Board has authorized the Company to repurchase shares of common stock 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. During the first nine months of fiscal year 2010, the Company repurchased 46,572 shares of common stock for this purpose. 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.



**Table of Contents****Dividends:**

The Board declared regular quarterly cash dividends of \$0.07 per share in each of the first three quarters of fiscal year 2010 and in each quarter of fiscal year 2009. In the future, the Board may determine to reduce or eliminate the Company's common stock dividend in order to fund investments for growth, repurchase shares or conserve capital resources.

**Note 12: Stock Plans**

The Company utilizes one stock-based compensation plan, the 2009 Incentive Plan, through which the Company's common stock may be awarded as stock option grants, restricted stock awards, performance units and stock grants as part of the Company's compensation programs (the Plan). The Plan is described in more detail in the Company's definitive proxy statement filed with the SEC on March 17, 2010 and Note 19 to the Company's audited consolidated financial statements filed with the 2009 Form 10-K.

For the three and nine months ended October 3, 2010, 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 \$4.0 million and \$11.7 million, respectively. For the three and nine months ended October 4, 2009, 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 \$3.8 million and \$11.9 million, respectively. The total income tax benefit recognized in the condensed consolidated income statements for stock-based compensation was \$1.3 million and \$3.9 million for the three and nine months ended October 3, 2010, respectively. The total income tax benefit recognized in the condensed consolidated income statements for stock-based compensation was \$1.4 million and \$4.0 million for the three and nine months ended October 4, 2009, respectively. Stock-based compensation costs capitalized as part of inventory were \$0.3 million as of October 3, 2010 and \$0.2 million as of October 4, 2009.

**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 were as follows:

	Three Months Ended	
	October 3, 2010	October 4, 2009
Risk-free interest rate	1.8%	1.6%
Expected dividend yield	1.4%	1.9%
Expected lives	4 years	4 years
Expected stock volatility	37.5%	35.0%

The following table summarizes stock option activity for the nine months ended October 3, 2010:

	Number of Shares (In thousands)	Weighted- Average Price	Weighted-Average Remaining Contractual Term (In years)	Total Intrinsic Value (In millions)
Outstanding at January 3, 2010	8,415	\$ 21.27		
Granted	784	21.16		
Exercised	(850)	17.85		
Canceled	(198)	23.87		
Forfeited	(228)	17.44		
Outstanding at October 3, 2010	7,923	\$ 21.68	3.5	\$ 16.9
Exercisable at October 3, 2010	5,387	\$ 23.55	2.5	\$ 6.2
Vested and expected to vest in the future	7,895	\$ 21.68	3.5	\$ 16.8





**Table of Contents**

The weighted-average grant-date fair value of options granted for the three and nine months ended October 3, 2010 was \$5.52 and \$5.99, respectively. The weighted-average grant-date fair value of options granted for the three and nine months ended October 4, 2009 was \$4.43 and \$3.32, respectively. The total intrinsic value of options exercised for the three and nine months ended October 3, 2010 was \$0.5 million and \$3.0 million, respectively. The total intrinsic value of options exercised for both the three and nine months ended October 4, 2009 was \$0.2 million and \$1.0 million, respectively. Cash received from option exercises for the nine months ended October 3, 2010 and October 4, 2009 was \$15.2 million and \$2.3 million, respectively. The related excess tax benefit, classified as a financing cash activity, was \$0.08 million and \$0.03 million for the nine months ended October 3, 2010 and October 4, 2009, respectively.

There was \$7.4 million of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested stock options granted as of October 3, 2010. This cost is expected to be recognized over a weighted-average period of 1.7 fiscal years and will be adjusted for any future changes in estimated forfeitures.

The following table summarizes total compensation expense recognized related to the Company's outstanding stock options, which is a function of current and prior year awards, net of estimated forfeitures, included in the Company's condensed consolidated income statements for the three and nine months ended October 3, 2010 and October 4, 2009:

	Three Months Ended		Nine Months Ended	
	October 3, 2010	October 4, 2009	October 3, 2010	October 4, 2009
	(In thousands)			
Cost of sales	\$ 183	\$ 288	\$ 720	\$ 887
Research and development expenses	121	110	341	352
Selling, general and administrative and other expenses	1,145	1,381	4,319	4,348
Compensation expense related to stock options	1,449	1,779	5,380	5,587
Less: income tax benefit	(527)	(722)	(1,921)	(1,919)
Net compensation expense related to stock options	\$ 922	\$ 1,057	\$ 3,459	\$ 3,668

**Restricted Stock Awards:** The following table summarizes restricted stock award activity for the nine months ended October 3, 2010:

	Number of Shares (In thousands)	Weighted- Average Grant- Date Fair Value
Nonvested at January 3, 2010	451	\$ 19.88
Granted	413	21.20
Vested	(43)	23.33
Forfeited	(86)	20.38
Nonvested at October 3, 2010	735	\$ 20.36

The weighted-average grant-date fair value of restricted stock awards granted during the three and nine months ended October 3, 2010 was \$20.88 and \$21.20, respectively. The weighted-average grant-date fair value of restricted stock awards granted during the three and nine months ended October 4, 2009 was \$18.25 and \$13.24, respectively. No restricted stock awards vested during the three months ended October 3, 2010. The fair value of restricted stock awards vested for the nine months ended October 3, 2010 was \$1.0 million. The fair value of restricted stock awards vested for the three and nine months ended October 4, 2009 was \$0.7 million and \$0.2 million, respectively. The total compensation expense recognized related to the Company's outstanding



---

**Table of Contents**

restricted stock awards, which is a function of current and prior year awards, was \$1.4 million and \$3.8 million for the three and nine months ended October 3, 2010, respectively. The total compensation expense recognized related to the Company's outstanding restricted stock awards, which is a function of current and prior year awards, was \$0.9 million and \$2.5 million for the three and nine months ended October 4, 2009, respectively.

As of October 3, 2010, there was \$5.2 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 1.7 fiscal years.

**Performance Units:** The Company granted 129,879 performance units and 205,900 performance units during the nine months ended October 3, 2010 and October 4, 2009, respectively, as part of the Company's executive incentive program. The weighted-average grant-date fair value of performance units granted during the nine months ended October 3, 2010 and October 4, 2009 were \$20.89 and \$13.17, respectively. The total compensation expense recognized related to these performance units, which is a function of current and prior year awards, was \$1.1 million and \$1.7 million for the three and nine months ended October 3, 2010, respectively. The total compensation expense recognized related to these performance units, which is a function of current and prior year awards, was \$1.1 million and \$3.0 million for the three and nine months ended October 4, 2009, respectively. As of October 3, 2010, 390,305 performance units were outstanding, all subject to forfeiture.

**Stock Awards:** The Company granted 4,337 shares and 5,790 shares to each non-employee member of the Board during the nine months ended October 3, 2010 and October 4, 2009, respectively. The weighted-average grant-date fair value of stock awards granted during the nine months ended October 3, 2010 and October 4, 2009 was \$23.06 and \$17.27, respectively. The total compensation expense recognized related to these stock awards was \$0.8 million for both the nine months ended October 3, 2010 and October 4, 2009.

**Employee Stock Purchase Plan:** During the nine months ended October 3, 2010, the Company issued 47,816 shares of common stock under the Company's Employee Stock Purchase Plan at a weighted-average price of \$19.64 per share. As of October 3, 2010, an aggregate of 1.4 million shares of the Company's common stock remained available for sale to employees out of the 5.0 million shares authorized by shareholders for issuance under this plan.

**Note 13: Goodwill and Intangible Assets, net**

The Company tests goodwill and non-amortizing intangible assets at least annually for possible impairment. Accordingly, the Company completes the annual testing of impairment for goodwill and non-amortizing intangible assets on the later of January 1 or the first day of each fiscal year. In addition to its annual test, the Company regularly evaluates whether events or circumstances have occurred that may indicate a potential impairment of goodwill or non-amortizing intangible assets.

The process of testing goodwill for impairment involves the determination of the fair value of the applicable reporting units. The 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 fair value of the reporting unit. The Company performed its annual impairment testing for its reporting units as of January 4, 2010, its annual impairment date for fiscal year 2010, and concluded based on the first step of the process that there was no goodwill impairment.

The Company has consistently employed the income approach to estimate the current fair value when testing for impairment of goodwill. A number of significant assumptions and estimates are involved in the application of the income approach to forecast operating cash flows, including markets and market share, sales

**Table of Contents**

volumes and prices, costs to produce, tax rates, capital spending, discount rate and working capital changes. Cash flow forecasts are based on approved business unit operating plans for the early years cash flows and historical relationships in later years. The income approach is sensitive to changes in long-term terminal growth rates and the discount rate. The long-term terminal growth rates are consistent with the Company's historical long-term terminal growth rates, as the current economic trends are not expected to affect the long-term terminal growth rates of the Company. In fiscal year 2010, the long-term terminal growth rates for the Company's reporting units ranged from 3.5% to 7.5%. The range for the discount rates for the reporting units was 10.5% to 14.0%. Keeping all other variables constant, a 10.0% change in any one of the input assumptions for the various reporting units would still allow the Company to conclude, based on the first step of the process, that there was no impairment of goodwill.

The Company has consistently employed the relief from royalty model to estimate the current fair value when testing for impairment of non-amortizing intangible assets. The impairment test consists of a comparison of the fair value of the non-amortizing intangible asset with its carrying amount. If the carrying amount of a non-amortizing intangible asset exceeds its fair value, an impairment loss in an amount equal to that excess is recognized. In addition, the Company currently evaluates the remaining useful life of its non-amortizing intangible assets at least annually to determine whether events or circumstances continue to support an indefinite useful life. If events or circumstances indicate that the useful lives of non-amortizing intangible assets are no longer indefinite, the assets will be tested for impairment. These intangible assets will then be amortized prospectively over their estimated remaining useful life and accounted for in the same manner as other intangible assets that are subject to amortization. The Company performed its annual impairment testing as of January 4, 2010, and concluded that there was no impairment of non-amortizing intangible assets. An assessment of the recoverability of amortizing intangible assets takes place only when events have occurred that may give rise to an impairment. No such events occurred during the first nine months of fiscal year 2010.

The changes in the carrying amount of goodwill for the period ended October 3, 2010 from January 3, 2010 were as follows, which included changes related to acquisitions completed during fiscal year 2010 and immaterial adjustments related to acquisitions completed prior to fiscal year 2009:

	<b>Human Health</b>	<b>Environmental Health (In thousands)</b>	<b>Consolidated</b>
Balance at January 3, 2010	\$ 926,007	\$ 493,478	\$ 1,419,485
Foreign currency translation	(10,065)	175	(9,890)
Acquisitions, earn outs and other	77,735	40,754	118,489
Balance at October 3, 2010	\$ 993,677	\$ 534,407	\$ 1,528,084

As discussed in Note 2, the January 3, 2010 goodwill balance has been retrospectively adjusted by \$5.4 million for the measurement period adjustment related to the Analytica acquisition. As discussed in Note 3, the financial information in this report relating to fiscal years 2010 and 2009 has been retrospectively adjusted to reflect the expected divestiture of the Company's IDS business, including the goodwill and identifiable intangible asset balances as of January 3, 2010 and October 3, 2010.

**Table of Contents**

Identifiable intangible asset balances at October 3, 2010 and January 3, 2010 by category were as follows:

	October 3, 2010	January 3, 2010
	(In thousands)	
Patents	\$ 106,879	\$ 107,321
Less: Accumulated amortization	(75,991)	(68,502)
<b>Net patents</b>	<b>30,888</b>	<b>38,819</b>
Trade names and trademarks	16,247	15,984
Less: Accumulated amortization	(7,945)	(7,015)
<b>Net trade names and trademarks</b>	<b>8,302</b>	<b>8,969</b>
Licenses	60,122	63,290
Less: Accumulated amortization	(33,057)	(33,406)
<b>Net licenses</b>	<b>27,065</b>	<b>29,884</b>
Core technology	310,095	281,206
Less: Accumulated amortization	(179,410)	(158,233)
<b>Net core technology</b>	<b>130,685</b>	<b>122,973</b>
Customer relationships	141,103	128,461
Less: Accumulated amortization	(49,802)	(37,730)
<b>Net customer relationships</b>	<b>91,301</b>	<b>90,731</b>
IPR&D	4,371	4,348
Less: Accumulated amortization	(206)	(83)
<b>Net IPR&amp;D</b>	<b>4,165</b>	<b>4,265</b>
<b>Net amortizable intangible assets</b>	<b>292,406</b>	<b>295,641</b>
Non-amortizing intangible assets:		
Trade names and trademarks	147,034	147,034
<b>Totals</b>	<b>\$ 439,440</b>	<b>\$ 442,675</b>

Total amortization expense related to finite-lived intangible assets for the nine months ended October 3, 2010 and October 4, 2009 was \$44.9 million and \$39.5 million, respectively.

