PERKINELMER INC
Form 10-K
February 28, 2008
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 10-K

(Mark One)

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 30, 2007

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	**04-2052042**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
940 Winter Street, Waltham, Massachusetts	**02451**
(Address of Principal Executive Offices)	*(Zip Code)*

(Registrant s telephone number, including area code): (781) 663-6900

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock, $1 Par Value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No þ

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or Section 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 þ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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

Large accelerated filer þ	Accelerated filer ¨	Non-accelerated filer ¨ (Do not check if a smaller reporting company)	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 þ

The aggregate market value of the common stock, $1 par value per share, held by non-affiliates of the registrant on June 29, 2007, was $3,037,209,217, based upon the last reported sale of $26.06 per share of common stock on June 29, 2007.

As of February 26, 2008, there were outstanding 117,625,212 shares of common stock, $1 par value per share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of PerkinElmer, Inc. s Definitive Proxy Statement for its Annual Meeting of Shareholders to be held on April 22, 2008 are incorporated by reference into Part III of this Form 10-K.

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PART I

Item 1. ***Business***

Overview

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

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

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

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

In fiscal 2007, we had $1,787.3 million in sales from continuing operations.

We are a Massachusetts corporation, founded in 1947. Our headquarters are in Waltham, Massachusetts, and we market our products and services in more than 150 countries. As of December 30, 2007, we had approximately 8,700 employees. Our common stock is listed on the New York Stock Exchange, and we are a component of the S&P 500 Index.

We maintain a website with the address http://www.perkinelmer.com. We are not including the information contained in our website as part of, or incorporating it by reference into, this annual report on Form 10-K. We make available free of charge through our website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports, as soon as reasonably practicable after we electronically file these materials with, or otherwise furnish them to, the Securities and Exchange Commission.

Our Strategy

Our strategy is focused on providing innovative products, applications, and services that drive productivity improvements in targeted high growth market segments and developing value-added applications and solutions to foster continued market development and expansion. For example, during 2007, we launched EcoAnalytix, a global initiative to provide product, training, support and service offerings targeting food

safety, water quality and biofuels development applications. To execute on our strategy and drive higher revenue growth, we focus on broadening our product and service offerings through the acquisition of innovative technology and expenditures for research and development. Our strategy includes:

Accelerating innovation through both internal research and development and the pursuit of third-party collaborations and alliances;

Achieving significant growth in both of our segments through strategic acquisitions and licensing;

Strengthening our position within key markets, by expanding our product and service offerings and maintaining superior product quality;

Utilizing our share repurchase programs to help drive shareholder value; and

Attracting, retaining and developing talented and motivated employees.

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Recent Developments

As part of our strategy to grow our core businesses, we have taken the following actions in 2007:

Acquisitions:

Newborn Metabolic Screening Business from Pediatrix Medical Group, Inc. In December 2007, we entered into an agreement to acquire the outstanding stock of Pediatrix Screening, Inc., which constitutes the newborn metabolic screening (NMS) business of Pediatrix Medical Group, Inc. The NMS business provides neonatal screening and consultative services to hospitals, medical groups and various states. This acquisition is intended to expand our capabilities to supply state laboratories and other agencies with comprehensive newborn screening solutions. This transaction is expected to close during the first quarter of 2008.

ViaCell, Inc. In November 2007, our wholly owned subsidiary completed a tender offer for all of the outstanding shares of common stock of ViaCell, Inc. (ViaCell), at a price of $7.25 per share. ViaCell specializes in the collection, testing, processing and preservation of umbilical cord blood stem cells. Through the tender offer, our wholly owned subsidiary acquired more than 90% of the outstanding shares of common stock of ViaCell. We acquired the remaining outstanding shares of ViaCell by means of a merger of our wholly owned subsidiary with and into ViaCell, as a result of which ViaCell became our wholly owned subsidiary. The addition of ViaCell s ViaCord® product offering for the preservation of umbilical cord blood, and its sales and marketing organization, is expected to facilitate the expansion of our neonatal and prenatal businesses. Aggregate consideration for this transaction was approximately $295.8 million in cash, which excludes $31.8 million in acquired cash. The excess of the purchase price over the fair value of the acquired net assets has been allocated to goodwill, none of which is tax deductible.

Following the ViaCell acquisition, we committed to a preliminary plan of integration of certain ViaCell activities that included workforce reductions. As of December 30, 2007, we recorded $1.2 million of severance liabilities with a corresponding adjustment to goodwill in accordance with Emerging Issues Task Force (EITF) Issue No. 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination* (EITF 95-3). We had not finalized the preliminary integration plan as of December 30, 2007, but we expect to complete the plan no later than one year from the date of acquisition.

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

Remaining minority interest of PerkinElmer India Pvt. Ltd. In June 2007, we acquired the remaining minority interest in PerkinElmer India Pvt. Ltd. (PKI India), a direct sales, service and marketing operation targeting India s life science and analytical instrumentation markets, from Labindia Instruments Pvt. Ltd. The acquisition establishes PKI India as our wholly owned subsidiary. Consideration for this transaction was approximately $1.3 million in cash plus potential additional consideration of approximately $0.7 million, of which we paid $0.2 million during the fiscal year 2007. We expect to pay the remaining $0.5 million in quarterly installments through the first quarter of 2008. The excess of the

purchase price over the fair value of the acquired net assets has been allocated to goodwill, none of which is tax deductible.

Improvision Ltd. In March 2007, we acquired the stock of Improvision Ltd. (Improvision), a leading provider of cellular imaging software and integrated hardware solutions used in life sciences research. We expect

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that the addition of Improvision s imaging and analysis software to our high content screening systems will provide customers with powerful imaging solutions for analyzing cellular events, from real-time imaging of live cells to rapid high content screening of multiple samples. Consideration for this transaction was approximately $23.6 million in cash plus potential additional contingent consideration, which we expect to be immaterial to us. During 2007, we paid $0.6 million for net working capital adjustments. The excess of the purchase price over the fair value of the acquired net assets has been allocated to goodwill, none of which is tax deductible.

Euroscreen Products S.A. In January 2007, we acquired the stock of Euroscreen Products S.A. (Euroscreen), a developer of the AequoScreen cellular assay platform. The AequoScreen platform from Euroscreen is based on an innovative luminescence technology that generates higher quality data, while reducing the number of false positives in G protein-coupled receptor (GPCR) screening applications. Consideration for this transaction was approximately $18.1 million in cash. The excess of the purchase price over the fair value of the acquired net assets has been allocated to goodwill, none of which is tax deductible.

Evotec Technologies GmbH. In January 2007, we acquired the stock of Evotec Technologies GmbH (Evotec). The acquisition is intended to allow us to provide our customers in the pharmaceutical, biotechnology and academic arenas with Evotec s high content screening instruments and software. These analysis tools determine the composition of cells and cell structure, a critical step in moving potential drug targets quickly through the discovery process. Consideration for this transaction was approximately $33.0 million in cash, which was paid in fiscal year 2006. During 2007, we received $1.2 million for net working capital adjustments. The excess of the purchase price over the fair value of the acquired net assets has been allocated to goodwill, none of which is tax deductible.

The operations for each of these acquisitions completed during fiscal 2007 have been reported within the results of our Life and Analytical Sciences segment from the acquisition date.

We took the following actions in 2007 to further focus our core businesses:

Share Repurchase Program:

On November 6, 2006, we announced that our Board authorized us to repurchase up to 10.0 million shares of our common stock under a stock repurchase program (the Repurchase Program). The Repurchase Program will expire on October 25, 2010 unless this authorization is terminated earlier by our Board, and may be suspended or discontinued at any time. During fiscal 2007, we repurchased in the open market approximately 8.1 million shares of our common stock at an aggregate cost of $203.0 million, including commissions, under the Repurchase Program. 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.

Restructuring:

During fiscal 2007, we incurred $14.4 million in pre-tax restructuring and lease charges. During the first and fourth quarters of 2007, our management approved separate plans for workforce reductions in several locations and partial closure of a facility. The purpose of the restructuring plans approved in the first and fourth quarters of 2007 was principally to shift resources into geographic regions and product lines that are more consistent with our growth strategy. The pre-tax restructuring activity associated with these plans has been reported as restructuring expenses as a component of operating expenses from continuing operations. We expect the impact of immediate and future cost

savings from these restructuring activities on operating results and cash flows to be negligible, as we have incurred and will incur offsetting costs.

Leadership Succession Plan:

We announced on July 26, 2007 that our Board had approved a leadership succession plan. On July 25, 2007, our Board elected Robert F. Friel to the position of President and Chief Operating Officer of the Company, effective August 1, 2007. Mr. Friel had previously served as Vice Chairman of the Company and President of our

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Life and Analytical Sciences segment, and he remains a Director of the Company. On January 23, 2008, our Board elected Mr. Friel Chief Executive Officer and appointed Gregory L. Summe Executive Chairman of the Board, effective February 1, 2008. As Executive Chairman of the Board, Mr. Summe will continue to work for the Company at a reduced schedule until the earlier of April 21, 2009 or the date of our 2009 annual meeting of shareholders (the 2009 Meeting Date). Our Board intends that Mr. Summe will remain a Director until the 2009 Meeting Date, at which time Mr. Summe will step down as Executive Chairman and as a member of the Board.

Life and Analytical Sciences

Our Life and Analytical Sciences segment is a leading provider of analytical sciences, genetic screening, BioDiscovery and laboratory services solutions, including instruments, reagents, software, and consumables. Our instruments are used in daily applications for scientific research and clinical applications. Our research products provide the fundamental tools necessary for a variety of applications that are critical to the development of many of our customers new products and academic projects. In fiscal 2007, our Life and Analytical Sciences segment generated sales of $1,327.2 million.

For analytical sciences solutions, we offer analytical tools employing technologies such as molecular and atomic spectroscopy, inductively coupled plasma, gas chromatography, liquid chromatography, and thermal analysis. During 2007, we launched EcoAnalytix, a global initiative to provide product, training, support and service offerings targeting food safety, water quality and biofuels development applications. Our instruments and related application solutions measure a range of substances from biomolecular matter to organic and inorganic chemicals. We sell these products to customers in the forensics, environmental, food and beverage, consumer safety, sustainable energy, pharmaceutical, semiconductor and hydrocarbon processing/biofuels markets. These customers use our instruments in various applications to verify the identity, quality or composition of the materials they examine.

For genetic screening and clinical laboratories, we provide instrumentation, software, reagents and analytical tools to test for various inherited metabolic or endocrinological disorders in newborns and to assess risk during pregnancy. Our product range includes both screening and confirmatory diagnostic products. We sell our genetic screening solutions to public health authorities, private healthcare organizations and doctors around the world. With the addition of ViaCell, we also offer expectant families the opportunity to preserve their baby s umbilical cord blood at the time of birth for potential medical use by the child or a related family member for a number of disorders, including some for which we have screening programs.

For BioDiscovery solutions, we offer a wide range of systems consisting of instrumentation, software and consumables, including reagents, based on our core expertise in cellular sciences, time-resolved fluorescence, chemiluminescence, radioactive labeling, and the detection of proteins and nucleic acids. We sell our biopharmaceutical solutions to pharmaceutical, biotechnology and academic research customers around the world.

For service and support, we offer customers a range of products including service plans, preventive maintenance, qualification, training, and upgrades. OneSource® , our maintenance management platform, helps customers consolidate the essential maintenance and asset management needs of their laboratory(s). Through acquisitions, our services have expanded to include a broad range of multi-vendor maintenance solutions.

Principal Products. The principal products of our Life and Analytical Sciences business include:

DELFIA® Xpress, a complete solution for prenatal screening, is a fast, continuous loading system supported by kits for both first and second trimester analyses, and clinically validated LifeCycle software.

The NeoGram MS/MS AAAC in vitro diagnostic kit, is used to support detection of metabolic disorders in newborns by tandem mass spectrometry.

Ultra-Screen® is a first trimester prenatal screening protocol combining ultrasound measurement of the fluid accumulation behind the neck of the fetus (nuchal translucency) with maternal serum markers. It is designed to assess patient-specific risk for Down Syndrome, trisomy 18 and other chromosomal abnormalities.

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The Spectral Genomics Array Comparative Genomic Hybridization (CGH) platform provides tools for improving gene expression validation, molecular karyotyping and genome profiling.

The Clarus® series of Gas Chromatographs (GC) and Gas Chromatographs/Mass Spectrometers (GC/MS) and the TurboMatrix family of sample-handling equipment are instruments used for compound identification and quantization in the environmental, forensics, food and beverage, hydrocarbon processing/biofuels, materials testing, pharmaceutical and semiconductor industries.

The Series 200 family of high performance liquid chromatography (HPLC) systems is used to identify and quantify compounds for applications in the environmental, food and beverage, and pharmaceutical industries.

The PerkinElmer family of inorganic analysis instrumentation, including the AAnalyst series of atomic absorption spectrometers, the Optima family of inductively coupled plasma (ICP) spectrometers and the ELAN® family of ICP mass spectrometers are instruments used in the environmental and chemical industries, among others, to determine the elemental content of a sample.

A range of Raman spectroscopy instruments that provide laboratories with the ability to analyze solids, liquids, powders, gels, slurries and aqueous solutions in bulk or to address variations in sample distribution with imaging. The technology applies to a wide range of sectors including pharmaceuticals, industrial, forensics and academia.

The DMA 8000 is a thermal analysis system used by scientists in the polymers, composites, pharmaceutical, and food and beverage industries for applications ranging from simple quality control to advanced research.

Spectrum high performance Fourier Transform Infrared (FT-IR) and Fourier Transform Near-Infrared (FT-NIR) spectrometers provide a wide range of capabilities for infrared analysis in pharmaceuticals, fine chemicals, polymers, plastics, and many other industries.

The LABWORKS laboratory information management system (LIMS) is a robust information management system that enables scientists to store, share and create reports on laboratory data in both small and large laboratory environments.

