

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended July 2, 2017
or

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

For the transition period from _____ to _____
Commission File Number 001-5075

PerkinElmer, Inc.

(Exact name of Registrant as specified in its Charter)

Massachusetts
(State or other jurisdiction of
incorporation or organization)

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

940 Winter Street
Waltham, Massachusetts 02451
(Address of principal executive offices) (Zip code)
(781) 663-6900
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark whether the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of August 3, 2017, there were outstanding 110,214,600 shares of common stock, \$1 par value per share.

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PART I. FINANCIAL INFORMATION
Item 1. Unaudited Financial Statements

PERKINELMER, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended		Six Months Ended	
	July 2, 2017	July 3, 2016	July 2, 2017	July 3, 2016
	(In thousands, except per share data)			
Product revenue	\$ 355,001	\$ 356,975	\$ 688,715	\$ 681,328
Service revenue	191,961	179,267	372,362	352,930
Total revenue	546,962	536,242	1,061,077	1,034,258
Cost of product revenue	173,139	172,706	336,308	327,534
Cost of service revenue	116,320	109,982	227,655	218,084
Total cost of revenue	289,459	282,688	563,963	545,618
Selling, general and administrative expenses	147,944	150,952	293,037	295,490
Research and development expenses	33,562	31,868	66,850	61,839
Restructuring and contract termination charges, net	—	4,468	9,651	4,468
Operating income from continuing operations	75,997	66,266	127,576	126,843
Interest and other expense, net	5,205	5,393	16,801	16,479
Income from continuing operations before income taxes	70,792	60,873	110,775	110,364
Provision for income taxes	8,066	3,117	11,987	10,864
Income from continuing operations	62,726	57,756	98,788	99,500
(Loss) income from discontinued operations before income taxes	(3,109)	4,927	650	13,117
Gain (loss) on disposition of discontinued operations before income taxes	180,377	(8)	180,377	(11)
Provision for (benefit from) income taxes on discontinued operations and dispositions	35,925	(1,182)	37,143	1,283
Income from discontinued operations and dispositions	141,343	6,101	143,884	11,823
Net income	\$ 204,069	\$ 63,857	\$ 242,672	\$ 111,323
Basic earnings per share:				
Income from continuing operations	\$ 0.57	\$ 0.53	\$ 0.90	\$ 0.91
Income from discontinued operations and dispositions	1.29	0.06	1.31	0.11
Net income	\$ 1.86	\$ 0.59	\$ 2.21	\$ 1.01
Diluted earnings per share:				
Income from continuing operations	\$ 0.57	\$ 0.53	\$ 0.89	\$ 0.90
Income from discontinued operations and dispositions	1.28	0.06	1.30	0.11
Net income	\$ 1.84	\$ 0.58	\$ 2.20	\$ 1.01
Weighted average shares of common stock outstanding:				
Basic	109,894	108,970	109,681	109,690
Diluted	110,762	109,844	110,484	110,520
Cash dividends declared per common share	\$ 0.07	\$ 0.07	\$ 0.14	\$ 0.14

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

PERKINELMER, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended		Six Months Ended	
	July 2, 2017	July 3, 2016	July 2, 2017	July 3, 2016
	(In thousands)			
Net income	\$ 204,069	\$ 63,857	\$ 242,672	\$ 111,323
Other comprehensive income:				
Foreign currency translation adjustments	18,192	(30,994)	37,400	573
Unrealized gains on securities, net of tax	11	(2)	34	30
Other comprehensive income	18,203	(30,996)	37,434	603
Comprehensive income	<u>\$ 222,272</u>	<u>\$ 32,861</u>	<u>\$ 280,106</u>	<u>\$ 111,926</u>

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

PERKINELMER, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	July 2, 2017	January 1, 2017
	(In thousands, except share and per share data)	
Current assets:		
Cash and cash equivalents	\$ 616,308	\$ 359,265
Accounts receivable, net	440,412	425,588
Inventories	275,085	246,847
Other current assets	102,021	99,246
Current assets of discontinued operations	—	58,985
Total current assets	1,433,826	1,189,931
Property, plant and equipment:		
At cost	460,750	427,903
Accumulated depreciation	(306,594)	(282,409)
Property, plant and equipment, net	154,156	145,494
Intangible assets, net	453,059	420,224
Goodwill	2,356,690	2,247,966
Other assets, net	207,373	204,679
Long-term assets of discontinued operations	—	68,389
Total assets	\$ 4,605,104	\$ 4,276,683
Current liabilities:		
Current portion of long-term debt	\$ 2,225	\$ 1,172
Accounts payable	153,754	168,033
Accrued restructuring and contract termination charges	8,559	7,479
Accrued expenses and other current liabilities	418,477	399,700
Current liabilities of discontinued operations	6,373	26,971
Total current liabilities	589,388	603,355
Long-term debt	1,089,395	1,045,254
Long-term liabilities	487,685	459,544
Long-term liabilities of discontinued operations	—	14,960
Total liabilities	2,166,468	2,123,113
Commitments and contingencies (see Note 18)		
Stockholders' equity:		
Preferred stock—\$1 par value per share, authorized 1,000,000 shares; none issued or outstanding	—	—
Common stock—\$1 par value per share, authorized 300,000,000 shares; issued and outstanding 110,196,000 shares and 109,617,000 shares at July 2, 2017 and at January 1, 2017, respectively	110,196	109,617
Capital in excess of par value	45,881	26,130
Retained earnings	2,345,986	2,118,684
Accumulated other comprehensive loss	(63,427)	(100,861)
Total stockholders' equity	2,438,636	2,153,570
Total liabilities and stockholders' equity	\$ 4,605,104	\$ 4,276,683

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

PERKINELMER, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended	
	July 2, 2017	July 3, 2016
(In thousands)		
Operating activities:		
Net income	\$ 242,672	\$ 111,323
Income from discontinued operations and dispositions, net of income taxes	(143,884)	(11,823)
Income from continuing operations	98,788	99,500
Adjustments to reconcile income from continuing operations to net cash provided by continuing operations:		
Restructuring and contract termination charges, net	9,651	4,468
Depreciation and amortization	49,505	50,241
Loss (gain) on disposition of businesses and assets, net	301	(5,562)
Stock-based compensation	11,767	9,675
Change in fair value of contingent consideration	909	5,627
Amortization of deferred debt financing costs and accretion of discount	1,231	751
Amortization of acquired inventory revaluation	4,240	396
Changes in assets and liabilities which provided (used) cash, excluding effects from companies acquired:		
Accounts receivable, net	5,215	7,364
Inventories	(9,913)	(10,608)
Accounts payable	(20,855)	717
Accrued expenses and other	(55,193)	(55,134)
Net cash provided by operating activities of continuing operations	95,646	107,435
Net cash provided by operating activities of discontinued operations	6,207	20,843
Net cash provided by operating activities	101,853	128,278
Investing activities:		
Capital expenditures	(11,473)	(15,870)
Proceeds from disposition of businesses	—	21,000
Proceeds from surrender of life insurance policies	45	44
Changes in restricted cash balances	17,203	(2,000)
Activity related to acquisitions, net of cash and cash equivalents acquired	(123,578)	(10,484)
Net cash used in investing activities of continuing operations	(117,803)	(7,310)
Net cash provided by (used in) investing activities of discontinued operations	276,982	(450)
Net cash provided by (used in) investing activities	159,179	(7,760)
Financing activities:		
Payments on borrowings	(145,950)	(195,000)
Proceeds from borrowings	146,952	240,000
Settlement of cash flow hedges	(4,314)	1,278
Net payments on other credit facilities	(577)	(553)
Payments for acquisition-related contingent consideration	(8,940)	(99)
Proceeds from issuance of common stock under stock plans	13,223	8,953
Purchases of common stock	(3,265)	(151,351)
Dividends paid	(15,363)	(15,474)
Net cash used in financing activities of continuing operations	(18,234)	(112,246)
Net cash used in financing activities of discontinued operations	(533)	(193)
Net cash used in financing activities	(18,767)	(112,439)
Effect of exchange rate changes on cash and cash equivalents	14,778	2,072
Net increase in cash and cash equivalents	257,043	10,151
Cash and cash equivalents at beginning of period	359,265	237,932
Cash and cash equivalents at end of period	\$ 616,308	\$ 248,083

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

PERKINELMER, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1: Basis of Presentation

The condensed consolidated financial statements included herein have been prepared by PerkinElmer, Inc. (the "Company"), in accordance with accounting principles generally accepted in the United States of America (the "U.S." or the "United States") and pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information in the footnote disclosures of the financial statements has been condensed or omitted where it substantially duplicates information provided in the Company's latest audited consolidated financial statements, in accordance with the rules and regulations of the SEC. These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes included in its Annual Report on Form 10-K for the fiscal year ended January 1, 2017, filed with the SEC (the "2016 Form 10-K"). The balance sheet amounts at January 1, 2017 in this report were derived from the Company's audited 2016 consolidated financial statements included in the 2016 Form 10-K. The condensed consolidated financial statements reflect all adjustments that, in the opinion of management, are necessary to present fairly the Company's financial position, results of operations and cash flows for the periods indicated. The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts and classifications of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The results of operations for the three and six months ended July 2, 2017 and July 3, 2016, respectively, are not necessarily indicative of the results for the entire fiscal year or any future period.

The Company's fiscal year ends on the Sunday nearest December 31. The Company reports fiscal years under a 52/53 week format and as a result, certain fiscal years will contain 53 weeks. The fiscal year ending December 31, 2017 ("fiscal year 2017") will include 52 weeks, and the fiscal year ended January 1, 2017 ("fiscal year 2016") included 52 weeks.

Recently Adopted and Issued Accounting Pronouncements: From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (the "FASB") and are adopted by the Company as of the specified effective dates. Unless otherwise discussed, such pronouncements did not have or will not have a significant impact on the Company's consolidated financial position, results of operations and cash flows or do not apply to the Company's operations.

In May 2017, the FASB issued Accounting Standards Update No. 2017-09, *Compensation - Stock Compensation (Topic 718), Scope of Modification Accounting* ("ASU 2017-09"), which amends the scope of modification accounting for share-based payment arrangements. ASU 2017-09 provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting under Topic 718. Specifically, an entity would not apply modification accounting if the fair value, vesting conditions, and classification of the awards are the same immediately before and after the modification. If an entity modifies its awards and concludes that it is not required to apply modification accounting under the standard, it must still consider whether the modification affects its application of other guidance. Additionally, if a significant modification does not result in incremental compensation cost, entities are required to disclose the "lack of" incremental compensation cost resulting from such significant modification. The standard also removes the guidance in Topic 718 stating that modification accounting is not required when an entity adds an antidilution provision as long as that modification is not made in contemplation of an equity restructuring. The provisions of this guidance are to be applied on a prospective basis to awards modified on or after the effective date. ASU 2017-09 is effective for annual reporting periods beginning after December 15, 2017, and interim periods within those years. Early adoption is permitted, including adoption in any interim period. The Company is evaluating the requirements of this guidance. The adoption is not expected to have a material impact on the Company's consolidated financial position, results of operations and cash flows.

In March 2017, the FASB issued Accounting Standards Update No. 2017-07, *Compensation - Retirement Benefits (Topic 715), Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* ("ASU 2017-07"), which amends the requirements in Topic 715 related to the income statement presentation of the components of net periodic benefit cost for an entity's sponsored defined benefit pension and other postretirement plans. ASU 2017-07 requires entities to (1) disaggregate the current-service-cost component from the other components of net benefit cost (the "other components") and present it with other current employee compensation costs in the income statement and (2) present the other components elsewhere in the income statement and outside of income from operations, and disclose the income statement lines that contain the other components if they are not presented on appropriately described separate lines. Additionally, the standard requires that only the service-cost component of net benefit cost is eligible for capitalization (e.g., as part of inventory or property, plant, and equipment). The change in income statement presentation requires retrospective application, while the change in capitalized benefit cost is to be applied prospectively. ASU 2017-07 is effective for annual reporting periods beginning after December 15,

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2017, and interim periods within those years, with early adoption permitted. The standard provides a practical expedient that permits entities to use the components of cost disclosed in prior years as a basis for the retrospective application of the new income statement presentation. Entities need to disclose the use of the practical expedient. The Company is evaluating the requirements of this guidance. The adoption is not expected to have a material impact on the Company's consolidated financial position, results of operations and cash flows.

In January 2017, the FASB issued Accounting Standards Update No. 2017-04, *Intangibles-Goodwill and Other Topic (Topic 350), Simplifying the Test for Goodwill Impairment* ("ASU 2017-04"), which amends Topic 350 to simplify the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. ASU 2017-04 requires that an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize the impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, an entity should consider the income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. The provisions of this guidance are to be applied on a prospective basis. ASU 2017-04 is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company early adopted ASU 2017-04 and will apply the provisions of this standard in its interim or annual goodwill impairment tests subsequent to January 2, 2017.

In January 2017, the FASB issued Accounting Standards Update No. 2017-01, *Business Combinations (Topic 805), Clarifying the Definition of a Business* ("ASU 2017-01"), which amends Topic 805 to provide a screen to determine when a set of assets and liabilities is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. This screen reduces the number of transactions that need to be further evaluated. If the screen is not met, the standard (1) requires that to be considered a business, a set must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output and (2) removes the evaluation of whether a market participant could replace missing elements. The standard provides a framework to assist entities in evaluating whether both an input and a substantive process are present. The standard also provides a framework that includes two sets of criteria to consider that depend on whether a set has outputs and a more stringent criteria for sets without outputs. Lastly, the standard narrows the definition of the term "output" so that the term is consistent with how outputs are described in Topic 606, *Revenue from Contracts with Customers*. The provisions of this guidance are to be applied prospectively. ASU 2017-01 is effective for annual reporting periods beginning after December 15, 2017, and interim periods within those years, with early adoption permitted in limited circumstances. The Company is evaluating the requirements of this guidance. The adoption is not expected to have a material impact on the Company's consolidated financial position, results of operations and cash flows.

In November 2016, the FASB issued Accounting Standards Update No. 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash* ("ASU 2016-18"), which amends Topic 230 to add or clarify guidance on the classification and presentation of restricted cash in the statement of cash flows. The standard requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The provisions of this guidance are to be applied using a retrospective transition method to each period presented. ASU 2016-18 is effective for annual reporting periods beginning after December 15, 2017, and interim periods within those years, with early adoption permitted. The Company is evaluating the requirements of this guidance. The adoption is not expected to have a material impact on the Company's consolidated financial position, results of operations and cash flows.

In October 2016, the FASB issued Accounting Standards Update No. 2016-16, *Income Taxes (Topic 740), Intra-entity Transfer of Assets Other than Inventory* ("ASU 2016-16"). ASU 2016-16 removes the prohibition in ASC 740 against the immediate recognition of the current and deferred income tax effects of intra-entity transfers of assets other than inventory. The standard requires entities to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The provisions of this guidance are to be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. ASU 2016-16 is effective for annual reporting periods beginning after December 15, 2017, and interim periods within those years, with early adoption permitted. The Company is evaluating the requirements of this guidance and has not yet determined the impact of its adoption on the Company's consolidated financial position, results of operations and cash flows.

In August 2016, the FASB issued Accounting Standards Update No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"). ASU 2016-15 addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice in how certain cash receipts and cash payments are

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presented and classified in the statement of cash flows under Topic 230 and other topics. The provisions of this guidance are to be applied using a retrospective transition method to each period presented, and if it is impracticable to apply the amendments retrospectively for some of the issues, ASU 2016-15 allows the amendments for those issues to be applied prospectively as of the earliest date practicable. ASU 2015-16 is effective for annual reporting periods beginning after December 15, 2017, and interim periods within those years, with early adoption permitted. The Company is evaluating the requirements of this guidance and has not yet determined the impact of its adoption on the Company's consolidated financial position, results of operations and cash flows.