**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 for 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

Edgar Filing: PERKINELMER INC - Form 10-Q

costs. Warranty reserves are included in Accrued expenses on the condensed consolidated balance sheets. Warranty reserve activity for the three and nine months ended October 3, 2010 and October 4, 2009 is summarized below:

	Three Months Ended		Nine Months Ended	
	October 3, 2010	October 4, 2009	October 3, 2010	October 4, 2009
	(In thousands)			
Balance beginning of period	\$ 8,166	\$ 8,612	\$ 8,910	\$ 8,479
Provision charged to income	3,237	3,327	10,019	9,888
Payments	(3,288)	(3,385)	(9,680)	(10,086)
Adjustments to previously provided warranties, net	(159)	(75)	(972)	248
Foreign currency translation and acquisitions	389	228	68	178
Balance end of period	\$ 8,345	\$ 8,707	\$ 8,345	\$ 8,707

**Table of Contents****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 postretirement plans for the three and nine months ended October 3, 2010 and October 4, 2009:

	Defined Benefit Pension Benefits		Postretirement Medical Benefits	
	Three Months Ended			
	October 3, 2010	October 4, 2009	October 3, 2010	October 4, 2009
	(In thousands)			
Service cost	\$ 1,153	\$ 991	\$ 20	\$ 21
Interest cost	6,234	6,149	48	48
Expected return on plan assets	(6,029)	(5,636)	(213)	(190)
Amortization of prior service	(46)	(43)	(78)	(79)
Recognition of actuarial losses (gains)	2,179	1,284	(23)	(14)
Net periodic benefit cost (credit)	\$ 3,491	\$ 2,745	\$ (246)	\$ (214)

	Defined Benefit Pension Benefits		Postretirement Medical Benefits	
	Nine Months Ended			
	October 3, 2010	October 4, 2009	October 3, 2010	October 4, 2009
	(In thousands)			
Service cost	\$ 3,592	\$ 3,424	\$ 76	\$ 73
Interest cost	18,765	18,440	153	160
Expected return on plan assets	(17,759)	(16,802)	(624)	(568)
Amortization of prior service	(135)	(123)	(236)	(237)
Recognition of actuarial losses (gains)	6,214	4,040	(36)	(16)
Net periodic benefit cost (credit)	\$ 10,677	\$ 8,979	\$ (667)	\$ (588)

During the three months ended October 3, 2010, the Company made a voluntary contribution of \$30.0 million for the 2009 plan year to its defined benefit pension plan in the United States, to realize the benefit received from favorable tax provisions included in the Worker, Homeownership, and Business Assistance Act of 2009.

**Note 16: Derivatives and Hedging Activities**

The Company uses derivative instruments as part of its risk management strategy only, and includes derivatives utilized as economic hedges that are not designated as hedging instruments. By nature, all financial instruments involve market and credit risks. The Company enters into derivative instruments with major investment grade financial institutions and has policies to monitor the credit risk of those counterparties. The Company does not enter into derivative contracts for trading or other speculative purposes, nor does the Company use leveraged financial instruments. Approximately 60% of the Company's business is conducted outside of the United States, generally in foreign currencies. The fluctuations in foreign currency can increase the costs of financing, investing and operating the business. The intent of these economic hedges is to offset gains and losses that occur on the underlying exposures from these currencies, with gains and losses resulting from the forward currency contracts that hedge these exposures.

In the ordinary course of business, the Company enters into foreign exchange contracts for periods consistent with its committed exposures to mitigate the effect of foreign currency movements on transactions denominated in foreign currencies. Transactions covered by hedge contracts



include intercompany and third-

---

**Table of Contents**

party receivables and payables. The contracts are primarily in European and Asian currencies, have maturities that do not exceed 12 months, have no cash requirements until maturity, and are recorded at fair value on the Company's condensed consolidated balance sheets. Unrealized gains and losses on the Company's foreign currency contracts are recognized immediately in earnings for hedges designated as fair value and, for hedges designated as cash flow, the related unrealized gains or losses are deferred as a component of other comprehensive loss in the accompanying condensed consolidated balance sheets. Deferred gains and losses are recognized in income in the period in which the underlying anticipated transaction occurs and impacts earnings.

Principal hedged currencies include the British Pound (GBP), Canadian Dollar (CAD), Euro (EUR), Japanese Yen (JPY) and Singapore Dollar (SGD). The Company held forward foreign exchange contracts with U.S. equivalent notional amounts totaling \$116.7 million at October 3, 2010 and \$173.8 million at October 4, 2009, and 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. The duration of these contracts was generally 30 days during both fiscal years 2010 and 2009.

The Company entered into forward interest rate contracts in October 2007, with notional amounts totaling \$300.0 million and a weighted average interest rate of 4.25%, that were intended to hedge movements in interest rates prior to the Company's expected debt issuance. In May 2008, the Company settled forward interest rate contracts with notional amounts totaling \$150.0 million upon the issuance of its 6% senior unsecured notes, and recognized \$8.4 million, net of taxes of \$5.4 million, of accumulated derivative losses in other comprehensive loss. During the fourth quarter of fiscal year 2008, the Company concluded that the remaining portion of the expected debt issuance, with a notional amount totaling \$150.0 million, was no longer probable. As a result of the debt issuance no longer being probable, the Company discontinued and settled the forward interest rate contracts with notional amounts totaling \$150.0 million and recognized a loss of \$17.5 million in interest and other expense (income), net.

As of October 3, 2010, the balance remaining in accumulated other comprehensive loss related to the effective cash flow hedges was \$5.6 million, net of taxes of \$3.6 million. The derivative losses are being amortized into interest expense when the hedged exposure affects interest expense. The Company amortized into interest expense \$1.5 million during the first nine months of fiscal year 2010 and \$2.0 million during fiscal year 2009.

**Note 17: Fair Value Measurements**

The Company uses the market approach technique to value its financial instruments and there were no changes in valuation techniques during the nine months ended October 3, 2010. The Company's financial assets and liabilities carried at fair value are primarily comprised of marketable securities and derivative contracts used to hedge the Company's currency risk, and contingent consideration. The Company has not elected to measure any additional financial instruments or other items at fair value.

**Valuation Hierarchy:** The following summarizes the three levels of inputs required by the guidance to measure fair value. For Level 1 inputs, the Company utilizes quoted market prices as these instruments have active markets. For Level 2 inputs, the Company utilizes quoted market prices in markets that are not active, broker or dealer quotations, or utilizes alternative pricing sources with reasonable levels of price transparency. For Level 3 inputs, the Company utilizes unobservable inputs based on the best information available, including estimates by management primarily based on information provided by third-party fund managers, independent brokerage firms and insurance companies. A financial asset's 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.

**Table of Contents**

The following table shows the assets and liabilities carried at fair value measured on a recurring basis at October 3, 2010 classified in one of the three classifications described above:

	Total Carrying Value at October 3, 2010	Fair Value Measurements at October 3, 2010 Using:		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable securities	\$ 1,055	\$ 1,055	\$	\$
Foreign exchange derivative liabilities, net	(70)		(70)	
Contingent consideration	(1,651)			(1,651)

**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 assets and liabilities

Include foreign exchange derivative contracts that are valued using quoted forward foreign exchange prices at the reporting date.

The Company has classified its net liabilities for contingent consideration relating to its acquisitions of Opto Technology Inc. and Sym-Bio LifeScience Co., Ltd. within Level 3 of the fair value hierarchy because the fair value is determined using significant unobservable inputs, which included probability weighted cash flows. A description of these acquisitions is included within Note 2 to the Company's audited consolidated financial statements filed with the 2009 Form 10-K. A reconciliation of the beginning and ending Level 3 net liabilities is as follows:

	Three Months Ended		Nine Months Ended	
	October 3, 2010	October 4, 2009	October 3, 2010	October 4, 2009
	(In thousands)			
Balance beginning of period	\$ (1,713)	\$ (4,526)	\$ (4,251)	\$
Transfers into Level 3		420		(4,437)
Payments			2,717	
Change in fair value (included within selling, general and administrative expenses)	62	2	(117)	333
Balance end of period	\$ (1,651)	\$ (4,104)	\$ (1,651)	\$ (4,104)

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value due to the short-term maturities of these assets and liabilities.

The Company's amended senior unsecured revolving credit facility, with a \$650.0 million available limit, and the Company's 6% senior unsecured notes, with a face value of \$150.0 million, had outstanding balances as of October 3, 2010 of \$518.0 million and \$150.0 million, respectively, and as of January 3, 2010 of \$406.0 million and \$150.0 million, respectively. The interest rate on the Company's amended senior unsecured revolving credit facility is reset at least monthly to correspond to variable rates that reflect currently available



---

**Table of Contents**

terms and conditions for similar debt. The Company had no change in credit standing during the first nine months of fiscal year 2010. Consequently, the carrying value of the current year and prior year credit facilities approximate fair value. The fair value of the 6.0% senior unsecured notes is estimated using market quotes from brokers or is based on current rates offered for similar debt. At October 3, 2010, the 6.0% senior unsecured notes had an aggregate carrying value of \$150.0 million and a fair value of \$170.1 million. At January 3, 2010, the 6.0% senior unsecured notes had an aggregate carrying value of \$150.0 million and a fair value of \$159.4 million.

As of October 3, 2010, there has not been any significant impact to the fair value of the Company's derivative liabilities due to credit risk. Similarly, there has not been any significant adverse impact to the Company's derivative assets based on the evaluation of its counterparties' credit risks.

**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 \$6.2 million as of October 3, 2010, which represents 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 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 condensed consolidated financial statements. While it is possible that a loss exceeding the amounts recorded in the condensed 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 New York Case ). 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. In January 2009, the case was assigned to a new district court judge and in March 2009, the new judge denied the pending summary judgment motions without prejudice and ordered a stay of the case until the federal appellate court decides Enzo's appeal of the judgment of the United States District Court for the District of Connecticut in Enzo Biochem vs. Applera Corp. and Tropix, Inc. (the Connecticut Case ), which involves a number of the same patents and which could materially affect the scope of Enzo's case against the Company. On March 26, 2010, the

**Table of Contents**

United States Court of Appeals for the Federal Circuit ( CAFC ) affirmed-in-part and reversed-in-part the judgment in the Connecticut Case. Pending further disposition of the Connecticut Case, the New York Case against the Company and other defendants remains stayed.

The Company believes it has meritorious defenses to the matter described above, and it is contesting the action vigorously. While this matter is subject to uncertainty, in the opinion of the Company's management, based on its review of the information available at this time, the resolution of this matter will not have a material adverse effect on the Company's condensed 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 October 3, 2010 should not have a material adverse effect on the Company's condensed consolidated financial statements. However, 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 condensed consolidated financial statements and notes to the condensed 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, research, environmental and safety, industrial and laboratory services markets. Through our advanced technologies, applications, and services, we address critical issues that help to improve the health and safety of people and their environment in two reporting segments:

*Human Health.* Develops diagnostics, tools and applications to help detect disease earlier and more accurately and to accelerate the discovery and development of critical new therapies. Within the Human Health segment, we serve both the diagnostics and research markets. Specifically, the Human Health segment includes our products and services that address the genetic screening and bio-discovery markets and our technology serving the digital imaging market.

*Environmental Health.* Provides technologies and applications to facilitate the creation of safer food and consumer products, more secure surroundings and efficient energy resources. The Environmental Health segment serves the environmental and safety, industrial and laboratory services markets. Specifically, the Environmental Health segment includes our products and services that address the analytical sciences and laboratory service and support markets.

***Overview of the Third Quarter of Fiscal Year 2010***

Our fiscal year ends on the Sunday nearest December 31. We report fiscal years under a 52/53 week format, and as a result certain fiscal years will contain 53 weeks. Our 2010 fiscal year will include 52 weeks, while our 2009 fiscal year included 53 weeks.

