PerkinElmer Announces Financial Results for the Third Quarter of 2007

-- Revenue growth of 13%

-- EPS from continuing operations of $0.26; Adjusted EPS of $0.33

-- Operating profit margin increases 110 basis points; Adjusted operating profit margin up 70 basis points

WALTHAM, Mass.--(BUSINESS WIRE)--Oct. 25, 2007--PerkinElmer, Inc. (NYSE: PKI), a global leader in Health Sciences and Photonics markets, today reported financial results for the third quarter and nine months ended September 30, 2007. For the third quarter 2007, the Company reported GAAP earnings per share from continuing operations of $0.26. On a non-GAAP basis, which includes the adjustments noted in the attached reconciliation, the Company announced adjusted earnings per share for the third quarter 2007 of $0.33, which was at the upper end of the Company's forecasted range of $0.31 to $0.33.

Revenue for the third quarter 2007 was $435.7 million, an increase of 13% versus the third quarter 2006. Revenue growth was 13% in Life and Analytical Sciences and 13% in Optoelectronics, compared to the same period last year. From an end market perspective, third quarter 2007 revenue from Health Sciences, which represented 84% of total revenues for the quarter, increased 13% over the same period of 2006. This increase was driven primarily by strong growth in genetic screening, medical imaging, and service. Changes in foreign exchange rates and acquisitions contributed approximately 4% and 3%, respectively, to overall third quarter 2007 revenue growth.

"We are very pleased with our revenue growth and margin expansion for the quarter. Our investments in new products, services and geographic expansion continue to yield attractive results. Additionally, we announced our pending acquisition of ViaCell, which we believe should further strengthen our genetic screening business by expanding our capabilities in neonatal health," said Gregory L. Summe, Chairman and CEO of PerkinElmer, Inc. "We expect our positive operational and financial momentum to continue through the balance of 2007."

GAAP operating profit was $45.8 million for the third quarter of 2007, compared to $36.5 million for the same period a year ago. On a non-GAAP basis, which includes the adjustments noted in the attached reconciliation, adjusted operating profit in the third quarter 2007 was $58.0 million, or 13.3% as a percentage of GAAP revenue, compared to $48.7 million, or 12.6% as a percentage of GAAP revenue, in the third quarter 2006.

The Company generated cash flow from operations of $23.4 million in the third quarter 2007. Capital expenditures were $10.5 million in the third quarter 2007, an increase of 10% over the same period of 2006. In addition, the Company repurchased 1.1 million shares of its common stock for a cost of approximately $28.9 million in the third quarter 2007. This leaves approximately 2.9 million shares remaining of the Company's stock repurchase program. At September 30, 2007, the Company had cash and cash equivalents of $160.9 million and net debt (defined as long term debt plus short term debt, less cash and cash equivalents) of $86.1 million.

Financial Overview by Reporting Segment

Life and Analytical Sciences reported revenue of $319.3 million for the third quarter 2007, up 13% from revenue of $283.5 million in the third quarter of 2006, driven primarily by growth in the Company's genetic screening, service and environmental businesses, as well as a positive impact from acquisitions, new product introductions, and changes in foreign exchange rates.

The segment's GAAP operating profit for the third quarter 2007 was $29.3 million. On a non-GAAP basis, which includes the adjustments noted in the attached reconciliation, the segment's adjusted operating profit for the third quarter 2007 was $40.7 million, or 12.7% as a percentage of GAAP revenue.

Optoelectronics reported revenue of $116.3 million for the third quarter 2007, up 13% from revenue of $103.4 million in the third quarter 2006, driven primarily by revenue growth in medical imaging and specialty lighting, as well as a positive impact from new product introductions and changes in foreign exchange rates.

The segment's GAAP operating profit for the third quarter 2007 was $24.6 million. On a non-GAAP basis, which includes the adjustments noted in the attached reconciliation, the segment's adjusted operating profit for the third quarter 2007 was $24.2 million, or 20.8% as a percentage of GAAP revenue.