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). ASU 2016-13 changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The standard requires entities to use the expected loss impairment model and will apply to most financial assets measured at amortized cost and certain other instruments, including trade and other receivables, loans, held-to-maturity debt securities, net investments in leases and off-balance sheet credit exposures. Entities are required to estimate the lifetime "expected credit loss" for each applicable financial asset and record an allowance that, when deducted from the amortized cost basis of the financial asset, presents the net amount expected to be collected on the financial asset. The standard also amends the impairment model for available-for-sale ("AFS") debt securities and requires entities to determine whether all or a portion of the unrealized loss on an AFS debt security is a credit loss. An entity will recognize an allowance for credit losses on an AFS debt security as a contra-account to the amortized cost basis rather than as a direct reduction of the amortized cost basis of the investment. The provisions of this guidance are to be applied using a modified-retrospective approach. A prospective transition approach is required for debt securities for which an other-than-temporary impairment had been recognized before the effective date. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2019, and interim periods within those years. Early adoption is permitted for annual periods beginning after December 15, 2018, and interim periods therein. The Company is evaluating the requirements of this guidance and has not yet determined the impact of its adoption on the Company's consolidated financial position, results of operations and cash flows.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases*. The new guidance requires lessees to recognize a lease liability and right-of-use asset on the balance sheet for financing and operating leases. The provisions of this guidance are to be applied using a modified retrospective approach and are effective for annual reporting periods beginning after December 15, 2018, and interim periods within those years, with early adoption permitted. The Company is evaluating the requirements of this guidance and has not yet determined the impact of its adoption on the Company's consolidated financial position, results of operations and cash flows. The Company does not intend to early adopt the provisions of this standard.

In July 2015, the FASB issued Accounting Standards Update No. 2015-11, *Simplifying the Measurement of Inventory*. Under this new guidance, companies that use inventory measurement methods other than last-in, first-out or the retail inventory method should measure inventory at the lower of cost and net realizable value. The provisions of this guidance are to be applied prospectively and are effective for interim and annual reporting periods beginning after December 15, 2016, with early adoption permitted. The Company adopted ASU 2015-11 at the beginning of the first quarter of fiscal year 2017. The adoption did not have a material impact on the Company's consolidated financial position, results of operations and cash flows.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). Under this new guidance, an entity should use a five-step process to recognize revenue, depicting the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also requires new disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Subsequent to the issuance of the standard, the FASB decided to defer the effective date for one year to annual reporting periods beginning after December 15, 2017, with early adoption permitted for annual reporting periods beginning after December 15, 2016. In May 2016, the FASB also issued Accounting Standards Update No. 2016-12, *Revenue from Contracts with Customers (Topic 606), Narrow-Scope Improvements and Practical Expedients* ("ASU 2016-12"), which amended its revenue recognition guidance in ASU 2014-09 on transition, collectibility, non-cash consideration and the presentation of sales and other similar taxes. In April 2016, the FASB also issued Accounting Standards Update No. 2016-10, *Revenue from Contracts with Customers (Topic 606), Identifying Performance Obligations and Licensing* ("ASU 2016-10"), which amended its revenue recognition guidance in ASU 2014-09 on identifying performance obligations to allow entities to disregard items that are immaterial in the context of the contract, clarify when a promised good or service is separately identifiable (i.e., distinct within the context of the contract) and allow an entity to elect to account for the cost of shipping and handling performed after control of a good has been transferred to the customer as a fulfillment cost (i.e., an expense). ASU 2016-10 also clarifies how an entity should evaluate the nature of its promise in granting a license of intellectual property ("IP") and requires entities to classify IP in one of two categories: functional IP or symbolic IP, which will determine whether it recognizes revenue over time or at a point in time. ASU 2016-10

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also address how entities should consider license renewals and restrictions and apply the exception for sales- and usage-based royalties received in exchange for licenses of IP. ASU 2016-12, ASU 2016-10 and ASU 2014-09 may be adopted either using a full retrospective approach or a modified retrospective approach. The Company is evaluating the requirements of the foregoing standards and has not yet determined the impact of their adoption on the Company's consolidated financial position, results of operations and cash flows. The Company intends to adopt these standards using the modified retrospective approach, and the Company does not intend to early adopt these standards.

While the Company is currently evaluating the impact of the new revenue standard, the Company believes the key changes in the standard that impact revenue recognition relate to the accounting for certain transactions with multiple elements or "bundled" arrangements (for example, sales of software subscriptions or sales of licenses and maintenance for which the Company does not have vendor-specific objective evidence ("VSOE") for maintenance and/or support) because the requirement to have VSOE for undelivered elements under current accounting standards is eliminated under the new standard. Accordingly, the Company will be required to recognize the license revenue upon transfer of control of the applicable software, as compared to the current requirement of recognizing the entire sales price ratably over the maintenance period.

Note 2: Business Combinations***Acquisitions in fiscal year 2017***

During the first six months of fiscal year 2017, the Company completed the acquisition of Tulip Diagnostics Private Limited ("Tulip"), a company based in Goa, India, for a total consideration of \$127.3 million. The Company has a potential obligation to pay the shareholders of Tulip up to INR1.6 billion, currently equivalent to \$24.9 million, that will be accounted for as compensation expense in the Company's financial statements over a two year period and is excluded from the purchase price allocation shown below. The excess of the purchase price over the fair value of the acquired business' net assets represents cost and revenue synergies specific to the Company, as well as non-capitalizable intangible assets, such as the employee workforce acquired, and has been allocated to goodwill, which is not tax deductible. The Company has reported the operations for this acquisition within the results of the Company's Diagnostics segment from the acquisition date. Identifiable definite-lived intangible assets, such as core technology, trade names and customer relationships, acquired as part of this acquisition had a weighted average amortization period of 11.4 years.

The total purchase price for the acquisition in fiscal year 2017 has been allocated to the estimated fair values of assets acquired and liabilities assumed as follows:

	2017 Acquisition
	(In thousands)
Fair value of business combination:	
Cash payments	\$ 126,007
Other liability	1,273
Less: cash acquired	(2,429)
Total	<u>\$ 124,851</u>
Identifiable assets acquired and liabilities assumed:	
Current assets	\$ 15,825
Property, plant and equipment	9,643
Other assets	1,084
Identifiable intangible assets:	
Core technology	3,500
Trade names	3,000
Customer relationships	43,000
Goodwill	72,454
Deferred taxes	(15,414)
Liabilities assumed	(8,241)
Total	<u>\$ 124,851</u>

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During the second quarter of fiscal year 2017, the Company entered into a Share Sale and Transfer Agreement with Prof. Dr. Winfried Stöcker (the “Controlling Shareholder”) and his affiliated investment holding company Stöcker Vermögensverwaltungsgesellschaft mbH & Co. KG (“Stöcker KG”), which together hold a majority equity interest in EUROIMMUN Medizinische Labordiagnostika AG (“EUROIMMUN”), pursuant to which the Company or a wholly owned subsidiary of the Company (the “Purchaser”) will acquire up to 100% of the outstanding securities of EUROIMMUN, and EUROIMMUN will become a subsidiary of the Purchaser (the “Acquisition”). In addition to the majority equity interest in EUROIMMUN that the Controlling Shareholder and Stöcker KG will exchange for cash at the closing of the Acquisition, the Controlling Shareholder has undertaken to seek to enter into option agreements with all other shareholders in EUROIMMUN, which would, upon exercise by the Controlling Shareholder at the closing of the Acquisition result in such shareholders receiving the same per share price for their shares as will be received by the Controlling Shareholder and Stöcker KG. If the Acquisition is completed with 100% equity participation, EUROIMMUN’s shareholders will receive an aggregate consideration of €1.2 billion in cash, without interest thereon and subject to any tax withholding. The transaction is subject to customary closing conditions and is currently anticipated to close in the fourth quarter of fiscal year 2017 following the receipt of required standard regulatory approvals. EUROIMMUN is based in Lübeck, Germany, has approximately 2,400 employees, and is widely recognized as a global leader in autoimmune testing and an emerging force in infectious disease and allergy testing.

Acquisitions in fiscal year 2016

During fiscal year 2016, the Company completed the acquisition of two businesses for a total consideration of \$72.3 million in cash. The acquired businesses were Bio Scientific Corporation, which was acquired for total consideration of \$63.5 million in cash, and one other business acquired for a total consideration of \$8.8 million in cash. The excess of the purchase prices over the fair values of each of the acquired businesses’ net assets represents cost and revenue synergies specific to the Company, as well as non-capitalizable intangible assets, such as the employee workforce acquired. As a result of the acquisitions, the Company recorded goodwill of \$43.6 million, which is not tax deductible, and intangible assets of \$22.1 million. The Company has reported the operations for these acquisitions within the results of the Company’s Diagnostics and Discovery & Analytical Solutions segments from the acquisition dates. Identifiable definite-lived intangible assets, such as core technology, trade names and customer relationships, acquired as part of these acquisitions had a weighted average amortization period of 9.4 years.

The total purchase price for the acquisitions in fiscal year 2016 has been allocated to the estimated fair values of assets acquired and liabilities assumed as follows:

	2016 Acquisitions
	(In thousands)
Fair value of business combination:	
Cash payments	\$ 72,497
Working capital and other adjustments	(261)
Less: cash acquired	(2,152)
Total	<u>\$ 70,084</u>
Identifiable assets acquired and liabilities assumed:	
Current assets	\$ 7,153
Property, plant and equipment	7,542
Identifiable intangible assets:	
Core technology	6,600
Trade names	570
Customer relationships	14,900
Goodwill	43,588
Deferred taxes	(8,284)
Liabilities assumed	(1,985)
Total	<u>\$ 70,084</u>

The preliminary allocations of the purchase prices for acquisitions are based upon initial valuations. The Company's estimates and assumptions underlying the initial valuations are subject to the collection of information necessary to complete its valuations within the measurement periods, which are up to one year from the respective acquisition dates. The primary areas of the preliminary purchase price allocations that are not yet finalized relate to the fair value of certain tangible and intangible assets acquired and liabilities assumed, assets and liabilities related to income taxes and related valuation allowances, and residual goodwill. The Company expects to continue to obtain information to assist in determining the fair values of the net assets acquired at the acquisition dates during the measurement periods. During the measurement periods, the Company will adjust assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition dates that, if known, would have resulted in the recognition of those assets and liabilities as of those dates. These adjustments will be made in the periods in which the amounts are determined and the cumulative effect of such adjustments will be calculated as if the adjustments had been completed as of the acquisition dates. All changes that do not qualify as adjustments made during the measurement periods are also included in current period earnings.

Allocations of the purchase price for acquisitions are based on estimates of the fair value of the net assets acquired and are subject to adjustment upon finalization of the purchase price allocations. The accounting for business combinations requires estimates and judgments as to expectations for future cash flows of the acquired business, and the allocation of those cash flows to identifiable intangible assets, in determining the estimated fair values for assets acquired and liabilities assumed. The fair values assigned to tangible and intangible assets acquired and liabilities assumed, including contingent consideration, 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. Contingent consideration is measured at fair value at the acquisition date, based on the probability that revenue thresholds or product development milestones will be achieved during the earnout period, with changes in the fair value after the acquisition date affecting earnings to the extent it is to be settled in cash. Increases or decreases in the fair value of contingent consideration liabilities primarily result from changes in the estimated probabilities of achieving revenue thresholds, changes in discount rates or product development milestones during the earnout period.

During the second quarter of fiscal year 2017, the Company obtained information relevant to determining the fair values of certain tangible and intangible assets acquired, and liabilities assumed, related to recent acquisitions and adjusted its purchase price allocation. Based on this information, for the Tulip acquisition, the Company recognized an increase in intangible assets of \$4.5 million and deferred tax liabilities of \$0.4 million, with a corresponding decrease in goodwill of \$4.1 million.

As of July 2, 2017, the Company may have to pay contingent consideration related to an acquisition with an open contingency period of up to \$83.0 million. As of July 2, 2017, the Company has recorded contingent consideration obligations with an estimated fair value of \$64.1 million, of which \$15.3 million was recorded in accrued expenses and other current liabilities, and \$48.8 million was recorded in long-term liabilities. As of January 1, 2017, the Company had recorded contingent consideration obligations with an estimated fair value of \$63.2 million, of which \$15.4 million was recorded in accrued expenses and other current liabilities, and \$47.8 million was recorded in long-term liabilities. The expected maximum earnout period for the acquisition with an open contingency period does not exceed 2.3 years from the acquisition date, and the remaining weighted average expected earnout period at July 2, 2017 was 1.5 years. If the actual results differ from the estimates and judgments used in these fair values, the amounts recorded in the condensed consolidated financial statements could result in a possible impairment of the intangible assets and goodwill, require acceleration of the amortization expense of definite-lived intangible assets or the recognition of additional contingent consideration which would be recognized as a component of operating expenses from continuing operations.

Total transaction costs related to acquisition and divestiture activities for the three and six months ended July 2, 2017 were \$3.7 million and \$6.3 million, respectively. Total transaction costs related to acquisition activities for the three and six months ended July 3, 2016 were \$0.2 million and \$0.5 million, respectively. These transaction costs were expensed as incurred and recorded in selling, general and administrative expenses in the Company's condensed consolidated statements of operations.

Note 3: Disposition of Businesses and Assets

As part of the Company's continuing efforts to focus on higher growth opportunities, the Company has discontinued certain businesses. When the discontinued operations represent a strategic shift that will have a major effect on the Company's operations and financial statements, the Company has accounted for these businesses as discontinued operations and accordingly, has presented the results of operations and related cash flows as discontinued operations. Any business deemed to be a discontinued operation prior to the adoption of ASU 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of An Entity*, continues to be reported as a discontinued operation, and the results of operations and related cash flows are presented as discontinued operations for all periods presented. Any remaining assets and liabilities of

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these businesses have been presented separately, and are reflected within assets and liabilities of discontinued operations in the accompanying condensed consolidated balance sheets as of July 2, 2017 and January 1, 2017.

On May 1, 2017 (the "Closing Date"), the Company completed the sale of its Medical Imaging business to Varex Imaging Corporation ("Varex") pursuant to the terms of the Master Purchase and Sale Agreement, dated December 21, 2016 (the "Agreement"), by and between the Company and Varian Medical Systems, Inc. ("Varian") and the subsequent Assignment and Assumption Agreement, dated January 27, 2017, between Varian and Varex, pursuant to which Varian assigned its rights under the Agreement to Varex. On the Closing Date, the Company received consideration of approximately \$277.4 million for the sale of the Medical Imaging business, subject to post-closing working capital adjustments. In the second quarter of fiscal year 2017, the Company recorded a pre-tax gain of \$180.4 million and income tax expense of \$36.8 million related to the sale of the Medical Imaging business in discontinued operations and dispositions. The corresponding tax liability was recorded within the other tax liabilities in the condensed consolidated balance sheet and the Company expects to utilize tax attributes to minimize the tax liability.

Following the closing, the Company is providing certain customary transitional services during a period of up to 12 months. Commercial transactions between the parties following the closing of the transaction are not expected to be significant.