Biochemical and cellular reagents, such as LANCE® and AlphaScreen® assay technologies, fluorescent labeled probes and GPCR cell lines and membranes, are used in and support a broad and flexible range of assays used for drug discovery, functional genomics, proteomics, and genotyping.

EnVision, a multilabel reader used in a wide range of high-throughput screening applications, features two detectors enabling simultaneous dual wavelength reading, below emission reading, barcode readers, a high speed light source, and adjustment of measurement height function. The instrument is fully configurable, accepting microplates from 96 to 1,536 wells, and can be integrated into robotic systems.

The JANUS® Automated Workstation, an automation and liquid handling system consisting of a modular platform that enables one or two pipetting arms with different tip configurations as well as one-plate movement arm on a single workstation. JANUS is designed for the efficient automation of sample preparation procedures utilized in pharmaceutical, biotech, and research applications.

The UltraVIEW ERS Confocal Imaging System is a high-resolution, live cell imaging system that allows for the observation and measurement of cellular and molecular processes.

New Products. New products introduced or acquired in 2007 by our Life and Analytical Sciences business include:

ViaCord®, a product offering that provides expectant families the opportunity to preserve their baby s umbilical cord blood at the time of birth for potential medical use by the child or a related family member.

EcoAnalytix, a global initiative to provide product, training, support and service offerings targeting food safety, water quality and biofuels development applications.

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The Clarus® 400 gas chromatograph and the Clarus® 560 D Gas Chromatograph/Mass Spectrometer (GC/MS), configured for lower-volume laboratories routine application needs.

The Melamine Analyzer, based on the Clarus® 600 T Gas Chromatograph/Mass Spectrometer that detects the presence of melamine a nitrogen-rich industrial chemical in protein-based foods.

The PAH Analyzer, based upon the Series 200 UV/VIS/Fluorescent HPLC for analysis of PAH, a family of organic pollutants widely distributed in the environment that can be carcinogenic.

AequoScreen is a comprehensive set of cell lines expressing photoproteins that can be used in high throughput screening for drug discovery in the pharmaceutical industry. This technology is focused on one of the major families of targets for new drugs, the G protein coupled receptors and ion channels.

The Volocity 3D Visualization Software is used for high resolution image rendering in confocal microscopy. This software is used in conjunction with our UltraVIEW VoX system that employs custom-designed optics, cameras and spinning disk confocal scanners. The system enables researchers to generate real-time multi-dimensional data in vivo of cellular events very rapidly.

The Opera and Opera LX HCS systems are confocal microplate imaging readers that provide solutions for fully automated simultaneous high speed and high resolution screening. In addition, the Acapella software is designed to process complex data at high speeds for on-line analysis in high content screening.

Brand Names. Our Life and Analytical Sciences segment offers additional products under various brand names, including Wallac®, Packard®, NEN®, OneSource®, AutoDELFIA®, HyperDSC®, LAMBDA, EcoAnalytix, Evolution, Chromera, MultiPROBE®, FlashBlue, ScanArray , Victor, Opera and ViaCord®.

Optoelectronics

Our Optoelectronics segment provides a broad range of medical imaging, optical sensor and specialty lighting components used in medical, consumer products, and other specialty end markets. For fiscal 2007, our Optoelectronics segment generated sales of $460.1 million.

We are a leading supplier of amorphous silicon flat panel detectors, a technology for diagnostic medical imaging and radiation therapy. Amorphous silicon flat panel detectors replace film and produce improved image resolution and diagnostic capability for use in radiography, angiography, cardiac and cancer treatment. The amorphous silicon technology is important to medical imaging applications as well as to industrial nondestructive testing for defect recognition within automated manufacturing lines.

Our specialty lighting technologies include xenon flashtubes, ceramic xenon light sources, intense pulsed light, laser pump sources, and LEDs. These products are used in a variety of applications including mobile phones, digital still and analog cameras, medical endoscopy equipment, home theater projectors, aesthetic applications including hair removal, skin rejuvenation and acne treatment, and laser machine tools.

We have significant expertise in optical sensor technologies, with products used in a variety of applications. Some of the applications in which our optical sensors are used include sample detection in life sciences instruments, x-ray luggage screening, safety and security applications such as smoke detectors, HVAC controls, document handling/sorting, smart weaponry and non-contact temperature measurements for applications such as ear thermometers and consumer appliances.

Principal Products. The principal products of our Optoelectronics business include:

Amorphous silicon flat panel detectors, an enabling technology for digital x-ray imaging that replaces film and produces improved image resolution and diagnostic capability in applications such as radiography, cardiology, angiography and cancer treatments.

Xenon flashtubes and flash modules for use in mobile phone cameras, digital still cameras, 35mm compact cameras and single-use cameras.

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Cermax® xenon short arc lamps and fiber optic light sources used in diagnostic and surgical endoscopes, surgical headlamps, microscopes and phototherapy systems.

Cermax® xenon lamps utilized in front projection applications for home theater, conference rooms and auditoriums which are able to deliver the required brightness while minimizing sacrifices in color performance.

Linear xenon and argon flashlamps used in solid-state lasers in machine tools and other industrial applications.

LED light sources coupled with photodiodes for signal detection, used in sensor modules for hand-held blood glucose meters. The sensing module works as the optical detection unit of the system and an LED-based reflective sensor is incorporated into the blood glucose meter to read out tracking information on the consumables.

Thermopile temperature sensors used in digital ear thermometers.

Avalanche photodiode detectors for molecular imaging instrumentation, including pre-clinical Positron Emission Tomography (PET) scanners used by the medical research community to image molecular biology activity in small animals.

Optical sensors used in a variety of safety and security applications, including x-ray luggage screening and smoke alarms, laser printers, copiers and other consumer applications, HVAC systems for monitoring of harmful gases in households, various automotive applications, and smart weaponry.

Charge-coupled device cameras, used to detect defects in manufacturing processes, pilot vision systems and document sorting.

A range of products used in military and aerospace applications including lighting, power supplies and other specialty components.

A wide range of optical detectors and light sources used in analytical instruments, drug discovery tools and clinical diagnostic systems. The detectors include charge coupled devices, avalanche photodiodes, photodiode arrays, channel photo multipliers, and our unique single photon counting module. The light sources include our Cermax® xenon short arc lamps described above as well as our line of guided arc xenon flash lamps. We also produce ultraviolet-visible range spectrometer sub-systems based on the above components.

New Products. New products introduced in 2007 by our Optoelectronics business include:

New amorphous silicon flat panel detectors, which offer enhanced imaging modes for use in fluoroscopic diagnostic medical imaging applications.

New 8-inch and 16-inch amorphous silicon flat panel detectors, which offer enhanced speed and image quality for use in digital data acquisition of x-ray images for therapeutic radiation oncology treatment and industrial inspection applications.

Next-generation Cermax® xenon lamps and modules for applications including medical endoscopy, surgical headlamp illumination, biofluorescence, and dental curing. The new Cermax VQ models deliver improved reliability, longer lamp lifetime, easy lamp replacement, improved heat sink design, and quiet operation.

PAX family of precision-aligned xenon integrated light source for a variety of clinical diagnostics, life sciences, and analytical instrumentation applications, including the new PAX-10 model, a fully integrated lamp module providing precision arc alignment, plug and play field replacement, and ease of installation.

ACULED® family of standard and custom high-power LED solutions. The ACULED® Very High Lumen (VHL) product line includes standard monochromatic and standard multi-colored four-chip

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combinations. The new ACULED® DYO product line provides customers with the capability to design your own custom four-chip LED configuration to suit specific lighting application needs.

DigiPyro® family of digital pyroelectric infrared sensors for motion detection applications. The expanded DigiPyro® family includes a new triple channel, quad-element detector as well as several new lower-cost, dual-element models. DigiPyro® products deliver performance advantages over analog pyrodetectors including significantly improved electromagnetic interference immunity and space and cost savings due to the smaller number of components.

Pulsed Multi EPI-Cavity Plastic Lasers which include both double and triple EPI-cavity structures in low-cost, plastic encapsulated packages. These plastic packages complement the existing EPI-Cavity product line based upon hermetic metal packages, and provide reliable, high output power in a small emitting area. The lasers are suitable for integrating into a variety of high volume range finding applications, laser-based speed enforcement, automotive blind spot detection, and adaptive cruise control.

IR-BLOC Ambient Light Sensor, offering a phototransistor-based light response adapted to that of the human eye, with an IR-blocking feature fully incorporated in a plastic epoxy package. Applications include street light switching, interior and exterior light control, and automotive headlight dimming.

TPS 23x Thermopile Sensor Family for low-cost temperature measurement applications, such as in ear or body thermometers. These feature the newest miniature thermopile chips and are available in a range of housing sizes.

Single Photon Counting Modules (SPCM) for molecular diagnostics applications, including the SPCM-AQRH series of photon-counting modules, which detect single photons of light over the 400-1060 nanometer wavelength range.

SmartBlue family of CCD cameras for applications including flat panel and web inspection, and machine vision. New models include the 512, 1,000, and 4,000 pixel linear array cameras, and incorporate high-end electronics, a digital communications interface and rugged industrial housing. PerkinElmer s SmartBlue cameras incorporate Reticon® photodiode arrays.

Brand Names. Our Optoelectronics business offers its products under various brand names, including Cermax®, VQ, Heimann, Reticon®, SmartBlue, MultiBlue, DigiPyro®, ACULED®, Trim Xe, AesthetiPak, VIGI-Lux, Power Systems, and Amorphous Silicon.

Marketing

All of our businesses market their products and services directly through their own specialized sales forces. As of December 30, 2007, we employed approximately 2,800 sales and service representatives operating in approximately 35 countries, and marketing products and services in more than 150 countries. In addition, in geographic regions where we do not have a sales and service presence, we utilize distributors to sell our products.

Raw Materials and Supplies

Each of our businesses uses a wide variety of raw materials and supplies that are generally available from alternate sources of supply and in adequate quantities from domestic and foreign sources. We generally have multi-year contracts, with no minimum purchase requirements, with

certain suppliers. For certain critical raw materials and supplies required for the production of some of our principal products, we have qualified only a limited or a single source of supply. We periodically purchase quantities of some of these critical raw materials in excess of current requirements, in anticipation of future manufacturing needs. With sufficient lead times, we believe we would be able to qualify alternative suppliers for each of these raw materials. See further description in the applicable risk factor under Item 1A. Risk Factors.

Intellectual Property

We own numerous United States and foreign patents and have patent applications pending in the United States and abroad. We also license intellectual property rights to and from third parties, some of which bear royalties and are terminable in specified circumstances. In addition to our patent portfolio, we possess a wide

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array of unpatented proprietary technology and know-how. We also own numerous United States and foreign trademarks and trade names for a variety of our product names, and have applications for the registration of trademarks and trade names pending in the United States and abroad. We believe that patents and other proprietary rights are important to the development of both of our reporting segments, but we also rely upon trade secrets, know-how, continuing technological innovations and licensing opportunities to develop and maintain the competitive position of both of our reporting segments. We do not believe that the loss of any one patent or other proprietary right would have a material adverse effect on our overall business or on any of our reporting segments.

In some cases, we may participate in litigation or other proceedings to defend against or assert claims of infringement, to enforce our patents or our licensors patents, to protect our trade secrets, know-how or other intellectual property rights, or to determine the scope and validity of our or third parties intellectual property rights. Litigation of this type could result in substantial cost to us and diversion of our resources. An adverse outcome in any litigation or proceeding could subject us to significant liabilities or expenses, require us to cease using disputed intellectual property or cease the sale of a product, or require us to license the disputed intellectual property from third parties. We are currently involved in several lawsuits involving claims of violation of intellectual property rights. See Item 3. Legal Proceedings for a discussion of these matters.

Backlog

We believe that backlog is not a meaningful indicator of future business prospects for either of our business segments due to the short lead time required on a majority of our sales. Therefore, we believe that backlog information is not material to an understanding of our business.

Competition

Due to the wide range of our products and services, we face many different types of competition and competitors. This affects our ability to sell our products and services and the prices at which these products and services are sold. Our competitors range from large foreign and domestic organizations, which produce a comprehensive array of goods and services and that may have greater financial and other resources, to small firms producing a limited number of goods or services for specialized market segments.

In our Life and Analytical Sciences segment, we compete on the basis of service level, price, technological innovation, product differentiation, product availability, quality and reliability. Competitors range from multinational organizations with a wide range of products to specialized firms that in some cases have well-established market niches. We expect the proportion of large competitors in this reporting segment to increase through the continued consolidation of competitors.

We do not believe any single competitor competes directly with our Optoelectronics segment across its full product range. However, we do compete with specialized manufacturing companies in the manufacturing and sale of specialty flashtubes and ultra specialty lighting sources, photo detectors and photodiodes, and switched power supplies. Competition is based on price, technological innovation, operational efficiency, and product reliability and quality.

We believe we compete effectively in each of the areas in which our businesses experience competition.

Research and Development

Research and development expenditures were approximately $113.1 million during fiscal 2007, approximately $99.7 million during fiscal 2006, and approximately $87.4 million during fiscal 2005. The fiscal year 2007 included an in-process research and development (IPR&D) charge of $1.5 million related to the Evotec and Euroscreen acquisitions.

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We directed our research and development efforts in fiscal 2007, 2006 and 2005 primarily toward genetic screening, BioDiscovery, and analytical sciences markets within our Life and Analytical Sciences segment, and medical imaging and photonics within our Optoelectronics segment, in order to help accelerate our growth initiatives. We expect our research and development spending to increase on an absolute basis and in line with our growth in sales during fiscal 2008, and to continue to emphasize these same markets.

Environmental Matters

Our operations are subject to various foreign, federal, state and local environmental and safety laws and regulations. These requirements include those governing emissions and discharges of hazardous substances, the remediation of contaminated soil and groundwater, the regulation of radioactive materials, and the health and safety of our employees.

We may have liability under the Comprehensive Environmental Response Compensation and Liability Act and comparable state statutes that impose liability for investigation and remediation of contamination without regard to fault, in connection with materials that we or our former businesses sent to various third-party sites. We have incurred, and expect to incur, costs pursuant to these statutes.