Financial Guidance

For the fourth quarter 2007, the Company projects revenue to increase in the mid teens with acquisitions and changes in foreign exchange rates contributing approximately 7%. The Company expects to earn GAAP earnings per share of between $0.36 and $0.38, and on a non-GAAP basis, which is expected to include the adjustments noted in the attached reconciliation, adjusted earnings per share in the range of $0.43 and $0.45. In addition, assuming a mid-November closing of the pending ViaCell acquisition, the transaction is expected to contribute in the fourth quarter an incremental 200 basis points to the Company's revenue growth and $0.01 dilution, resulting in non-GAAP adjusted combined earnings per share of between $0.42 and $0.44. The non-GAAP adjusted combined earnings per share is expected to include the adjustments noted in the attached reconciliation.

Conference Call Information

The Company will discuss its third quarter results in a conference call on October 25, 2007, at 5:00 p.m. Eastern Time (ET). To access the call, please dial (617) 597-5343 prior to the scheduled conference call time and provide the access code 90889433. A replay of this conference call will be available approximately two hours after the call. The replay phone number is (617) 801-6888 and the access code is 37041211.

A live audio webcast of the call will be available on the "Investors" section of our Web site, www.perkinelmer.com. Please go to the site at least 15 minutes prior to the call in order to register, download, and install any necessary software. An archived version of the webcast will be posted on our Web site approximately two hours after the call and will be available through November 25, 2007.

Use of Non-GAAP Financial Measures

In addition to financial measures prepared in accordance with generally accepted accounting principles (GAAP), this earnings announcement also contains non-GAAP financial measures. The reasons that we use these measures, a reconciliation of these measures to the most directly comparable GAAP measures, and other information relating to these measures are included below following our GAAP financial statements.

Factors Affecting Future Performance

This press release contains "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, but not limited to, statements relating to estimates and projections of future earnings per share, cashflow, revenue growth and other financial results, financial results assuming closing of the pending ViaCell acquisition, the timing of the closing of the pending ViaCell acquisition and expansion of our capabilities in neonatal health. Words such as "believes," "intends," "anticipates," "plans," "expects," "projects," "forecasts," "will" and similar expressions, and references to guidance, are intended to identify forward-looking statements. Such statements are based on management's current assumptions and expectations and no assurances can be given that our assumptions or expectations will prove to be correct. A number of important risk factors could cause actual results to differ materially from the results described, implied or projected in any forward-looking statements. These factors include, without limitation: (1) the possibility that certain closing conditions to the ViaCell acquisition are not satisfied, (2) our ability to consummate the ViaCell acquisition, (3) our ability to successfully integrate ViaCell's operations and employees, (4) our ability to realize anticipated synergies and cost savings; (5) our failure to introduce new products in a timely manner; (6) our ability to execute acquisitions and license technologies, or to successfully integrate acquired businesses and licensed technologies into our existing business or to make them profitable; (7) our failure to protect adequately our intellectual property; (8) the loss of any of our licenses or licensed rights; (9) our ability to compete effectively; (10) fluctuation in our quarterly operating results and our ability to adjust our operations to address unexpected changes; (11) our ability to produce an adequate quantity of products to meet our customers' demands; (12) our failure to maintain compliance with applicable government regulations; (13) regulatory changes; (14) economic, political and other risks associated with foreign operations; (15) our ability to retain key personnel; (16) restrictions in our credit agreement; (17) our ability to realize the full value of our intangible assets; and (18) other factors which we describe under the caption "Risk Factors" in our most recent annual report on Form 10-K and in our most recent quarterly report on Form 10-Q and in our other filings with the Securities and Exchange Commission. We disclaim any intention or obligation to update any forward-looking statements as a result of developments occurring after the date of this press release.

PerkinElmer, Inc. is a global technology leader driving growth and innovation in Health Sciences and Photonics markets to improve the quality of life. The Company reported revenues of $1.55 billion in 2006, has 8,500 employees serving customers in more than 125 countries, and is a component of the S&P 500 Index. Additional information is available through www.perkinelmer.com or 1-877-PKI-NYSE.