Beginning in the fourth quarter of fiscal year 2016, the Company presented its Medical Imaging business as discontinued operations in the Company's consolidated financial statements. Financial information in this report relating to the three and six months ended July 3, 2016 has been retrospectively adjusted to reflect this discontinued operation. The results of discontinued operations during the three and six months ended July 2, 2017 include the results of the Medical Imaging business through April 30, 2017.

The summary pre-tax operating results of the discontinued operations, were as follows for the three and six months ended:

	Three Months Ended		Six Months Ended	
	July 2, 2017	July 3, 2016	July 2, 2017	July 3, 2016
	(In thousands)			
Revenue	\$ 8,249	\$ 36,458	\$ 44,343	\$ 77,224
Cost of revenue	8,138	24,729	32,933	50,484
Selling, general and administrative expenses	1,926	3,042	5,869	6,049
Research and development expenses	1,294	3,139	4,891	6,953
Restructuring and contract termination charges, net	—	621	—	621
(Loss) income from discontinued operations before income taxes	\$ (3,109)	\$ 4,927	\$ 650	\$ 13,117

The table below provides a reconciliation of the carrying amounts of the major classes of assets and liabilities of the discontinued operations to the amounts presented separately in the consolidated balance sheets at July 2, 2017 and January 1, 2017.

	July 2, 2017	January 1, 2017
(In thousands)		
Current assets of discontinued operations:		
Accounts receivable	\$ —	\$ 28,400
Inventories	—	26,977
Prepaid income taxes	—	425
Other current assets	—	3,183
Total current assets of discontinued operations	—	58,985
Property, plant and equipment, net	—	25,219
Intangible assets	—	3,292
Goodwill	—	38,794
Other assets, net	—	1,084
Long-term assets of discontinued operations	—	68,389
Total assets of discontinued operations	\$ —	\$ 127,374
Current liabilities of discontinued operations:		
Accounts payable	\$ —	\$ 16,770
Accrued restructuring and contract termination charges	—	209
Accrued expenses and other current liabilities	6,373	9,992
Total current liabilities of discontinued operations	6,373	26,971
Deferred income taxes	—	7,851
Long-term liabilities	—	7,109
Total long-term liabilities	—	14,960
Total liabilities of discontinued operations	\$ 6,373	\$ 41,931

Note 4: Restructuring and Contract Termination Charges, Net

The Company has undertaken a series of restructuring actions related to the impact of acquisitions and divestitures, the alignment of the Company's operations with its growth strategy, the integration of its business units and its productivity initiatives. The current portion of restructuring and contract termination charges is recorded in accrued restructuring and contract termination charges and the long-term portion of restructuring and contract termination charges is recorded in long-term liabilities. The activities associated with these plans have been reported as restructuring and contract termination charges, net, as applicable, and are included as a component of income from continuing operations.

The Company implemented a restructuring plan in the first quarter of fiscal year 2017 consisting of workforce reductions principally intended to realign resources to emphasize growth initiatives (the "Q1 2017 Plan"). The Company implemented a restructuring plan in the third quarter of fiscal year 2016 consisting of workforce reductions principally intended to focus resources on higher growth product lines (the "Q3 2016 Plan"). The Company implemented a restructuring plan in the second quarter of fiscal year 2016 consisting of workforce reductions principally intended to focus resources on higher growth end markets (the "Q2 2016 Plan"). Details of the plans initiated in previous years ("Previous Plans") are discussed more fully in Note 4 to the audited consolidated financial statements in the 2016 Form 10-K.

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The following table summarizes the reductions in headcount, the initial restructuring or contract termination charges by operating segment, and the dates by which payments were substantially completed, or the dates by which payments are expected to be substantially completed, for restructuring actions implemented during fiscal years 2017 and 2016 in continuing operations:

	Workforce Reductions			Closure of Excess Facility			(Expected) Date Payments Substantially Completed by	
	Headcount Reduction	Discovery & Analytical Solutions	Diagnostics	Discovery & Analytical Solutions	Diagnostics	Total	Severance	Excess Facility
(In thousands, except headcount data)								
Q1 2017 Plan	90	\$ 5,000	\$ 1,631	\$ 33	\$ 33	\$ 6,697	Q2 FY2018	Q2 FY2018
Q3 2016 Plan	22	1,779	41	—	—	1,820	Q4 FY2017	—
Q2 2016 Plan	72	4,106	561	—	—	4,667	Q3 FY2017	—

The Company does not currently expect to incur any future charges for these plans. The Company expects to make payments under the Previous Plans for remaining residual lease obligations, with terms varying in length, through fiscal year 2022.

In connection with the termination of various contractual commitments, the Company recorded additional pre-tax charges of \$2.9 million during the six months ended July 2, 2017, in the Discovery & Analytical Solutions segment.

At July 2, 2017, the Company had \$14.2 million recorded for accrued restructuring and contract termination charges, of which \$8.6 million was recorded in short-term accrued restructuring and contract termination charges, \$2.7 million was recorded in long-term liabilities, and \$2.9 million was recorded in other reserves. At January 1, 2017, the Company had \$10.5 million recorded for accrued restructuring and contract termination charges, of which \$7.5 million was recorded in short-term accrued restructuring and contract termination charges and \$3.0 million was recorded in long-term liabilities. The following table summarizes the Company's restructuring and contract termination accrual balances and related activity by restructuring plan, as well as contract termination accrual balances and related activity, during the six months ended July 2, 2017:

	Balance at January 1, 2017	2017 Charges	2017 Changes in Estimates, Net	2017 Amounts Paid	Balance at July 2, 2017
(In thousands)					
Severance:					
Q1 2017 Plan	\$ —	\$ 6,631	\$ —	\$ (2,665)	\$ 3,966
Q3 2016 Plan	1,208	—	—	(765)	443
Q2 2016 Plan	1,436	—	—	(446)	990
Facility:					
Q1 2017 Plan	—	66	—	(9)	57
Previous Plans	7,780	—	—	(2,063)	5,717
Restructuring	10,424	6,697	—	(5,948)	11,173
Contract Termination	117	2,909	45	(25)	3,046
Total Restructuring and Contract Termination	\$ 10,541	\$ 9,606	\$ 45	\$ (5,973)	\$ 14,219

Note 5: Interest and Other Expense, Net

Interest and other expense, net, consisted of the following:

	Three Months Ended		Six Months Ended	
	July 2, 2017	July 3, 2016	July 2, 2017	July 3, 2016
	(In thousands)			
Interest income	\$ (490)	\$ (127)	\$ (710)	\$ (237)
Interest expense	10,672	9,939	21,536	19,780
Loss (gain) on disposition of businesses and assets, net	301	(5,562)	301	(5,562)
Other (income) expense, net	(5,278)	1,143	(4,326)	2,498
Total interest and other expense, net	\$ 5,205	\$ 5,393	\$ 16,801	\$ 16,479

Foreign currency transaction gains were \$1.2 million and \$2.7 million for the three and six months ended July 2, 2017, respectively. Foreign currency transaction (gains) losses were \$(0.6) million and \$3.5 million for the three and six months ended July 3, 2016, respectively. Net gains from forward currency hedge contracts were \$4.1 million and \$1.7 million for the three and six months ended July 2, 2017, respectively. Net losses (gains) from forward currency hedge contracts were \$1.8 million and \$(1.0) million for the three and six months ended July 3, 2016, respectively. These amounts were included in other expense, net.

Note 6: Inventories

Inventories as of July 2, 2017 and January 1, 2017 consisted of the following:

	July 2, 2017	January 1, 2017
		(In thousands)
Raw materials	\$ 94,210	\$ 79,189
Work in progress	8,155	6,561
Finished goods	172,720	161,097
Total inventories	\$ 275,085	\$ 246,847

Note 7: Income Taxes

The Company regularly reviews its tax positions in each significant taxing jurisdiction in the process of evaluating its unrecognized tax benefits. The Company makes adjustments to its unrecognized tax benefits when: (i) facts and circumstances regarding a tax position change, causing a change in management's judgment regarding that tax position; (ii) a tax position is effectively settled with a tax authority at a differing amount; and/or (iii) the statute of limitations expires regarding a tax position.

The total provision for (benefits from) income taxes included in the consolidated financial statements consisted of the following:

	Three Months Ended		Six Months Ended	
	July 2, 2017	July 3, 2016	July 2, 2017	July 3, 2016
	(In thousands)			
Continuing operations	\$ 8,066	\$ 3,117	\$ 11,987	\$ 10,864
Discontinued operations and dispositions	35,925	(1,182)	37,143	1,283
Total	\$ 43,991	\$ 1,935	\$ 49,130	\$ 12,147

At July 2, 2017, the Company had gross tax effected unrecognized tax benefits of \$28.9 million, of which \$27.2 million, if recognized, would affect the continuing operations effective tax rate. The remaining amount, if recognized, would affect discontinued operations.

The Company believes that it is reasonably possible that approximately \$3.8 million of its uncertain tax positions at July 2, 2017, including accrued interest and penalties, and net of tax benefits, may be resolved over the next twelve months as a result of lapses in applicable statutes of limitations and potential settlements. Various tax years after 2010 remain open to examination by certain jurisdictions in which the Company has significant business operations, such as Finland, Germany, Italy, Netherlands, Singapore, the United Kingdom and the United States. The tax years under examination vary by jurisdiction.

During the first six months of fiscal years 2017 and 2016, the Company recorded net discrete income tax benefits of \$4.9 million and \$5.4 million, respectively. The discrete tax benefits in the first six months of fiscal year 2017 and 2016 included the recognition of excess tax benefits on stock compensation of \$3.4 million and \$3.8 million, respectively.

As a result of the sale of the Medical Imaging business, the Company sold assets and liabilities of certain foreign operations and therefore the Company plans to liquidate the related foreign entity and repatriate approximately \$55.0 million of previously unremitted earnings. As a result of the planned repatriation, the Company has provided for the estimated taxes on the repatriation of those earnings and recorded an increase to the Company's tax provision of \$3.5 million in discontinued operations and dispositions for the three and six months ended July 2, 2017. The Company expects to utilize tax attributes to minimize the cash taxes paid on the repatriation.

Taxes have not been provided for unremitted earnings that the Company continues to consider indefinitely reinvested, the determination of which is based on its future operational and capital requirements. The Company continues to maintain its indefinite reinvestment assertion with regards to the remaining unremitted earnings of its foreign subsidiaries, and therefore does not accrue U.S. tax for the repatriation of its remaining unremitted foreign earnings. As of July 2, 2017, the amount of foreign earnings that the Company has the intent and ability to keep invested outside the United States indefinitely and for which no U.S. tax cost has been provided was approximately \$1.2 billion. It is not practical to calculate the unrecognized deferred tax liability on those earnings.

Note 8: Debt

Senior Unsecured Revolving Credit Facility. The Company's senior unsecured revolving credit facility provides for \$1.0 billion of revolving loans and has an initial maturity of August 11, 2021. As of July 2, 2017, undrawn letters of credit in the aggregate amount of \$11.4 million were treated as issued and outstanding when calculating the borrowing availability under the senior unsecured revolving credit facility. As of July 2, 2017, the Company had \$988.6 million available for additional borrowing under the facility. The Company uses the 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 senior unsecured revolving credit facility are based on the Eurocurrency rate or the base rate at the time of borrowing, plus a margin. The base rate is the higher of (i) the rate of interest in effect for such day as publicly announced from time to time by JP Morgan Chase Bank, N.A. as its "prime rate," (ii) the Federal Funds rate plus 50 basis points or (iii) an adjusted one-month Libor plus 1.00%. As of July 2, 2017, the senior unsecured revolving credit facility had no outstanding borrowings, and \$3.8 million of unamortized debt issuance costs. As of January 1, 2017, the senior unsecured revolving credit facility had no outstanding borrowings, and \$4.3 million of unamortized debt issuance costs. The credit agreement for the facility contains affirmative, negative and financial covenants and events of default. The financial covenants include a debt-to-capital ratio that remains applicable for so long as the Company's debt is rated as investment grade. In the event that the Company's debt is not rated as investment grade, the debt-to-capital ratio covenant is replaced with a maximum consolidated leverage ratio covenant and a minimum consolidated interest coverage ratio covenant.

5% Senior Unsecured Notes due in 2021. On October 25, 2011, the Company issued \$500.0 million aggregate principal amount of senior unsecured notes due in 2021 (the "2021 Notes") in a registered public offering and received \$496.9 million of net proceeds from the issuance. The 2021 Notes were issued at 99.372% of the principal amount, which resulted in a discount of \$3.1 million. As of July 2, 2017, the 2021 Notes had an aggregate carrying value of \$496.2 million, net of \$1.6 million of unamortized original issue discount and \$2.3 million of unamortized debt issuance costs. As of January 1, 2017, the 2021 Notes had an aggregate carrying value of \$495.8 million, net of \$1.7 million of unamortized original issue discount and \$2.5 million of unamortized debt issuance costs. The 2021 Notes mature in November 2021 and bear interest at an annual rate of 5%. Interest on the 2021 Notes is payable semi-annually on May 15th and November 15th each year. Prior to August 15, 2021 (three months prior to their maturity date), the Company may redeem the 2021 Notes in whole or in part, at its option, at a redemption price equal to the greater of (i) 100% of the principal amount of the 2021 Notes to be redeemed, plus accrued and unpaid interest, or (ii) the sum of the present values of the remaining scheduled payments of principal and interest in respect to the 2021 Notes being redeemed, discounted on a semi-annual basis, at the Treasury Rate plus 45 basis points, plus accrued and

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unpaid interest. At any time on or after August 15, 2021 (three months prior to their maturity date), the Company may redeem the 2021 Notes, at its option, at a redemption price equal to 100% of the principal amount of the 2021 Notes to be redeemed plus accrued and unpaid interest. Upon a change of control (as defined in the indenture governing the 2021 Notes) and a contemporaneous downgrade of the 2021 Notes below investment grade, each holder of 2021 Notes will have the right to require the Company to repurchase such holder's 2021 Notes for 101% of their principal amount, plus accrued and unpaid interest.

1.875% Senior Unsecured Notes due 2026. On July 19, 2016, the Company issued €500.0 million aggregate principal amount of senior unsecured notes due in 2026 (the "2026 Notes") in a registered public offering and received approximately €492.3 million of net proceeds from the issuance. The 2026 Notes were issued at 99.118% of the principal amount, which resulted in a discount of €4.4 million. The 2026 Notes mature in July 2026 and bear interest at an annual rate of 1.875%. Interest on the 2026 Notes is payable annually on July 19th each year. The proceeds from the 2026 Notes were used to pay in full the outstanding balance of the Company's previous senior unsecured revolving credit facility. As of July 2, 2017, the 2026 Notes had an aggregate carrying value of \$561.8 million, net of \$4.6 million of unamortized original issue discount and \$4.5 million of unamortized debt issuance costs. As of January 1, 2017, the 2026 Notes had an aggregate carrying value of \$517.8 million, net of \$4.5 million of unamortized original issue discount and \$4.8 million of unamortized debt issuance costs.

Prior to April 19, 2026 (three months prior to their maturity date), the Company may redeem the 2026 Notes in whole at any time or in part from time to time, at its option, at a redemption price equal to the greater of (i) 100% of the principal amount of the 2026 Notes to be redeemed, or (ii) the sum of the present values of the remaining scheduled payments of principal and interest in respect to the 2026 Notes being redeemed, discounted on an annual basis, at the applicable Comparable Government Bond Rate (as defined in the indenture governing the 2026 Notes) plus 35 basis points; plus, in each case, accrued and unpaid interest. In addition, at any time on or after April 19, 2026 (three months prior to their maturity date), the Company may redeem the 2026 Notes, at its option, at a redemption price equal to 100% of the principal amount of the 2026 Notes due to be redeemed plus accrued and unpaid interest.