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 $4.2 million as of December 30, 2007, which represents our management s estimate of the total cost of ultimate disposition of known environmental matters. This amount is not discounted and does not reflect the recovery of any amounts through insurance or indemnification arrangements. These cost estimates are subject to a number of variables, including the stage of the environmental investigations, the magnitude of the possible contamination, the nature of the potential remedies, possible joint and several liability, the time period over which remediation may occur, and the possible effects of changing laws and regulations. For sites where we have been named a PRP, our management does not currently anticipate any additional liability to result from the inability of other significant named parties to contribute. We expect that the majority of such accrued amounts could be paid out over a period of up to ten years. As assessment and remediation activities progress at each individual site, these liabilities are reviewed and adjusted to reflect additional information as it becomes available. There have been no environmental problems to date that have had or are expected to have a material adverse effect on our financial position, results of operations, or cash flows. While it is possible that a loss exceeding the amounts recorded in the consolidated financial statements may be incurred, the potential exposure is not expected to be materially different from those amounts recorded.

In addition, we accrued $9.7 million during the second quarter of 2007 for a fire that occurred within our Life and Analytical Sciences facility in Boston, Massachusetts in March 2005, representing our management s estimate of the total cost for decommissioning the building, including environmental matters. We paid $3.9 million during fiscal year 2007 towards decommissioning the building. We anticipate that the remaining payments of $5.8 million will be completed by the end of fiscal year 2008.

We may become subject to new or unforeseen environmental costs or liabilities. Compliance with new or more stringent laws or regulations, stricter interpretations of existing laws, or the discovery of new contamination could cause us to incur additional costs.

Employees

As of December 30, 2007, we employed approximately 8,700 employees. Several of our subsidiaries are parties to contracts with labor unions and workers councils. As of December 30, 2007, we employed an aggregate of approximately 1,700 union and workers council employees. We consider our relations with employees to be satisfactory.

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Financial Information About Reporting Segments

The assets and expenses for our corporate headquarters, such as legal, tax, accounting and finance, human resources, property and insurance management, information technology, treasury and other management and compliance costs, have been included as Corporate below. We have 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 our 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 our operating segments.

The table below sets forth sales and operating income (loss) by reporting segment for the 2007, 2006 and 2005 fiscal years:

	2007	2006	2005
		(In thousands)	
Life & Analytical Sciences			
Sales	$ 1,327,246	$ 1,144,562	$ 1,081,104
Operating income from continuing operations	128,779	115,372	110,228
Optoelectronics			
Sales	460,085	401,796	392,727
Operating income from continuing operations	76,473	70,021	58,405
Corporate			
Operating loss from continuing operations	(37,086)	(31,991)	(27,682)
Continuing Operations			
Sales	$ 1,787,331	$ 1,546,358	$ 1,473,831
Operating income from continuing operations	168,166	153,402	140,951
Interest and other expense, net (see Note 5)	16,877	2,666	74,291
Income from continuing operations before income taxes	$ 151,289	$ 150,736	$ 66,660

Discontinued operations have not been included in the preceding table.

Additional information relating to our reporting segments for the 2007, 2006 and 2005 fiscal years is as follows:

	Depreciation and Amortization Expense			Capital Expenditures		
	2007	2006	2005	2007	2006	2005
			(In thousands)			
Life and Analytical Sciences	$ 61,739	$ 50,613	$ 46,217	$ 17,713	$ 25,973	$ 15,592
Optoelectronics	14,682	16,522	19,712	26,160	12,003	11,798
Corporate	1,576	2,049	1,069	3,105	6,497	603
Continuing operations	$ 77,997	$ 69,184	$ 66,998	$ 46,978	$ 44,473	$ 27,993
Discontinued operations	$ 82	$ 332	$ 7,272	$ 2	$ 109	$ 3,065

	Total Assets	
	December 30, 2007	December 31, 2006
	(In thousands)	
Life and Analytical Sciences	$ 2,596,873	$ 2,208,922
Optoelectronics	300,035	259,829
Corporate	46,411	39,489
Net current and long-term assets of discontinued operations	6,018	2,082
Total assets	$ 2,949,337	$ 2,510,322

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Financial Information About Geographic Areas

Both of our reporting segments conduct business in, and derive substantial revenue from, various countries outside the United States. During fiscal 2007, we had $1,127.8 million in sales from our international operations, representing approximately 63% of our total sales. During fiscal 2007, we derived approximately 76% of our international sales from our Life and Analytical Sciences segment, and approximately 24% of our international sales from our Optoelectronics segment. We anticipate that sales from international operations will continue to represent a substantial portion of our total sales in the future.

We are exposed to the risks associated with international operations, including exchange rate fluctuations, regional and country-specific political and economic conditions, foreign receivables collection concerns, trade protection measures and import or export licensing requirements, tax risks, staffing and labor law concerns, intellectual property protection risks, and differing regulatory requirements. Geographic information is discussed in Note 23 to our consolidated financial statements.

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

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

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

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

- accurately anticipate customer needs,
- innovate and develop new technologies and applications,
- successfully commercialize new technologies in a timely manner,
- price our products competitively, and manufacture and deliver our products in sufficient volumes and on time, and
- differentiate our offerings from our competitors offerings.

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

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

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

We have in the past, and may in the future, supplement our internal growth by acquiring businesses and licensing technologies that complement or augment our existing product lines, such as Evotec Technologies GmbH and Euroscreen Products S.A., acquired in January 2007, Improvision Ltd., acquired in March 2007, the remaining minority interest of PerkinElmer India Pvt. Ltd., acquired in June 2007 and ViaCell, Inc., acquired in November 2007. 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 may seek to acquire may be unprofitable or marginally profitable. Accordingly, the earnings or losses of acquired businesses may dilute our earnings. For these acquired businesses to achieve acceptable levels of profitability, we must improve their management, operations, products and market penetration. We may not be successful in this regard and may encounter other difficulties in integrating acquired businesses into our existing operations, such as incompatible management, information or other systems, cultural differences or difficulties in predicting financial results. As a result, our financial results may differ from our forecasts or the expectations of the investment community in a given quarter or over the long term.

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

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

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

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

Patent and trade secret protection is important to us because developing new products, processes and technologies gives us a competitive advantage, although it is time-consuming and expensive. We own many United States and foreign patents and intend to apply for additional patents. Patent applications we file, however,

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may not result in issued patents or, if they do, the claims allowed in the patents may be narrower than what is needed to protect fully our products, processes and technologies. Similarly, applications to register our trademarks may not be granted in all countries in which they are filed. For our intellectual property that is protected by keeping it secret, such as trade secrets and know-how, we may not use adequate measures to protect this intellectual property.

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

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

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

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

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

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

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

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

operating results include:

- demand for and market acceptance of our products,
- competitive pressures resulting in lower selling prices,
- adverse changes in the level of economic activity in regions in which we do business,

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decline in general economic conditions or government funding,

adverse income tax audit settlements,

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

adverse changes in industries, such as pharmaceutical and biomedical,

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

delays or problems in the introduction of new products,

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

increased costs of raw materials or supplies, and

changes in the volume or timing of product orders.

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

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

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

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

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

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

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

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

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

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

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

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

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

Because we sell our products worldwide, our businesses are subject to risks associated with doing business internationally. Our sales originating outside the United States represented the majority of our total sales in the fiscal year ended December 30, 2007. 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,

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adverse income tax audit settlements,

differing business practices associated with foreign operations,

difficulty in staffing and managing widespread operations,

differing labor laws and changes in those laws,

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

differing regulatory requirements and changes in those requirements.

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

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

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

Restrictions in our credit facilities may limit our activities.

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

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

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

As of December 30, 2007, our total assets included $1.8 billion of net intangible assets. Net intangible assets consist principally of goodwill associated with acquisitions and costs associated with securing patent rights, trademark rights and technology licenses, net of accumulated amortization. We test certain of these items specifically all of those that are considered non-amortizing at least on an annual basis for potential impairment by comparing the carrying value to the fair market value of the reporting unit to which they are assigned. All of our amortizing intangible assets are evaluated for impairment should discrete events occur that call into question the recoverability of the intangible.

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

Item 1B. ***Unresolved Staff Comments***

Not applicable.

Item 2. ***Properties***

As of December 30, 2007, our continuing operations occupied approximately 2,575,000 square feet in over 90 locations. We own approximately 600,000 square feet of this space, and lease the balance. We conduct our operations in manufacturing and assembly plants, research laboratories, administrative offices and other facilities located in 8 states and 35 foreign countries.

Facilities outside of the United States account for approximately 1,443,000 square feet of our owned and leased property, or approximately 56% of our total occupied space.

Our real property leases are both short-term and long-term. We believe that our properties are well-maintained and are adequate for our present requirements.

The following table indicates, as of December 30, 2007, the approximate square footage of real property owned and leased attributable to the continuing operations of both of our reporting segments:

	Owned	Leased	Total
		(In square feet)	
Life and Analytical Sciences	281,000	1,370,500	1,651,500

Optoelectronics	319,000	576,000	895,000
Corporate offices		28,500	28,500
Continuing operations	600,000	1,975,000	2,575,000

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Item 3. ***Legal Proceedings***

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

On October 17, 2003, Amersham Biosciences Corp. filed a complaint, which was subsequently amended, in the United States District Court for New Jersey, Civil Action No. 03-4901, seeking injunctive and monetary relief against one of our subsidiaries and alleging that our ViewLux and certain of our Image FlashPlate products infringe three of Amersham s patents related to high-throughput screening (the NJ case). On August 18, 2004, Amersham plc filed a complaint against two of our United Kingdom-based subsidiaries in the Patent Court of the English High Court of Justice, Case No. 04C02688, alleging that our same products infringe one corresponding Amersham patent in the United Kingdom, which was granted in August 2004 (the UK case). On October 29, 2003, we filed a complaint, which was subsequently amended, seeking injunctive and monetary relief against Amersham in the United States District Court for Massachusetts, Civil Action No. 03-12098, alleging that Amersham s IN Cell Analyzer, and LEADseeker Multimodality Imaging system and certain Cyclic AMP and IP3 assays infringe two of our patents related to high-throughput screening (the MA case). After a trial in the UK case in December 2005, the court ruled in February 2006 that Amersham s patent in question was invalid in the United Kingdom and awarded costs to us. Amersham initiated an appeal of the ruling in the UK case but withdrew that appeal in January 2007. In May 2006, the court in the NJ case issued a decision regarding the construction of the claims in Amersham s patents that adopted many of Amersham s claim construction positions. The parties entered into a settlement agreement in November 2007 to resolve all of the foregoing matters.

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

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Although the U.S. PTO had previously issued notice of its intent to allow the remaining claims of all of the patents, the U.S. PTO subsequently decided to begin the process of re-examining each patent. ViaCell has informed the Delaware Court overseeing PharmaStem II of the status of the re-examinations and that the Federal Circuit had ruled in its favor in the PharmaStem I case. The Delaware Court has yet to take any action in response to these notices.

We believe we have meritorious defenses to these lawsuits and other proceedings, and we are contesting the actions vigorously in all of the above unresolved matters. We are currently unable, however, to reasonably estimate the amount of loss, if any, that may result from the resolution of these matters, or to determine whether resolution of any of these matters will have a material adverse impact on our consolidated financial statements included in this annual report on Form 10-K.

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 December 30, 2007 should not have a material adverse effect on our consolidated financial statements included in this annual report on Form 10-K. Each of these matters is subject to uncertainties, and it is possible that some of these matters may be resolved unfavorably to us.

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

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

Listed below are our executive officers as of February 28, 2008. No family relationship exists between any one of these officers and any of the other executive officers or directors.

Name	Position	Age
Gregory L. Summe	Executive Chairman of the Board	51
Robert F. Friel	Chief Executive Officer, President, and Director	52
Jeffrey D. Capello	Senior Vice President and Chief Financial Officer	43
Katherine A. O Hara	Senior Vice President, General Counsel, and Secretary	49
Richard F. Walsh	Senior Vice President and Chief Administrative Officer	55
John A. Roush	Senior Vice President and President Optoelectronics	42
Michael L. Battles	Vice President, Corporate Controller, and Chief Accounting Officer	39

Gregory L. Summe, 51. Prior to being named Executive Chairman of the Board in February 2008, Mr. Summe had served as our Chief Executive Officer since January 1, 1999 and as Chairman of the Board since April 27, 1999. He was appointed President and Chief Operating Officer and elected to our Board of Directors at the beginning of 1998. He began serving as a Senior Advisor to Goldman Sachs Capital Partners in February 2008. From 1993 to 1998, Mr. Summe held several management positions with AlliedSignal, Inc., now Honeywell International: President of the Automotive Products Group, President of Aerospace Engines, and President of General Aviation Avionics. Prior to joining AlliedSignal, Inc., he worked at General Electric, and was a partner at McKinsey & Company, where he worked from 1983 to 1992. Mr. Summe is a Director

of State Street Corporation and Automatic Data Processing, Inc. He holds a Bachelor of Science degree and a Master of Science degree in electrical engineering from the University of Kentucky and the University of Cincinnati, respectively, and a Master of Business Administration degree from the Wharton School at the University of Pennsylvania.

Robert F. Friel, 52. Mr. Friel was named our Chief Executive Officer effective February 1, 2008. Mr. Friel joined us in February 1999 as our Senior Vice President and Chief Financial Officer. In 2004, he was named Executive Vice President and Chief Financial Officer with responsibility for business development and

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information technology, in addition to his oversight of the finance functions. In January 2006, he was named our Vice Chairman, President of Life and Analytical Sciences and elected to our Board of Directors. In July 2007, he was named President and Chief Operating Officer of the Company, effective August 1, 2007. From 1980 to 1999, he held several positions at AlliedSignal, Inc., now Honeywell International, including Corporate Vice President and Treasurer from 1997 to 1999 and Vice President, Finance and Administration of Aerospace Engines from 1992 to 1996. He holds a Bachelor of Arts degree in economics from Lafayette College and a Master of Science degree in taxation from Fairleigh Dickinson University. Mr. Friel is a Director of Millennium Pharmaceuticals, Inc. and Fairchild Semiconductor, Inc.