During the third quarter of fiscal year 2010, we continued to see positive signs of recovery from the global economic contraction across most of our end markets and geographies, in addition to good performance from investments in our ongoing technology and sales and marketing initiatives. Our overall sales in the third quarter of fiscal year 2010 increased \$42.1 million, or 11%, as compared to the third quarter of fiscal year 2009, reflecting an increase of \$15.4 million, or 9%, in our Human Health segment sales and an increase of \$26.7 million, or 14%, in our Environmental Health segment sales. The increase in our Human Health segment sales during the three months ended October 3, 2010 was due primarily to increased demand for our medical imaging products with the expansion of panel usage for non-medical applications and the easing of capital budget constraints in major hospitals in the diagnostics market, as well as increased growth in the academic sector for both instruments and reagents in the research market. These increases were partially offset by the impact of lower birth rates in the United States and tight inventory management in state and national labs for neonatal screening in the diagnostics market, as well as by the continued tight capital budgets of our pharmaceutical customers in the research market. The unfavorable impact in the research market related to customer consolidations in the pharmaceutical market and the continued tight capital budgets of our pharmaceutical customers. The increase in

## **Table of Contents**

our Environmental Health segment sales during the three months ended October 3, 2010 was due primarily to the increase in our OneSource multivendor service offering, which we expanded in markets beyond our traditional customer base and services, as well as growth in our environmental, food and consumer safety and testing products. We also experienced continued growth in traditional chemical markets with the reduction of constraints on capital purchases to rebuild capacity as a result of the cyclical recovery and increased demand after the extended period of delayed capital investment.

In our Human Health segment, we experienced strong growth in sales in the diagnostics market related to increased demand for our medical imaging products and continued growth in our prenatal offerings within the genetic screening business during the third quarter of fiscal year 2010 as compared to the third quarter of fiscal year 2009. The increased demand for our medical imaging products resulted from improved market conditions that lessened the constraints on medical providers' capital budgets, allowing us to increase our customer base, as well as expanding into non-medical applications. The performance within our genetic screening business was driven by continued expansion of prenatal screening platforms, with broad-based growth experienced across all major geographies, particularly in China with continued expansion of our newborn screening business through our acquisition of Sym-Bio LifeScience Co., Ltd. ( Sym-Bio ) in fiscal year 2009. In the research market, demand for our reagents and instrumentation was encouraging in the academic sector. As the rising cost of healthcare continues to be one of the critical issues facing our customers, we anticipate that even with continued pressure on lab budgets and credit availability, the benefits of providing earlier detection of disease, which can result in savings of long-term health care costs as well as creating better outcomes for patients, are increasingly valued and we expect to see continued growth in these markets.

In our Environmental Health segment, our laboratory services business enables our customers to drive efficiencies, increase production time and reduce maintenance costs, all of which continue to be critical for our customers. During the third quarter of fiscal year 2010, we continued to grow by adding new customers to our OneSource multivendor service offering, which we expanded in markets beyond our traditional customer base and services. Sales of environmental, food and consumer safety and testing products grew in the third quarter of fiscal year 2010 due to the continued global need for robust contaminant identification solutions, particularly for trace metals analysis in water, which drove the demand for our inorganic analysis solutions such as our Optima 7000 and our recently launched NexION™ mass spectrometer. We also continued to experience strong demand for quality and safety assurance testing equipment in food and pharmaceuticals throughout the global supply chain, and we continued to see signs of recovery in our traditional chemical markets with the reduction of constraints on capital purchases to rebuild capacity as a result of the cyclical recovery and increased demand after an extended period of delayed capital investments. We believe that the need for increased inspection, testing and tracking of contaminants will continue to drive increased demand for our products.

Our consolidated gross margins decreased approximately 40 basis points in the third quarter of fiscal year 2010 as compared to the third quarter of fiscal year 2009 due to changes in product mix, with growth in sales of lower gross margin product offerings, partially offset by productivity improvements and cost containment initiatives. Our consolidated operating margin improved approximately 400 basis points in the third quarter of fiscal year 2010 as compared to the third quarter of fiscal year 2009, primarily the result of increased sales volume and cost containment initiatives, partially offset by restructuring activities and increased pension expenses.

We believe we are well positioned to continue to take advantage of our end markets where spending trends have rebounded and to promote our efficiencies in markets where current conditions may increase demand for certain services. Overall, we believe that our strategic focus on Human Health and Environmental Health coupled with our breadth of end markets, deep portfolio of technologies and applications, leading market positions, global scale and financial strength will provide us with a strong foundation for continued growth.



---

## **Table of Contents**

### **Recent Developments**

#### ***Business Combinations and Divestitures***

*Divestiture of Illumination and Detection Solutions Business.* In August 2010, we entered into an agreement to sell our Illumination and Detection Solutions ( IDS ) business for approximately \$500.0 million, \$482.0 million net of payments for acquired cash balances, subject to adjustment for working capital as of the closing date. The divestiture of our IDS business is expected to reduce the complexity of our product offerings and to provide capital to reinvest in other Human Health and Environmental Health end markets. The buyer will acquire our IDS business through the purchase of all outstanding stock of certain of our subsidiaries located in Germany, Canada, China, Indonesia, the Philippines, the United Kingdom and the United States as well as the purchase of certain assets and the assumption of certain liabilities held by us and our subsidiaries located in Singapore and Germany. The transaction is expected to close by the end of fiscal year 2010 and is subject to customary closing conditions.

*Acquisition of VisEn Medical Inc.* In July 2010, we acquired the outstanding stock of VisEn Medical Inc. ( VisEn ). VisEn is an *in vivo* molecular imaging technology company. We expect this acquisition to enhance our cellular imaging business by expanding our technologies and capabilities into preclinical research undertaken in academic institutes and pharmaceutical companies. We paid the shareholders of VisEn \$23.0 million in cash for the stock of VisEn, of which \$18.2 million was paid at closing and an additional amount of \$4.8 million was paid and is held in an escrow account to reflect certain potential adjustments for VisEn's indebtedness, working capital as of the closing date, and indemnification. We report the operations for this acquisition within the results of our Human Health segment from the acquisition date.

*Acquisition of Signature Genomic Laboratories, LLC.* In May 2010, we acquired the outstanding stock of SGL Newco, Inc., the parent company of Signature Genomic Laboratories, LLC ( Signature Genomic ). Signature Genomic is a provider of diagnostic cytogenetic testing of chromosome abnormalities in individuals with unexplained physical and developmental disabilities. We expect this acquisition to expand our existing genetic testing business and expand our position in early detection of disease, specifically in the molecular diagnostic market. We paid the shareholders of Signature Genomic \$90.0 million in cash, of which \$77.5 million was paid at closing and an additional amount of \$12.5 million was paid and is held in an escrow account to reflect certain adjustments for Signature Genomic's indebtedness, working capital as of the closing date, and indemnification. We report the operations for this acquisition within the results of our Human Health segment from the acquisition date.

*Acquisition of Remaining Interest in the Inductively Coupled Plasma Mass Spectrometry Joint Venture.* In May 2010, we acquired the remaining 50 percent equity interest in our joint venture (the ICPMS Joint Venture ) with the company previously known as MDS, Inc. for the development and manufacturing of our Inductively Coupled Plasma Mass Spectrometry ( ICPMS ) product line and other related tangible assets from DH Technologies Development Pte Ltd., a subsidiary of Danaher Corporation ( Danaher ). We expect this acquisition will help support the continued success of the premier ICPMS product line by allowing us to direct development with a dedicated and consistent approach. The fair value of the acquisition was \$67.7 million, including cash consideration of \$35.0 million, non-cash consideration of \$2.6 million for certain non-exclusive rights to intangible assets we own, and \$30.4 million representing the fair value of our 50 percent equity interest in the ICPMS Joint Venture held prior to the acquisition. We recognized a pre-tax gain of \$25.6 million from the re-measurement to fair value of our previously held equity interest in the ICPMS Joint Venture. This pre-tax gain is reported in interest and other expense (income), net, for the nine months ended October 3, 2010. We report the operations for this acquisition within the results of our Environmental Health segment from the acquisition date.

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

The preparation of condensed 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

---

## **Table of Contents**

debts, inventories, intangible assets, income taxes, restructuring, pensions and other postretirement 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 condensed consolidated financial statements. We believe our critical accounting policies include 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 and estimates, please refer to the Notes to our Audited Consolidated Financial Statements and Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*, in our Annual Report on Form 10-K for the fiscal year ended January 3, 2010 (the 2009 Form 10-K), as filed with the Securities and Exchange Commission (the SEC).

## **Consolidated Results of Continuing Operations**

### ***Sales***

Sales for the three months ended October 3, 2010 were \$419.1 million, as compared to \$377.0 million for the three months ended October 4, 2009, an increase of \$42.1 million, or 11%, which includes an approximate 2% increase from acquisitions and an approximate 1% decrease in sales attributable to unfavorable changes in foreign exchange rates. The analysis in the remainder of this paragraph compares segment sales for the three months ended October 3, 2010 as compared to the three months ended October 4, 2009 and includes the effect of foreign exchange rate fluctuations and acquisitions. The total increase in sales reflects an increase of \$15.4 million, or 9%, in our Human Health segment sales due to an increase in diagnostics market sales of \$15.4 million. Sales in the research market were flat for the three months ended October 3, 2010 as compared to the three months ended October 4, 2009. Our Environmental Health segment sales increased \$26.7 million, or 14%, due to increases in environmental and safety and industrial markets sales of \$14.1 million, and an increase in laboratory services market sales of \$12.6 million.

Sales for the nine months ended October 3, 2010 were \$1,234.4 million, as compared to \$1,122.3 million for the nine months ended October 4, 2009, an increase of \$112.1 million, or 10%, which includes an approximate 2% increase in sales attributable to acquisitions and no net impact from changes in foreign exchange rates. The analysis in the remainder of this paragraph compares segment sales for the nine months ended October 3, 2010 as compared to the nine months ended October 4, 2009 and includes the effect of foreign exchange rate fluctuations and acquisitions. The total increase in sales reflects an increase of \$41.9 million, or 8%, in our Human Health segment sales due to an increase in diagnostics market sales of \$35.7 million and an increase in research market sales of \$6.2 million. Our Environmental Health segment sales increased \$70.2 million, or 12%, due to increases in environmental and safety and industrial markets sales of \$39.3 million, and an increase in laboratory services market sales of \$30.9 million.

### ***Cost of Sales***

Cost of sales for the three months ended October 3, 2010 was \$233.4 million, as compared to \$208.3 million for the three months ended October 4, 2009, an increase of \$25.1 million, or 12%. As a percentage of sales, cost of sales increased to 55.7% for the three months ended October 3, 2010, from 55.2% for the three months ended October 4, 2009, resulting in a decrease in gross margin of approximately 40 basis points to 44.3% for the three months ended October 3, 2010, from 44.8% for the three months ended October 4, 2009. Amortization of

---

**Table of Contents**

intangible assets increased and was \$11.1 million for the three months ended October 3, 2010, as compared to \$9.2 million for the three months ended October 4, 2009. Stock compensation expense decreased and was \$0.2 million for the three months ended October 3, 2010, as compared to \$0.3 million for the three months ended October 4, 2009. The amortization of purchase accounting adjustments to record the inventory from certain acquisitions completed in fiscal year 2009 was \$0.3 million for the three months ended October 4, 2009. The decrease in gross margin was primarily the result of changes in product mix with growth in sales of lower gross margin product offerings, partially offset by increased sales volume, productivity improvements and cost containment initiatives.

Cost of sales for the nine months ended October 3, 2010 was \$684.1 million, as compared to \$617.2 million for the nine months ended October 4, 2009, an increase of \$66.9 million, or 11%. As a percentage of sales, cost of sales increased to 55.4% for the nine months ended October 3, 2010, from 55.0% for the nine months ended October 4, 2009, resulting in a decrease in gross margin of approximately 40 basis points to 44.6% for the nine months ended October 3, 2010, from 45.0% for the nine months ended October 4, 2009. Amortization of intangible assets increased and was \$31.3 million for the nine months ended October 3, 2010, as compared to \$26.6 million for the nine months ended October 4, 2009. Stock compensation expense decreased and was \$0.7 million for the nine months ended October 3, 2010, as compared to \$0.9 million for the nine months ended October 4, 2009. The amortization of purchase accounting adjustments to record the inventory from certain acquisitions completed in fiscal year 2009 was \$0.3 million for the nine months ended October 4, 2009. The decrease in gross margin was primarily the result of changes in product mix with growth in sales of lower gross margin product offerings, partially offset by increased sales volume, productivity improvements and cost containment initiatives.