PerkinElmer, Inc. and Subsidiaries CONSOLIDATED INCOME STATEMENTS

Three Months Ended Nine Months Ended -------------------- ------------------------ (In thousands, except Sept 30, Oct 1, Sept 30, Oct 1, 2006 per share data) 2007 2006 2007 ---------- --------- ------------ -----------

Sales $435,668 $386,917 $1,275,858 $1,119,372

Cost of Sales 256,722 230,976 762,197 670,155 Amortization of Acquired Inventory Revaluation 445 - 2,492 - Research and Development Expenses 27,691 24,762 82,848 72,640 In-Process Research and Development Charges - - 1,502 - Selling, General and Administrative Expenses 106,406 94,664 317,528 277,172 Gains on Settlement of Insurance Claim - - (15,346) - Gains on Dispositions, Net - - - (1,505) Restructuring and Lease (Reversals) Charges, Net (1,432) - 7,553 (290) --------- --------- ----------- -----------

Operating Income From Continuing Operations 45,836 36,515 117,084 101,200

Interest Income (1,077) (1,919) (3,381) (7,654) Interest Expense 4,122 2,152 9,886 6,689 Gains on Dispositions of Investments, Net (161) (980) (697) (1,913) Other Expense, Net 2,396 524 5,668 4,296 --------- --------- ----------- -----------

Income From Continuing Operations Before Income Taxes 40,556 36,738 105,608 99,782

Provision for Income Taxes 9,454 7,823 26,384 22,527 --------- --------- ----------- -----------

Net Income From Continuing Operations 31,102 28,915 79,224 77,255

Loss From Discontinued Operations, Net of Income Taxes - - - (1,025) (Loss) Gain on Disposition of Discontinued Operations, Net of Income Taxes (357) 838 (100) 1,625 --------- --------- ----------- -----------

Net Income $ 30,745 $ 29,753 $ 79,124 $ 77,855 ========= ========= ========== ===========

Diluted Earnings (Loss) Per Share: Continuing Operations $ 0.26 $ 0.23 $ 0.65 $ 0.61

Loss From Discontinued Operations, Net of Income Taxes - - - (0.01) (Loss) Gain on Disposition of Discontinued Operations, Net of Income Taxes - 0.01 - 0.01 --------- --------- ----------- -----------

Net Income $ 0.26 $ 0.24 $ 0.65 $ 0.61 ========= ========= ========== ===========

Weighted Average Diluted Shares of Common Stock Outstanding 119,453 125,171 121,135 127,429

ABOVE PREPARED IN ACCORDANCE WITH GAAP

Additional Supplemental Information: (per share, continuing operations)

GAAP Diluted EPS from Continuing Operations $ 0.26 $ 0.23 Amortization of Intangible Assets, Net of Income Taxes 0.06 0.05 Stock Options, Net of Income Taxes 0.01 0.02 Amortization of Acquired Inventory Revaluation, Net of Income Taxes - - Restructuring and Lease (Reversals) Charges, Net of Income Taxes (0.01) - --------- --------- Adjusted EPS $ 0.33 $ 0.30 ========= =========

PerkinElmer, Inc. and Subsidiaries SALES AND OPERATING PROFIT (LOSS)

Three Months Ended Nine Months Ended ------------------- --------------------- (In thousands) Sept 30, Oct 1, Sept 30, Oct 1, 2007 2006 2007 2006 --------- --------- ---------- ----------

Life and Analytical Sciences Sales $ 319,341 $ 283,527 $ 945,163 $ 823,918 OP$ Reported 29,312 25,334 88,781 74,429 OP% Reported 9.2% 8.9% 9.4% 9.0% Amortization Expense 10,099 8,410 29,882 22,302 Stock Option Expense 830 968 2,296 2,325 Amortization of Acquired Inventory Revaluation 445 - 2,492 - In-Process Research &