Jeffrey D. Capello, 43. Mr. Capello joined us in June 2001 as our Vice President of Finance, Corporate Controller and Treasurer, and was named Chief Accounting Officer in April 2002. In January 2006, he was named Senior Vice President and Chief Financial Officer with responsibilities for Business Development, in addition to his oversight of the finance function. From 1991 to June 2001, he held various positions including that of partner from 1997 to 2001 at PricewaterhouseCoopers LLP, a public accounting firm, initially in the United States and later in the Netherlands. He holds a Bachelor of Science degree in business administration from the University of Vermont and a Master of Business Administration degree from the Harvard Business School and is also a certified public accountant. Mr. Capello is a Director of Sirtris Pharmaceuticals, Inc.

Katherine A. O Hara, 49. Ms. O Hara joined us in May 2005 as Senior Vice President, General Counsel and Secretary of PerkinElmer, Inc. Prior to joining PerkinElmer in May 2005, Ms. O Hara served as Vice President and Associate General Counsel for Avon Products, Inc. During her 11 years with Avon, she held responsibilities in the areas of legal and regulatory compliance, corporate finance and corporate governance. Before joining Avon, Ms. O Hara had been an associate at Davis Polk & Wardwell, focusing on capital markets transactions for global clients. Previously, she had been Assistant Vice President at Morgan Guaranty Trust Company of New York, responsible for the Argentine business unit. Ms. O Hara holds a Bachelor of Arts degree from Duke University and a Juris Doctorate degree from the Columbia University School of Law.

Richard F. Walsh, 55. Mr. Walsh joined us in July 1998 as our Senior Vice President of Human Resources and, in January 2006, was also named our Chief Administrative Officer. From 1995 to 1998, he served as Senior Vice President of Human Resources of ABB Americas, Inc., the United States subsidiary of an international engineering company. Prior to that, Mr. Walsh held a number of managerial positions in human resources with ABB starting in 1989. His prior employment was with Unilever, where he spent nine years in human resource management. Mr. Walsh holds a Bachelor of Science degree in marketing and a Master of Business Administration degree from LaSalle University, and a Master of Arts in counseling from Villanova University.

John A. Roush, 42. Mr. Roush was named Vice President of PerkinElmer and President of our Optoelectronics business in November 2004. In January of 2006, Mr. Roush was named Senior Vice President of PerkinElmer, and remains President of our Optoelectronics business. Mr. Roush first joined us in 1999 as General Manager of a specialty lighting division within our Optoelectronics business, and subsequently held several additional roles within Optoelectronics. From 2001 to 2002, he served as Vice President & General Manager of the Sensors business, and from 2002 to 2004, he held the role of Vice President of Sales & Product Management. Before joining PerkinElmer, Mr. Roush held leadership positions with General Electric, AlliedSignal, Inc., now Honeywell International, and McKinsey & Company. Mr. Roush holds a Bachelor of Science degree in electrical engineering from Tufts University and a Master of Business Administration degree from the Harvard Business School.

Michael L. Battles, 39. Mr. Battles was named Chief Accounting Officer in November 2006. Mr. Battles joined PerkinElmer in November 2001 as Global Controller of our Analytical Instruments division. Beginning in 2003, he served as Director of Technical Accounting, Controls and Compliance, and in October 2005 was appointed Vice President, Corporate Controller, a position he continues to hold. Prior to joining PerkinElmer, Mr. Battles held several positions at Deloitte & Touche LLP from 1990 until 2001, including senior manager, accounting and auditing from 1998 to 2001. Mr. Battles holds a Bachelor of Science degree in business administration with a concentration in accounting from the University of Vermont. Mr. Battles is also a certified public accountant.

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PART II

Item 5. ***Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Market Price of Common Stock

Our common stock is listed and traded on the New York Stock Exchange. The following table sets forth the high and low per share sale prices for our common stock on that exchange for each fiscal quarter in 2007 and 2006.

	2007 Fiscal Quarters			
	First	Second	Third	Fourth
High	$ 24.56	$ 26.91	$ 29.35	$ 29.86
Low	21.40	24.20	26.21	24.62

	2006 Fiscal Quarters			
	First	Second	Third	Fourth
High	$ 24.08	$ 23.67	$ 21.31	$ 22.48
Low	21.80	20.10	17.89	18.83

As of February 26, 2008, we had approximately 7,278 holders of record of our common stock.

Stock Repurchase Program

On October 21, 2005 our Board reaffirmed our authority to repurchase up to 10.0 million shares of our common stock, which we publicly disclosed on November 14, 2005 (the 2005 Program). During the first quarter of 2006, we repurchased 5,000,000 shares of our common stock in the open market under the 2005 Program at an aggregate cost of $116.4 million, including commissions. We did not repurchase any shares of our common stock in the second quarter of 2006. During the third quarter of 2006, we repurchased 3,904,000 shares of our common stock in the open market under the 2005 Program at an aggregate cost of $73.7 million, including commissions, completing the repurchase of 10,000,000 shares in the aggregate, the maximum authorized under the 2005 Program. 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 November 6, 2006, we announced that our Board authorized us to repurchase up to 10.0 million shares of our common stock under a stock repurchase program (the Repurchase Program). The Repurchase Program will expire on October 25, 2010 unless this authorization is terminated earlier by our Board, and may be suspended or discontinued at any time. During the first quarter of 2007, we repurchased in the open market 2,500,000 shares of our common stock at an aggregate cost of $60.0 million, including commissions, under the Repurchase Program. During the second quarter of 2007, we repurchased in the open market 3,468,300 shares of our common stock at an aggregate cost of $87.1 million, including commissions, under the Repurchase Program. During the third quarter of 2007, we repurchased in the open market 1,082,492 shares of our common stock at an aggregate cost of $28.9 million, including commissions, under the Repurchase Program. During the fourth quarter of 2007, we repurchased in the open market 1,000,000 shares of our common stock at an aggregate cost of $26.9 million, including commissions, under the Repurchase Program.

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Dividends

During the 2007 and 2006 fiscal years, we declared regular quarterly cash dividends on our common stock. The table below sets forth the cash dividends per share that we declared on our common stock during each of those fiscal years, by quarter.

	2007 Fiscal Quarters				2007 Total
	First	Second	Third	Fourth	
Cash dividends per common share	$ 0.07	$ 0.07	$ 0.07	$ 0.07	$ 0.28

	2006 Fiscal Quarters				2006 Total
	First	Second	Third	Fourth	
Cash dividends per common share	$ 0.07	$ 0.07	$ 0.07	$ 0.07	$ 0.28

While it is our current intention to pay regular quarterly cash dividends, any decision to pay future cash dividends will be made by our Board of Directors and will depend on our earnings, financial condition and other factors. For further information related to our stockholders equity, refer to Note 20 included in our notes to consolidated financial statements included in this annual report on Form 10-K.

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Stock Performance Graphs

Set forth below is a line graph comparing the cumulative total shareholder return on our common stock against the cumulative total return of the S&P Composite-500 Index and a Peer Group Index for the five fiscal years from December 29, 2002 to December 30, 2007. Our Peer Group Index comprises the following companies: Affymetrix, Inc., Applied Biosystems, Beckman Coulter, Inc., Invitrogen Corporation, Millipore Corporation, Thermo Fisher Scientific Inc. (formerly known as Thermo Electron Corporation), Varian, Inc. and Waters Corporation.

Comparison of Five-Year Cumulative Total Return

PerkinElmer, Inc. Common Stock, S&P Composite-500 and

Peer Group Indices

TOTAL RETURN TO SHAREHOLDERS

(Includes reinvestment of dividends)

	December 29, 2002	December 28, 2003	January 2, 2005	January 1, 2006	December 31, 2006	December 30, 2007
PerkinElmer, Inc.	$ 100.00	$ 214.31	$ 290.82	$ 308.82	$ 295.20	$ 350.81
S&P 500 Index	$ 100.00	$ 127.47	$ 143.41	$ 150.45	$ 174.21	$ 185.05
Peer Group	$ 100.00	$ 140.61	$ 168.68	$ 174.04	$ 197.31	$ 250.34

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Item 6. ***Selected Financial Data***

The following table sets forth selected historical financial information as of and for each of the fiscal years in the five-year period ended December 30, 2007. We derived the selected historical financial information as of and for each of the fiscal years in the three-year period ended December 30, 2007 from our audited consolidated financial statements which are included elsewhere in this annual report on Form 10-K. We derived the selected historical financial information as of and for the fiscal years ended January 2, 2005 and December 28, 2003 from our audited consolidated financial statements which are not included in this annual report on Form 10-K. As with our financial statements for the fiscal year ended January 1, 2006, we adjusted the information in the financial statements for the fiscal years ended January 2, 2005 and December 28, 2003, where appropriate, to account for our discontinued operations.

Our historical financial information may not be indicative of our results of operations or financial position in the future.

You should read the following selected historical financial information together with our Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements, including the related notes, included elsewhere in this annual report on Form 10-K.

	Fiscal Year Ended				
	December 30, 2007	December 31, 2006	January 1, 2006	January 2, 2005	December 28, 2003
	(In thousands, except per share data)				
Income Statement Data:					
Sales	$ 1,787,331	$ 1,546,358	$ 1,473,831	$ 1,429,089	$ 1,344,540
Operating income[1][2][3]	168,166	153,402	140,951	137,676	126,955
Other expense, net[4]	16,877	2,666	74,291	38,332	53,513
Income from continuing operations before taxes	151,289	150,736	66,660	99,344	73,442
Income from continuing operations, net of income taxes[5][6]	133,834	118,324	66,532	75,879	50,755
(Loss) income from discontinued operations, net of income taxes[7][8]	(916)	(1,174)	15,214	20,659	2,652
(Loss) gain on dispositions of discontinued operations, net of income taxes[7][8]	(1,232)	2,433	186,362	(495)	(448)
Net income	$ 131,686	$ 119,583	$ 268,108	$ 96,043	$ 52,959
Basic earnings (loss) per share:					
Continuing operations	$ 1.13	$ 0.95	$ 0.51	$ 0.60	$ 0.40
Discontinued operations	(0.02)	0.01	1.56	0.16	0.02
Net income	$ 1.11	$ 0.96	$ 2.07	$ 0.75	$ 0.42
Diluted earnings (loss) per share:					
Continuing operations	$ 1.11	$ 0.94	$ 0.51	$ 0.59	$ 0.40
Discontinued operations	(0.02)	0.01	1.54	0.16	0.02
Net income	$ 1.09	$ 0.95	$ 2.04	$ 0.74	$ 0.41
Weighted-average common shares outstanding:					
Basic:	118,916	125,203	129,267	127,345	126,363

Diluted:	120,605	126,512	131,140	129,429	127,741
Cash dividends per common share	$ 0.28	$ 0.28	$ 0.28	$ 0.28	$ 0.28

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	December 30, 2007	December 31, 2006	As of January 1, 2006	January 2, 2005	December 28, 2003
			(In thousands)		
Balance Sheet Data:					
Total assets[9]	$ 2,949,337	$ 2,510,322	$ 2,693,461	$ 2,575,507	$ 2,607,727
Short-term debt[9]	562	1,153	1,131	9,714	5,167
Long-term debt[9]	516,078	151,781	243,282	364,874	544,307
Stockholders equity[10][11][12]	1,575,277	1,577,730	1,650,513	1,460,085	1,349,050
Common shares outstanding[12]	117,585	123,255	130,109	129,059	126,909

(1) We adopted Statement of Financial Accounting Standards (SFAS) No. 123(R), *Share-Based Payment* (SFAS No. 123(R)), on January 2, 2006. The total incremental pre-tax compensation related to stock options was $9.2 million in each of the fiscal years 2007 and 2006.

(2) We incurred pre-tax restructuring and lease charges (reversals), net, of $14.4 million in fiscal year 2007, ($3.6) million in fiscal year 2006, $22.1 million in fiscal year 2005 and ($2.8) million in fiscal year 2003.

(3) We settled an insurance claim resulting from a fire that occurred in one of our facilities in March 2005. As a result of that settlement, we recorded pre-tax gains of $15.3 million in fiscal year 2007.

(4) In fiscal year 2005, we incurred $54.9 million in fees associated with the extinguishment of our senior subordinated 8 7/8% notes due 2013 offset by gains on the sales of investments of $5.8 million.

(5) The fiscal year 2005 effective tax rate on continuing operations of 0.19% was largely due to a $27.5 million benefit related to the settlement of federal, state and foreign income tax audits and an additional accrual of $15.5 million related to the homeland investment provisions of the American Jobs Creation Act of 2004.

(6) The fiscal year 2007 effective tax rate on continuing operations of 11.5% was largely due to a $18.6 million benefit related to the settlement of an income tax audit.

(7) In fiscal year 2006, we sold substantially all of the assets of the Semiconductor business of our Fluid Sciences segment for approximately $26.5 million, subject to a net working capital adjustment, plus potential additional contingent consideration. We recognized a pre-tax gain of $3.8 million, exclusive of additional contingent consideration.

(8) In fiscal year 2005, we sold the Aerospace and Fluid Testing businesses of our Fluid Sciences segment for a net pre-tax gain of $280.9 million. Net pre-tax losses of $8.5 million related to the sale of the Lithography Business and Fiber Optic Test Equipment Business, both included in our Optoelectronics segment, were partially offset by other pre-tax gains of $1.4 million that related to multiple discontinued operations.

(9) In November 2007, we completed the tender offer for all of the outstanding shares of common stock of ViaCell. Aggregate consideration for this transaction was approximately $295.8 million in cash, which excludes $31.8 million in acquired cash. In connection with this acquisition, we entered into a $300.0 million unsecured interim credit facility to pay the purchase price and transactional expenses of this acquisition. This interim credit facility matures on March 31, 2008, at which point all amounts outstanding are due in full. Prior to February 28, 2008, we exercised the option to increase the senior unsecured revolving credit facility to $608.8 million. We anticipate using funds from the amended senior unsecured revolving credit facility to settle any outstanding amounts on the unsecured interim credit facility in March 2008, and have accordingly classified the $300.0 million of outstanding borrowings on the unsecured interim credit facility as long-term debt.