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

Selling, general and administrative expenses for the three months ended October 3, 2010 were \$120.6 million, as compared to \$112.8 million for the three months ended October 4, 2009, an increase of \$7.8 million, or 7%. As a percentage of sales, selling, general and administrative expenses decreased and were 28.8% for the three months ended October 3, 2010, as compared to 29.9% for the three months ended October 4, 2009. Amortization of intangible assets increased and was \$4.2 million for the three months ended October 3, 2010, as compared to \$4.0 million for the three months ended October 4, 2009. Stock compensation expense decreased and was \$1.1 million for the three months ended October 3, 2010, as compared to \$1.4 million for the three months ended October 4, 2009. Purchase accounting adjustments for contingent consideration and other acquisition costs related to certain acquisitions added an expense of \$0.2 million for the three months ended October 3, 2010 and \$0.7 million for the three months ended October 4, 2009. The increase in selling, general and administrative expenses was primarily the result of increased sales and marketing expenses, particularly in emerging territories, increased pension expense and foreign exchange, partially offset by cost containment initiatives.

Selling, general and administrative expenses for the nine months ended October 3, 2010 were \$365.4 million, as compared to \$347.7 million for the nine months ended October 4, 2009, an increase of \$17.7 million, or 5%. As a percentage of sales, selling, general and administrative expenses decreased and were 29.6% for the nine months ended October 3, 2010, as compared to 31.0% for the nine months ended October 4, 2009. Amortization of intangible assets increased and was \$12.4 million for the nine months ended October 3, 2010, as compared to \$11.5 million for the nine months ended October 4, 2009. Stock compensation expense was \$4.3 million for each of the nine months ended October 3, 2010 and October 4, 2009. The gain on the sale of a facility in Boston, Massachusetts that was damaged in a fire in March 2005 was \$3.4 million for the nine months ended October 3, 2010. Purchase accounting adjustments for contingent consideration and other acquisition costs related to certain acquisitions added an expense of \$2.1 million for the nine months ended October 3, 2010 and \$1.6 million for the nine months ended October 4, 2009. The increase in selling, general and administrative expenses was primarily the result of increased sales and marketing expenses, particularly in emerging territories, increased pension expense and foreign exchange, partially offset by cost containment initiatives.

---

**Table of Contents*****Research and Development Expenses***

Research and development expenses for the three months ended October 3, 2010 were \$23.8 million, as compared to \$23.3 million for the three months ended October 4, 2009, an increase of \$0.5 million, or 2%. As a percentage of sales, research and development expenses decreased to 5.7% for the three months ended October 3, 2010, as compared to 6.2% for the three months ended October 4, 2009. Amortization of intangible assets decreased and was \$0.4 million for the three months ended October 3, 2010, as compared to \$0.5 million for the three months ended October 4, 2009. Stock compensation expense was \$0.1 million for each of the three months ended October 3, 2010 and October 4, 2009.

Research and development expenses for the nine months ended October 3, 2010 were \$69.8 million, as compared to \$67.1 million for the nine months ended October 4, 2009, an increase of \$2.7 million, or 4%. As a percentage of sales, research and development expenses decreased to 5.7% for the nine months ended October 3, 2010, as compared to 6.0% for the nine months ended October 4, 2009. Amortization of intangible assets decreased and was \$1.2 million for the nine months ended October 3, 2010, as compared to \$1.5 million for the nine months ended October 4, 2009. Stock compensation expense was \$0.3 million for the nine months ended October 3, 2010 and \$0.4 million for the nine months ended October 4, 2009. We directed research and development efforts similarly during the first nine months of fiscal year 2010 and fiscal year 2009, primarily towards the diagnostics and research markets within our Human Health segment, and the analytical sciences and laboratory service and support markets within our Environmental Health 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 and divestitures, alignment with our growth strategy and the integration of our business units.

A description of the restructuring plans and the activity recorded for the nine months ended October 3, 2010 is listed below. Details of the plans initiated in previous years, particularly those listed under *Previous Restructuring and Integration Plans*, are discussed more fully in Note 3 to the audited consolidated financial statements in our 2009 Form 10-K.

The restructuring plans for the second quarter of fiscal year 2010 and the third quarter of fiscal year 2009 were intended principally to reduce resources in response to the continued economic downturn and its impact on demand in certain end markets and to shift resources to higher growth geographic regions and end markets. The restructuring plan for the first quarter of fiscal year 2009 was intended principally to reduce resources in response to the economic downturn and its impact on demand in certain end markets. The activities associated with these plans have been reported as restructuring expenses as a component of operating expenses from continuing operations. We expect the impact of immediate cost savings from the restructuring plans on operating results and cash flows to approximately offset the increased spending in higher growth regions and the decline in revenue from certain products, respectively. We expect the impact of future cost savings from these restructuring activities on operating results and cash flows to be negligible, as we will incur offsetting costs.

***Q2 2010 Restructuring Plan***

During the second quarter of fiscal year 2010, our management approved a plan to reduce resources in response to the continued economic downturn and its impact on demand in certain end markets and to shift resources to higher growth geographic regions and end markets (the Q2 2010 Plan). As a result of the Q2 2010 Plan, we recognized a \$6.9 million pre-tax restructuring charge in the Human Health segment related to a workforce reduction from reorganization activities and the closure of an excess facility. We also recognized a \$3.9 million pre-tax restructuring charge in the Environmental Health segment related to a workforce reduction from reorganization activities. As part of the Q2 2010 Plan, we reduced headcount by 115 employees. All employee notifications and actions related to the closure of the excess facility for the Q2 2010 Plan were completed by July 4, 2010.

**Table of Contents**

The following table summarizes the Q2 2010 Plan activity for the nine months ended October 3, 2010:

	Severance	Closure of Excess Facility (In thousands)	Total
Provision	\$ 9,067	\$ 1,735	\$ 10,802
Reclass of deferred gain on excess facility		143	143
Amounts paid and foreign currency translation	(4,863)	376	(4,487)
Balance at October 3, 2010	\$ 4,204	\$ 2,254	\$ 6,458

We anticipate that the remaining severance payments of \$4.2 million for workforce reductions will be completed by the end of the fourth quarter of fiscal year 2011. We also anticipate that the remaining payments of \$2.3 million for the closure of the excess facility will be paid through fiscal year 2022, in accordance with the terms of the applicable lease.

**Q3 2009 Restructuring Plan**

During the third quarter of fiscal year 2009, our management approved a plan to reduce resources in response to the economic downturn and its impact on demand in certain end markets and to shift resources to higher growth geographic regions and end markets (the Q3 2009 Plan). As a result of the Q3 2009 Plan, we recognized a \$4.3 million pre-tax restructuring charge in the Human Health segment related to a workforce reduction from reorganization activities and the closure of an excess facility. We also recognized a \$6.4 million pre-tax restructuring charge in the Environmental Health segment related to a workforce reduction from reorganization activities. During the second quarter of fiscal year 2010, we recorded a pre-tax restructuring reversal of \$0.5 million relating to our Q3 2009 Plan due to lower than expected costs associated with the workforce reductions in Europe within both the Human Health and Environmental Health segments. As part of the Q3 2009 Plan, we reduced headcount by 131 employees. All employee notifications and actions related to the closure of the excess facility for the Q3 2009 Plan were completed by October 4, 2009.

The following table summarizes the Q3 2009 Plan activity for the nine months ended October 3, 2010:

	Severance	Closure of Excess Facility (In thousands)	Total
Balance at January 3, 2010	\$ 5,024	\$ 341	\$ 5,365
Change in estimate	(498)		(498)
Amounts paid and foreign currency translation	(2,513)	(220)	(2,733)
Balance at October 3, 2010	\$ 2,013	\$ 121	\$ 2,134

We anticipate that the remaining severance payments of \$2.0 million for workforce reductions will be completed by the end of the second quarter of fiscal year 2011. We also anticipate that the remaining payments of \$0.1 million for the closure of the excess facility will be paid through fiscal year 2011, in accordance with the terms of the applicable lease.

**Q1 2009 Restructuring Plan**

During the first quarter of fiscal year 2009, our management approved a plan to reduce resources in response to the economic downturn and its impact on demand in certain end markets (the Q1 2009 Plan). As a result of the Q1 2009 Plan, we recognized a \$4.8 million pre-tax restructuring charge in the Human Health segment related to a workforce reduction from reorganization activities and the closure of an excess facility. We also recognized a \$2.4 million pre-tax restructuring charge in the Environmental Health segment related to a



**Table of Contents**

workforce reduction from reorganization activities and the closure of an excess facility. As part of the Q1 2009 Plan, we reduced headcount by 104 employees. All employee notifications and actions related to the closure of the excess facility for the Q1 2009 Plan were completed by April 5, 2009.

The following table summarizes the Q1 2009 Plan activity for the nine months ended October 3, 2010:

	Severance	Closure of Excess Facility (In thousands)	Total
Balance at January 3, 2010	\$ 2,900	\$ 308	\$ 3,208
Amounts paid and foreign currency translation	(1,274)	(67)	(1,341)
Balance at October 3, 2010	\$ 1,626	\$ 241	\$ 1,867

We anticipate that the remaining severance payments of \$1.6 million for workforce reductions will be completed by the end of the first quarter of fiscal year 2011. We also anticipate that the remaining payments of \$0.2 million for the closure of the excess facility will be paid through fiscal year 2012, in accordance with the terms of the applicable lease.

***Previous Restructuring and Integration Plans***

The principal actions of the restructuring and integration plans from fiscal years 2001 through 2008 were workforce reductions related to the integration of our businesses in order to reduce costs and achieve operational efficiencies as well as workforce reductions in both the Human Health and Environmental Health segments by shifting resources into geographic regions and product lines that are more consistent with our growth strategy. During the nine months ended October 3, 2010, we paid \$0.8 million related to these plans, recorded a reversal of \$0.9 million related to lower than expected costs associated with the workforce reductions in Europe within both the Human Health and Environmental Health segments, and recorded a charge of \$0.4 million to reduce the estimated sublease rental payments reasonably expected to be obtained for an excess facility in Europe within the Environmental Health segment. As of October 3, 2010, we had approximately \$4.5 million of remaining liabilities associated with these restructuring and integration plans, primarily for residual lease obligations related to closed facilities in both the Human Health and Environmental Health segments. Payments for these leases, the terms of which vary in length, will be made through fiscal year 2022.

***Lease Charges***

To facilitate the sale of a business in fiscal year 2001, we were required to guarantee the lease obligations that the buyer assumed related to the lease for the building in which the business operated. 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, the buyer subsequently defaulted under the lease, and the lessor sought reimbursement from us. We recorded a charge of \$2.7 million in fiscal year 2007 related to payments for this lease obligation. The buyer filed for bankruptcy protection during the third quarter of fiscal year 2008 and was delinquent in making both its lease payments and payments for certain building expenses. The buyer ceased operations in the third quarter of fiscal year 2009 and vacated the property. We recorded an additional charge of \$0.9 million during the third quarter of fiscal year 2009 related to waste removal and restoration costs, and reduced the estimated sublease rental payments reasonably expected to be obtained for the property. We also recorded an additional charge of \$0.1 million during the second quarter of fiscal year 2010 to further reduce the estimated sublease rental payments reasonably expected to be obtained for the property. We were required to make payments for these obligations of \$1.3 million during the first nine months of fiscal year 2010, \$1.1 million during fiscal year 2009, and \$0.4 million during fiscal year 2008. The remaining balance of this accrual as of October 3, 2010 was \$0.8 million.