Development Charges - - 1,502 - Gains on Settlement of Insurance Claim - - (15,346) - Restructuring and Lease (Reversals) Charges - - 4,438 1,109 OP$ Adjusted 40,686 34,712 114,045 100,165 OP% Adjusted 12.7% 12.2% 12.1% 12.2%

Optoelectronics Sales 116,327 103,390 330,695 295,454 OP$ Reported 24,570 20,097 53,832 50,209 OP% Reported 21.1% 19.4% 16.3% 17.0% Amortization Expense 670 641 1,986 1,900 Stock Option Expense 388 416 1,139 1,103 Restructuring and Lease (Reversals) Charges (1,432) - 3,115 (1,399) OP$ Adjusted 24,196 21,154 60,072 51,813 OP% Adjusted 20.8% 20.5% 18.2% 17.5%

Corporate OP$ Reported (8,046) (8,916) (25,529) (23,438) Stock Option Expense 1,170 1,701 3,280 3,400 OP$ Adjusted (6,876) (7,215) (22,249) (20,038)

Continuing Operations Sales $ 435,668 $ 386,917 $1,275,858 $1,119,372 OP$ Reported 45,836 36,515 117,084 101,200 OP% Reported 10.5% 9.4% 9.2% 9.0% Amortization Expense 10,769 9,051 31,868 24,202 Stock Option Expense 2,388 3,085 6,715 6,828 Amortization of Acquired Inventory Revaluation 445 - 2,492 - In-Process Research & Development Charges - - 1,502 - Gains on Settlement of Insurance Claim - - (15,346) - Restructuring and Lease (Reversals) Charges (1,432) - 7,553 (290) --------- --------- ---------- ---------- OP$ Adjusted $ 58,006 $ 48,651 $ 151,868 $ 131,940 ========= ========= ========== ========== OP% Adjusted 13.3% 12.6% 11.9% 11.8%

SALES AND REPORTED OPERATING PROFIT PREPARED IN ACCORDANCE WITH GAAP

PerkinElmer, Inc. And Subsidiaries CONSOLIDATED BALANCE SHEETS

(In thousands) Sept 30, July 1, Dec 31, 2006 2007 2007 ----------- ----------- ------------

Current assets: Cash and cash equivalents $ 160,901 $ 150,040 $ 191,059 Accounts receivable, net 287,081 271,470 268,459 Inventories, net 210,560 204,059 183,260 Other current assets 95,980 86,139 101,511 Current assets of discontinued operations 487 485 477 ----------- ----------- ------------ Total current assets 755,009 712,193 744,766

Property, plant and equipment: At cost 557,712 544,064 525,134 Accumulated depreciation (363,095) (353,326) (342,938) ----------- ----------- ------------ Net property, plant and equipment 194,617 190,738 182,196 Marketable securities and investments 4,658 4,485 7,508 Intangible assets, net 406,589 414,737 404,021 Goodwill 1,178,008 1,158,836 1,117,724 Other assets 51,016 49,971 52,502 Long-term assets of discontinued operations 1,461 1,509 1,605 ----------- ----------- ------------ Total assets $2,591,358 $2,532,469 $2,510,322 =========== ========== ============

Current liabilities: Short-term debt $ 935 $ 898 $ 1,153 Accounts payable 158,636 151,930 152,836 Accrued restructuring and integration costs 3,921 4,687 2,731 Accrued expenses 281,800 292,241 318,987 Current liabilities of discontinued operations - - 826 ----------- ----------- ------------ Total current liabilities 445,292 449,756 476,533

Long-term debt 246,095 234,504 151,781 Long-term liabilities 363,734 351,903 304,278 ----------- ----------- ------------ Total liabilities 1,055,121 1,036,163 932,592

Commitments and contingencies

Total stockholders' equity 1,536,237 1,496,306 1,577,730 ----------- ----------- ------------ Total liabilities and stockholders' equity $2,591,358 $2,532,469 $2,510,322 =========== ========== ============