(10) In fiscal year 2006, we adopted Statement of SFAS No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)* (SFAS No. 158). The impact of adopting SFAS No. 158 was a reduction to accumulated other comprehensive income of $32.7 million, a reduction to other assets of $26.6 million, an increase to current liabilities of $7.3 million, an increase to current assets of $0.7 million and a reduction to long-term liabilities of $0.4 million, with no impact to our consolidated statements of operations or consolidated statements of cash flows.

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(11) In fiscal year 2007, we adopted FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes* (FIN No. 48). The impact of adopting FIN No. 48 was an increase to retained earnings of $3.6 million and a reduction to accrued liabilities of $3.6 million, with no impact to our consolidated statements of operations or statements of cash flows.

(12) In fiscal year 2007, we repurchased in the open market approximately 8.1 million shares of our common stock at an aggregate cost of $203.0 million, including commissions. In fiscal year 2006, we repurchased in the open market approximately 8.9 million shares of our common stock at an aggregate cost of $190.1 million, including commissions. 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. These repurchases were made pursuant to our stock repurchase programs announced in November 2006 and November 2005, respectively.

Item 7. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

This annual report on Form 10-K, including the following management s discussion and analysis, contains forward-looking information that you should read in conjunction with the consolidated financial statements and notes to consolidated financial statements that we have included elsewhere in this annual report on Form 10-K. 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, expects, will and similar expressions are intend 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 above under the heading Risk Factors in Item 1A above that we believe could cause actual results to differ materially from the forward-looking statements we make. We are not obligated to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Overview

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

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

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

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

Accounting Period

Our fiscal year ends on the Sunday nearest December 31. We report fiscal years under a 52/53 week format. Under this method, certain years will contain 53 weeks. The fiscal years ended December 30, 2007, December 31, 2006 and January 1, 2006 each included 52 weeks.

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Consolidated Results of Continuing Operations

Sales

2007 Compared to 2006. Sales for 2007 were $1,787.3 million, versus $1,546.4 million for 2006, an increase of $241.0 million, or 16%. Changes in foreign exchange and acquisitions each contributed approximately 4% to the increase in revenue for 2007, as compared to 2006. The analysis in the remainder of this paragraph compares segment sales for 2007 as compared to 2006 and includes the effect of foreign exchange rate fluctuations and acquisitions. The total increase in sales reflects a $182.7 million, or 16%, increase in our Life and Analytical Sciences segment sales, due to increases in sales of instruments of $84.5 million, service of $51.3 million, and consumables and reagents of $46.9 million. Our Optoelectronics segment sales grew $58.3 million, or 15%, primarily due to increases in our medical imaging products of $28.4 million, specialty lighting products of $24.8 million, and optical sensors of $4.8 million.

2006 Compared to 2005. Sales for 2006 were $1,546.4 million versus $1,473.8 million during 2005, an increase of $72.6 million, or 5%. Changes in foreign exchange and acquisitions each contributed approximately 1% to the increase in revenue for 2006, as compared to 2005. The analysis in the remainder of this paragraph compares segment sales for 2006 as compared to 2005 and includes the effect of foreign exchange rate fluctuations and acquisitions. The total increase in sales includes a $63.5 million, or 6%, increase in our Life and Analytical Sciences segment sales, which grew from $1,081.1 million in 2005 to $1,144.6 million in 2006 primarily due to increases in service of $31.8 million, instruments of $29.8 million and consumables and reagents of $1.9 million. Our Optoelectronics segment sales grew $9.1 million, or 2%, from $392.7 million in 2005 to $401.8 million in 2006 primarily due to sales of our medical imaging products increasing by $15.1 million, while sales within our optical sensors and specialty lighting product lines decreased $6.0 million.

Cost of Sales

2007 Compared to 2006. Cost of sales for 2007 was $1,062.6 million, versus $918.3 million for 2006, an increase of approximately $144.3 million, or 16%. As a percentage of sales, cost of sales increased to 59.5% in 2007 from 59.4% in 2006, resulting in a decrease in gross margin of 10 basis points to 40.5% in 2007 from 40.6% in 2006. Amortization of intangible assets increased due to the acquisitions completed in 2007 and 2006 and was $34.4 million for 2007 as compared to $29.2 million for 2006. The amortization of purchase accounting adjustments to record the inventory from certain acquisitions completed in 2007 was approximately $2.5 million for 2007. Stock option expense was $1.2 million and $1.3 million for 2007 and 2006, respectively. The combined impact of net productivity and capacity improvements within both segments increased gross margin, which was partially offset by pressures in our laboratory services business as a result of entering into several large new contracts requiring an increase in start-up investment in the first six months of 2007 and a one-time charge related to flash module contracts in our Optoelectronics segment.

2006 Compared to 2005. Cost of sales for 2006 was $918.3 million, versus $859.3 million for 2005, an increase of $59.0 million, or 7%. As a percentage of sales, cost of sales increased to 59.4% in 2006 from 58.3% in 2005, resulting in a decrease in gross margin of 110 basis points to 40.6% in 2006 from 41.7% in 2005. Amortization of intangible assets was $29.2 million in 2006 as compared to $27.8 million in 2005. With the adoption of SFAS No. 123(R), cost of sales for 2006 also included stock option expense of $1.3 million. No stock option expense was recorded in 2005. The remaining decrease in gross margin was primarily attributable to unfavorable product and geography mix of sales, pricing pressures and inflation, including commodity costs during 2006, partially offset by efficiencies gained through increased production volume and successful execution of productivity initiatives.

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Selling, General and Administrative Expenses

2007 Compared to 2006. Selling, general and administrative expenses for 2007 were $444.4 million as compared to $376.8 million for 2006, an increase of approximately $67.6 million, or 18%. As a percentage of sales, selling, general and administrative expenses were 24.9% in 2007, compared to 24.4% in 2006. Amortization of intangible assets was $7.9 million for 2007 as compared to $3.0 million for 2006. Stock option expense was $7.3 million and $7.2 million for 2007 and 2006, respectively. This increase was primarily the result of increased headcount and employee-related expenses to support our sales initiatives, increased sales and marketing expenses to support recent acquisitions, business development expenses, amortization expense related to the acquisitions completed in 2007 and 2006, foreign exchange and stock option expense.

2006 Compared to 2005. Selling, general and administrative expenses for 2006 were $376.8 million, versus $365.5 million for 2005, an increase of $11.4 million, or 3%. As a percentage of sales, selling, general and administrative expenses decreased 40 basis points to 24.4% in 2006 from 24.8% in 2005. Amortization of intangible assets was $3.0 million in 2006 as compared to $0.8 million in 2005. With the adoption of SFAS No. 123(R), selling, general and administrative expenses for 2006 also included $7.2 million of stock option expense, whereas no stock option expense was recorded in 2005. This decrease was the result of increased fixed cost leverage and cost controls, offset in part by increased investment in business development activities, stock option expense and an increase in the number of sales employees in emerging markets and higher growth product lines.

Research and Development Expenses

2007 Compared to 2006. Research and development expenses for 2007 were $111.6 million versus $99.7 million for 2006, an increase of $11.9 million, or 12%. As a percentage of sales, research and development expenses decreased to 6.2% in 2007 from 6.4% in 2006. Amortization of intangible assets was $1.7 million for 2007 as compared to $1.6 million for 2006. Research and development expenses also included stock option expense of $0.6 million and $0.7 million for 2007 and 2006, respectively. We directed our research and development efforts similarly during 2007 and 2006, primarily toward genetic screening, BioDiscovery, and analytical sciences markets within our Life and Analytical Sciences segment, and medical imaging and photonics within our Optoelectronics segment, in order to help accelerate our growth initiatives.

2006 Compared to 2005. Research and development expenses for 2006 were $99.7 million versus $87.4 million in 2005, an increase of $12.3 million, or 14%. As a percentage of sales, research and development expenses increased to 6.4% in 2006 from 5.9% in 2005. Amortization of intangible assets was $1.6 million in 2006 as compared to $0.1 million in 2005. With the adoption of SFAS No. 123(R), research and development expenses for 2006 also included $0.7 million of stock option expense, whereas no stock option expense was recorded in 2005. We directed research and development efforts during 2006 and 2005 primarily toward genetic screening, BioDiscovery, and analytical sciences markets within our Life and Analytical Sciences segment, and medical imaging within our Optoelectronics segment in order to help accelerate our growth initiatives.

In-process Research and Development Charge

2007 Compared to 2006. In-process research and development (IPR&D) charge for 2007 was $1.5 million, which related to the acquisitions of Evotec and Euroscreen. In determining the value of the in-process projects, we considered, among other factors, the in-process projects stage of completion, the complexity of the work completed as of the acquisition date, the costs already incurred, the projected costs to complete, the contribution of core technologies and other acquired assets, the expected introduction date, and the estimated useful life of the technology. We utilized the discounted cash flow method to value the IPR&D, using a discount rate equivalent to the relative risk of the asset, including the

uncertainty of technological feasibility and successful launch. This approach determines fair value by estimating the after-tax cash flows attributable to an in-process project over its useful life, and then discounting these after-tax cash flows back to a present value. We believe that the estimated purchased research and development amounts so determined, represent the fair value of each project at the acquisition date, and the amount represents management s best estimate of the amount a third party would pay for the projects.

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2006 Compared to 2005. We did not take an IPR&D charge in either 2006 or 2005.

Gains on Settlement of Insurance Claim

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

During the second quarter of 2007, we accrued $9.7 million representing our management s estimate of the total cost for decommissioning the building, including environmental matters. We paid $3.9 million during fiscal year 2007 towards decommissioning the building, and anticipate that the remaining payments of $5.8 million will be completed by the end of fiscal year 2008.

Restructuring and Lease Charges (Reversals), Net

2007 Compared to 2006. We have undertaken a series of restructuring actions related to the impact of acquisitions, divestitures and the integration of our business units. Restructuring actions were recorded in accordance with SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* (SFAS No. 146). Restructuring and lease charges (reversals), net, for 2007 were a $14.4 million charge versus a $3.6 million reversal for 2006.

The following table summarizes our restructuring accrual balances and related activity by restructuring plan during 2007, 2006 and 2005:

	Balance at 1/02/2005	2005 Charges	2005 Amounts paid and incurred	2005 Changes in Estimates	Balance at 1/1/2006	2006 Charges	2006 Amounts paid and incurred	2006 Changes in Estimates	Balance at 12/31/2006	2007 Charges	2007 EITF No. 95-3 Charges	2007 Amounts paid and incurred	2007 Changes in Estimates	Balance at 12/30/2007
Previous Plans	$ 3,045	$ 17,038	$ (13,868)	$ 5,027	$ 11,242	$ 755	$ (4,871)	$ (4,395)	$ 2,731	$	$	$ (150)	$ (611)	$ 1,970
Q1 2007 Plan										4,438		(3,367)		1,071
Q4 2007 Plan										9,624		(1,028)		8,596
ViaCell Plan											1,184			1,184
Restructuring	3,045	17,038	(13,868)	5,027	11,242	755	(4,871)	(4,395)	2,731	14,062	1,184	(4,545)	(611)	12,821
Lease charges										3,115				3,115
Deferred Gain										(2,179)				(2,179)
Total restructuring and lease charges	$ 3,045	$ 17,038	$ (13,868)	$ 5,027	$ 11,242	$ 755	$ (4,871)	$ (4,395)	$ 2,731	$ 14,998	$ 1,184	$ (4,545)	$ (611)	$ 13,757

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

Q4 2007 Plan

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

As part of our Q4 2007 Plan, we reduced headcount by 90 employees. All actions related to the Q4 2007 Plan were completed by December 30, 2007, and we anticipate that the remaining payments of $4.3 million for workforce reductions will be completed by the end of the first quarter of fiscal year 2009, and the remaining payments of $4.3 million for the partial facility closure will be paid through fiscal year 2022, in accordance with the terms of the lease. The lease payments will be offset by the recognition of the amortization of the deferred gain from the sales-leaseback of that facility during the fiscal year 2001.

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

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

Q1 2007 Plan

During the first quarter of 2007, our management approved a plan to shift resources into product lines that are more consistent with our growth strategy. As a result of this plan, we recognized a pre-tax restructuring charge of $4.4 million during the first quarter of 2007 (the Q1 2007 Plan). The actions within the Q1 2007 Plan related to a workforce reduction resulting from reorganization activities within our Life and Analytical Sciences segment.

As part of our Q1 2007 Plan, we reduced headcount by 60 employees. All actions related to the Q1 2007 Plan were completed by March 30, 2007, and we anticipate that the remaining payments of $1.1 million will be completed by the end of the fourth quarter of fiscal year 2008.

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ViaCell Plan

Following the ViaCell acquisition, we committed to a preliminary plan of integration of certain ViaCell activities that included workforce reductions. As of December 30, 2007, we recorded $1.2 million of severance liabilities with a corresponding adjustment to goodwill in accordance with Emerging Issues Task Force (EITF) Issue No. 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination* (EITF 95-3). We had not finalized the preliminary integration plan as of December 30, 2007, but we expect to complete the plan no later than one year from the date of acquisition. As part of our ViaCell Plan, we reduced headcount by five employees, and we anticipate that the payments of $1.2 million will be completed by the end of the fourth quarter of fiscal year 2008.