Upon a change of control (as defined in the indenture governing the 2026 Notes) and a contemporaneous downgrade of the 2026 Notes below investment grade, the Company will, in certain circumstances, make an offer to purchase the 2026 Notes at a price equal to 101% of their principal amount plus any accrued and unpaid interest.

Financing Lease Obligations. In fiscal year 2012, the Company entered into agreements with the lessors of certain buildings that the Company is currently occupying and leasing to expand those buildings. The Company provided a portion of the funds needed for the construction of the additions to the buildings, and as a result the Company was considered the owner of the buildings during the construction period. At the end of the construction period, the Company was not reimbursed by the lessors for all of the construction costs. The Company is therefore deemed to have continuing involvement and the leases qualify as financing leases under sale-leaseback accounting guidance, representing debt obligations for the Company and non-cash investing and financing activities. As a result, the Company capitalized \$29.3 million in property, plant and equipment, net, representing the fair value of the buildings with a corresponding increase to debt. The Company has also capitalized \$11.5 million in additional construction costs necessary to complete the renovations to the buildings, which were funded by the lessors, with a corresponding increase to debt. At July 2, 2017, the Company had \$36.5 million recorded for these financing lease obligations, of which \$1.2 million was recorded as short-term debt and \$35.3 million was recorded as long-term debt. At January 1, 2017, the Company had \$37.1 million recorded for these financing lease obligations, of which \$1.2 million was recorded as short-term debt and \$35.9 million was recorded as long-term debt. The buildings are being depreciated on a straight-line basis over the terms of the leases to their estimated residual values, which will equal the remaining financing obligation at the end of the lease term. At the end of the lease term, the remaining balances in property, plant and equipment, net and debt will be reversed against each other.

Note 9: Earnings Per Share

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

	Three Months Ended		Six Months Ended	
	July 2, 2017	July 3, 2016	July 2, 2017	July 3, 2016
	(In thousands)			
Number of common shares—basic	109,894	108,970	109,681	109,690
Effect of dilutive securities:				
Stock options	668	688	636	675
Restricted stock awards	200	186	167	155
Number of common shares—diluted	110,762	109,844	110,484	110,520
Number of potentially dilutive securities excluded from calculation due to antidilutive impact	457	250	558	674

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

Note 10: Industry Segment Information

The Company discloses information about its operating segments based on the way that management organizes the segments within the Company for making operating decisions and assessing financial performance. The Company evaluates the performance of its operating segments based on revenue and operating income. Intersegment revenue and transfers are not significant. The accounting policies of the operating segments are the same as those described in Note 1 to the audited consolidated financial statements in the 2016 Form 10-K.

Effective October 3, 2016, the Company realigned its businesses to better organize around customer requirements, positioning the Company to grow in attractive end markets and expand share with the Company's core product offerings. Diagnostics became a standalone operating segment and the Company formed a new operating segment, Discovery & Analytical Solutions. The results reported for the three and six months ended July 2, 2017 reflect this new alignment of the Company's operating segments. Financial information in this report relating to the three and six months ended July 3, 2016 has been retrospectively adjusted to reflect this change to the Company's operating segments.

The principal products and services of the Company's two operating segments are:

- *Discovery & Analytical Solutions*. Provides products and services targeted towards the environmental, industrial, food, life sciences research and laboratory services markets.
- *Diagnostics*. Develops diagnostics, tools and applications focused on clinically-oriented customers, especially within the reproductive health, emerging market diagnostics and applied genomics markets. The Diagnostics segment serves the diagnostics market.

The Company has included the expenses for its corporate headquarters, such as legal, tax, audit, human resources, information technology, and other management and compliance costs, as well as the activity related to the mark-to-market adjustment on postretirement benefit plans, as "Corporate" below. The Company has a process to allocate and recharge expenses to the reportable segments when these costs are administered or paid by the corporate headquarters based on the extent to which the segment benefited from the expenses. These amounts have been calculated in a consistent manner and are included in the Company's calculations of segment results to internally plan and assess the performance of each segment for all purposes, including determining the compensation of the business leaders for each of the Company's operating segments. During the first quarter of fiscal year 2017, the Company changed the manner in which certain shared functional costs are allocated to the operating segments. Segment financial information relating to the three and six months ended July 3, 2016 has been retrospectively adjusted to reflect this change to the cost allocation methodology. Accordingly, for the three and six months ended July 3, 2016, operating income from continuing operations from the Discovery & Analytical Solutions segment

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decreased by \$2.5 million and \$6.2 million, respectively, with a corresponding increase in operating income from continuing operations of the Diagnostics segment.

Revenue and operating income (loss) from continuing operations by operating segment are shown in the table below:

	Three Months Ended		Six Months Ended	
	July 2, 2017	July 3, 2016	July 2, 2017	July 3, 2016
(In thousands)				
Discovery & Analytical Solutions				
Product revenue	\$ 227,290	\$ 236,513	\$ 442,450	\$ 455,919
Service revenue	155,838	144,991	302,438	282,032
Total revenue	383,128	381,504	744,888	737,951
Operating income from continuing operations	51,481	41,617	82,060	81,086
Diagnostics				
Product revenue	127,711	120,462	246,265	225,409
Service revenue	36,123	34,276	69,924	70,898
Total revenue	163,834	154,738	316,189	296,307
Operating income from continuing operations	37,641	37,840	71,051	71,614
Corporate				
Operating loss from continuing operations	(13,125)	(13,191)	(25,535)	(25,857)
Continuing Operations				
Product revenue	355,001	356,975	688,715	681,328
Service revenue	191,961	179,267	372,362	352,930
Total revenue	546,962	536,242	1,061,077	1,034,258
Operating income from continuing operations	75,997	66,266	127,576	126,843
Interest and other expense, net (see Note 5)	5,205	5,393	16,801	16,479
Income from continuing operations before income taxes	\$ 70,792	\$ 60,873	\$ 110,775	\$ 110,364

Note 11: Stockholders' Equity

Comprehensive Income:

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

	July 2, 2017	January 1, 2017
(In thousands)		
Foreign currency translation adjustments	\$ (63,523)	\$ (100,923)
Unrecognized prior service costs, net of income taxes	399	399
Unrealized net losses on securities, net of income taxes	(303)	(337)
Accumulated other comprehensive loss	\$ (63,427)	\$ (100,861)

Stock Repurchases:

On July 27, 2016, the Board of Directors (the "Board") authorized the Company to repurchase up to 8.0 million shares of common stock under a stock repurchase program (the "Repurchase Program"). The Repurchase Program will expire on July 26, 2018 unless terminated earlier by the Board, and may be suspended or discontinued at any time. During the six months ended July 2, 2017, the Company had no stock repurchases under the Repurchase Program. As of July 2, 2017, 8.0 million shares remained available for repurchase under the Repurchase Program.

In addition, the Board has authorized the Company to repurchase shares of common stock to satisfy minimum statutory tax withholding obligations in connection with the vesting of restricted stock awards and restricted stock unit awards granted pursuant to the Company's equity incentive plans and to satisfy obligations related to the exercise of stock options made pursuant to the Company's equity incentive plans. During the three months ended July 2, 2017, the Company repurchased 7,591 shares of common stock for this purpose at an aggregate cost of \$0.5 million. During the six months ended July 2, 2017, the

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Company repurchased 70,540 shares of common stock for this purpose at an aggregate cost of \$3.8 million. 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.

Dividends:

The Board declared a regular quarterly cash dividend of \$0.07 per share for the first two quarters of fiscal year 2017 and in each quarter of fiscal year 2016. At July 2, 2017, the Company has accrued \$7.7 million for dividends declared on April 28, 2017 for the second quarter of fiscal year 2017 that will be payable on August 10, 2017. On July 24, 2017, the Company announced that the Board had declared a quarterly dividend of \$0.07 per share for the third quarter of fiscal year 2017 that will be payable on November 10, 2017. In the future, the Board may determine to reduce or eliminate the Company's common stock dividend in order to fund investments for growth, repurchase shares or conserve capital resources.

Note 12: Stock Plans

In addition to the Company's Employee Stock Purchase Plan, the Company utilizes one stock-based compensation plan, the 2009 Incentive Plan (the "2009 Plan"). Under the 2009 Plan, 10.0 million shares of the Company's common stock are authorized for stock option grants, restricted stock awards, performance units and stock grants as part of the Company's compensation programs. In addition to shares of the Company's common stock originally authorized for issuance under the 2009 Plan, the 2009 Plan includes shares of the Company's common stock previously granted under the Amended and Restated 2001 Incentive Plan and the 2005 Incentive Plan that were canceled or forfeited without the shares being issued.

The following table summarizes total pre-tax compensation expense recognized related to the Company's stock options, restricted stock, performance restricted stock units, performance units and stock awards, included in the Company's condensed consolidated statements of operations for the three and six months ended July 2, 2017 and July 3, 2016:

	Three Months Ended		Six Months Ended	
	July 2, 2017	July 3, 2016	July 2, 2017	July 3, 2016
	(In thousands)			
Cost of revenue	\$ 281	\$ 304	\$ 541	\$ 494
Research and development expenses	377	231	704	400
Selling, general and administrative expenses	6,183	5,294	10,522	8,781
Total stock-based compensation expense	<u>\$ 6,841</u>	<u>\$ 5,829</u>	<u>\$ 11,767</u>	<u>\$ 9,675</u>

The total income tax benefit recognized in the condensed consolidated statements of operations for stock-based compensation was \$5.1 million and \$8.0 million for the three and six months ended July 2, 2017, respectively. The total income tax benefit recognized in the condensed consolidated statements of operations for stock-based compensation was \$5.3 million and \$7.3 million for the three and six months ended July 3, 2016, respectively. Stock-based compensation costs capitalized as part of inventory were \$0.4 million and \$0.6 million as of July 2, 2017 and July 3, 2016, respectively.

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

	Three and Six Months Ended	
	July 2, 2017	July 3, 2016
Risk-free interest rate	1.8%	1.3%
Expected dividend yield	0.5%	0.6%
Expected term	5 years	5 years
Expected stock volatility	22.4%	25.2%

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The following table summarizes stock option activity for the six months ended July 2, 2017:

	Number of Shares	Weighted- Average Exercise Price	Weighted-Average Remaining Contractual Term	Total Intrinsic Value
	(In thousands)		(In years)	(In millions)
Outstanding at January 1, 2017	2,287	\$ 37.64		
Granted	451	53.54		
Exercised	(432)	30.64		
Forfeited	(6)	50.48		
Outstanding at July 2, 2017	2,300	\$ 42.04	4.3	\$ 46.2
Exercisable at July 2, 2017	1,359	\$ 37.09	3.2	\$ 34.0

The weighted-average per-share grant-date fair value of options granted during the three and six months ended July 2, 2017 was \$13.27 and \$11.74, respectively. The weighted-average per-share grant-date fair value of options granted during the three and six months ended July 3, 2016 was \$12.49 and \$10.13, respectively. The total intrinsic value of options exercised during the three and six months ended July 2, 2017 was \$9.1 million and \$12.2 million, respectively. The total intrinsic value of options exercised during the three and six months ended July 3, 2016 was \$10.3 million and \$11.9 million, respectively. Cash received from option exercises for the six months ended July 2, 2017 and July 3, 2016 was \$13.2 million and \$9.0 million, respectively.

The total compensation expense recognized related to the Company's outstanding options was \$1.2 million and \$2.4 million for the three and six months ended July 2, 2017, respectively, and \$1.2 million and \$2.3 million for the three and six months ended July 3, 2016, respectively.

There was \$8.4 million of total unrecognized compensation cost related to nonvested stock options granted as of July 2, 2017. This cost is expected to be recognized over a weighted-average period of 2.1 years.

Restricted Stock Awards: The following table summarizes restricted stock award activity for the six months ended July 2, 2017:

	Number of Shares	Weighted- Average Grant- Date Fair Value
	(In thousands)	
Nonvested at January 1, 2017	521	\$ 46.48
Granted	217	53.92
Vested	(204)	45.57
Forfeited	(15)	49.00
Nonvested at July 2, 2017	519	\$ 49.87

The fair value of restricted stock awards vested during the three and six months ended July 2, 2017 was \$1.5 million and \$9.3 million, respectively. The fair value of restricted stock awards vested during the three and six months ended July 3, 2016 was \$0.9 million and \$7.8 million, respectively. The total compensation expense recognized related to the Company's outstanding restricted stock awards was \$3.0 million and \$5.4 million for the three and six months ended July 2, 2017, respectively, and \$2.8 million and \$4.9 million for the three and six months ended July 3, 2016, respectively.

As of July 2, 2017, there was \$18.4 million of total unrecognized compensation cost related to nonvested restricted stock awards. That cost is expected to be recognized over a weighted-average period of 1.8 years.

Performance Restricted Stock Units: As part of the Company's executive compensation program, the Company granted 54,337 performance restricted stock units during the six months ended July 2, 2017, that will vest based on performance of the Company. The weighted-average per-share grant date fair value of performance restricted stock units granted during the six months ended July 2, 2017 was \$52.78. During the six months ended July 2, 2017, no performance restricted stock units were forfeited. The total compensation expense recognized related to the performance restricted stock units was \$0.2 million and \$0.5 million for the three and six months ended July 2, 2017, respectively. As of July 2, 2017, there were 54,337 performance restricted stock units outstanding.

Performance Units: As part of the Company's executive compensation program, the Company granted 49,845 and 77,453 performance units during the six months ended July 2, 2017 and July 3, 2016, respectively. The weighted-average per-share grant-date fair value of performance units granted during the six months ended July 2, 2017 and July 3, 2016 was \$52.69 and \$42.47, respectively. During the six months ended July 2, 2017 and July 3, 2016, no performance units were forfeited. The total compensation expense recognized related to performance units was \$1.7 million and \$2.8 million for the three and six months ended July 2, 2017, respectively, and \$1.1 million and \$1.7 million for the three and six months ended July 3, 2016, respectively. As of July 2, 2017, there were 179,620 performance units outstanding and subject to forfeiture, with a corresponding liability of \$5.7 million recorded in accrued expenses and other current liabilities.

Stock Awards: The Company's stock award program provides non-employee directors an annual equity award. The Company granted 1,598 and 1,821 shares to each non-employee member of the Board during the six months ended July 2, 2017 and July 3, 2016, respectively. The weighted-average per-share grant-date fair value of the stock awards granted during the six months ended July 2, 2017 and July 3, 2016 was \$62.56 and \$54.91, respectively. The total compensation expense recognized related to these stock awards was \$0.7 million for each of the six months ended July 2, 2017 and July 3, 2016.

Employee Stock Purchase Plan: During the six months ended July 2, 2017, the Company issued 18,483 shares of common stock under the Company's Employee Stock Purchase Plan at a weighted-average price of \$64.73 per share. During the six months ended July 3, 2016, the Company issued 23,898 shares of common stock under the Company's Employee Stock Purchase Plan at a weighted-average price of \$49.80 per share. At July 2, 2017, an aggregate of 0.9 million shares of the Company's common stock remained available for sale to employees out of the 5.0 million shares authorized by shareholders for issuance under this plan.