PREPARED IN ACCORDANCE WITH GAAP

PerkinElmer, Inc. and Subsidiaries CONSOLIDATED STATEMENTS OF CASH FLOWS

Three Months Ended Nine Months Ended --------------------- --------------------- (in thousands) Sept 30, Oct 1, Sept 30, Oct 1, 2007 2006 2007 2006 ---------- ---------- ---------- ----------

Operating activities: Net income $ 30,745 $ 29,753 $ 79,124 $ 77,855 Add: loss from discontinued operations, net of income taxes - - - 1,025 Add: loss (gain) on disposition of discontinued operations, net of income taxes 357 (838) 100 (1,625) ---------- ---------- ---------- ---------- Net income from continuing operations 31,102 28,915 79,224 77,255 ---------- ---------- ---------- ---------- Adjustments to reconcile net income from continuing operations to net cash provided by continuing operations: Stock-based compensation 3,119 3,924 10,625 10,629 Restructuring and lease (reversals) charges, net (1,432) - 7,553 (290) Amortization of deferred debt issuance costs 73 74 221 218 Depreciation and amortization 18,983 17,531 57,144 50,937 In-process research and development charges - - 1,502 - Amortization of acquired inventory revaluation 445 - 2,492 - Gains on settlement of insurance claim - - (15,346) - Gains on dispositions, net (161) (980) (697) (3,418) Changes in operating assets and liabilities: Accounts receivable, net (7,149) (14,870) 2,308 12,972 Inventories, net (2,405) (6,745) (8,861) (13,264) Accounts payable 3,996 11,284 (1,949) (9,976) Taxes paid on divestitures (69) (846) (304) (59,996) Accrued expenses and other (22,770) (12,290) (23,439) (21,852) ---------- ---------- ---------- ---------- Net cash provided by continuing operations 23,732 25,997 110,473 43,215 ---------- ---------- ---------- ---------- Net cash (used in) provided by discontinued operations (360) 691 (114) (862) ---------- ---------- ---------- ---------- Net cash provided by operating activities 23,372 26,688 110,359 42,353 ---------- ---------- ---------- ----------

Investing activities: Capital expenditures (10,471) (9,551) (37,988) (30,999) Proceeds from dispositions of property, plant and equipment, net - - 10,787 7,085 Proceeds from surrender of life insurance policies 274 1,426 1,601 3,753 Payments for business development activity (46) - (1,140) (796) Proceeds from disposition of businesses and investments, net 449 5,324 1,029 24,039 Payments for acquisitions and investments, net of cash and cash equivalents acquired (1,091) (60,946) (44,016) (97,576) ---------- ---------- ---------- ---------- Net cash used in continuing operations (10,885) (63,747) (69,727) (94,494) ---------

- ---------- ---------- ---------- Net cash provided by discontinued operations - 467 800 467 ---------- ---------- ---------- ---------- Net cash used in investing activities (10,885) (63,280) (68,927) (94,027) ---------- ---------- ---------- ----------

Financing Activities: Payments on debt (132,737) - (182,431) (56,565) Proceeds from borrowings 142,000 - 271,462 - Payments for debt issuance costs (415) - (415) (741) Decrease in other credit facilities (37) (22) (861) (812) Tax benefit from exercise of common stock options 4,552 367 5,987 3,998 Proceeds from issuance of common stock options 17,442 240 30,223 17,385 Purchases of common stock (28,926) (73,727) (176,031) (190,121) Dividends paid (8,287) (8,876) (25,410) (26,851) ---------- ---------- ---------- ---------- Net cash used in financing activities (6,408) (82,018) (77,476) (253,707) ---------- ---------- ---------- ----------

Effect of exchange rate changes on cash and cash equivalents 4,782 1,929 5,886 10,191 ---------- ---------- ---------- ----------