Previous Restructuring and Integration Plans

The principal actions of these restructuring plans were workforce reductions related to the integration of our Life Sciences and Analytical Instruments businesses, which is now our Life and Analytical Sciences segment, in order to reduce costs and achieve operational efficiencies as well as workforce reductions in both the Life and Analytical Sciences and Optoelectronics segments by shifting resources into geographic regions and product lines that are more consistent with our growth strategy. During 2007, we paid $0.2 million related to the 2001 to 2006 restructuring and integration plans and recorded a pre-tax restructuring reversal of $0.6 million relating to these plans, due to lower than expected employee separation costs associated with both the Life and Analytical Sciences and Optoelectronics segments. As of December 30, 2007, we had approximately $2.0 million of remaining liabilities associated with these plans, primarily relating to remaining lease obligations related to closed facilities in the Life and Analytical Sciences segment. The remaining terms of these leases vary in length and will be paid through fiscal year 2014. We anticipate that the remaining severance payments will be completed by the end of fiscal year 2008.

Lease Charges

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

Impairment of Assets

2007 Compared to 2006. Impairment of assets was zero in 2007 and $3.2 million in 2006. The 2006 impairment was recorded within the Life and Analytical Sciences segment, which included a $2.8 million loss related to a manufacturing facility and a $0.4 million loss on impairment of a license agreement.

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2006 Compared to 2005. Impairment of assets was $3.2 million in 2006 and zero in 2005. The 2006 impairment was recorded within the Life and Analytical Sciences segment, which included a $2.8 million loss related to a manufacturing facility and a $0.4 million loss on impairment of a license agreement.

Gains on Dispositions

2007 Compared to 2006. There were no dispositions in 2007 and dispositions resulted in a net gain of $1.5 million in 2006. Gain on dispositions in 2006 included a $0.6 million gain from an insurance reimbursement due to fire damage in a certain manufacturing facility and a $0.9 million gain on disposal of certain fixed assets.

2006 Compared to 2005. Dispositions resulted in a net gain of $1.5 million in 2006 and in 2005. Gain on dispositions in 2006 included a $0.6 million gain from an insurance reimbursement due to fire damage in a certain manufacturing facility and a $0.9 million gain on disposal of fixed assets. Gain on dispositions in 2005 included a $2.0 million gain from an insurance reimbursement due to fire damage in certain manufacturing facilities offset by a $0.5 million loss on disposal of certain fixed assets due to a facility upgrade.

Interest and Other Expense, Net

Interest and other expense, net consisted of the following:

	2007	2006	2005
		(In thousands)	
Interest income	$ (4,688)	$ (9,390)	$ (3,321)
Interest expense	15,325	9,157	27,291
Gains on disposition of investments, net	(697)	(2,296)	(5,844)
Extinguishment of debt			54,886
Other expense, net	6,937	5,195	1,279
Total interest and other expense, net	$ 16,877	$ 2,666	$ 74,291

2007 Compared to 2006. Interest and other expense, net for 2007 was $16.9 million versus $2.7 million for 2006, an increase of $14.2 million. The increase in interest and other expense, net, in 2007 as compared to 2006 was primarily due to the higher outstanding debt balances, as well as lower outstanding cash balances. Interest income decreased $4.7 million due to lower overall cash balances, and interest expense increased $6.2 million due to higher outstanding debt balances. We also recognized a net gain on dispositions of investments of $0.7 million associated with the dissolution of certain investments. Other expenses for 2007 and 2006 increased by $1.7 million, and consisted primarily of expenses related to foreign currency translation and business development related costs. A more complete discussion of our liquidity is set forth below under the heading Liquidity and Capital Resources.

2006 Compared to 2005. Interest and other expense, net for 2006 was $2.7 million versus $74.3 million for 2005, a decrease of $71.6 million or 96%. The decrease in interest and other expense, net in 2006 as compared to 2005, was due primarily to the overall reduction in outstanding debt, lower borrowing costs, an increase in outstanding cash balances and extinguishment of debt from 2005. Interest income increased $6.1

million due to higher cash balances and higher investment rates. In addition, interest expense decreased $18.1 million primarily due to the repurchase of our senior subordinated 8 7/8% notes due 2013, which we repurchased through a tender offer in the fourth quarter of 2005, and the repayment of the remainder of our term loan. The decrease in interest expense resulting from the debt reduction in 2005 was partially offset by interest on $151.5 million in funds drawn under our previous senior unsecured revolving credit facility as of December 31, 2006, which we entered into during the fourth quarter of 2005 and amended and restated in August 2007. We also recognized a net gain on dispositions of investments of $2.3 million associated with the dissolution of certain investments. We incurred a nonrecurring charge of $54.9 million in 2005 to repay our senior subordinated 8 7/8% notes due 2013. Other expenses in 2006 and 2005 consisted primarily of expense related to foreign currency translation.

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Provision for Income Taxes

2007 Compared to 2006. The 2007 provision for income taxes from continuing operations was $17.5 million, as compared to a provision of $32.4 million for 2006. The effective tax rate from continuing operations was 11.5% for 2007 as compared to 21.5% for 2006. The lower effective tax rate in 2007 was primarily due to the favorable settlement of an income tax audit partially offset by (i) the non-deductible IPR&D charge of $1.5 million recorded in 2007; (ii) the discrete accrual of interest expense as a result of the adoption of the Financial Accounting Standards Board (FASB) Interpretation (FIN) No. 48 in 2007; (iii) the accrual of U.S. taxes on the $15.3 million gains on the settlement of an insurance claim for 2007; and (iv) changes in our forecasted geographic distribution of earnings.

2006 Compared to 2005. The 2006 provision for income taxes from continuing operations was $32.4 million, versus a provision of $0.1 million in 2005. The 2006 effective tax rate from continuing operations was 21.5% as compared to the 2005 effective tax rate of 0.2%. The lower effective tax rate in 2005 was primarily due to (i) a benefit from the settlement of income tax audits for prior years in 2005, offset by the tax cost of the domestic reinvestment plan repatriation calculated in accordance with the homeland investment provisions of the American Jobs Creation Act of 2004; and (ii) the use in 2005 of federal, state, and foreign tax attributes (current year state and foreign net operating losses, federal current year research and experimental credits, and state current year income tax credits) enabled by the sale of our Fluid Sciences segment.

In December 2006, the Tax Relief and Health Care Act of 2006 (the Tax Act) was enacted. The Tax Act retroactively restored the expired research and experimental tax credit provisions of the law from December 31, 2006, and extended the credit through December 31, 2007. As a result of the Tax Act, we recorded a benefit for the research and experimental tax credit in 2006 in the amount of $1.6 million.

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 in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets,* 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 consolidated balance sheets as of December 30, 2007 and December 31, 2006.

We recorded the following gains and losses, which have been reported as the gain (loss) on dispositions of discontinued operations during the three years ended:

	December 30, 2007	December 31, 2006	January 1, 2006
		(In thousands)	
Gain on the sale of Semiconductor business	$ 87	$ 3,750	$
(Loss) gain on the sale of Aerospace business	(1,250)	532	250,638
Gain (loss) on the sale of Fluid Testing business	35	(234)	30,281
Net gain (loss) on dispositions of other discontinued operations	177	(726)	(7,094)
Net (loss) gain on disposition of discontinued operations before income taxes	(951)	3,322	273,825
Provision for income taxes	281	889	87,463

(Loss) gain on disposition of discontinued operations, net of income taxes	$ (1,232)	$ 2,433	$ 186,362

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Following the ViaCell acquisition in November 2007, our Board approved a plan to sell the ViaCyte[SM] and Cellular Therapy Technology businesses that were acquired with ViaCell. The ViaCyte [SM] business focuses on the development of a proprietary media intended for the cryopreservation of human unfertilized oocytes. The Cellular Therapy Technology business focuses on the development of therapeutic uses of unrestricted somatic stem cells derived from umbilical cord blood, including the areas of cancer, cardiac disease and diabetes. We have determined that both businesses do not strategically fit with the other products offered by our Life and Analytical Sciences segment. We also determined that without investing capital into the operations of both businesses, we could not effectively compete in the marketplace with larger companies who focus on the market for such products. We are actively marketing and are currently committed to a plan to sell both of these businesses. We have classified the results of the ViaCyte[SM] and Cellular Therapy Technology businesses as discontinued operations in the accompanying financial statements.

In September 2005, our Board approved a plan to divest our Fluid Sciences segment. The Fluid Sciences segment consisted of three businesses Aerospace, Fluid Testing and Semiconductor. In November 2005, we sold the Fluid Testing division for approximately $34.5 million, resulting in a net pre-tax gain of $30.3 million. In December 2005, we sold the Aerospace business for approximately $333.0 million, resulting in a net pre-tax gain of $250.6 million. These gains were recognized during fiscal 2005 as gains on the dispositions of discontinued operations. We received total cash proceeds in these transactions of approximately $360.0 million. During 2006, we finalized the net working capital adjustments associated with the sales of these businesses, settled a claim related to an employee benefit program, and ceased future benefit accruals to a postretirement medical plan. In 2006, these actions resulted in the recognition of a gain of $0.5 million and a loss of $0.2 million relative to the Aerospace business and the Fluid Testing business, respectively. In February 2006, we sold substantially all of the assets of our Semiconductor business for approximately $26.5 million, subject to a net working capital adjustment, plus potential additional contingent consideration. A pre-tax gain of $3.8 million, exclusive of additional contingent consideration, was recognized in 2006. During 2007, we settled an additional commitment associated with a benefit program relating to the divestiture of the Fluid Sciences segment and recognized a pre-tax loss of $1.1 million.

During 2007, 2006 and 2005, we settled various commitments related to the divestiture of other discontinued operations and recognized a pre-tax gain of $0.2 million in 2007, a pre-tax loss of $0.7 million in 2006 and a pre-tax gain of $1.4 million in 2005. During 2007 and 2006, we substantially completed the remediation of an environmental matter within the Lithography business, resulting in recognition of pre-tax losses of $0.7 million in 2007 and $1.7 million in 2006. In addition, we received proceeds of $0.5 million upon the sale of the Lithography business and recognized a pre-tax loss of $3.3 million during fiscal year 2005. Also in fiscal year 2005, the completion of the shutdown of the Fiber Optics Test Equipment business resulted in a pre-tax loss of $5.2 million related to lease and severance costs and the reduction of fixed assets and inventory to net realizable value.

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

	2007	2006	2005
		(In thousands)	
Sales	$	$ 8,705	$ 223,997
Costs and expenses	945	9,706	200,156
Operating (loss) income from discontinued operations	(945)	(1,001)	23,841
Other expenses, net		397	1,314
(Loss) income from discontinued operations before income taxes	(945)	(1,398)	22,527
(Benefit from) provision for income taxes	(29)	(224)	7,313
(Loss) income from discontinued operations, net of income taxes	$ (916)	$ (1,174)	$ 15,214

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Acquisitions

Newborn Metabolic Screening Business from Pediatrix Medical Group, Inc. In December 2007, we entered into an agreement to acquire the outstanding stock of Pediatrix Screening, Inc., which constitutes the newborn metabolic screening (NMS) business of Pediatrix Medical Group, Inc. The NMS business provides neonatal screening and consultative services to hospitals, medical groups and various states. This acquisition is intended to expand our capabilities to supply state laboratories and other agencies with comprehensive newborn screening solutions. This transaction is expected to close during the first quarter of 2008.

ViaCell, Inc. In November 2007, our wholly owned subsidiary completed a tender offer for all of the outstanding shares of common stock of ViaCell, at a price of $7.25 per share. ViaCell specializes in the collection, testing, processing and preservation of umbilical cord blood stem cells. Through the tender offer, our wholly owned subsidiary acquired more than 90% of the outstanding shares of common stock of ViaCell. We acquired the remaining outstanding shares of ViaCell by means of a merger of our wholly owned subsidiary with and into ViaCell, as a result of which ViaCell became our wholly owned subsidiary. The addition of ViaCell s ViaCord® product offering for the preservation of umbilical cord blood, and its sales and marketing organization, is expected to facilitate the expansion of our neonatal and prenatal businesses. Aggregate consideration for this transaction was approximately $295.8 million in cash, which excludes $31.8 million in acquired cash. The excess of the purchase price over the fair value of the acquired net assets has been allocated to goodwill, none of which is tax deductible.

Following the ViaCell acquisition, we committed to a preliminary plan of integration of certain ViaCell activities that included workforce reductions. As of December 30, 2007, we recorded $1.2 million of severance liabilities with a corresponding adjustment to goodwill in accordance with EITF Issue No. 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination* (EITF 95-3). We had not finalized the preliminary integration plan as of December 30, 2007, but we expect to complete the plan no later than one year from the date of acquisition.

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

Various Intangible Assets and Investments. In 2007, we acquired various licenses, other intangible assets and investments for aggregate consideration of approximately $8.8 million in cash. Included in this amount are a customer list for reagents for approximately $4.8 million, and a call option to purchase the assets and liabilities of a company for approximately $1.2 million, each purchased during the fourth quarter of 2007. In addition, we entered into various long-term license agreements during 2007 for approximately $2.8 million. Purchased intangible assets are amortized over their estimated useful lives based upon the economic value. See Note 13 to our consolidated financial statements for additional details.

Remaining minority interest of PerkinElmer India Pvt. Ltd. In June 2007, we acquired the remaining minority interest in PerkinElmer India Pvt. Ltd. (PKI India), a direct sales, service and marketing operation targeting India s life science and analytical instrumentation markets, from Labindia Instruments Pvt. Ltd. The acquisition establishes PKI India as our wholly owned subsidiary. Consideration for this transaction was approximately $1.3 million in cash plus potential additional consideration of approximately $0.7 million, of which we paid $0.2 million during the fiscal year 2007. We expect to pay the remaining $0.5 million in quarterly installments through the first quarter of 2008. The excess of the

purchase price over the fair value of the acquired net assets has been allocated to goodwill, none of which is tax deductible.

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Improvision Ltd. In March 2007, we acquired the stock of Improvision Ltd. (Improvision), a leading provider of cellular imaging software and integrated hardware solutions used in life sciences research. We expect that the addition of Improvision s imaging and analysis software to our high content screening systems will provide customers with powerful imaging solutions for analyzing cellular events, from real-time imaging of live cells to rapid high content screening of multiple samples. Consideration for this transaction was approximately $23.6 million in cash plus potential additional contingent consideration, which we expect to be immaterial to us. During 2007, we paid $0.6 million for net working capital adjustments. The excess of the purchase price over the fair value of the acquired net assets has been allocated to goodwill, none of which is tax deductible.