Note 13: Goodwill and Intangible Assets, Net

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

The process of testing goodwill for impairment involves the determination of the fair value of the applicable reporting units. The test consists of a two-step process. The first step is the comparison of the fair value to the carrying value of the reporting unit to determine if the carrying value exceeds the fair value. The second step measures the amount of an impairment loss, and is only performed if the carrying value exceeds the fair value of the reporting unit. The Company performed its annual impairment testing for its reporting units as of January 2, 2017, its annual impairment date for fiscal year 2017. The Company concluded based on the first step of the process that there was no goodwill impairment, and the fair value exceeded the carrying value by more than 20.0% for each reporting unit, except for the Company's Informatics reporting unit which had a fair value that was less than 20% but greater than 10% more than its carrying value. The range of the long-term terminal growth rates for the Company's reporting units was 0.0% to 3.00% for the fiscal year 2017 impairment analysis. The range for the discount rates for the reporting units was 9.0% to 13.5%. Keeping all other variables constant, a 10.0% change in any one of these input assumptions for the various reporting units, except for the Informatics reporting unit, would still allow the Company to conclude, based on the first step of the process, that there was no impairment of goodwill. As of January 2, 2017, the Company's Informatics reporting unit, which had a goodwill balance of \$211.0 million, was at increased risk of an impairment charge given its ongoing weakness due to a highly competitive industry. Despite the increased risk associated with this reporting unit, the Company does not currently expect a significant change in the key estimates or assumptions driving the fair value of this reporting unit that would lead to a material impairment charge.

The Company has consistently employed the income approach to estimate the current fair value when testing for impairment of goodwill. A number of significant assumptions and estimates are involved in the application of the income approach to forecast operating cash flows, including markets and market share, sales volumes and prices, costs to produce, tax rates, capital spending, discount rates and working capital changes. Cash flow forecasts are based on approved business unit operating plans for the early years' cash flows and historical relationships in later years. The income approach is sensitive to changes in long-term terminal growth rates and the discount rates. The long-term terminal growth rates are consistent with the Company's historical long-term terminal growth rates, as the current economic trends are not expected to affect the long-term terminal growth rates of the Company. The Company corroborates the income approach with a market approach.

The Company has consistently employed the relief from royalty model to estimate the current fair value when testing for impairment of non-amortizing intangible assets. The impairment test consists of a comparison of the fair value of the non-amortizing intangible asset with its carrying amount. If the carrying amount of a non-amortizing intangible asset exceeds its fair value, an impairment loss in an amount equal to that excess is recognized. In addition, the Company evaluates the remaining useful lives of its non-amortizing intangible assets at least annually to determine whether events or circumstances continue to

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support an indefinite useful life. If events or circumstances indicate that the useful lives of non-amortizing intangible assets are no longer indefinite, the assets will be tested for impairment. These intangible assets will then be amortized prospectively over their estimated remaining useful lives and accounted for in the same manner as other intangible assets that are subject to amortization. The Company performed its annual impairment testing as of January 2, 2017, and concluded that there was no impairment of non-amortizing intangible assets. An assessment of the recoverability of amortizing intangible assets takes place when events have occurred that may give rise to an impairment. No such events occurred during the first six months of fiscal year 2017.

The changes in the carrying amount of goodwill for the six months ended July 2, 2017 were as follows:

	Discovery & Analytical Solutions	Diagnostics	Consolidated
	(In thousands)		
Balance at January 1, 2017	\$ 1,303,936	\$ 944,030	\$ 2,247,966
Foreign currency translation	21,771	16,699	38,470
Acquisitions and other	(1,800)	72,054	70,254
Balance at July 2, 2017	<u>\$ 1,323,907</u>	<u>\$ 1,032,783</u>	<u>\$ 2,356,690</u>

Identifiable intangible asset balances at July 2, 2017 and January 1, 2017 by category were as follows:

	July 2, 2017	January 1, 2017
	(In thousands)	
Patents	\$ 39,930	\$ 39,901
Less: Accumulated amortization	(33,758)	(32,408)
Net patents	6,172	7,493
Trade names and trademarks	43,900	40,086
Less: Accumulated amortization	(26,135)	(24,017)
Net trade names and trademarks	17,765	16,069
Licenses	50,983	57,767
Less: Accumulated amortization	(41,111)	(46,507)
Net licenses	9,872	11,260
Core technology	295,956	304,187
Less: Accumulated amortization	(229,848)	(233,720)
Net core technology	66,108	70,467
Customer relationships	422,291	383,303
Less: Accumulated amortization	(219,052)	(213,062)
Net customer relationships	203,239	170,241
IPR&D	84,252	78,515
Less: Accumulated amortization	(4,933)	(4,405)
Net IPR&D	79,319	74,110
Net amortizable intangible assets	<u>382,475</u>	<u>349,640</u>
Non-amortizing intangible assets:		
Trade name	70,584	70,584
Total	<u>\$ 453,059</u>	<u>\$ 420,224</u>

Total amortization expense related to definite-lived intangible assets was \$17.5 million and \$34.6 million for the three and six months ended July 2, 2017, respectively, and \$18.4 million and \$37.0 million for the three and six months ended July 3, 2016, respectively. Estimated amortization expense related to definite-lived intangible assets for each of the next five years is \$34.7 million for the remainder of fiscal year 2017, \$69.1 million for fiscal year 2018, \$57.5 million for fiscal year 2019, \$49.2 million for fiscal year 2020, and \$36.3 million for fiscal year 2021.

Note 14: Warranty Reserves

The Company provides warranty protection for certain products usually for a period of one year beyond the date of sale. The majority of costs associated with warranty obligations include the replacement of parts and the time for service personnel to respond to repair and replacement requests. A warranty reserve is recorded based upon historical results, supplemented by management's expectations of future costs. Warranty reserves are included in "Accrued expenses and other current liabilities" on the condensed consolidated balance sheets.

A summary of warranty reserve activity for the three and six months ended July 2, 2017 and July 3, 2016 is as follows:

	Three Months Ended		Six Months Ended	
	July 2, 2017	July 3, 2016	July 2, 2017	July 3, 2016
	(In thousands)			
Balance at beginning of period	\$ 8,937	\$ 9,751	\$ 9,012	\$ 9,843
Provision charged to income	3,391	3,793	6,380	7,452
Payments	(3,412)	(3,699)	(7,137)	(7,614)
Adjustments to previously provided warranties, net	(24)	(182)	515	(249)
Foreign currency translation and acquisitions	196	(67)	318	164
Balance at end of period	<u>\$ 9,088</u>	<u>\$ 9,596</u>	<u>\$ 9,088</u>	<u>\$ 9,596</u>

Note 15: Employee Postretirement Benefit Plans

The following table summarizes the components of net periodic pension credit for the Company's various defined benefit employee pension and postretirement plans for the three and six months ended July 2, 2017 and July 3, 2016:

	Defined Benefit Pension Benefits		Postretirement Medical Benefits	
	Three Months Ended			
	July 2, 2017	July 3, 2016	July 2, 2017	July 3, 2016
	(In thousands)			
Service cost	\$ 1,222	\$ 1,096	\$ 23	\$ 25
Interest cost	4,133	4,727	31	36
Expected return on plan assets	(6,541)	(6,174)	(278)	(259)
Amortization of prior service costs	(48)	(55)	—	—
Net periodic pension credit	<u>\$ (1,234)</u>	<u>\$ (406)</u>	<u>\$ (224)</u>	<u>\$ (198)</u>

	Defined Benefit Pension Benefits		Postretirement Medical Benefits	
	Six Months Ended			
	July 2, 2017	July 3, 2016	July 2, 2017	July 3, 2016
	(In thousands)			
Service cost	\$ 2,436	\$ 2,188	\$ 46	\$ 50
Interest cost	8,260	9,457	62	72
Expected return on plan assets	(13,041)	(12,362)	(557)	(518)
Amortization of prior service costs	(95)	(109)	—	—
Net periodic benefit credit	<u>\$ (2,440)</u>	<u>\$ (826)</u>	<u>\$ (449)</u>	<u>\$ (396)</u>

During the six months ended July 2, 2017 and July 3, 2016, the Company contributed \$4.1 million and \$5.2 million, respectively, in the aggregate, to pension plans outside of the United States.

The Company recognizes actuarial gains and losses, unless an interim remeasurement is required, in operating results in the fourth quarter of the year in which the gains and losses occur, in accordance with the Company's accounting method for defined benefit pension plans and other postretirement benefits as described in Note 1 of the Company's audited consolidated financial statements and notes included in its 2016 Form 10-K. Such adjustments for gains and losses are primarily driven by

events and circumstances beyond the Company's control, including changes in interest rates, the performance of the financial markets and mortality assumptions.

Note 16: Derivatives and Hedging Activities

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

In the ordinary course of business, the Company enters into foreign exchange contracts for periods consistent with its committed exposures to mitigate the effect of foreign currency movements on transactions denominated in foreign currencies. The intent of these economic hedges is to offset gains and losses that occur on the underlying exposures from these currencies, with gains and losses resulting from the forward currency contracts that hedge these exposures. Transactions covered by hedge contracts include intercompany and third-party receivables and payables. The contracts are primarily in European and Asian currencies, have maturities that do not exceed 12 months, have no cash requirements until maturity, and are recorded at fair value on the Company's condensed consolidated balance sheets. The unrealized gains and losses on the Company's foreign currency contracts are recognized immediately in interest and other expense, net. The cash flows related to the settlement of these hedges are included in cash flows from operating activities within the Company's condensed consolidated statement of cash flows.

Principal hedged currencies include the British Pound, Euro, Swedish Krona, Japanese Yen and Singapore Dollar. The Company held forward foreign exchange contracts, designated as economic hedges, with U.S. dollar equivalent notional amounts totaling \$128.6 million, \$137.5 million and \$131.5 million at July 2, 2017, January 1, 2017 and July 3, 2016, respectively, and the fair value of these foreign currency derivative contracts was insignificant. The gains and losses realized on these foreign currency derivative contracts are not material. The duration of these contracts was generally 30 days or less during each of the six months ended July 2, 2017 and July 3, 2016.

In addition, in connection with certain intercompany loan agreements utilized to finance its acquisitions and stock repurchase program, the Company enters into forward foreign exchange contracts intended to hedge movements in foreign exchange rates prior to settlement of such intercompany loans denominated in foreign currencies. The Company records these hedges at fair value on the Company's condensed consolidated balance sheets. The unrealized gains and losses on these hedges, as well as the gains and losses associated with the remeasurement of the intercompany loans, are recognized immediately in interest and other expense, net. The cash flows related to the settlement of these hedges are included in cash flows from financing activities within the Company's condensed consolidated statement of cash flows.

The outstanding forward exchange contracts designated as economic hedges, that were intended to hedge movements in foreign exchange rates prior to the settlement of certain intercompany loan agreements included combined Euro notional amounts of €23.5 million and combined U.S. Dollar notional amounts of \$133.3 million as of July 2, 2017, combined Euro notional amounts of €58.6 million and combined Swedish Krona notional amounts of kr969.5 million as of January 1, 2017, and combined Euro notional amounts of €45.4 million as of July 3, 2016. The net gains and losses on these derivatives, combined with the gains and losses on the remeasurement of the hedged intercompany loans were not material for each of the three and six months ended July 2, 2017 and July 3, 2016. The Company paid \$4.3 million and received \$1.3 million during the six months ended July 2, 2017 and July 3, 2016, respectively, from the settlement of these hedges.

In connection with the issuance of the 2026 Notes during the fiscal year 2016, the Company designated the 2026 Notes to hedge its investments in certain foreign subsidiaries. Realized and unrealized translation adjustments from these hedges were included in the foreign currency translation component of accumulated other comprehensive income ("AOCI"), which offsets translation adjustments on the underlying net assets of foreign subsidiaries. The cumulative translation gains or losses will remain in AOCI until the foreign subsidiaries are liquidated or sold. As of July 2, 2017, the total notional amount of foreign currency denominated debt designated to hedge investments in foreign subsidiaries was €495.9 million. The unrealized foreign exchange loss recorded in AOCI related to the net investment hedge was \$36.4 million and \$43.5 million for the three and six months ended July 2, 2017, respectively.

On June 27, 2017, in connection with the planned acquisition of EUROIMMUN, the Company entered into several foreign currency forward contracts to partly mitigate the currency exchange risk associated with the payment of the Euro-denominated purchase price. The currency purchased was Euro, with an aggregate notional amount totaling \$1.14 billion. These currency forward contracts were not designated as hedging instruments and therefore the change in the derivative fair

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value was marked to market through the condensed consolidated statement of operations, which resulted in a \$6.3 million gain being included in other expense, net during the three and six months ended July 2, 2017.

The Company does not expect any material net pre-tax gains or losses to be reclassified from accumulated other comprehensive loss into interest and other expense, net within the next twelve months.

Note 17: Fair Value Measurements

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents, derivatives, marketable securities and accounts receivable. The Company believes it had no significant concentrations of credit risk as of July 2, 2017.

The Company uses the market approach technique to value its financial instruments and there were no changes in valuation techniques during the six months ended July 2, 2017. The Company's financial assets and liabilities carried at fair value are primarily comprised of marketable securities, derivative contracts used to hedge the Company's currency risk, and acquisition-related contingent consideration. The Company has not elected to measure any additional financial instruments or other items at fair value.

Valuation Hierarchy: The following summarizes the three levels of inputs required to measure fair value. For Level 1 inputs, the Company utilizes quoted market prices as these instruments have active markets. For Level 2 inputs, the Company utilizes quoted market prices in markets that are not active, broker or dealer quotations, or utilizes alternative pricing sources with reasonable levels of price transparency. For Level 3 inputs, the Company utilizes unobservable inputs based on the best information available, including estimates by management primarily based on information provided by third-party fund managers, independent brokerage firms and insurance companies. A financial asset's or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

The following tables show the assets and liabilities carried at fair value measured on a recurring basis as of July 2, 2017 and January 1, 2017 classified in one of the three classifications described above:

	Fair Value Measurements at July 2, 2017 Using:			
	Total Carrying Value at July 2, 2017	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)			
Marketable securities	\$ 1,893	\$ 1,893	\$ —	\$ —
Foreign exchange derivative assets	7,057	—	7,057	—
Foreign exchange derivative liabilities	(1,946)	—	(1,946)	—
Contingent consideration	(64,076)	—	—	(64,076)

	Fair Value Measurements at January 1, 2017 Using:			
	Total Carrying Value at January 1, 2017	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)			
Marketable securities	\$ 1,678	\$ 1,678	\$ —	\$ —
Foreign exchange derivative assets	1,208	—	1,208	—
Foreign exchange derivative liabilities	(1,370)	—	(1,370)	—
Contingent consideration	(63,201)	—	—	(63,201)

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

Marketable securities: Include equity and fixed-income securities measured at fair value using the quoted market prices in active markets at the reporting date.

Foreign exchange derivative assets and liabilities: Include foreign exchange derivative contracts that are valued using quoted forward foreign exchange prices at the reporting date. The Company's foreign exchange derivative contracts are subject to master netting arrangements that allow the Company and its counterparties to net settle amounts owed to each other. Derivative assets and liabilities that can be net settled under these arrangements have been presented in the Company's condensed consolidated balance sheet on a net basis and are recorded in other assets. As of both July 2, 2017 and January 1, 2017, none of the master netting arrangements involved collateral.

Level 3 Valuation Techniques: The Company's Level 3 liabilities are comprised of contingent consideration related to acquisitions. For liabilities that utilize Level 3 inputs, the Company uses significant unobservable inputs. Below is a summary of valuation techniques for Level 3 liabilities.

Contingent consideration: Contingent consideration is measured at fair value at the acquisition date using projected milestone dates, discount rates, probabilities of success and projected revenues (for revenue-based considerations). Projected risk-adjusted contingent payments are discounted back to the current period using a discounted cash flow model.