Net increase (decrease) in cash and cash equivalents 10,861 (116,681) (30,158) (295,190) Cash and cash equivalents at beginning of period 150,040 323,755 191,059 502,264 ---------- ---------- ---------- ---------- Cash and cash equivalents at end of period $ 160,901 $ 207,074 $ 160,901 $ 207,074 ========== ========== ========== ==========

PREPARED IN ACCORDANCE WITH GAAP

PerkinElmer, Inc. and Subsidiaries RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES

(In millions, except per share PKI data) Q307 Q306 ------------- ----------

Adjusted Gross Margin: GAAP Gross Margin 178.5 41.0% 155.9 40.3% Intangibles Amortization 8.5 2.0% 7.4 1.9% Stock Option Expense 0.4 0.1% 0.5 0.1% Amortization of Acquired Inventory Revaluation 0.4 0.1% - 0.0% ----------------------------------- Adjusted Gross Margin $ 187.8 43.1% $ 163.9 42.4% ===================================

Adjusted SG&A: GAAP SG&A 106.4 24.4% 94.7 24.5% Intangibles Amortization (1.8) -0.4% (1.1)-0.3% Stock Option Expense (1.9) -0.4% (2.4)-0.6% ----------------------------------- Adjusted SG&A $ 102.7 23.6% $ 91.2 23.6% ===================================

Adjusted R&D: GAAP R&D 27.7 6.4% 24.8 6.4% Intangibles Amortization (0.4) -0.1% (0.5)-0.1% Stock Option Expense (0.1) 0.0% (0.2) 0.0% ----------------------------------- Adjusted R&D $ 27.1 6.2% $ 24.1 6.2% ===================================

Adjusted Operating Profit: GAAP Operating Profit 45.8 10.5% 36.5 9.4% Intangibles Amortization 10.8 2.5% 9.1 2.3% Stock Option Expense 2.4 0.5% 3.1 0.8% Amortization of Acquired Inventory Revaluation 0.4 0.1% - 0.0% Restructuring and Lease (Reversals) Charges (1.4) -0.3% - 0.0% ----------------------------------- Adjusted Operating Profit $ 58.0 13.3% $ 48.7 12.6% ===================================

PKI Q307 Q306 ------------- ----------

Adjusted EPS: GAAP EPS $ 0.26 $ 0.24 Discontinued Operations 0.00 (0.01) ----------------------------------- GAAP EPS from Continuing Operations 0.26 0.23 Intangibles Amortization 0.06 0.05 Stock Option Expense 0.01 0.02 Amortization of Acquired Inventory Revaluation 0.00 - Restructuring and Lease (Reversals) Charges (0.01) - ----------------------------------- Adjusted EPS $ 0.33 $ 0.30 ===================================

PKI Q407 Q406 ------------- ----------

Adjusted EPS: Projected GAAP EPS $0.36 - 0.38 $ 0.34 Discontinued Operations - (0.01) ----------------------------------- GAAP EPS from Continuing Operations $0.36 - 0.38 0.33 Intangibles Amortization 0.06 0.05 Stock Option Expense 0.01 0.01 Impairment of Assets - 0.02 Restructuring and Lease (Reversals) Charges - (0.02) ----------------------------------- Adjusted EPS $0.43 - 0.45 $ 0.39 ===================================

LAS Q307 Q306 ------------- ---------- Adjusted Operating Profit: GAAP Operating Profit 29.3 9.2% 25.3 8.9% Intangibles Amortization 10.1 3.2% 8.4 3.0% Stock Option Expense 0.8 0.3% 1.0 0.3% Amortization of Acquired Inventory Revaluation 0.4 0.1% - 0.0% ----------------------------------- Adjusted Operating Profit $ 40.7 12.7% $ 34.7 12.2% ===================================

OPTO Q307 Q306 ------------- ---------- Adjusted Operating Profit: GAAP Operating Profit 24.6 21.1% 20.1 19.4% Intangibles Amortization 0.7 0.6% 0.6 0.6% Stock Option Expense 0.4 0.3% 0.4 0.4% Restructuring and Lease (Reversals) Charges (1.4) -1.2% - 0.0% ----------------------------------- Adjusted Operating Profit $ 24.2 20.8% $ 21.2 20.5% ===================================