Euroscreen Products S.A. In January 2007, we acquired the stock of Euroscreen Products S.A. (Euroscreen), a developer of the AequoScreen cellular assay platform. The AequoScreen platform from Euroscreen is based on an innovative luminescence technology that generates higher quality data, while reducing the number of false positives in G protein-coupled receptor (GPCR) screening applications. Consideration for this transaction was approximately $18.1 million in cash. The excess of the purchase price over the fair value of the acquired net assets has been allocated to goodwill, none of which is tax deductible.

Evotec Technologies GmbH. In January 2007, we acquired the stock of Evotec Technologies GmbH (Evotec). The acquisition is intended to allow us to provide our customers in the pharmaceutical, biotechnology and academic arenas with Evotec s high content screening instruments and software. These analysis tools determine the composition of cells and cell structure, a critical step in moving potential drug targets quickly through the discovery process. Consideration for this transaction was approximately $33.0 million in cash, which was paid in fiscal year 2006. During 2007, we received $1.2 million for net working capital adjustments. The excess of the purchase price over the fair value of the acquired net assets has been allocated to goodwill, none of which is tax deductible.

Dynamic Mechanical Analysis Product Line from Triton Technology Ltd. In December 2006, we acquired specified assets and assumed specified liabilities of the Dynamic Mechanical Analysis (DMA) product line from Triton Technology Ltd. The DMA products offer a thermal analysis tool that is used by scientists in the polymers, pharmaceuticals and food industries for diverse applications ranging from simple quality control to advanced research. Consideration for this transaction was approximately $2.3 million in cash at the closing, plus additional cash payments of approximately $1.6 million that were paid during the first six months of 2007. The excess of the purchase price over the fair value of the acquired net assets has been allocated to goodwill, all of which is tax deductible.

Avalon Instruments Limited. In September 2006, we acquired the stock of Avalon Instruments Limited (Avalon). The acquisition of Avalon expands and complements our molecular spectroscopy product portfolio by adding a family of innovative bench-top dispersive Raman spectrometers. Raman spectroscopy identifies and characterizes the composition of both organic and inorganic materials in a wide range of applications. Consideration for this transaction was approximately $5.3 million in cash plus potential additional contingent consideration, which we expect to be immaterial to us. The excess of the purchase price over the fair value of the acquired net assets has been allocated to goodwill, none of which is tax deductible.

J.N. Macri Technologies LLC and NTD Laboratories, Inc. In July 2006, we acquired specified assets and assumed specified liabilities of J.N. Macri Technologies LLC (Macri) and acquired the stock of NTD Laboratories, Inc. (NTD). We acquired Macri s global patents related to free beta Human Chorionic Gonadotropin (free Beta hCG). Free Beta hCG is a peptide hormone produced in the early stage of pregnancy that is widely recognized as an important biomarker for first-trimester prenatal risk assessment. NTD is a laboratory specializing in prenatal risk assessment and offers laboratory-developed and validated testing under the brand name UltraScreen®, of which free Beta hCG is an important component. Aggregate consideration for these transactions was approximately $56.65 million in cash. The excess of the purchase price over the fair value of the acquired net assets has been allocated to goodwill. None of the goodwill related to the NTD acquisition is tax deductible and all of the goodwill related to the Macri acquisition is tax deductible.

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Clinical & Analytical Service Solutions Ltd. In June 2006, we acquired the stock of Clinical & Analytical Service Solutions Ltd. (C&A), a scientific equipment asset and managed maintenance company serving the pharmaceutical, biotechnology and healthcare markets. Consideration for the transaction was approximately $16.0 million in cash plus potential additional contingent consideration, which we expect to be immaterial to us. The excess of the purchase price over the fair value of the acquired net assets has been allocated to goodwill, none of which is tax deductible.

Spectral Genomics, Inc. In April 2006, we acquired specified assets and assumed specified liabilities of Spectral Genomics, Inc. (Spectral), a leader in molecular karyotyping technology used to evaluate chromosomal abnormalities. Consideration for the transaction was approximately $14.0 million in cash plus potential additional contingent consideration, which we expect to be immaterial to us. We will make royalty payments based on future sales to license additional intellectual property rights from a third party. The excess of the purchase price over the fair value of the acquired net assets has been allocated to goodwill, all of which is tax deductible.

Agilix Corporation. In February 2006, we acquired specified assets of Agilix Corporation (Agilix) for approximately $8.7 million in cash. Assets acquired primarily relate to Agilix s core technology which centers around labeling technology using isobaric mass tags that allow for the simultaneous quantification of molecules, such as proteins, from multiple samples. The excess of the purchase price over the fair value of the acquired net assets has been allocated to goodwill, all of which is tax deductible.

The operations for each of these acquisitions completed during 2007 and 2006 are reported within the results of our Life and Analytical Sciences segment from the acquisition date. The acquisitions were accounted for using the purchase method of accounting. Allocation of the purchase price for the acquisitions was based on estimates of the fair value of the net assets acquired, and is subject to adjustment upon finalization of the purchase price allocation. The fair values assigned to tangible and intangible assets acquired and liabilities assumed are based on management s estimates and assumptions, as well as other information compiled by management, including valuations that utilize customary valuation procedures and techniques. The excess purchase price over those assigned values was recorded as goodwill. In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets,* goodwill will be reviewed at least annually for impairment. Purchased intangibles with finite lives will be amortized on a straight-line basis over their respective estimated useful lives.

IPR&D charges represent incomplete acquired research and development projects that have not reached technological feasibility and have no alternative future use as of the acquisition date. Technological feasibility is established when an enterprise has completed all planning, designing, coding, and testing activities that are necessary to establish that a product can be produced to meet its design specifications including functions, features, and technical performance requirements. On the date of the acquisitions of Evotec and Euroscreen, there were multiple IPR&D efforts underway at each company for certain current and future product lines. In determining the value of in-process projects, we consider, among other factors, the in-process projects stage of completion, the complexity of the work completed as of the acquisition date, the costs already incurred, the projected costs to complete, the contribution of core technologies and other acquired assets, the expected introduction date, and the estimated useful life of the technology. For these acquisitions, we utilized the discounted cash flow method to value the IPR&D, using a discount rate equivalent to the relative risk of the asset, including the uncertainty of technological feasibility and successful launch. This approach determines fair value by estimating the after-tax cash flows attributable to an in-process project over its useful life, and then discounting these after-tax cash flows back to a present value. For the acquisitions of Evotec and Euroscreen, we estimated the value of the IPR&D to be $0.2 million and $1.3 million, respectively. We believe that the estimated purchased research and development amounts so determined, represent the fair value at the date of the acquisitions, and the amount represents management s best estimate of the amount a third party would pay in the aggregate for the projects. The fair value of acquired in-process research and development costs was expensed as of the acquisition date as the projects underway at Evotec and Euroscreen had not reached technological feasibility and were determined to have no alternative future use.

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In connection with purchase price and related allocations, we estimate the fair value of deferred revenue assumed in connection with these acquisitions. The estimated fair value of deferred revenue is determined by the legal performance obligation at the date of acquisition, and is generally based on the nature of the activities to be performed and the related costs to be incurred after consummation. The fair value of an assumed liability related to deferred revenue is estimated based on the current market cost of fulfilling the obligation, plus a normal profit margin thereon. The estimated costs to fulfill the deferred revenue are based on the historical direct costs related to providing the services. We do not include any costs associated with selling efforts, research and development, or the related fulfillment margins on these costs. In most acquisitions, profit associated with selling effort is excluded because the acquired entities would have concluded the selling effort on the support contracts prior to the acquisition date. The estimated research and development costs are not included in the fair value determination, as these costs are not deemed to represent a legal obligation at the time of acquisition. The sum of the costs and operating income approximates, in theory, the amount that we would be required to pay a third party to assume the obligation. As a result of purchase accounting, we recognized the deferred revenue related to the ViaCell acquisition at fair value, and did not recognize $18.1 million of deferred revenue that would have been otherwise recorded in future periods. We would have recorded higher storage revenues in fiscal 2007 in the amount of $1.0 million, as well as significantly higher amounts in future periods, related to these contracts. ViaCell customers have historically renewed these contracts, although there can be no assurance that they will continue to do so in the future.

As of December 30, 2007, the purchase price allocations for the Agilix, Spectral, C&A, Macri, NTD, Avalon, the DMA product line, Evotec, Euroscreen, Improvision and PKI India acquisitions have been finalized. As of December 30, 2007, the purchase price and related allocations for the ViaCell acquisition were preliminary, and may be revised as a result of adjustments made to the purchase price, as well as additional information regarding liabilities assumed, including contingent liabilities, deferred taxes, employee severance and facility closure costs, and revisions of preliminary estimates of fair values made at the date of purchase. We are not aware of any information that indicates the final purchase price allocation will differ materially from the preliminary estimates, and we expect to complete any outstanding asset valuations no later than one year from the date of acquisition.

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 $4.2 million as of December 30, 2007, which represents our management s estimate of the total cost of ultimate disposition of known environmental matters. This amount is not discounted and does not reflect the recovery of any amounts through insurance or indemnification arrangements. These cost estimates are subject to a number of variables, including the stage of the environmental investigations, the magnitude of the possible contamination, the nature of the potential remedies, possible joint and several liability, the time period over which remediation may occur, and the possible effects of changing laws and regulations. For sites where we have been named a PRP, our management does not currently anticipate any additional liability to result from the inability of other significant named parties to contribute. We expect that the majority of such accrued amounts could be paid out over a period of up to ten years. As assessment and remediation activities progress at each individual site, these liabilities are reviewed and adjusted to reflect additional information as it becomes available. There have been no environmental problems to date that have had or are expected to have a material adverse effect on our financial position, results of operations, or cash flows. While it is possible that a loss exceeding the amounts recorded in the consolidated financial statements may be incurred, the potential exposure is not expected to be materially different from those amounts recorded.

In papers dated October 23, 2002, Enzo Biochem, Inc. and Enzo Life Sciences, Inc. (collectively, Enzo) filed a complaint 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.,

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Sigma-Aldrich Corporation, Sigma Chemical Company, Inc., Molecular Probes, Inc., and Orchid BioSciences, Inc. The complaint alleges that we have breached our distributorship and settlement agreements with Enzo, infringed Enzo s patents, engaged in unfair competition and fraud, and committed torts against Enzo by, among other things, engaging in commercial development and exploitation of Enzo s patented products and technology, separately and together with the other defendants. Enzo seeks injunctive and monetary relief. In 2003, the court severed the lawsuit and ordered Enzo to serve individual complaints against the five defendants. We subsequently filed an answer and a counterclaim alleging that Enzo s patents are invalid. In July 2006, the court issued a decision regarding the construction of the claims in Enzo s patents that effectively limited the coverage of certain of those claims and, we believe, excludes certain of our products from the coverage of Enzo s patents. Summary judgment motions were filed by the defendants in January 2007, and a hearing with oral argument on those motions took place in July 2007, but a decision on those motions has not been rendered, and a trial date has not been set.

On October 17, 2003, Amersham Biosciences Corp. filed a complaint, which was subsequently amended, in the United States District Court for New Jersey, Civil Action No. 03-4901, seeking injunctive and monetary relief against one of our subsidiaries and alleging that our ViewLux and certain of our Image FlashPlate products infringe three of Amersham s patents related to high-throughput screening (the NJ case). On August 18, 2004, Amersham plc filed a complaint against two of our United Kingdom-based subsidiaries in the Patent Court of the English High Court of Justice, Case No. 04C02688, alleging that our same products infringe one corresponding Amersham patent in the United Kingdom, which was granted in August 2004 (the UK case). On October 29, 2003, we filed a complaint, which was subsequently amended, seeking injunctive and monetary relief against Amersham in the United States District Court for Massachusetts, Civil Action No. 03-12098, alleging that Amersham s IN Cell Analyzer, and LEADseeker Multimodality Imaging system and certain Cyclic AMP and IP3 assays infringe two of our patents related to high-throughput screening (the MA case). After a trial in the UK case in December 2005, the court ruled in February 2006 that Amersham s patent in question was invalid in the United Kingdom and awarded costs to us. Amersham initiated an appeal of the ruling in the UK case but withdrew that appeal in January 2007. In May 2006, the court in the NJ case issued a decision regarding the construction of the claims in Amersham s patents that adopted many of Amersham s claim construction positions. The parties entered into a settlement agreement in November 2007 to resolve all of the foregoing matters.

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

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We believe we have meritorious defenses to these lawsuits and other proceedings, and we are contesting the actions vigorously in all of the above unresolved matters. We are currently unable, however, to reasonably estimate the amount of loss, if any, that may result from the resolution of these matters, or to determine whether resolution of any of these matters will have a material adverse impact on our consolidated financial statements included in this annual report on Form 10-K.

During 2005, the Internal Revenue Service concluded its audit of federal income taxes for the years 1999 through 2002. There was a single open issue related to this audit which we favorably resolved during the fourth quarter of 2007. We are under regular examination by tax authorities in the United States and other countries (such as China, Indonesia, Philippines and the United Kingdom) in which we have significant business operations. The tax years under examination vary by jurisdiction. We regularly review our tax positions in each significant taxing jurisdiction in the process of evaluating its unrecognized tax benefits as required by FIN No. 48. Adjustments are made to our unrecognized tax benefits when: (i) facts and circumstances regarding a tax position change, causing a change in management s judgment regarding that tax position; (ii) a tax position is ultimately settled with a tax authority; and/or (iii) the statute of limitations expires regarding a tax position.

We are also subject to various other claims, legal proceedings and investigations covering a wide range of matters that arise in the ordinary course of our business activities. Although, we have established accruals for potential losses that we believe are probable and reasonably estimable, in the opinion of our management, based on its review of the information available at this time, the total cost of resolving these other contingencies at December 30, 2007 should not have a material adverse effect on our consolidated financial statements included in this annual report on Form 10-K. Each of these matters is subject to uncertainties, and it is possible that some of these matters may be resolved unfavorably to us.