During fiscal year 2015, the Company acquired certain assets and assumed certain liabilities from Vanadis Diagnostics AB. Under the terms of the acquisition, the initial purchase consideration was \$32.0 million, net of cash and the Company will be obligated to make potential future milestone payments, based on completion of a proof of concept, regulatory approvals and product sales, of up to \$93.0 million ranging from 2016 to 2019. The fair value of the contingent consideration as of the acquisition date was estimated at \$56.9 million. During the second quarter of fiscal year 2017, the Company updated the fair value of the contingent consideration and recorded a liability of \$64.1 million as of July 2, 2017. The key assumptions used to determine the fair value of the contingent consideration as of July 2, 2017 included projected milestone dates of 2018 to 2019, discount rates ranging from 2.4% to 7.1%, conditional probabilities of success of each individual milestone ranging from 90% to 95% and cumulative probabilities of success for each individual milestone ranging from 65.8% to 95%. A significant delay in the product development (including projected regulatory milestone) achievement date in isolation could result in a significantly lower fair value measurement; a significant acceleration in the product development (including projected regulatory milestone) achievement date in isolation would not have a material impact on the fair value measurement; a significant change in the discount rate in isolation would not have a material impact on the fair value measurement; and a significant change in the probabilities of success in isolation could result in a significant change in fair value measurement.

The fair values of contingent consideration are calculated on a quarterly basis based on a collaborative effort of the Company's regulatory, research and development, operations, finance and accounting groups, as appropriate. Potential valuation adjustments are made as additional information becomes available, including the progress towards completion of a proof of concept, regulatory approvals and product sales as compared to initial projections, the impact of market competition and market landscape shifts from non-invasive prenatal testing products, with the impact of such adjustments being recorded in the Company's consolidated statements of operations.

As of July 2, 2017, the Company may have to pay contingent consideration related to an acquisition with open contingency period of up to \$83.0 million. The expected maximum earnout period for the acquisition with an open contingency period does not exceed 2.3 years from the acquisition date, and the remaining weighted average earnout period at July 2, 2017 was 1.5 years.

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A reconciliation of the beginning and ending Level 3 net liabilities for contingent consideration is as follows:

	Three Months Ended		Six Months Ended	
	July 2, 2017	July 3, 2016	July 2, 2017	July 3, 2016
	(In thousands)			
Balance at beginning of period	\$ (63,978)	\$ (58,579)	\$ (63,201)	\$ (57,350)
Amounts paid and foreign currency translation	—	6	34	100
Change in fair value (included within selling, general and administrative expenses)	(98)	(4,305)	(909)	(5,628)
Balance at end of period	\$ (64,076)	\$ (62,878)	\$ (64,076)	\$ (62,878)

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value due to the short-term maturities of these assets and liabilities. If measured at fair value, cash and cash equivalents would be classified as Level 1.

As of July 2, 2017 and January 1, 2017, the Company's senior unsecured revolving credit facility, which provides for \$1.0 billion of revolving loans, had no outstanding borrowings. The interest rate on the Company's senior unsecured revolving credit facility is reset at least monthly to correspond to variable rates that reflect currently available terms and conditions for similar debt. The Company had no change in credit standing during the first six months of fiscal year 2017.

The Company's 2021 Notes, with a face value of \$500.0 million, had an aggregate carrying value of \$496.2 million, net of \$1.6 million of unamortized original issue discount and \$2.3 million of unamortized debt issuance costs as of July 2, 2017. The 2021 Notes had an aggregate carrying value of \$495.8 million, net of \$1.7 million of unamortized original issue discount and \$2.5 million of unamortized debt issuance costs as of January 1, 2017. The 2021 Notes had a fair value of \$545.7 million and \$539.2 million as of July 2, 2017 and January 1, 2017, respectively. The fair value of the 2021 Notes is estimated using market quotes from brokers and is based on current rates offered for similar debt.

The Company's 2026 Notes, with a face value of €500 million, had an aggregate carrying value of \$561.8 million, net of \$4.6 million of unamortized original issue discount and \$4.5 million of unamortized debt issuance costs as of July 2, 2017. The 2026 Notes had a fair value of €504.7 million and €507.5 million as of July 2, 2017 and January 1, 2017, respectively. The fair value of the 2026 Notes is estimated using market quotes from brokers and is based on current rates offered for similar debt.

The Company's financing lease obligations had an aggregate carrying value of 36.5 million and \$37.1 million as of July 2, 2017 and January 1, 2017, respectively. The carrying values of the Company's financing lease obligations approximated their fair value as there has been minimal change in the Company's incremental borrowing rate.

As of July 2, 2017, the 2021 Notes, 2026 Notes and financing lease obligations were classified as Level 2.

As of July 2, 2017, there has not been any significant impact to the fair value of the Company's derivative liabilities due to credit risk. Similarly, there has not been any significant adverse impact to the Company's derivative assets based on the evaluation of its counterparties' credit risks.

Note 18: Contingencies

The Company is conducting a number of environmental investigations and remedial actions at current and former locations of the Company and, along with other companies, has been named a potentially responsible party ("PRP") for certain waste disposal sites. The Company accrues for environmental issues in the accounting period that the Company's responsibility is established and when the cost can be reasonably estimated. The Company has accrued \$9.9 million as of July 2, 2017 and January 1, 2017, which represents its management's estimate of the cost of the remediation of known environmental matters, and does not include any potential liability for related personal injury or property damage claims. These amounts were included in accrued expenses and other current liabilities. The Company's environmental accrual is not discounted and does not reflect the recovery of any material amounts through insurance or indemnification arrangements. The cost estimates are subject to a number of variables, including the stage of the environmental investigations, the magnitude of the possible contamination, the nature of the potential remedies, possible joint and several liability, the time period over which remediation may occur, and the possible effects of changing laws and regulations. For sites where the Company has been named a PRP, management does not currently anticipate any additional liability to result from the inability of other significant named parties to contribute. The Company expects that the majority of such accrued amounts could be paid out over a period of up to ten years. As assessment and remediation activities progress at each individual site, these liabilities are reviewed and adjusted to reflect additional information as it becomes available. There have been no environmental problems to date that have had, or are expected to have,

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a material adverse effect on the Company's condensed consolidated financial statements. While it is possible that a loss exceeding the amounts recorded in the condensed consolidated financial statements may be incurred, the potential exposure is not expected to be materially different from those amounts recorded.

The Company is subject to various claims, legal proceedings and investigations covering a wide range of matters that arise in the ordinary course of its business activities. Although the Company has established accruals for potential losses that it believes are probable and reasonably estimable, in the opinion of the Company's management, based on its review of the information available at this time, the total cost of resolving these contingencies at July 2, 2017 would not have a material adverse effect on the Company's condensed consolidated financial statements. However, each of these matters is subject to uncertainties, and it is possible that some of these matters may be resolved unfavorably to the Company.

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

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

Overview

We are a leading provider of products, services and solutions for the diagnostics, food, environmental, industrial, life sciences research and laboratory services markets. Through our advanced technologies and differentiated solutions, we address critical issues that help to improve lives and the world around us.

We realigned our businesses at the beginning of the fourth quarter of fiscal year 2016 to better organize around customer requirements, positioning us to grow in attractive end markets and expand share with our core product offerings. Diagnostics became a standalone operating segment and we formed a new operating segment, Discovery & Analytical Solutions. The results reported for the three and six months ended July 2, 2017 reflect this new alignment of our operating segments. Financial information in this report relating to the three and six months ended July 3, 2016 has been retrospectively adjusted to reflect the change in our operating segments.

The principal products and services of our two operating segments are:

- *Discovery & Analytical Solutions.* Provides products and services targeted towards the environmental, industrial, food, life sciences research and laboratory services markets.
- *Diagnostics.* Develops diagnostics, tools and applications focused on clinically-oriented customers, especially within the reproductive health, emerging market diagnostics and applied genomics markets. The Diagnostics segment serves the diagnostics market.

Overview of the Second Quarter of Fiscal Year 2017

Our fiscal year ends on the Sunday nearest December 31. We report fiscal years under a 52/53 week format and as a result, certain fiscal years will contain 53 weeks. The fiscal year ending December 31, 2017 ("fiscal year 2017") will include 52 weeks, and the fiscal year ended January 1, 2017 ("fiscal year 2016") included 52 weeks.

Our overall revenue in the second quarter of fiscal year 2017 was \$547.0 million and increased \$10.7 million, or 2%, as compared to the second quarter of fiscal year 2016, reflecting an increase of \$1.6 million, or 0.4%, in our Discovery & Analytical Solutions segment revenue and an increase of \$9.1 million, or 6%, in our Diagnostics segment revenue. The increase in our Discovery & Analytical Solutions segment revenue for the second quarter of fiscal year 2017 was primarily due to an increased demand in our laboratory services business, partially offset by declines in our life sciences research business due to softer than expected academic market in Europe and issues with customer ordering patterns. Our revenue from environmental, food and industrial markets was flat. The increase in our Diagnostics segment revenue for the second quarter of fiscal year 2017 was primarily due to strong performance of our newborn and infectious disease screening solutions.

In our Discovery & Analytical Solutions segment, we had an increase in revenue for the second quarter of fiscal year 2017 as compared to the second quarter of fiscal year 2016. During the second quarter of fiscal year 2017, we continued to experience increased demand for our OneSource laboratory service business, which offers services designed to enable our customers to increase efficiencies and production time while reducing maintenance costs, all of which continue to be critical for them. The growth in our Discovery & Analytical Solutions segment was partially offset by unfavorable impacts from foreign currency as the U.S. dollar strengthened, as well as a decline in revenues due to a softer than expected academic market in Europe in our life sciences research business due to funding pressures and issues with customer ordering patterns.

In our Diagnostics segment, we experienced growth from continued expansion in our newborn and infectious disease screening businesses. Birth rates in the United States continue to stabilize and demand for greater access to newborn screening in rural areas outside the United States is also increasing, as evidenced by prenatal trends we saw during the second quarter of fiscal year 2017. The growth in our Diagnostics segment was partially offset by unfavorable impacts from foreign currency as the U.S. dollar strengthened. As the rising cost of healthcare continues to be one of the critical issues facing our customers, we

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anticipate that the benefits of providing earlier detection of disease, which can result in a reduction of long-term health care costs as well as create better outcomes for patients, are increasingly valued and we expect to see continued growth in these markets.

Our consolidated gross margins decreased 20 basis points in the second quarter of fiscal year 2017, as compared to the second quarter of fiscal year 2016, primarily due to a shift in product mix, with an increase in sales of lower gross margin product offerings and lower software sales, which are higher gross margin product offerings, offset by benefits from our initiatives to improve our supply chain. Our consolidated operating margins increased 154 basis points in the second quarter of fiscal year 2017, as compared to the second quarter of fiscal year 2016, primarily due to lower costs as a result of our cost containment and productivity initiatives, which were partially offset by increased costs related to investments in new product development.

In the second quarter of fiscal year 2017, we recorded a pre-tax gain of \$180.4 million and income tax expense of \$36.8 million related to the sale of our Medical Imaging business in discontinued operations and dispositions.

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

Critical Accounting Policies and Estimates

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

Critical accounting policies are those policies that affect our more significant judgments and estimates used in the preparation of our condensed consolidated financial statements. We believe our critical accounting policies include our policies regarding revenue recognition, warranty costs, allowances for doubtful accounts, inventory valuation, business combinations, value of long-lived assets, including goodwill and other intangibles, employee compensation and benefits, restructuring activities, gains or losses on dispositions and income taxes.

For a more detailed discussion of our critical accounting policies and estimates, please refer to the Notes to our audited consolidated financial statements and Item 7. "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," in our Annual Report on Form 10-K for the fiscal year ended January 1, 2017 (our "2016 Form 10-K"), as filed with the Securities and Exchange Commission (the "SEC"). There have been no significant changes in our critical accounting policies and estimates during the six months ended July 2, 2017.

Consolidated Results of Continuing Operations

Revenue

Revenue for the three months ended July 2, 2017 was \$547.0 million, as compared to \$536.2 million for the three months ended July 3, 2016, an increase of \$10.7 million, or 2%, which includes an approximate 2% increase in revenue attributable to acquisitions and divestitures and a 1% decrease in revenue attributable to unfavorable changes in foreign exchange rates. The analysis in the remainder of this paragraph compares segment revenue for the three months ended July 2, 2017 as compared to the three months ended July 3, 2016 and includes the effect of foreign exchange rate fluctuations, acquisitions and divestitures. Our Discovery & Analytical Solutions segment revenue was \$383.1 million for the three months ended July 2, 2017, as compared to \$381.5 million for the three months ended July 3, 2016, an increase of \$1.6 million, or 0.4%, primarily due to an increase of \$7.5 million from our laboratory services market revenue, partially offset by a decrease of \$5.9 million from our life sciences research market revenue. Our revenue from environmental, food and industrial markets was flat. Our Diagnostics segment revenue was \$163.8 million for the three months ended July 2, 2017, as compared to \$154.7 million for the three months ended July 3, 2016, an increase of \$9.1 million, or 6%, due to continued expansion in our newborn and infectious disease screening solutions. As a result of adjustments to deferred revenue related to certain acquisitions required by business combination accounting rules, we did not recognize \$0.2 million of revenue for each of the three months ended July 2, 2017 and July 3, 2016 that otherwise would have been recorded by the acquired businesses during each of the respective periods.

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Revenue for the six months ended July 2, 2017 was \$1,061.1 million, as compared to \$1,034.3 million for the six months ended July 3, 2016, an increase of \$26.8 million, or 3%, which includes an approximate 1% increase in revenue attributable to acquisitions and divestitures and a 1% decrease in revenue attributable to unfavorable changes in foreign exchange rates. The analysis in the remainder of this paragraph compares segment revenue for the six months ended July 2, 2017 as compared to the six months ended July 3, 2016 and includes the effect of foreign exchange rate fluctuations, acquisitions and divestitures. Our Discovery & Analytical Solutions segment revenue was \$744.9 million for the six months ended July 2, 2017, as compared to \$738.0 million for the six months ended July 3, 2016, an increase of \$6.9 million, or 1%, primarily due to an increase of \$16.3 million from our laboratory services market revenue and an increase of \$1.8 million from our environmental, food and industrial markets revenue, partially offset by a decrease of \$11.2 million from our life sciences research market revenue. Our Diagnostics segment revenue was \$316.2 million for the six months ended July 2, 2017, as compared to \$296.3 million for the six months ended July 3, 2016, an increase of \$19.8 million, or 7%, due to continued expansion in our newborn, maternal fetal health and infectious disease screening solutions. As a result of adjustments to deferred revenue related to certain acquisitions required by business combination accounting rules, we did not recognize \$0.4 million of revenue for each of the six months ended July 2, 2017 and July 3, 2016 that otherwise would have been recorded by the acquired businesses during each of the respective periods.

Cost of Revenue

Cost of revenue for the three months ended July 2, 2017 was \$289.5 million, as compared to \$282.7 million for the three months ended July 3, 2016, an increase of \$6.8 million, or 2%. As a percentage of revenue, cost of revenue increased to 52.9% for the three months ended July 2, 2017, from 52.7% for the three months ended July 3, 2016, resulting in a decrease in gross margin of 20 basis points to 47.1% for the three months ended July 2, 2017, from 47.3% for the three months ended July 3, 2016. Amortization of intangible assets decreased and was \$7.1 million for the three months ended July 2, 2017, as compared to \$8.1 million for the three months ended July 3, 2016. Stock-based compensation expense was \$0.3 million for each of the three months ended July 2, 2017 and July 3, 2016. The amortization of purchase accounting adjustments to record the inventory from certain acquisitions added an incremental expense of \$2.1 million for the three months ended July 2, 2017 as compared to \$0.3 million for the three months ended July 3, 2016. In addition to the above items, the overall decrease in gross margin was primarily the result of shift in product mix, with an increase in sales of lower gross margin product offerings and lower sales of higher gross margin products, partially offset by benefits from our initiatives to improve our supply chain.