**Table of Contents****Interest and Other Expense (Income), Net**

Interest and other expense (income), net, consisted of the following:

	Three Months Ended		Nine Months Ended	
	October 3, 2010	October 4, 2009	October 3, 2010	October 4, 2009
	(In thousands)			
Interest income	\$ (192)	\$ (124)	\$ (542)	\$ (777)
Interest expense	4,185	3,876	11,937	12,084
Gains on step acquisition			(25,586)	
Other expense, net	2,687	798	2,340	1,651
<b>Total interest and other expense (income), net</b>	<b>\$ 6,680</b>	<b>\$ 4,550</b>	<b>\$ (11,851)</b>	<b>\$ 12,958</b>

Interest and other expense (income), net, for the three months ended October 3, 2010 was an expense of \$6.7 million, as compared to an expense of \$4.6 million for the three months ended October 4, 2009, an increase of \$2.1 million. The increase in interest and other expense (income), net, for the three months ended October 3, 2010 as compared to the three months ended October 4, 2009 was primarily due to the increase in other expense, net, of \$1.9 million, which consisted primarily of expenses related to foreign currency transactions and foreign currency translation. Interest expense increased by \$0.3 million and interest income increased by \$0.1 million for the three months ended October 3, 2010, as compared to the three months ended October 4, 2009, primarily due to higher outstanding debt balances, and higher cash balances, respectively. A more complete discussion of our liquidity is set forth below under the heading Liquidity and Capital Resources.

Interest and other expense (income), net, for the nine months ended October 3, 2010 was income of \$11.9 million, as compared to an expense of \$13.0 million for the nine months ended October 4, 2009, an increase of \$24.8 million. The increase in interest and other expense (income), net, for the nine months ended October 3, 2010 as compared to the nine months ended October 4, 2009 was primarily due to the pre-tax gain of \$25.6 million related to the required re-measurement to fair value of our previously held equity interest in the ICPMS Joint Venture. Interest expense decreased by \$0.1 million and interest income decreased by \$0.2 million for the nine months ended October 3, 2010, as compared to the nine months ended October 4, 2009. Other expense, net, for the nine months ended October 3, 2010 as compared to the nine months ended October 4, 2009 increased by \$0.7 million, and consisted primarily of expenses related to foreign currency transactions and foreign currency translation.

**Provision for Income Taxes**

For the three months ended October 3, 2010, the provision for income taxes from continuing operations was \$8.2 million, as compared to a provision of \$4.0 million for the three months ended October 4, 2009.

The provision for income taxes from continuing operations was \$23.8 million for the nine months ended October 3, 2010, as compared to a provision of \$18.0 million for the nine months ended October 4, 2009.

The effective tax rate from continuing operations was 23.6% and 20.3% for the three and nine months ended October 3, 2010, respectively, as compared to 23.2% and 30.3% for the three and nine months ended October 4, 2009, respectively. The higher effective tax rate for the three months ended October 3, 2010 was primarily due to the favorable settlement of several income tax audits worldwide during the three months ended October 4, 2009. The lower effective tax rate for the nine months ended October 3, 2010 was primarily due to (i) the favorable impact related to the gain on the previously held equity interest in the ICPMS Joint Venture, and (ii) the favorable settlement of several income tax audits worldwide during the nine months ended October 3, 2010.



**Table of Contents****Discontinued Operations**

As part of our continuing efforts to focus on higher growth opportunities, we have discontinued certain businesses. We have accounted for these businesses as discontinued operations and, accordingly, have 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 condensed consolidated balance sheets as of October 3, 2010 and January 3, 2010.

We recorded the following gains and losses, which have been reported as (loss) gain on disposition of discontinued operations:

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>October 3, 2010</b>	<b>October 4, 2009</b>	<b>October 3, 2010</b>	<b>October 4, 2009</b>
	(In thousands)			
Gain (loss) on disposition of ViaCyte <sup>SM</sup> and Cellular Therapy Technology businesses	\$	\$ 85	\$ (110)	\$ (2,301)
(Loss) gain on disposition of Photoflash business	(199)		4,418	
Loss on disposition of other discontinued operations	(296)	(1,365)	(1,735)	(1,371)
(Loss) gain on disposition of discontinued operations before income taxes	(495)	(1,280)	2,573	(3,672)
(Benefit from) provision for income taxes	(248)	288	342	(116)
(Loss) gain on disposition of discontinued operations, net of income taxes	\$ (247)	\$ (1,568)	\$ 2,231	\$ (3,556)

In August 2010, our Board of Directors (our Board) approved a plan to divest our IDS business within the Environmental Health segment. In addition, during the third quarter of fiscal year 2010 we entered into an agreement to sell our IDS business for approximately \$500.0 million, \$482.0 million net of payments for acquired cash balances, subject to adjustment for working capital as of the closing date. The divestiture of our IDS business is expected to reduce the complexity of our product offerings and to provide capital to reinvest in other Human Health and Environmental Health end markets. The buyer will acquire our IDS business through the purchase of all outstanding stock of certain of our subsidiaries located in Germany, Canada, China, Indonesia, the Philippines, the United Kingdom and the United States as well as the purchase of certain assets and the assumption of certain liabilities held by us and our subsidiaries located in Singapore and Germany. The transaction is expected to close by the end of fiscal year 2010 and is subject to customary closing conditions. We expect to record a gain on the sale of our IDS business.

As part of our strategic business alignment into the Human Health and Environmental Health segments, completed at the beginning of fiscal year 2009, and our continuing efforts to focus on higher growth opportunities, in December 2008, our management approved separate plans to divest our Photonics and Photoflash businesses within the Environmental Health segment. Photonics and Photoflash products and technologies include xenon flashtubes and modules. These products are used in a variety of applications including mobile phones and laser machine tools. The distressed economic conditions during fiscal year 2009 adversely impacted our plan to market and sell the Photonics and Photoflash businesses. We implemented a number of actions during fiscal year 2009 to respond to these changing circumstances and continued to actively market these businesses. In the fourth quarter of fiscal year 2009, we determined that we could not effectively market and sell the Photonics business given the changed circumstances and, after careful consideration, we decided to cease our plan to actively market and sell the Photonics business on a standalone basis. The Photonics business has been included with the set of businesses which are held for sale as our IDS business, as described above. In June 2010, we sold the Photoflash business for approximately \$11.8 million, subject to a net working capital adjustment, plus potential additional contingent consideration. We recognized a pre-tax gain of \$4.6 million, inclusive of the net working capital adjustment, in the second quarter of fiscal year 2010 as a result of the sale. This gain was recognized as a gain on the disposition of discontinued operations.

**Table of Contents**

Following the ViaCell, Inc. ( ViaCell ) acquisition in fiscal year 2007, our Board approved a plan to sell the ViaCyte<sup>SM</sup> and Cellular Therapy Technology businesses that were acquired with ViaCell. We determined that both businesses did not strategically fit with the other products offered by the Human Health segment. We also determined that without investing capital into the operations of both businesses, we could not effectively compete with larger companies that focus on the market for such products. After careful consideration, we decided in the second quarter of fiscal year 2008 to shut down the ViaCyte<sup>SM</sup> and Cellular Therapy Technology businesses. We recorded a pre-tax loss of \$8.0 million for severance and facility closure costs during fiscal year 2008 and recorded an additional pre-tax loss of \$1.3 million related to facility closure costs during fiscal year 2009.

During the first nine months of both fiscal years 2010 and 2009, we settled various commitments related to the divestiture of other discontinued operations. We recognized a pre-tax loss of \$1.7 million in the first nine months of fiscal year 2010 in connection with the settlement of those commitments. We recognized a pre-tax loss of \$1.4 million in the first nine months of fiscal year 2009 in connection with the closure of a facility.

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

	Three Months Ended		Nine Months Ended	
	October 3, 2010	October 4, 2009	October 3, 2010	October 4, 2009
	(In thousands)			
Sales	\$ 78,047	\$ 71,593	\$ 243,114	\$ 209,726
Costs and expenses	73,663	67,846	220,722	196,883
Operating income from discontinued operations	4,384	3,747	22,392	12,843
Other expense, net	167	271	716	881
Income from discontinued operations before income taxes	4,217	3,476	21,676	11,962
Provision for income taxes	17,124	1,647	21,842	4,168
(Loss) income from discontinued operations, net of income taxes	\$ (12,907)	\$ 1,829	\$ (166)	\$ 7,794

We recorded \$17.1 million of tax expense during the quarter ended October 3, 2010 as the unremitted earnings of certain foreign subsidiaries no longer qualify for deferral as permanently reinvested once the subsidiary is classified as held for sale. The recognition of this expense is required when it becomes apparent that the difference will reverse in the foreseeable future.

**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 established and when the cost can be reasonably estimated. We have accrued \$6.2 million as of October 3, 2010, 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

---

**Table of Contents**

date that have had, or are expected to have, a material adverse effect on our condensed consolidated financial statements. While it is possible that a loss exceeding the amounts recorded in the condensed 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 "New York Case"). 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. In January 2009, the case was assigned to a new district court judge and in March 2009, the new judge denied the pending summary judgment motions without prejudice and ordered a stay of the case until the federal appellate court decides Enzo's appeal of the judgment of the United States District Court for the District of Connecticut in Enzo Biochem vs. Applera Corp. and Tropix, Inc. (the "Connecticut Case"), which involves a number of the same patents and which could materially affect the scope of Enzo's case against us. On March 26, 2010, the United States Court of Appeals for the Federal Circuit ("CAFC") affirmed-in-part and reversed-in-part the judgment in the Connecticut Case. Pending further disposition of the Connecticut Case, the New York Case against us and other defendants remains stayed.

We believe we have meritorious defenses to the matter described above, and we are contesting the action vigorously. While this matter is subject to uncertainty, in the opinion of our management, based on its review of the information available at this time, the resolution of this matter will not have a material adverse effect on our condensed consolidated financial statements.

In addition, we re-measured several of our uncertain tax positions related to fiscal years 2006 through 2009 during the second quarter of fiscal year 2010 based on new information arising from events during the quarter that affected positions for those years. We also effectively settled several income tax audits worldwide. The re-measurements and closure of audits included uncertain tax positions in the Philippines and the federal and certain state governments within the United States. These re-measurements and closure of audits, as well as other discrete items, resulted in the recognition of \$4.2 million of income tax benefits in continuing operations during the first nine months of fiscal year 2010. Tax years ranging from 1999 through 2009 remain open to examination by various tax jurisdictions in which we have significant business operations, such as Singapore, Canada, Germany, the United Kingdom and the United States. 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. We make adjustments 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 effectively 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 October 3, 2010 should not have a material adverse effect on our condensed consolidated financial statements. However, each of these matters is subject to uncertainties, and it is possible that some of these matters may be resolved unfavorably to us.

---

**Table of Contents****Reporting Segment Results of Continuing Operations*****Human Health***

Sales for the three months ended October 3, 2010 were \$194.5 million, as compared to \$179.1 million for the three months ended October 4, 2009, an increase of \$15.4 million, or 9%, which includes an approximate 5% increase from acquisitions and an approximate 1% decrease in sales attributable to unfavorable changes in foreign exchange rates. The analysis in the remainder of this paragraph compares selected sales by product type for the three months ended October 3, 2010, as compared to the three months ended October 4, 2009, and includes the effect of foreign exchange fluctuations and acquisitions. The increase in sales in our Human Health segment reflects an increase in diagnostics market sales of \$15.4 million. Sales in the research market were flat for the three months ended October 3, 2010 as compared to the three months ended October 4, 2009. This increase in our Human Health segment sales during the three months ended October 3, 2010 was due primarily to the increased demand for our medical imaging products in the diagnostics market, as well as increased growth in the academic sector for both instruments and reagents in the research market. The demand for our medical imaging products resulted from improved market conditions that eased the constraints on medical providers' capital budgets allowing us to increase our customer base, including expanding into non-medical applications. These increases were partially offset by the impact of lower birth rates in the United States and tight inventory management in state and national labs for neonatal screening in the diagnostics market, as well as customer consolidations in the pharmaceutical market and by the continued tight capital budgets of our pharmaceutical customers in the research market.

Sales for the nine months ended October 3, 2010 were \$580.6 million, as compared to \$538.7 million for the nine months ended October 4, 2009, an increase of \$41.9 million, or 8%, which includes an approximate 3% increase in sales attributable to acquisitions and no net impact from changes in foreign exchange rates. The analysis in the remainder of this paragraph compares selected sales by product type for the nine months ended October 3, 2010, as compared to the nine months ended October 4, 2009, and includes the effect of foreign exchange fluctuations and acquisitions. The increase in sales in our Human Health segment reflects an increase in diagnostics market sales of \$35.7 million and an increase in research market sales of \$6.2 million. This increase in our Human Health segment sales during the nine months ended October 3, 2010 was due primarily to the increased demand for our medical imaging products in the diagnostics market, as well as increased growth in the academic sector for both instruments and reagents in the research market. The demand for our medical imaging products resulted from improved market conditions that eased the constraints on medical providers' capital budgets allowing us to increase our customer base, including expanding into non-medical applications. These increases were partially offset by tight inventory management in state and national labs for neonatal screening in the diagnostics market, as well as customer consolidations in the pharmaceutical market and by the continued tight capital budgets of our pharmaceutical customers in the research market.