Reporting Segment Results of Continuing Operations

Life and Analytical Sciences

2007 Compared to 2006. Sales for 2007 were $1,327.2 million, versus $1,144.6 million for 2006, an increase of $182.7 million, or 16%, which includes an approximate 5% increase from acquisitions and an approximate 4% increase in sales attributable to favorable changes in foreign exchange rates. The following analysis in the remainder of this paragraph compares selected sales by market and product type for 2007, as compared to 2006, and includes the effect of foreign exchange rate fluctuations and acquisitions. Our laboratory service sales increased by $51.3 million, sales to genetic screening customers increased by $49.1 million, sales to BioDiscovery customers increased by $41.6 million, and sales to analytical sciences customers increased by $40.7 million. Sales by type of product included increases in instruments of $84.5 million, service of $51.3 million, and consumables and reagents of $46.9 million.

Operating income for 2007 was $128.8 million, as compared to $115.4 million for 2006, an increase of $13.4 million, or 12%. Amortization of intangible assets increased due to the acquisitions completed in 2007 and 2006 and was $41.4 million for 2007, as compared to $31.3 million for 2006. Restructuring and lease charges were $8.7 million for 2007 as a result of our Q1 2007 and Q4 2007 Plans, as compared to reversals of $1.7 million in 2006. Amortization of purchase accounting adjustments to record the inventory and IPR&D from certain acquisitions completed in 2007 were $2.5 million and $1.5 million, respectively, for 2007. Stock option expense was $3.4 million and $3.2 million for 2007 and 2006, respectively. Gains on the settlement of the insurance claim for the March 2005 fire in our Boston, Massachusetts facility were $15.3 million for 2007. Increased sales volume and higher net productivity increased operating income, partially offset by pressures in our laboratory services business as a result of entering into several large new contracts requiring an increase in start-up investment in the first six months of 2007.

2006 Compared to 2005. Sales for 2006 were $1,144.6 million, versus $1,081.1 million in 2005, an increase of $63.5 million, or 6%. Changes in foreign exchange and acquisitions each contributed approximately 1% to the

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increase in revenue for 2006, as compared to 2005. The following analysis in the remainder of this paragraph compares selected sales by market and product type for 2006, as compared to 2005, and includes the effect of foreign exchange rate fluctuations and acquisitions. Our laboratory service sales increased by $31.8 million, sales to genetic screening customers increased by $24.8 million, and sales to analytical sciences customers increased by $16.7 million, while sales to BioDiscovery customers decreased by $9.9 million. Sales by type of product included increases in service of $31.8 million, instruments of $29.8 million, and consumables and reagents of $1.9 million.

Operating income for 2006 was $115.4 million, versus $110.2 million for 2005, an increase of $5.2 million, or 5%. Amortization of intangible assets increased due to the acquisitions completed in 2006 and was $31.3 million for 2006, as compared to $26.2 million for 2005. Operating income for 2006 includes stock option expense of $3.2 million, whereas no stock option expense was recorded in 2005. Restructuring reversals were $1.7 million for 2006 as compared to a charge of $12.9 million for 2005. Increased sales volume and successful execution of productivity initiatives also increased operating income, which were more than offset by unfavorable product and geography mix of sales, pricing pressures, and inflation, including commodity costs during 2006.

Optoelectronics

2007 Compared to 2006. Sales for 2007 were $460.1 million, versus $401.8 million for 2006, an increase of $58.3 million, or 15%, which includes an approximate 3% increase in sales attributable to favorable changes in foreign exchange rates. The analysis in the remainder of this paragraph compares selected sales by product type for 2007, as compared to 2006, and includes the effect of foreign exchange fluctuations. The increase in sales was a result of an increase of $28.4 million in our medical imaging products due to the performance of our amorphous silicon business, an increase in our specialty lighting products of $24.8 million primarily due to the performance of photoflash products, specifically in the mobile phone camera modules, and an increase in optical sensors of $4.8 million.

Operating income for 2007 was $76.5 million, versus $70.0 million for 2006, an increase of $6.5 million, or 9%. Restructuring and lease charges, net of reversals, were $5.7 million for 2007, as a result of our Q4 2007 restructuring plan and lease costs associated with the sale of a business from 2001. Restructuring reversals were $1.9 million for 2006. Amortization of intangible assets was $2.7 million and $2.5 million for 2007 and 2006, respectively. Stock option expense was $1.4 million and $1.6 million for 2007 and 2006, respectively. Increased sales volume and capacity and productivity improvements made within the amorphous silicon business also increased operating income, which was partially offset by a one-time charge related to flash module investments.

2006 Compared to 2005. Sales for 2006 were $401.8 million, versus $392.7 million for 2005, an increase of $9.1 million, or 2%. Changes in foreign exchange rates had minimal impact on the increase in revenue for 2006, as compared to 2005. The analysis in the remainder of this paragraph compares selected sales by product type for 2006, as compared to 2005, and includes the effect of foreign exchange fluctuations and acquisitions. Sales of our medical imaging products increased by $15.1 million while sales within our optical sensors and specialty lighting product lines decreased $6.0 million due to a decrease in Cermax® video and specific military platforms.

Operating income for 2006 was $70.0 million, versus $58.4 million for 2005, an increase of $11.6 million, or 20%. Amortization of intangible assets was $2.5 million for 2006 and $2.6 million for 2005. Operating income for 2006 includes stock option expense of $1.6 million, whereas no stock option expense was recorded in 2005. Restructuring reversals were $1.9 million for 2006 as compared to a charge of $9.2 million for 2005. In addition, 2005 included a $0.2 million charge for in-process research and development related to the acquisition of the capital stock of Elcos AG, a leading European designer and manufacturer of custom light emitting diode (LED) solutions for biomedical and industrial applications. Successful execution of productivity initiatives also increased operating income, which was partially offset by unfavorable product mix, pricing pressures and inflation including commodity costs during 2006, as well as capacity issues within the amorphous silicon business.

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Liquidity and Capital Resources

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

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

- deterioration of sales due to weakness in markets in which we sell our products and services, and
- changes in our working capital requirements.

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

- financial covenants contained in the financial instruments controlling our borrowings that limit our total borrowing capacity,
- increases in interest rates applicable to our outstanding variable rate debt,
- a ratings downgrade that would limit our ability to borrow under our accounts receivable facility and our overall access to the corporate debt market,
- volatility in the markets for corporate debt,
- a decrease in the market price for our common stock, and
- volatility in the public equity markets.

Cash Flows

Fiscal Year 2007

Operating Activities. Net cash provided by continuing operations was $207.1 million in 2007, compared to net cash provided by continuing operations of $127.0 million in 2006, an increase of $80.1 million, driven primarily by the $1.3 million of divestiture tax refunds that occurred in 2007 as compared to the $60.3 million of taxes paid on divestitures in 2006. The increase in cash provided by operating activities in 2007 was also driven by income from continuing operations of $133.8 million, depreciation and amortization of $78.0 million and restructuring and lease charges of $14.4 million. These amounts were partially offset by $15.3 million from the settlement of an insurance claim and a net increase in working capital of $5.0 million. Contributing to the net increase in working capital in 2007, excluding the effect of foreign exchange rate fluctuations, was an increase in accounts receivable of $29.7 million, offset by an increase in accounts payable of $24.4 million, and a decrease in inventory of $0.3 million. In both the Life and Analytical Sciences and Optoelectronics segments the timing of strong revenue performance in the fourth quarter of fiscal year 2007 increased the accounts receivable balance, which was offset by the timing of accounts payable disbursements in the same quarter. There was no incremental use of our accounts receivable securitization facility in 2007, which totaled $45.0 million at both December 30, 2007 and December 31, 2006. Changes in accrued expenses, other assets and liabilities and other items, net, totaled $0.1 million in 2007, and primarily related to timing of payments for tax, restructuring, and salary and benefits.

Investing Activities. Net cash used in continuing operations investing activities was $350.1 million in 2007, compared to $140.0 million of cash used in continuing operations investing activities in 2006. Included in 2007 were payments of $1.0 million related to business development costs. In addition, we used $312.7 million of net cash for acquisitions and used $3.2 million in related transaction costs, earn-out payments, acquired licenses and other costs in connection with these and other transactions. Capital expenditures in 2007 were $47.0 million,

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mainly in the areas of tooling and other capital equipment purchases, in addition to the improvements in our amorphous silicon facility within our Optoelectronics segment. These cash outflows were partially offset by $10.8 million received from the settlement of an insurance claim, $1.6 million from the surrender of life insurance policies, and $1.4 million from the sale of investments.

Financing Activities. Net cash provided by continuing operations financing activities was $148.9 million in 2007, compared to $313.5 million of cash used in continuing operations financing activities in 2006. In 2007, we repurchased in the open market approximately 8.1 million shares of our common stock at a total cost of $203.0 million, including commissions. This compares to repurchases in 2006 of $190.1 million. We also paid $4.2 million to settle forward interest rate contracts, with notional amounts totaling $300.0 million and a weighted average interest rate of 4.25%, and $0.8 million for debt issuance costs. These uses of cash were offset in part by $32.8 million of proceeds from common stock option exercises and the related tax benefit. Debt borrowings from our amended senior unsecured revolving credit facility and interim unsecured credit facility in 2007 totaled $271.5 million and $300.0 million, respectively, offset by debt reductions to our amended senior unsecured revolving credit facility of $212.4 million and other credit facilities of $1.3 million. This compares to debt reductions in 2006 of $110.7 million. In addition, we paid $33.7 million in dividends in 2007.

Fiscal Year 2006

Operating Activities. Net cash generated by continuing operations operating activities was $127.0 million in 2006, compared to net cash generated by continuing operations operating activities of $192.9 million in 2005. Principal contributors to the generation of cash from operating activities during 2006 were net income from continuing operations of $118.3 million, and depreciation and amortization of $69.2 million. These amounts were offset in part by taxes paid on divestitures of $60.3 million, net gain from dispositions of property, plant and equipment of $1.5 million, net gain from settlement of investments of $2.3 million, and a net increase in working capital of $9.4 million. Contributing to the net increase in working capital in 2006, excluding the effect of foreign exchange rate fluctuations, was an increase in inventory of $11.1 million and a decrease in accounts payable of $1.7 million, offset in part by a decrease in accounts receivable of $3.3 million. Strong performance in accounts receivable collections in the Life and Analytical Sciences segment was partially offset by increased accounts payable disbursements in both the Life and Analytical Sciences and Optoelectronics segments. The increase in inventory was primarily the result of expanding the amount of inventory held at service locations within the Life and Analytical Sciences segment. There was no incremental use of our accounts receivable securitization facility during 2006, which totaled $45.0 million at both December 31, 2006 and January 1, 2006. Changes in accrued expenses, other assets and liabilities, and other items totaled $13.0 million during 2006, and primarily relates to timing of payments for tax, restructuring, and salary and benefits.

Investing Activities. Net cash used in continuing operations investing activities was $140.0 million in 2006, compared to $333.3 million of cash provided by continuing operations investing activities in 2005. Included in 2006 was $25.0 million of net proceeds received from the sale of our Semiconductor business unit and $6.6 million of net proceeds from the sale of investments. This was offset by approximately $129.0 million of net cash used for acquisitions. In addition, we incurred $12.1 million of business development transaction costs, earn-out payments and other costs in connection with these and previous transactions. Capital expenditures in 2006 were $44.5 million, mainly in the areas of tooling and other capital equipment purchases, in addition to facility improvements. These cash outflows were partially offset by $5.3 million from the advance and settlement of an insurance claim, $4.9 million received from the sale of property, plant and equipment, and $3.8 million from the settlement of life insurance policies.

Financing Activities. Net cash used in continuing operations financing activities was $313.5 million in 2006, compared to $217.6 million in 2005, an increase of $95.9 million, or 44%. In 2006, we repurchased in the open market 8.9 million shares of our common stock at a total cost of $190.1 million, including commissions. Debt reductions during 2006 totaled $110.7 million, compared to reductions in 2005 of $374.7 million. These uses of cash were offset by proceeds from common stock option exercises of $21.5 million and the related tax benefit of $2.2 million. In addition, we paid $35.5 million in dividends during 2006.

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Current Borrowing Arrangements

Amended Senior Unsecured Credit Facility. On August 13, 2007, we entered into an amended and restated senior unsecured revolving credit facility. The agreement for the facility provides for a $500.0 million committed unsecured revolving credit facility through August 13, 2012, and amends and restates in its entirety the senior credit agreement dated as of October 31, 2005. The agreement contains an option to increase the facility up to $650.0 million. Letters of credit in the aggregate amount of approximately $15.0 million were issued under our previous facility, which are treated as issued under our amended facility. We use the amended senior unsecured revolving credit facility for general corporate purposes, which may include working capital, refinancing existing indebtedness, capital expenditures, share repurchases, acquisitions and strategic alliances. The interest rates under the amended senior unsecured revolving credit facility are based on the Eurocurrency rate at the time of borrowing plus a margin or the base rate from time to time. The base rate is the higher of (1) the corporate base rate announced from time to time by Bank of America, N.A. and (2) the Federal Funds rate plus 50 basis points. We may allocate all or a portion of 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 December 30, 2007 was 40 basis points. The weighted average Eurocurrency interest rate as of December 30, 2007 was 4.86%, resulting in a weighted average effective Eurocurrency rate, including the margin, of 5.26%. We had drawn down approximately $216.0 million of borrowings in U.S. Dollars under the facility as of December 30, 2007, with interest based on the above described Eurocurrency rate. The agreement for the facility contains affirmative, negative and financial covenants and events of default customary for financings of this type and those contained in our previous senior revolving credit agreement. The financial covenants in our amended and restated senior unsecured revolving credit facility include debt-to-capital ratios and a contingent maximum total leverage ratio, applicable if our credit rating is down-graded below investment grade. The financial covenants in our previous senior revolving credit agreement included interest coverage and debt-to-EBITDA ratios. At all times during 2007, we were in compliance with all applicable covenants.