Cost of revenue for the six months ended July 2, 2017 was \$564.0 million, as compared to \$545.6 million for the six months ended July 3, 2016, an increase of \$18.3 million, or 3%. As a percentage of revenue, cost of revenue increased to 53.2% for the six months ended July 2, 2017, from 52.8% for the six months ended July 3, 2016, resulting in a decrease in gross margin of 40 basis points to 46.8% for the six months ended July 2, 2017, from 47.2% for the six months ended July 3, 2016. Amortization of intangible assets decreased and was \$14.2 million for the six months ended July 2, 2017, as compared to \$16.3 million for the six months ended July 3, 2016. Stock-based compensation expense was \$0.5 million for each of the six months ended July 2, 2017 and July 3, 2016. The amortization of purchase accounting adjustments to record the inventory from certain acquisitions added an incremental expense of \$4.2 million for the six months ended July 2, 2017 as compared to \$0.4 million for the six months ended July 3, 2016. In addition to the above items, the overall decrease in gross margin was primarily the result of shift in product mix, with an increase in sales of lower gross margin product offerings and lower sales of higher gross margin products, partially offset by benefits from our initiatives to improve our supply chain.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three months ended July 2, 2017 were \$147.9 million, as compared to \$151.0 million for the three months ended July 3, 2016, a decrease of \$3.0 million, or 2.0%. As a percentage of revenue, selling, general and administrative expenses decreased and were 27.0% for the three months ended July 2, 2017, as compared to 28.1% for the three months ended July 3, 2016. Amortization of intangible assets increased and was \$10.4 million for the three months ended July 2, 2017, as compared to \$10.1 million for the three months ended July 3, 2016. Stock-based compensation expense was \$6.2 million for the three months ended July 2, 2017 as compared to \$5.3 million for the three months ended July 3, 2016. Other purchase accounting adjustments added an incremental expense of \$0.1 million for the three months ended July 2, 2017, as compared to \$4.3 million for the three months ended July 3, 2016. Acquisition and divestiture-related expenses added an incremental expense of \$3.7 million for the three months ended July 2, 2017 as compared to \$0.2 million for the three months ended July 3, 2016. In addition to the above items, the decrease in selling, general and administrative expenses was primarily the result of lower costs as a result of cost containment and productivity initiatives.

Selling, general and administrative expenses for the six months ended July 2, 2017 were \$293.0 million, as compared to \$295.5 million for the six months ended July 3, 2016, a decrease of \$2.5 million, or 1%. As a percentage of revenue, selling, general and administrative expenses decreased and were 27.6% for the six months ended July 2, 2017, as compared to 28.6% for the six months ended July 3, 2016. Amortization of intangible assets decreased and was \$20.2 million for the six months

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ended July 2, 2017, as compared to \$20.3 million for the six months ended July 3, 2016. Stock-based compensation expense was \$10.5 million for the six months ended July 2, 2017 as compared to \$8.8 million for the six months ended July 3, 2016. Other purchase accounting adjustments added an incremental expense of \$0.9 million for the six months ended July 2, 2017, as compared to \$5.7 million for the six months ended July 3, 2016. Acquisition and divestiture-related expenses added an incremental expense of \$6.3 million for the six months ended July 2, 2017 as compared to \$0.5 million for the six months ended July 3, 2016. In addition to the above items, the decrease in selling, general and administrative expenses was primarily the result of lower costs as a result of cost containment and productivity initiatives.

Research and Development Expenses

Research and development expenses for the three months ended July 2, 2017 were \$33.6 million, as compared to \$31.9 million for the three months ended July 3, 2016, an increase of \$1.7 million, or 5%. As a percentage of revenue, research and development expenses increased and were 6.1% for the three months ended July 2, 2017, as compared to 5.9% for the three months ended July 3, 2016. Amortization of intangible assets decreased and was \$0.1 million for the three months ended July 2, 2017 as compared to \$0.2 million for the three months ended July 3, 2016. Stock-based compensation expense was \$0.4 million for the three months ended July 2, 2017 as compared to \$0.2 million for the three months ended July 3, 2016. The increase in research and development expenses was primarily the result of investments in new product development, which was partially offset by lower costs as a result of cost containment and productivity initiatives.

Research and development expenses for the six months ended July 2, 2017 were \$66.9 million, as compared to \$61.8 million for the six months ended July 3, 2016, an increase of \$5.0 million, or 8%. As a percentage of revenue, research and development expenses increased and were 6.3% for the six months ended July 2, 2017, as compared to 6.0% for the six months ended July 3, 2016. Amortization of intangible assets decreased and was \$0.2 million for the six months ended July 2, 2017 as compared to \$0.4 million for the six months ended July 3, 2016. Stock-based compensation expense was \$0.7 million for the six months ended July 2, 2017 as compared to \$0.4 million for the six months ended July 3, 2016. The increase in research and development expenses was primarily the result of investments in new product development, which was partially offset by lower costs as a result of cost containment and productivity initiatives.

Restructuring and Contract Termination Charges, Net

We have undertaken a series of restructuring actions related to the impact of acquisitions and divestitures, the alignment of our operations with our growth strategy, the integration of our business units and our productivity initiatives. The current portion of restructuring and contract termination charges is recorded in accrued restructuring and contract termination charges and the long-term portion of restructuring and contract termination charges is recorded in long-term liabilities. The activities associated with these plans have been reported as restructuring and contract termination charges, net, as applicable, and are included as a component of income from continuing operations.

We implemented a restructuring plan in the first quarter of fiscal year 2017 consisting of workforce reductions principally intended to realign resources to emphasize growth initiatives (the "Q1 2017 Plan"). We implemented a restructuring plan in the third quarter of fiscal year 2016 consisting of workforce reductions principally intended to focus resources on higher growth product lines (the "Q3 2016 Plan"). We implemented a restructuring plan in the second quarter of fiscal year 2016 consisting of workforce reductions principally intended to focus resources on higher growth end markets (the "Q2 2016 Plan"). Details of the plans initiated in previous years ("Previous Plans") are discussed more fully in Note 4 to the audited consolidated financial statements in the 2016 Form 10-K.

The following table summarizes the reductions in headcount, the initial restructuring or contract termination charges by operating segment, and the dates by which payments were substantially completed, or the dates by which payments are expected to be substantially completed, for restructuring actions implemented during fiscal years 2017 and 2016 in continuing operations:

	Workforce Reductions			Closure of Excess Facility			(Expected) Date Payments Substantially Completed by	
	Headcount Reduction	Discovery & Analytical Solutions	Diagnostics	Discovery & Analytical Solutions	Diagnostics	Total	Severance	Excess Facility
(In thousands, except headcount data)								
Q1 2017 Plan	90	\$ 5,000	\$ 1,631	\$ 33	\$ 33	\$ 6,697	Q2 FY2018	Q2 FY2018
Q3 2016 Plan	22	1,779	41	—	—	1,820	Q4 FY2017	—
Q2 2016 Plan	72	4,106	561	—	—	4,667	Q3 FY2017	—

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We do not currently expect to incur any future charges for these plans. We expect to make payments under the Previous Plans for remaining residual lease obligations, with terms varying in length, through fiscal year 2022.

In connection with the termination of various contractual commitments, we recorded additional pre-tax charges of \$2.9 million during the six months ended July 2, 2017, in the Discovery & Analytical Solutions segment.

At July 2, 2017, we had \$14.2 million recorded for accrued restructuring and contract termination charges, of which \$8.6 million was recorded in short-term accrued restructuring and contract termination charges, \$2.7 million was recorded in long-term liabilities and \$2.9 million was recorded in other reserves. At January 1, 2017, we had \$10.5 million recorded for accrued restructuring and contract termination charges, of which \$7.5 million was recorded in short-term accrued restructuring and contract termination charges and \$3.0 million was recorded in long-term liabilities. The following table summarizes our restructuring and contract termination accrual balances and related activity by restructuring plan, as well as contract termination accrual balances and related activity, during the six months ended July 2, 2017:

	Balance at January 1, 2017	2017 Charges	2017 Changes in Estimates, Net	2017 Amounts Paid	Balance at July 2, 2017
(In thousands)					
Severance:					
Q1 2017 Plan	\$ —	\$ 6,631	\$ —	\$ (2,665)	\$ 3,966
Q3 2016 Plan	1,208	—	—	(765)	443
Q2 2016 Plan	1,436	—	—	(446)	990
Facility:					
Q1 2017 Plan	—	66	—	(9)	57
Previous Plans	7,780	—	—	(2,063)	5,717
Restructuring	10,424	6,697	—	(5,948)	11,173
Contract Termination	117	2,909	45	(25)	3,046
Total Restructuring and Contract Termination	<u>\$ 10,541</u>	<u>\$ 9,606</u>	<u>\$ 45</u>	<u>\$ (5,973)</u>	<u>\$ 14,219</u>

Interest and Other Expense, Net

Interest and other expense, net, consisted of the following:

	Three Months Ended		Six Months Ended	
	July 2, 2017	July 3, 2016	July 2, 2017	July 3, 2016
(In thousands)				
Interest income	\$ (490)	\$ (127)	\$ (710)	\$ (237)
Interest expense	10,672	9,939	21,536	19,780
Loss (gain) on disposition of businesses and assets, net	301	(5,562)	301	(5,562)
Other (income) expense, net	(5,278)	1,143	(4,326)	2,498
Total interest and other expense, net	<u>\$ 5,205</u>	<u>\$ 5,393</u>	<u>\$ 16,801</u>	<u>\$ 16,479</u>

Interest and other expense, net, for the three months ended July 2, 2017 was an expense of \$5.2 million, as compared to an expense of \$5.4 million for the three months ended July 3, 2016, a decrease of \$0.2 million. The decrease in interest and other expense, net, for the three months ended July 2, 2017, as compared to the three months ended July 3, 2016, was primarily due to a decrease in other expenses, net by \$6.4 million, which consisted primarily of foreign exchange gain related to the remeasurement of the acquisition-related hedges and a net loss on disposition of businesses and assets of \$0.3 million for the three months ended July 2, 2017, as compared to a net gain of \$5.6 million for the three months ended July 3, 2016.

Interest and other expense, net, for the six months ended July 2, 2017 was an expense of \$16.8 million, as compared to an expense of \$16.5 million for the six months ended July 3, 2016, an increase of \$0.3 million. The increase in interest and other expense, net, for the six months ended July 2, 2017, as compared to the six months ended July 3, 2016, was primarily due to an

increase of \$1.8 million in interest expense, higher interest rates and an increase in debt issuance costs. This was partially offset by a decrease in other expenses, net by \$6.8 million which consisted primarily of foreign exchange gain related to remeasurement of the acquisition-related hedges.

Provision for Income Taxes

For the three months ended July 2, 2017, the provision for income taxes from continuing operations was \$8.1 million, as compared to \$3.1 million for the three months ended July 3, 2016. For the six months ended July 2, 2017, the provision for income taxes from continuing operations was \$12.0 million, as compared to \$10.9 million for the six months ended July 3, 2016.

The effective tax rate from continuing operations was 11.4% and 10.8% for the three and six months ended July 2, 2017, respectively, as compared to 5.1% and 9.8% for the three and six months ended July 3, 2016, respectively. The higher effective tax rate during the three months ended July 2, 2017, as compared to the three months ended July 3, 2016, was due to certain higher tax rate jurisdictions projected to have higher income in fiscal year 2017 as compared to fiscal year 2016 and lower tax benefits related to discrete items, which were \$2.4 million in the three months ended July 2, 2017, as compared to \$4.5 million in the three months ended July 3, 2016. The higher effective tax rate during the six months ended July 2, 2017, as compared to the six months ended July 3, 2016, was due to certain higher tax rate jurisdictions projected to have higher income in fiscal year 2017 as compared to fiscal year 2016 and lower tax benefits related to discrete items, which were \$4.9 million in the six months ended July 2, 2017, as compared to \$5.4 million in the six months ended July 3, 2016.

As a result of the sale of our Medical Imaging business, we sold assets and liabilities of certain foreign operations and therefore we plan to liquidate the related foreign entity and repatriate approximately \$55.0 million of previously unremitted earnings. As a result of the planned repatriation, we provided for the estimated taxes on the repatriation of those earnings and recorded an increase to our tax provision of \$3.5 million in discontinued operations and dispositions for the three and six months ended July 2, 2017. We expect to utilize tax attributes to minimize the cash taxes paid on the repatriation.

Taxes have not been provided for unremitted earnings that we continue to consider indefinitely reinvested, the determination of which is based on our future operational and capital requirements. We continue to maintain our indefinite reinvestment assertion with regards to the remaining unremitted earnings of our foreign subsidiaries, and therefore do not accrue U.S. tax for the repatriation of our remaining unremitted foreign earnings. As of July 2, 2017, the amount of foreign earnings that we have the intent and ability to keep invested outside the United States indefinitely and for which no U.S. tax cost has been provided was approximately \$1.2 billion. It is not practical to calculate the unrecognized deferred tax liability on those earnings.

Disposition of Businesses and Assets

As part of our continuing efforts to focus on higher growth opportunities, we have discontinued certain businesses. When the discontinued operations represent a strategic shift that will have a major effect on our operations and financial statements, we accounted for these businesses as discontinued operations, and accordingly, have presented the results of operations and related cash flows as discontinued operations. Any business deemed to be a discontinued operation prior to the adoption of ASU 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of An Entity*, continues to be reported as a discontinued operations, and the results of operations and related cash flows are presented as discontinued operations for all periods presented. Any remaining assets and liabilities of these businesses have been presented separately, and are reflected within assets and liabilities of discontinued operations in the accompanying condensed consolidated balance sheets as of July 2, 2017 and January 1, 2017.

On May 1, 2017 (the "Closing Date"), we completed the sale of our Medical Imaging business to Varex Imaging Corporation ("Varex") pursuant to the terms of the Master Purchase and Sale Agreement, dated December 21, 2016 (the "Agreement"), by and between the Company and Varian Medical Systems, Inc. ("Varian") and the subsequent Assignment and Assumption Agreement, dated January 27, 2017, between Varian and Varex, pursuant to which Varian assigned its rights under the Agreement to Varex. On the Closing Date, we received consideration of approximately \$277.4 million for the sale of our Medical Imaging business, subject to post-closing working capital adjustments. In the second quarter of fiscal year 2017, we recorded a pre-tax gain of \$180.4 million and income tax expense of \$36.8 million related to the sale of our Medical Imaging business in discontinued operations and dispositions. The corresponding tax liability was recorded within the other tax liabilities in the condensed consolidated balance sheet and we expect to utilize tax attributes to minimize the tax liability.

Following the closing, we are providing certain customary transitional services during a period of up to 12 months. Commercial transactions between us and Varex following the closing of the transaction are not expected to be significant.