Adjusted Gross Margin and Adjusted Gross Margin Percentage

We use the term "adjusted gross margin" to refer to GAAP gross margin, excluding amortization of intangible assets, inventory fair value adjustments related to business acquisitions, and stock option expense. We use the related term "adjusted gross margin percentage" to refer to adjusted gross margin as a percentage of GAAP revenue. We believe that these non-GAAP measures, when taken together with our GAAP financial measures, allow us and our investors to better measure the performance of our investments in technology, to evaluate the long-term profitability trends and to assess our ability to invest in the business. We exclude amortization of intangible assets from these measures because intangibles amortization charges do not represent what our management and what we believe our investors consider to be costs of producing our products and could distort the additional value generated over the cost of producing those products. Inventory fair value adjustments related to business acquisitions charges also do not represent what our management and what we believe our investors consider to be costs used in producing our products. In addition, we exclude stock option expense from these measures because stock-based compensation plans and the critical assumptions used to calculate the expense vary dramatically between us and our peers, which we believe makes comparisons of long-term operating performance trends difficult for management and investors, and could result in overstating or understating to our investors the costs used in producing our products.

Adjusted Selling, General and Administrative (SG&A) Expense and Adjusted SG&A Percentage

We use the term "adjusted SG&A expense" to refer to GAAP SG&A expense, excluding amortization of intangible assets and stock option expense. We use the related term "adjusted SG&A percentage" to refer to adjusted SG&A expense as a percentage of GAAP revenue. We believe that these non-GAAP measures, when taken together with our GAAP financial measures, allow us and our investors to better measure the cost of the internal operating structure, our ability to leverage that structure and the level of investment required to grow our business. We exclude amortization of intangible assets from these measures because intangibles amortization charges do not represent what our management and what we believe our investors consider to be costs that support our internal operating structure and could distort the efficiencies of that structure. We also exclude stock option expense from these measures because stock-based compensation plans and the critical assumptions used to calculate the expense vary dramatically between us and our peers, which we believe makes comparisons of long-term operating performance trends difficult for management and investors, and could result in overstating or understating to our investors the costs to support our internal operating structure.

Adjusted Research and Development (R&D) Expense and Adjusted R&D Percentage

We use the term "adjusted R&D expense" to refer to GAAP R&D expense, excluding amortization of intangible assets and stock option expense. We use the related term "adjusted R&D percentage" to refer to adjusted R&D expense as a percentage of GAAP revenue. We believe that these non-GAAP measures, when taken together with our GAAP financial measures, allow us and our investors to better understand and evaluate our internal technology investments. We exclude amortization of intangible assets from these measures because intangibles amortization charges do not represent what our management and what we believe our investors consider to be internal investments in R&D activities and could distort our R&D investment level. In addition, we exclude stock option expense from these measures because stock-based compensation plans and the critical assumptions used to calculate the expense vary dramatically between us and our peers, which we believe makes comparisons of long-term operating performance trends difficult for management and investors, and could result in overstating or understating to our investors the amount of our internal investments in R&D activities.

Adjusted Operating Profit and Adjusted Operating Profit Margin

We use the term "adjusted operating profit" to refer to GAAP operating profit, excluding amortization of intangible assets, inventory fair value adjustments related to business acquisitions, restructuring and lease reversals and stock option expense. Adjusted operating profit is calculated by subtracting adjusted R&D expense and adjusted SG&A expense from adjusted gross margin. We use the related term "adjusted operating profit margin" to refer to adjusted operating profit as a percentage of GAAP revenue. We believe that these non-GAAP measures, when taken together with our GAAP financial measures, allow us and our investors to analyze the costs of the different components of producing and selling our products, to better measure the performance of our internal investments in technology and to evaluate the long-term profitability trends of our core operations. Adjusted operating profit also provides for easier comparisons of our performance and profitability with prior and future periods and relative comparisons to our peers. We believe our investors do not consider the items that we exclude from adjusted operating profit to be costs of producing our products, investments in technology and production, and costs to support our internal operating structure, and so we present this non-GAAP measure to avoid overstating or understating to our investors the performance of our operations. In addition, we exclude restructuring and lease reversals because they tends to occur due to an acquisition, divestiture, repositioning of the business or other unusual event that could distort the performance measures of our internal investments and costs to support our internal operating structure.