Operating income from continuing operations for the three months ended October 3, 2010 was \$25.0 million, as compared to \$19.0 million for the three months ended October 4, 2009, an increase of \$5.9 million, or 31%. Amortization of intangible assets was \$12.1 million and \$10.0 million for the three months ended October 3, 2010 and October 4, 2009, respectively. Restructuring and lease charges were \$4.4 million for the three months ended October 4, 2009 as a result of our Q3 2009 Plan. Purchase accounting adjustments for contingent consideration and other acquisition costs related to certain acquisitions added an expense of \$0.3 million for the three months ended October 3, 2010, as compared to an expense of \$0.5 million for the three months ended October 4, 2009. The amortization of purchase accounting adjustments to record the inventory from certain acquisitions completed in fiscal year 2009 was \$0.3 million for the three months ended October 4, 2009. Increased sales volume, productivity improvements and cost containment initiatives increased operating income for the three months ended October 3, 2010, which was partially offset by changes in product mix with growth in sales of lower gross margin product offerings, increased sales and marketing expenses, particularly in emerging territories, increased pension expenses and foreign exchange.

Operating income from continuing operations for the nine months ended October 3, 2010 was \$72.6 million, as compared to \$56.0 million for the nine months ended October 4, 2009, an increase of \$16.6 million, or 30%. Amortization of intangible assets was \$34.5 million and \$30.0 million for the nine months ended October 3, 2010

---

**Table of Contents**

and October 4, 2009, respectively. Restructuring and lease charges were \$5.9 million for the nine months ended October 3, 2010 as a result of our Q2 2010 Plan, as compared to \$9.2 million for the nine months ended October 4, 2009 as a result of our Q1 2009 and Q3 2009 Plans. The gain on the sale of a facility in Boston, Massachusetts that was damaged in a fire in March 2005 was \$3.4 million for the nine months ended October 3, 2010. Purchase accounting adjustments for contingent consideration and other acquisition costs related to certain acquisitions added an expense of \$1.0 million for the nine months ended October 3, 2010, as compared to an expense of \$1.2 million for the nine months ended October 4, 2009. The amortization of purchase accounting adjustments to record the inventory from certain acquisitions completed in fiscal year 2009 was \$0.3 million for the nine months ended October 4, 2009. Increased sales volume and cost containment initiatives increased operating income for the nine months ended October 3, 2010, which was partially offset by changes in product mix with growth in sales of lower gross margin product offerings, increased sales and marketing expenses, particularly in emerging territories, increased pension expenses and foreign exchange.

***Environmental Health***

Sales for the three months ended October 3, 2010 were \$224.6 million, as compared to \$197.9 million for the three months ended October 4, 2009, an increase of \$26.7 million, or 14%, which includes an approximate 1% decrease in sales attributable to unfavorable changes in foreign exchange rates and no net impact from acquisitions. The analysis in the remainder of this paragraph compares selected sales by market and product type for the three months ended October 3, 2010, as compared to the three months ended October 4, 2009, and includes the effect of foreign exchange fluctuations and acquisitions. The increase in sales in our Environmental Health segment reflects increases in environmental and safety and industrial markets sales of \$14.1 million, and an increase in laboratory services market sales of \$12.6 million. This increase in our Environmental Health segment sales during the three months ended October 3, 2010 was due primarily to the increase in our OneSource multivendor service offering, which we expanded in markets beyond our traditional customer base and services, as well as growth in our environmental, food and consumer safety and testing products. We also experienced continued growth in traditional chemical markets with the reduction of constraints on capital purchases to rebuild capacity as a result of the cyclical recovery and increased demand after the extended period of delayed capital investment.

Sales for the nine months ended October 3, 2010 were \$653.8 million, as compared to \$583.6 million for the nine months ended October 4, 2009, an increase of \$70.2 million, or 12%, which includes an approximate 1% increase in sales attributable to favorable changes in foreign exchange rates and no net impact from acquisitions. The analysis in the remainder of this paragraph compares selected sales by market and product type for the nine months ended October 3, 2010, as compared to the nine months ended October 4, 2009, and includes the effect of foreign exchange fluctuations and acquisitions. The increase in sales in our Environmental Health segment reflects increases in environmental and safety and industrial markets sales of \$39.3 million, and an increase in laboratory services market sales of \$30.9 million. This increase in our Environmental Health segment sales during the nine months ended October 3, 2010 was due primarily to the increase in our OneSource multivendor service offering, which we expanded in markets beyond our traditional customer base and services, as well as growth in our environmental, food and consumer safety and testing products. We also experienced continued growth in traditional chemical markets with the reduction of constraints on capital purchases to rebuild capacity as a result of the cyclical recovery and increased demand after the extended period of delayed capital investment.

Operating income from continuing operations for the three months ended October 3, 2010 was \$26.1 million, as compared to \$11.3 million for the three months ended October 4, 2009, an increase of \$14.8 million, or 132%. Amortization of intangible assets was \$3.6 million and \$3.7 million for the three months ended October 3, 2010 and October 4, 2009, respectively. Restructuring and lease charges were \$6.4 million for the three months ended October 4, 2009 as a result of our Q3 2009 Plan. Purchase accounting adjustments for contingent consideration and other acquisition costs related to certain acquisitions was income of \$0.1 million for the three months ended October 3, 2010, as compared to an expense of \$0.2 million for the three months ended October 4, 2009. Increased sales volume, productivity improvements and cost containment initiatives increased

## **Table of Contents**

operating income for the three months ended October 3, 2010, which was partially offset by changes in product mix with growth in sales of lower gross margin product offerings, increased sales and marketing expenses, particularly in emerging territories, increased pension expenses and foreign exchange.

Operating income from continuing operations for the nine months ended October 3, 2010 was \$61.8 million, as compared to \$42.4 million for the nine months ended October 4, 2009, an increase of \$19.4 million, or 46%. Amortization of intangible assets was \$10.4 million and \$9.6 million for the nine months ended October 3, 2010 and October 4, 2009, respectively. Restructuring and lease charges were \$4.0 million for the nine months ended October 3, 2010 as a result of our Q2 2010 Plan, as compared to \$8.8 million for the nine months ended October 4, 2009 as a result of our Q1 2009 and Q3 2009 Plans. Purchase accounting adjustments for contingent consideration and other acquisition costs related to certain acquisitions added an expense of \$1.0 million for the nine months ended October 3, 2010, as compared to an expense of \$0.4 million for the nine months ended October 4, 2009. Increased sales volume and cost containment initiatives increased operating income for the nine months ended October 3, 2010, which was partially offset by changes in product mix with growth in sales of lower gross margin product offerings, increased sales and marketing expenses, particularly in emerging territories, increased pension expenses and foreign exchange.

## **Liquidity and Capital Resources**

We require cash to pay our operating expenses, make capital expenditures, make strategic acquisitions, 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. We anticipate that our internal operations will generate sufficient cash to fund our operating expenses, capital expenditures, smaller acquisitions, interest payments on our debt and dividends on our common stock. However, we expect to use external sources to satisfy the balance of our debt when due, any larger acquisitions 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 amended and restated senior unsecured revolving credit facility and our overall access to the corporate debt market,

increases in interest rates or credit spreads, as well as limitations on the availability of credit, that affect our ability to borrow under future potential facilities on a secured or unsecured basis,

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

volatility in the public debt and equity markets.

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

On October 23, 2008, we announced that our Board had authorized us to repurchase up to 10.0 million shares of common stock under a stock repurchase program (the Repurchase Program ). On August 31, 2010, we announced that our Board had authorized us to repurchase an additional 5.0 million shares of common stock under our Repurchase Program. The Repurchase Program will expire on October 22, 2012 unless terminated earlier by our Board, and may be suspended or discontinued at any time. During the first nine months of fiscal

---

**Table of Contents**

year 2010, we did not repurchase any shares of our common stock in the open market under the Repurchase Program. As of October 3, 2010, approximately 13.0 million shares of our common stock remained available for repurchase from the 15.0 million shares authorized by our Board under the Repurchase Program.

Our Board has authorized us to repurchase shares of common stock 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. During the first nine months of fiscal year 2010, we repurchased 46,572 shares of common stock for this purpose. 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.

On August 31, 2010, we entered into an agreement to sell our IDS business for approximately \$500.0 million, \$482.0 million net of payments for acquired cash balances, subject to adjustment for working capital as of the closing date. The divestiture of our IDS business is expected to reduce the complexity of our product offerings and to provide capital to reinvest in other Human Health and Environmental Health end markets. The buyer will acquire our IDS business through the purchase of all outstanding stock of certain of our subsidiaries located in Germany, Canada, China, Indonesia, the Philippines, the United Kingdom and the United States as well as the purchase of certain assets and the assumption of certain liabilities held by us and our subsidiaries located in Singapore and Germany. The transaction is expected to close by the end of fiscal year 2010 and is subject to customary closing conditions. We expect to record a gain on the sale of our IDS business.

On November 5, 2009, the Worker, Homeownership, and Business Assistance Act of 2009 was enacted and allows businesses with net operating losses for 2008 or 2009 to carry back those losses for up to five years. We expect to carry back losses of approximately \$43.6 million from fiscal year 2009 to fiscal year 2005. We expect this carryback will result in a federal income tax refund of approximately \$8.7 million and the generation of general business tax credit carryforwards of approximately \$6.6 million.

On April 27, 2010, we sold a facility in Boston, Massachusetts that was damaged in a fire in March 2005. Net proceeds from the sale were \$11.0 million, and we recorded a gain of approximately \$3.4 million in operating income.

At October 3, 2010, we had cash and cash equivalents of approximately \$251.0 million and an amended senior unsecured revolving credit facility with \$118.0 million available for additional borrowing.

Distressed global financial markets could adversely impact general economic conditions by reducing liquidity and credit availability, creating increased volatility in security prices, widening credit spreads and decreasing valuations of certain investments. The widening of credit spreads 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. Increases in credit spreads, as well as limitations on the availability of credit at rates we consider to be reasonable, could 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 global financial 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.

Our pension plans have not experienced any material impact on liquidity or counterparty exposure due to the volatility in the credit markets. As a result of significant losses experienced in global equity markets during fiscal year 2008, although our pension funds had modest gains for fiscal year 2009 and the first nine months of fiscal year 2010, we are experiencing increased pension costs in fiscal year 2010. We could potentially experience increased costs in additional future periods for all pension plans. We may be required to fund our pension plans outside the United States with a contribution of up to \$11.5 million by the end of fiscal year 2010, and we could potentially have to make additional funding payments in future periods for all pension plans. During the fiscal quarter ended October 3, 2010, we made a voluntary contribution of \$30.0 million for the 2009 plan year to our defined benefit pension plan in the United States, to realize the benefit received from favorable tax provisions included in the Worker, Homeownership, and Business Assistance Act of 2009, as described above.



---

**Table of Contents*****Cash Flows***

*Operating Activities.* Net cash provided by continuing operations was \$120.9 million for the nine months ended October 3, 2010, as compared to net cash provided by continuing operations of \$72.2 million for the nine months ended October 4, 2009, an increase of \$48.8 million. The increase in cash provided by operating activities for the nine months ended October 3, 2010 was a result of income from continuing operations of \$93.4 million, depreciation and amortization of \$65.9 million and restructuring and lease charges, net of \$9.8 million. These amounts were partially offset by pre-tax gains of \$28.9 million related to the required re-measurement to fair value of our previously held equity interest in the ICPMS Joint Venture and asset dispositions, and a net increase in working capital of \$15.3 million. Contributing to the net increase in working capital for the nine months ended October 3, 2010, excluding the effect of foreign exchange rate fluctuations, was an increase in inventory of \$23.2 million and an increase in accounts receivable of \$0.9 million, partially offset by an increase in accounts payable of \$8.8 million. The increase in inventory overall was primarily a result of expanding the amount of inventory held at sales locations within our Environmental Health and Human Health segments to improve responsiveness to customer requirements. The increase in accounts receivable was a result of higher sales volume during the first nine months of fiscal year 2010. The increase in accounts payable was primarily a result of the timing of disbursements during the first nine months of fiscal year 2010. Changes in accrued expenses, other assets and liabilities and other items, net, decreased cash provided by operating activities by \$3.9 million for the nine months ended October 3, 2010, and primarily related to the timing of payments for tax, restructuring, and salary and benefits, and included the voluntarily contribution made during the third quarter of fiscal year 2010 of \$30.0 million to our defined benefit pension plan in the United States for the 2009 plan year.