Adjusted Earnings per Share

We use the term "adjusted earnings per share" to refer to GAAP earnings per share, excluding discontinued operations, amortization of intangible assets, inventory fair value adjustments related to business acquisitions, restructuring and lease reversals and stock option expense. Adjusted earnings per share is calculated by subtracting adjusted R&D expense, adjusted SG&A expense, other income / expense and provision for taxes from adjusted gross margin. We believe that this non-GAAP measure, when taken together with our GAAP financial measures, allows us and our investors to analyze the costs of producing and selling our products and the performance of our internal investments in technology and our internal operating structure, to evaluate the long-term profitability trends of our core operations and to calculate the underlying value of the core business on a dilutive share basis, which is a key measure of the value of the company used by our management and we believe used by investors as well. Adjusted earnings per share also facilitates the overall analysis of the value of the company and the core measure of the success of our operating business model as compared to prior and future periods and relative comparisons to our peers. We exclude discontinued operations, amortization of intangible assets, inventory fair value adjustments related to business acquisitions, restructuring and lease reversals and stock option expense as these items do not represent what our management and what we believe our investors consider to be costs of producing our products, investments in technology and production, and costs to support our internal operating structure, which could result in overstating or understating to our investors the performance of our operations.

Adjusted Combined Earnings per Share

We use the term "adjusted combined earnings per share" to refer to projected adjusted earnings per share after giving effect to our pending acquisition of ViaCell, assuming a mid-November closing. Adjusted combined earnings per share excludes discontinued operations charges, amortization of intangible assets, inventory fair value adjustments, in-process research and development charges, deferred revenue adjustments and other significant adjustments related to business acquisitions, as well as restructuring and lease reversals and stock option expense, all of which would be included in our GAAP earnings per share. We are not currently certain that these items or other items that are required by GAAP to be included in a determination of earnings per share will be excluded from adjusted combined earnings per share because we have not yet completed our acquisition of ViaCell and integration of ViaCell into our financial statements. We believe that this non-GAAP measure will allow us and our investors to better evaluate the expected profitability of the combined operations of PerkinElmer and ViaCell, in a manner consistent with how our management and we believe our investors evaluate the core business. We exclude discontinued operations charges, amortization of intangible assets, inventory fair value adjustments, in-process research and development charges, deferred revenue adjustments, and other significant adjustments related to business acquisitions, restructuring and lease reversals and stock option expense as these items do not represent what our management and what we believe our investors will consider to be costs of producing our products, investments in technology and production, and costs to support our internal operating structure, which could result in overstating or understating to our investors the expected profitability of the combined operations.

The non-GAAP financial measures described above are not meant to be considered superior to, or a substitute for, our financial statements prepared in accordance with GAAP. There are material limitations associated with non-GAAP financial measures because they exclude charges that have an effect on our reported results and, therefore, should not be relied upon as the sole financial measures to evaluate our financial results. Management compensates and believes that investors should compensate for these limitations by viewing the non-GAAP financial measures in conjunction with the GAAP financial measures. In addition, the non-GAAP financial measures included in this earnings announcement may be different from, and therefore may not be comparable to, similar measures used by other companies.

Each of the non-GAAP financial measures listed above are also used by our management to evaluate our operating performance, communicate our financial results to our Board of Directors, benchmark our results against our historical performance and the performance of our peers, evaluate investment opportunities including acquisitions and discontinued operations, and determine the bonus payments for senior management and employees.

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