*Investing Activities.* Net cash used in continuing operations investing activities was \$162.1 million for the nine months ended October 3, 2010, as compared to \$115.3 million of net cash used in continuing operations investing activities for the nine months ended October 4, 2009. For the nine months ended October 3, 2010, we used \$145.6 million of net cash for acquisitions and core technology purchases and \$3.4 million for earn-out payments, acquired licenses and other costs in connection with these and other transactions. In addition, as part of the ICPMS Joint Venture, we gave Danaher non-cash consideration of \$2.6 million for certain non-exclusive rights to intangible assets we own. Capital expenditures for the nine months ended October 3, 2010 were \$22.9 million, primarily in the areas of tooling and other capital equipment purchases. Restricted cash balances increased for the nine months ended October 3, 2010 by \$1.2 million. These cash outflows were partially offset by \$11.0 million received during the second quarter of fiscal year 2010 from the sale of a facility in Boston, Massachusetts that was damaged in a fire in March 2005.

*Financing Activities.* Net cash provided by continuing operations financing activities was \$92.4 million for the nine months ended October 3, 2010, as compared to \$26.5 million of net cash provided by continuing operations financing activities for the nine months ended October 4, 2009. For the nine months ended October 3, 2010, we repurchased approximately 46,572 shares of our common stock to satisfy minimum statutory tax withholding obligations in connection with the vesting of restricted stock awards, for a total cost of \$1.0 million, including commissions. This compares to repurchases of approximately 1.0 million shares of our common stock, including 28,890 shares of our common stock to satisfy minimum statutory tax withholding obligations in connection with the vesting of restricted stock awards, for the nine months ended October 4, 2009, for a total cost of \$14.6 million, including commissions. This use of cash was offset by proceeds from common stock option exercises of \$15.3 million, including the related excess tax benefit, for the nine months ended October 3, 2010. This compares to the proceeds from common stock option exercises of \$2.3 million, including the related excess tax benefit, for the nine months ended October 4, 2009. During the nine months ended October 3, 2010, debt borrowings from our amended senior unsecured revolving credit facility totaled \$261.0 million, which was offset by debt reductions of \$157.8 million. This compares to debt borrowings from our amended senior unsecured revolving credit facility of \$339.5 million, which were offset by debt reductions of \$276.0 million during the nine months ended October 4, 2009. We paid \$24.7 million and \$24.5 million in dividends during the nine months ended October 3, 2010 and October 4, 2009, respectively. In addition, we settled \$0.1 million in contingent consideration recorded at the acquisition date fair value for acquisitions completed subsequent to fiscal year 2008 during the nine months ended October 3, 2010.

---

**Table of Contents*****Borrowing Arrangements***

*Amended Senior Unsecured Revolving Credit Facility.* On August 13, 2007, we entered into an amended and restated senior unsecured revolving credit facility which provides for a \$650.0 million facility through August 13, 2012. Letters of credit in the aggregate amount of approximately \$14.0 million are treated as issued under this 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 (i) the corporate base rate announced from time to time by Bank of America, N.A. and (ii) 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 October 3, 2010 was 40 basis points. The weighted average Eurocurrency interest rate as of October 3, 2010 was 0.26%, resulting in a weighted average effective Eurocurrency rate, including the margin, of 0.66%. We had drawn down approximately \$518.0 million of borrowings in U.S. Dollars under the facility as of October 3, 2010, 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, which are consistent with those financial covenants 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 October 3, 2010, and anticipate being in compliance for the duration of the term of the credit facility.

*6% Senior Unsecured Notes.* On May 30, 2008, we issued and sold seven-year senior notes at a rate of 6% with a face value of \$150.0 million and received \$150.0 million in gross proceeds from the issuance. The debt, which matures in May 2015, is unsecured. Interest on the 6% senior notes is payable semi-annually on May 30th and November 30th. We may redeem some or all of our 6% senior notes at any time in an amount not less than 10% of the original aggregate principal amount, plus accrued and unpaid interest, plus the applicable make-whole amount. The financial covenants in our 6% senior notes include debt-to-capital ratios which, if our credit rating is down-graded below investment grade, would be replaced by a contingent maximum total leverage ratio. We were in compliance with all applicable covenants as of October 3, 2010, and anticipate being in compliance for the duration of the term of the notes.

We entered into forward interest rate contracts in October 2007, with notional amounts totaling \$300.0 million and a weighted average interest rate of 4.25% that were intended to hedge movements in interest rates prior to our expected debt issuance. In May 2008, we settled forward interest rate contracts with notional amounts totaling \$150.0 million upon the issuance of our 6% senior unsecured notes, and recognized \$8.4 million, net of taxes of \$5.4 million, of accumulated derivative losses in other comprehensive loss. During the fourth quarter of fiscal year 2008, we concluded that the remaining portion of the expected debt issuance, with a notional amount totaling \$150.0 million, was no longer probable. As a result of the debt issuance no longer being probable, we discontinued and settled the forward interest rate contracts with notional amounts totaling \$150.0 million and recognized a loss of \$17.5 million in interest and other expense (income), net.

As of October 3, 2010, the balance remaining in accumulated other comprehensive loss related to the effective cash flow hedges was \$5.6 million, net of taxes of \$3.6 million. The derivative losses are being amortized into interest expense when the hedged exposure affects interest expense. We amortized into interest expense \$1.5 million during the first nine months of fiscal year 2010 and \$2.0 million during fiscal year 2009.

## **Table of Contents**

### **Dividends**

Our Board declared regular quarterly cash dividends of \$0.07 per share in each of the first three quarters of fiscal year 2010 and in each quarter of fiscal year 2009. In the future, our Board may determine to reduce or eliminate our common stock dividend in order to fund investments for growth, repurchase shares or conserve capital resources.

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

In June 2009, the Financial Accounting Standards Board (the FASB) issued authoritative guidance on the accounting for transfers of financial assets. This guidance is intended to improve practices that have developed that are not consistent with the original intent and key requirements of the original disclosure requirements for transfers of financial assets, including establishing a new participating interest definition that must be met for transfers of portions of financial assets to be eligible for sale accounting, clarifying and amending the criteria for a transfer to be accounted for as a sale, and changing the amount that can be recognized as a gain or loss on a transfer accounted for as a sale when beneficial interests are received by the transferor. This guidance also requires enhanced disclosures to provide information about transfers of financial assets and a transferor's continuing involvement with transferred financial assets. We adopted this authoritative guidance on the accounting for transfers of financial assets in the first quarter of fiscal year 2010. The adoption of this guidance did not have a significant impact on our condensed consolidated financial statements.

In June 2009, the FASB issued authoritative guidance on the consolidation of variable interest entities. This guidance requires an enterprise to qualitatively assess the determination of the primary beneficiary of a variable interest entity based on whether the entity has the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and has the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. Also, this guidance requires an ongoing reconsideration of the primary beneficiary, and amends the events that trigger a reassessment of whether an entity is a variable interest entity. Enhanced disclosures are also required to provide information about an enterprise's involvement in a variable interest entity. We adopted this authoritative guidance on the consolidation of variable interest entities in the first quarter of fiscal year 2010. The adoption of this guidance did not have a significant impact on our condensed consolidated financial statements.

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

In October 2009, the FASB issued authoritative guidance on multiple-deliverable revenue arrangements. This guidance establishes the accounting and reporting guidance for arrangements including multiple revenue-generating activities. This guidance provides amendments to the criteria for separating and measuring deliverables and allocating arrangement consideration to one or more units of accounting. The amendments in this guidance also establish a selling price hierarchy for determining the selling price of a deliverable. Significantly enhanced disclosures are also required to provide information about a vendor's multiple-deliverable revenue arrangements, including information about the nature and terms of significant deliverables, and a vendor's performance within those arrangements. The amendments also require a company to provide information about the significant judgments made and changes to those judgments and about the way the application of the relative selling-price method affects the timing or amount of revenue recognition. We will be required to adopt this authoritative guidance on multiple-deliverable revenue arrangements in the first quarter of fiscal year 2011. We are evaluating the requirements of this guidance and have not yet determined the impact of its adoption on our condensed consolidated financial statements.

In October 2009, the FASB issued authoritative guidance on certain revenue arrangements that include software elements. This guidance changes the accounting model for revenue arrangements that include both tangible products and software elements that are essential to the functionality of the product and excludes these products from current software revenue guidance. The new guidance will include factors to help companies

**Table of Contents**

determine what software elements are considered essential to the functionality of the product. Once adopted, the amendments will subject software-enabled products to other revenue guidance and disclosure requirements, such as guidance surrounding revenue arrangements with multiple deliverables. We will be required to adopt this authoritative guidance on certain revenue arrangements that include software elements in the first quarter of fiscal year 2011. We are evaluating the requirements of this guidance and have not yet determined the impact of its adoption on our condensed consolidated financial statements.

In March 2010, the FASB issued authoritative guidance on the milestone method of revenue recognition. This guidance allows the milestone method as an acceptable revenue recognition methodology when an arrangement includes substantive milestones. This guidance provides a definition of a substantive milestone that should be applied regardless of whether the arrangement includes single or multiple deliverables or units of accounting. The scope of the applicability of this definition is limited to transactions involving milestones relating to research and development deliverables. This guidance also includes enhanced disclosure requirements about each arrangement, individual milestones and related contingent consideration, information about substantive milestones and factors considered in the determination of whether this methodology is appropriate. Early application and retrospective application are permitted. We will be required to adopt this authoritative guidance on the milestone method of revenue recognition in the first quarter of fiscal year 2011. We expect the adoption of this guidance will not have a significant impact on our condensed consolidated financial statements.

**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 is not materially different from the disclosure provided under the heading, Item 7A. *Quantitative and Qualitative Disclosure About Market Risk*, in our 2009 Form 10-K.

*Foreign Exchange Risk.* The potential change in foreign currency exchange rates offers a substantial risk to us, as approximately 60% 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 from these currencies, with gains and losses resulting from the forward contracts that hedge these exposures. Moreover, 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 natural hedges.

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 \$116.7 million and \$173.8 million as of October 3, 2010 and October 4, 2009, respectively. The 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 fiscal years 2010 and 2009.

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 Item 7A. *Quantitative and Qualitative Disclosure About Market Risk*, in our 2009 Form 10-K. The measures for our Value-at-Risk analysis have not changed materially.

---

**Table of Contents**

*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 periodically enter into various derivative transactions pursuant to our policies to hedge against known or forecasted interest rate exposures.

We entered into forward interest rate contracts in October 2007, with notional amounts totaling \$300.0 million and a weighted average interest rate of 4.25% that were intended to hedge movements in interest rates prior to our expected debt issuance. In May 2008, we settled forward interest rate contracts with notional amounts totaling \$150.0 million upon the issuance of our 6% senior unsecured notes, and recognized \$8.4 million, net of taxes of \$5.4 million, of accumulated derivative losses in other comprehensive loss. During the fourth quarter of fiscal year 2008, we concluded that the remaining portion of the expected debt issuance, with a notional amount totaling \$150.0 million, was no longer probable. As a result of the debt issuance no longer being probable, we discontinued and settled the forward interest rate contracts with notional amounts totaling \$150.0 million and recognized a loss of \$17.5 million in interest and other expense (income), net.

As of October 3, 2010, the balance remaining in accumulated other comprehensive loss related to the effective cash flow hedges was \$5.6 million, net of taxes of \$3.6 million. The derivative losses are being amortized into interest expense when the hedged exposure affects interest expense. We amortized into interest expense \$1.5 million during the first nine months of fiscal year 2010 and \$2.0 million during fiscal year 2009.

*Interest Rate Risk Sensitivity.* Our 2009 Form 10-K presents sensitivity measures for our interest rate risk. The measures for our sensitivity analysis have not changed materially. More information is available in Item 7A. *Quantitative and Qualitative Disclosure About Market Risk*, in our 2009 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 fiscal quarter ended October 3, 2010. 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 the 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. 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 the evaluation of our disclosure controls and procedures as of the end of our fiscal quarter ended October 3, 2010, 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 October 3, 2010 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 "New York Case"). 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. In January 2009, the case was assigned to a new district court judge and in March 2009, the new judge denied the pending summary judgment motions without prejudice and ordered a stay of the case until the federal appellate court decides Enzo's appeal of the judgment of the United States District Court for the District of Connecticut in Enzo Biochem vs. Applera Corp. and Tropix, Inc. (the "Connecticut Case"), which involves a number of the same patents and which could materially affect the scope of Enzo's case against us. On March 26, 2010, the United States Court of Appeals for the Federal Circuit ("CAFC") affirmed-in-part and reversed-in-part the judgment in the Connecticut Case. Pending further disposition of the Connecticut Case, the New York Case against us and other defendants remains stayed.

We believe we have meritorious defenses to the matter described above, and we are contesting the action vigorously. While this matter is subject to uncertainty, in the opinion of our management, based on its review of the information available at this time, the resolution of this matter will not have a material adverse effect on our condensed consolidated financial statements.

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 October 3, 2010 should not have a material adverse effect on our condensed consolidated financial statements. However, 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 and are not materially different from those factors reported in our Quarterly Report on Form 10-Q for the period ended July 4, 2010:

*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 there are uncertainties surrounding the approval of government or industrial funding proposals, or there are unfavorable changes in government regulations, 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

---

**Table of Contents**

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, the inability of our customers to secure credit or funding, restrictions in capital expenditures, general economic conditions, cuts in government funding or unfavorable changes in government regulations would likely result in a reduction in demand for our products and services. In addition, government funding is subject to economic conditions and 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.

***Our growth is subject to global economic, political and other risks.***

We have operations in many parts of the world. The health of the global economy has a significant impact on our business. Since 2008, worldwide economic conditions have experienced a severe downturn due to the sequential effects of the credit market crisis and the resulting impact on the finance and banking industries, volatile currency exchange rates and energy costs, inflation concerns, decreased consumer confidence, reduced corporate profits and capital expenditures and liquidity concerns. For example, the limited credit availability in the financial markets may make it more difficult for customers to obtain financing for their operations, resulting in a material decrease in the orders we receive. Our business is also affected by local economic environments, including inflation, recession, financial liquidity and currency volatility or devaluation. Political changes, some of which may be disruptive, could interfere with our supply chain, our customers and all of our activities in a particular location. In addition, our global manufacturing facilities face risks to their production capacity that may relate to natural disasters, labor relations or regulatory compliance. While certain of these risks can be hedged in a limited way using financial instruments and some are insurable, such attempts to mitigate these risks are costly and not always successful. In addition, our ability to engage in such mitigation has decreased or become even more costly as a result of recent market developments.

***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

## **Table of Contents**

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, make acquired businesses or licensed technologies profitable, or successfully divest businesses.***

We have in the past supplemented, 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 Signature Genomic, acquired in May 2010, the remaining interest in the ICPMS Joint Venture, acquired in May 2010, and VisEn, acquired in July 2010. However, we may be unable to identify or complete promising acquisitions or license transactions for many reasons, including:

competition among buyers and licensees,

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 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 would have to 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, unforeseen regulatory requirements, previously undisclosed liabilities or difficulties in predicting financial results. Additionally, if we are not successful in selling businesses we seek to divest, such as our IDS business, the activity of such businesses may dilute our earnings and we may not be able to achieve the expected benefits of such divestitures. 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 related to completing acquisitions or licensing technologies, or in evaluating potential acquisitions or technologies, which expenses may adversely impact our 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.



## **Table of Contents**

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.

***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,

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

changes in general economic conditions or government funding,

settlements of income tax audits,

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

**Table of Contents**

fluctuations in our effective tax rate,

changes in industries, such as pharmaceutical and biomedical,

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

our ability to introduce new products,

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

costs of raw materials, energy or supplies,

our ability to execute ongoing productivity initiatives,

changes in the volume or timing of product orders, and

changes in assumptions used to determine contingent consideration in acquisitions.

***A significant disruption in third-party package delivery and import/export services, or significant increases in prices for those services, could interfere with our ability to ship products, increase our costs and lower our profitability.***

We ship a significant portion of our products to our customers through independent package delivery and import/export companies, including UPS and Federal Express in the United States, TNT, UPS and DHL in Europe and UPS in Asia. We also ship our products through other carriers, including national trucking firms, overnight carrier services and the United States Postal Service. If one or more of the package delivery or import/export providers experiences a significant disruption in services or institutes a significant price increase, the delivery of our products could be prevented or delayed. Such events could cause us to incur increased shipping costs that could not be passed on to our customers, negatively impacting our profitability and our relationships with certain of our customers.

***Disruptions in the supply of raw materials, certain key components and other goods 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, key components and other goods that are generally available from alternate sources of supply. However, certain critical raw materials, key components and other goods required for the production and sale 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, key components and other goods could usually be obtained from alternative sources with the potential for an increase in price, decline in quality or delay in delivery. A prolonged inability to obtain certain raw materials, key components or other goods is possible and could have an adverse effect on our business operations, and could damage our relationships with customers.

***The manufacture and sale of products and services 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, services or product candidates are alleged or found to have caused injury, damage or loss. We may in the future be unable to obtain insurance with adequate levels of coverage for potential liability on

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

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.

---

**Table of Contents**

*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.*

Our operations are subject to regulation by different state and federal 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. Some of the products produced by our Human Health segment are subject to regulation by the United States Food and Drug Administration and similar foreign and domestic 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 foreign and domestic agencies, we may have to recall products, cease their manufacture and distribution, and may be subject to fines or criminal prosecution.

*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.

*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 the genetic screening market, 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 October 3, 2010. 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,

**Table of Contents**

adverse income tax audit settlements or loss of previously negotiated tax incentives,

differing business practices associated with foreign operations,

difficulty in transferring cash between international operations and the United States,

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.

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

***If we experience a significant disruption in our information technology systems or if we fail to implement new systems and software successfully, our business could be adversely affected.***

We rely on several centralized information systems throughout our company to keep financial records, process orders, manage inventory, process shipments to customers and operate other critical functions. If we were to experience a prolonged system disruption in the information technology systems that involve our interactions with customers and suppliers, it could result in the loss of sales and customers and significant incremental costs, which could adversely affect our business.

***Restrictions in our credit facility and outstanding debt instruments may limit our activities.***

Our amended senior unsecured revolving credit facility and our 6% senior unsecured notes contain, 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. These debt instruments include 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 debt instruments. 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.



## **Table of Contents**

Our failure to comply with any of these restrictions in our amended senior unsecured revolving credit facility and our 6% senior unsecured notes may result in an event of default under either or both of these debt instruments, which could permit acceleration of the debt under either or both debt instruments, 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 October 3, 2010, our total assets included \$2.0 billion of net intangible assets. Net intangible assets consist principally of goodwill associated with acquisitions and costs associated with securing patent rights, trademark rights, core technology 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, adverse changes in the assumptions used to determine the fair value of our reporting units, or the failure to grow our Human Health and Environmental Health segments may result in impairment of our intangible assets, which could adversely affect our results of operations.

### ***Our share price will fluctuate.***

Over the last several quarters, stock markets in general and our common stock in particular have experienced significant price and volume volatility. Both the market price and the daily trading volume of our common stock may continue to be subject to significant fluctuations due not only to general stock market conditions but also to a change in sentiment in the market regarding our operations and business prospects. In addition to the risk factors discussed above, the price and volume volatility of our common stock may be affected by:

operating results that vary from the expectations of securities analysts and investors,

the financial performance of the major end markets that we target,

the operating and securities price performance of companies that investors consider to be comparable to us,

announcements of strategic developments, acquisitions and other material events by us or our competitors, and

changes in global financial markets and global economies and general market conditions, such as interest or foreign exchange rates, commodity and equity prices and the value of financial assets.

### ***Dividends on our common stock could be reduced or eliminated in the future.***

On July 3, 2010, we announced that our Board had declared a quarterly dividend of \$0.07 per share for the second quarter of fiscal year 2010 that was paid in November 2010. In the future, our Board may determine to reduce or eliminate our common stock dividend in order to fund investments for growth, repurchase shares or conserve capital resources.

**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	Total Number of Shares Purchased <sup>(1)(2)</sup>	Average Price Paid Per Share	Issuer Repurchases of Equity Securities	
			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
July 5, 2010 – August 1, 2010	0	\$ 0.00	0	12,999,167
August 2, 2010 – August 29, 2010	0	\$ 0.00	0	12,999,167
August 30, 2010 – October 3, 2010	0	\$ 0.00	0	12,999,167
Activity for quarter ended October 3, 2010	0	\$ 0.00	0	12,999,167

- (1) On October 23, 2008, we announced that our Board had authorized us to repurchase up to 10.0 million shares of our common stock under the Repurchase Program. On August 31, 2010, we announced that our Board had authorized us to repurchase an additional 5.0 million shares of common stock under our Repurchase Program. The Repurchase Program will expire on October 22, 2012 unless terminated earlier by our Board, and may be suspended or discontinued at any time. We did not repurchase any shares of our common stock in the open market under the Repurchase Program in any of the first three quarters of the fiscal year 2010.
- (2) Our Board has authorized us to repurchase shares of our common stock 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. During the first quarter of fiscal year 2010, we repurchased 44,172 shares of our common stock for this purpose. During the second quarter of the fiscal year 2010, we repurchased 2,400 shares of our common stock for this purpose. During the third quarter of the fiscal year 2010, we did not repurchase any shares of our common stock for this purpose. 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.

**Item 6. Exhibits**

Exhibit Number	Exhibit Name
2.1	Master Purchase and Sales Agreement between PerkinElmer, Inc. and IDS Acquisition Corp., dated as of August 31, 2010, filed as Exhibit 99.1 to the registrant's Current Report on Form 8-K filed on September 3, 2010 and incorporated herein 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.
101.INS	XBRL Instance Document.

Edgar Filing: PERKINELMER INC - Form 10-Q

101.CAL	XBRL Calculation Linkbase Document.
101.DEF	XBRL Definition Linkbase Document.
101.LAB	XBRL Labels Linkbase Document.
101.PRE	XBRL Presentation Linkbase Document.

**Table of Contents**

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language):

- (i) Condensed Consolidated Statements of Income for the three months and nine months ended October 3, 2010 and October 4, 2009,
- (ii) Condensed Consolidated Balance Sheets at October 3, 2010 and January 3, 2010, (iii) Condensed Consolidated Statements of Cash Flows for the nine months ended October 3, 2010 and October 4, 2009 and (iv) Notes to Condensed Consolidated Financial Statements.

In accordance with Rule 406T of Regulation S-T, the XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act, is deemed not filed for purposes of Section 18 of the Exchange Act, and otherwise is not subject to liability under these sections.

**Table of Contents**

**SIGNATURE**

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/ FRANK A. WILSON**  
**Frank A. Wilson**  
**Senior Vice President, Chief Financial Officer**

**and Chief Accounting Officer**

November 10, 2010

**Table of Contents**

**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Exhibit Name</b>
2.1	Master Purchase and Sales Agreement between PerkinElmer, Inc. and IDS Acquisition Corp., dated as of August 31, 2010, filed as Exhibit 99.1 to the registrant's Current Report on Form 8-K filed on September 3, 2010 and incorporated herein 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.
101.INS	XBRL Instance Document.
101.CAL	XBRL Calculation Linkbase Document.
101.DEF	XBRL Definition Linkbase Document.
101.LAB	XBRL Labels Linkbase Document.
101.PRE	XBRL Presentation Linkbase Document.

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language):

- (i) Condensed Consolidated Statements of Income for the three months and nine months ended October 3, 2010 and October 4, 2009,
- (ii) Condensed Consolidated Balance Sheets at October 3, 2010 and January 3, 2010, (iii) Condensed Consolidated Statements of Cash Flows for the nine months ended October 3, 2010 and October 4, 2009 and (iv) Notes to Condensed Consolidated Financial Statements.

In accordance with Rule 406T of Regulation S-T, the XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act, is deemed not filed for purposes of Section 18 of the Exchange Act, and otherwise is not subject to liability under these sections.