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The results of discontinued operations during the three and six months ended July 2, 2017 include the results of the Medical Imaging business through April 30, 2017. The summary pre-tax operating results of the discontinued operations, were as follows for the three and six months ended:

	Three Months Ended		Six Months Ended	
	July 2, 2017	July 3, 2016	July 2, 2017	July 3, 2016
	(In thousands)			
Revenue	\$ 8,249	\$ 36,458	\$ 44,343	\$ 77,224
Cost of revenue	8,138	24,729	32,933	50,484
Selling, general and administrative expenses	1,926	3,042	5,869	6,049
Research and development expenses	1,294	3,139	4,891	6,953
Restructuring and contract termination charges, net	—	621	—	621
(Loss) income from discontinued operations before income taxes	\$ (3,109)	\$ 4,927	\$ 650	\$ 13,117

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 \$9.9 million as of July 2, 2017 and January 1, 2017, which represents our management’s estimate of the cost of the remediation of known environmental matters, and does not include any potential liability for related personal injury or property damage claims. These amounts were included in accrued expenses and other current liabilities. Our environmental accrual is not discounted and does not reflect the recovery of any material amounts through insurance or indemnification arrangements. The 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 condensed consolidated financial statements. While it is possible that a loss exceeding the amounts recorded in the condensed consolidated financial statements may be incurred, the potential exposure is not expected to be materially different from those amounts recorded.

Various tax years after 2010 remain open to examination by certain jurisdictions in which we have significant business operations, such as Finland, Germany, Italy, Netherlands, Singapore, the United Kingdom and the United States. The tax years under examination vary by jurisdiction. We regularly review our tax positions in each significant taxing jurisdiction in the process of evaluating our unrecognized tax benefits. We make adjustments to our unrecognized tax benefits when: (i) facts and circumstances regarding a tax position change, causing a change in management’s judgment regarding that tax position; (ii) a tax position is effectively settled with a tax authority; and/or (iii) the statute of limitations expires regarding a tax position.

We are subject to various 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 our opinion, based on our review of the information available at this time, the total cost of resolving these contingencies at July 2, 2017 would not have a material adverse effect on our condensed consolidated financial statements. However, each of these matters is subject to uncertainties, and it is possible that some of these matters may be resolved unfavorably to us.

Reporting Segment Results of Continuing Operations

Discovery & Analytical Solutions

Revenue for the three months ended July 2, 2017 was \$383.1 million, as compared to \$381.5 million for the three months ended July 3, 2016, an increase of \$1.6 million, or 0.4%, which includes an approximate 1% decrease in revenue attributable to unfavorable changes in foreign exchange rates. The analysis in the remainder of this paragraph compares selected revenue by product type for the three months ended July 2, 2017, as compared to the three months ended July 3, 2016, and includes the effect of foreign exchange fluctuations, acquisitions and divestitures. The increase in revenue in our Discovery & Analytical Solutions segment was a result of an increase of \$7.5 million in our laboratory services market revenue, partially offset by a

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decrease in life sciences market revenue of \$5.9 million. Our revenue from environmental, food and industrial markets was flat. In our laboratory services market, we had higher growth in our core environmental services. In our environmental, food and industrial markets, we experienced higher growth in our inorganic product offerings that was partially offset by a decline in revenue from our food and organic product offerings. In our life sciences market, we experienced a decline in revenue due to a softer than expected academic market in Europe due to funding pressures and issues with customer ordering patterns.

Revenue for the six months ended July 2, 2017 was \$744.9 million, as compared to \$738.0 million for the six months ended July 3, 2016, an increase of \$6.9 million, or 1%, which includes an approximate 1% decrease in revenue attributable to unfavorable changes in foreign exchange rates. The analysis in the remainder of this paragraph compares selected revenue by product type for the six months ended July 2, 2017, as compared to the six months ended July 3, 2016, and includes the effect of foreign exchange fluctuations, acquisitions and divestitures. The increase in revenue in our Discovery & Analytical Solutions segment was a result of an increase of \$16.3 million in our laboratory services market revenue and an increase in environmental, food and industrial markets revenue of \$1.8 million, partially offset by a decrease in life sciences market revenue of \$11.2 million. In our laboratory services market, we had higher growth in our core environmental services. In our environmental, food and industrial markets, we experienced higher growth in our food and inorganic product offerings as a result of increased government regulation of soil and water and increased focus on food safety laws and mandatory testing, particularly in the emerging markets such as China and India, as well as in Americas. In our life sciences market, we experienced a decline in revenue due to a softer than expected academic market in Europe due to funding pressures and issues with customer ordering patterns.

Operating income from continuing operations for the three months ended July 2, 2017 was \$51.5 million, as compared to \$41.6 million for the three months ended July 3, 2016, an increase of \$9.9 million, or 24%. Amortization of intangible assets was \$12.4 million for the three months ended July 2, 2017, as compared to \$13.9 million for the three months ended July 3, 2016. Restructuring and contract termination charges, net, were zero for the three months ended July 2, 2017, as compared to \$4.1 million for the three months ended July 3, 2016. Acquisition and divestiture-related expenses, contingent consideration and other costs added an incremental expense of \$0.1 million for each of the three months ended July 2, 2017 and July 3, 2016. The amortization of purchase accounting adjustments to record the inventory from certain acquisitions was \$0.3 million for the three months ended July 3, 2016. In addition to the above items, operating income increased for the three months ended July 2, 2017, as compared to the three months ended July 3, 2016, as we continue to see the benefits from our cost containment initiatives partially offset by higher costs in research and development expenses and shift in product mix, with an increase in sales of lower gross margin product offerings.

Operating income from continuing operations for the six months ended July 2, 2017 was \$82.1 million, as compared to \$81.1 million for the six months ended July 3, 2016, an increase of \$1.0 million, or 1%. Amortization of intangible assets was \$24.6 million for the six months ended July 2, 2017, as compared to \$28.0 million for the six months ended July 3, 2016. Restructuring and contract termination charges, net, were \$8.0 million for the six months ended July 2, 2017, as compared to \$4.1 million for the six months ended July 3, 2016. Acquisition and divestiture-related expenses, contingent consideration and other costs added an incremental expense of \$0.4 million for the six months ended July 2, 2017, as compared to \$0.3 million for the six months ended July 3, 2016. The Amortization of purchase accounting adjustments to record the inventory from certain acquisitions was \$0.4 million for the six months ended July 3, 2016. In addition to the above items, operating income increased for the six months ended July 2, 2017, as compared to the six months ended July 3, 2016, as we continue to see the benefits from our cost containment initiatives partially offset by higher costs in research and development expenses and shift in product mix, with an increase in sales of lower gross margin product offerings.

Diagnostics

Revenue for the three months ended July 2, 2017 was \$163.8 million, as compared to \$154.7 million for the three months ended July 3, 2016, an increase of \$9.1 million, or 6%, which includes an approximate 6% increase in revenue attributable to acquisitions and divestitures and 1% decrease in revenue attributable to unfavorable changes in foreign exchange rates. As a result of adjustments to deferred revenue related to certain acquisitions required by business combination accounting rules, we did not recognize \$0.2 million of revenue in our Diagnostics segment for each of the three months ended July 2, 2017 and July 3, 2016 that otherwise would have been recorded by the acquired businesses during each of the respective periods. In our diagnostics market, we experienced growth from continued expansion of our newborn and infectious disease screening solutions in key regions outside the United States, particularly in emerging markets such as China, as well as in Europe. Birth rates in the United States continue to stabilize and demand for greater access to newborn screening in rural areas outside the United States is also increasing, as evidenced by prenatal trends we saw during the three months ended July 2, 2017.

Revenue for the six months ended July 2, 2017 was \$316.2 million, as compared to \$296.3 million for the six months ended July 3, 2016, an increase of \$19.8 million, or 7%, which includes an approximate 3% increase in revenue attributable to acquisitions and divestitures and 1% decrease in revenue attributable to unfavorable changes in foreign exchange rates. As a result of adjustments to deferred revenue related to certain acquisitions required by business combination accounting rules, we

did not recognize \$0.4 million of revenue in our Diagnostics segment for each of the six months ended July 2, 2017 and July 3, 2016 that otherwise would have been recorded by the acquired businesses during each of the respective periods. In our diagnostics market, we experienced growth from continued expansion of our newborn and infectious disease screening solutions in key regions outside the United States, particularly in emerging markets such as China, as well as in Europe. Birth rates in the United States continue to stabilize and demand for greater access to newborn screening in rural areas outside the United States is also increasing, as evidenced by prenatal trends we saw during the six months ended July 2, 2017.

Operating income from continuing operations for the three months ended July 2, 2017 was \$37.6 million, as compared to \$37.8 million for the three months ended July 3, 2016, a decrease of \$0.2 million, or 1%. Amortization of intangible assets increased and was \$5.2 million for the three months ended July 2, 2017, as compared to \$4.5 million for the three months ended July 3, 2016. Restructuring and contract termination charges, net, were zero for the three months ended July 2, 2017, as compared to \$0.4 million for the three months ended July 3, 2016. Acquisition and divestiture-related expenses, contingent consideration and other costs added an incremental expense of \$3.9 million for the three months ended July 2, 2017, as compared to \$4.6 million for the three months ended July 3, 2016. The amortization of purchase accounting adjustments to record the inventory from certain acquisitions was \$2.1 million for the three months ended July 2, 2017. Excluding the impact of the above items, operating income increased for the three months ended July 2, 2017, as compared to the three months ended July 3, 2016, primarily due to strong reproductive health sales and benefits from our initiatives to improve our supply chain.

Operating income from continuing operations for the six months ended July 2, 2017 was \$71.1 million, as compared to \$71.6 million for the six months ended July 3, 2016, a decrease of \$0.6 million, or 1%. Amortization of intangible assets increased and was \$10.0 million for the six months ended July 2, 2017, as compared to \$9.0 million for the six months ended July 3, 2016. Restructuring and contract termination charges, net, were \$1.7 million for the six months ended July 2, 2017, as compared to \$0.4 million for the six months ended July 3, 2016. Acquisition and divestiture-related expenses, contingent consideration and other costs added an incremental expense of \$7.3 million for the six months ended July 2, 2017, as compared to \$6.2 million for the six months ended July 3, 2016. The amortization of purchase accounting adjustments to record the inventory from certain acquisitions was \$4.2 million for the six months ended July 2, 2017. Excluding the impact of the above items, operating income increased for the six months ended July 2, 2017, as compared to the six months ended July 3, 2016, primarily due to strong reproductive health sales, favorable mix particularly in Americas and APAC and benefits from our initiatives to improve our supply chain.

Liquidity and Capital Resources

We require cash to pay our operating expenses, make capital expenditures, make strategic acquisitions, service our debt and other long-term liabilities, repurchase shares of our common stock and pay dividends on our common stock. Our principal sources of funds are from our operations and the capital markets, particularly the debt markets. We anticipate that our internal operations will generate sufficient cash to fund our operating expenses, capital expenditures, smaller acquisitions, interest payments on our debt and dividends on our common stock. However, we expect to use external sources to satisfy the balance of our debt when due, fund any larger acquisitions and other long-term liabilities, such as contributions to our postretirement benefit plans.

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

- changes in 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 could limit the amount we can borrow under our senior unsecured revolving credit facility and our overall access to the corporate debt market,
- increases in interest rates or credit spreads, as well as limitations on the availability of credit, that affect our ability to borrow under future potential facilities on a secured or unsecured basis,
- a decrease in the market price for our common stock, and
- volatility in the public debt and equity markets.

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At July 2, 2017, we had cash and cash equivalents of \$616.3 million, of which \$279.4 million was held by our non-U.S. subsidiaries, and we had \$988.6 million of additional borrowing capacity available under our senior unsecured revolving credit facility. We had no other liquid investments at July 2, 2017.

We utilize a variety of tax planning and financing strategies to ensure that our worldwide cash is available in the locations in which it is needed. As a result of the sale of our Medical Imaging business, we sold assets and liabilities of certain foreign operations and therefore we plan to liquidate the related foreign entity and repatriate approximately \$55.0 million of previously unremitted earnings. As a result of the planned repatriation, we provided for the estimated taxes on the repatriation of those earnings and recorded an increase to our tax provision of \$3.5 million in discontinued operations and dispositions for the three months ended July 2, 2017. We expect to utilize tax attributes to minimize the cash taxes paid on the repatriation.

In addition to the \$55.0 million we intend to repatriate in fiscal year 2017, we would incur U.S. taxes on approximately \$241.9 million of the \$279.4 million of cash and cash equivalents held by our non-U.S. subsidiaries at July 2, 2017, if transferred to the U.S. without proper planning. We expect the accumulated non-U.S. cash balances, which may not be transferred to the U.S. without incurring U.S. taxes, will remain outside of the U.S. and that we will meet U.S. liquidity needs through future cash flows, use of U.S. cash balances, external borrowings, or some combination of these sources.

On July 27, 2016, our Board of Directors (our "Board") authorized us to repurchase up to 8.0 million shares of common stock under a stock repurchase program (the "Repurchase Program"). The Repurchase Program will expire on July 26, 2018 unless terminated earlier by our Board, and may be suspended or discontinued at any time. During the six months ended July 2, 2017, we had no stock repurchases under the Repurchase Program. As of July 2, 2017, 8.0 million shares remained available for repurchase under the Repurchase Program.

In addition, our Board has authorized us to repurchase shares of common stock to satisfy minimum statutory tax withholding obligations in connection with the vesting of restricted stock awards and restricted stock unit awards granted pursuant to our equity incentive plans and to satisfy obligations related to the exercise of stock options made pursuant to our equity incentive plans. During the three months ended July 2, 2017, the Company repurchased 7,591 shares of common stock for this purpose at an aggregate cost of \$0.5 million. During the six months ended July 2, 2017, we repurchased 70,540 shares of common stock for this purpose at an aggregate cost of \$3.8 million.

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. Any repurchased shares will be available for use in connection with corporate programs. If we continue to repurchase shares, the Repurchase Program will be funded using our existing financial resources, including cash and cash equivalents, and our senior unsecured revolving credit facility.

Distressed global financial markets could adversely impact general economic conditions by reducing liquidity and credit availability, creating increased volatility in security prices, widening credit spreads and decreasing valuations of certain investments. The widening of credit spreads may create a less favorable environment for certain of our businesses and may affect the fair value of financial instruments that we issue or hold. Increases in credit spreads, as well as limitations on the availability of credit at rates we consider to be reasonable, could affect our ability to borrow under future potential facilities on a secured or unsecured basis, which may adversely affect our liquidity and results of operations. In difficult global financial markets, we may be forced to fund our operations at a higher cost, or we may be unable to raise as much funding as we need to support our business activities.

During the first six months of fiscal year 2017, we contributed \$4.1 million, in the aggregate, to our defined benefit pension plans outside of the United States, and expect to contribute an additional \$2.0 million by the end of fiscal year 2017. We could potentially have to make additional contributions in future periods for all pension plans. We expect to use existing cash and external sources to satisfy future contributions to our pension plans.

Our pension plans have not experienced a material impact on liquidity or counterparty exposure due to the volatility and uncertainty in the credit markets. We recognize actuarial gains and losses in operating results in the fourth quarter of the year in which the gains and losses occur, unless there is an interim remeasurement required for one of our plans. It is difficult to reliably predict the magnitude of such adjustments for gains and losses in fiscal year 2017. These adjustments are primarily driven by events and circumstances beyond our control, including changes in interest rates, the performance of the financial markets and mortality assumptions. To the extent the discount rates decrease or the value of our pension and postretirement investments decrease, a loss to operations will be recorded in fiscal year 2017. Conversely, to the extent the discount rates increase or the value of our pension and postretirement investments increase more than expected, a gain will be recorded in fiscal year 2017.

Cash Flows

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Operating Activities. Net cash provided by continuing operations was \$95.6 million for the six months ended July 2, 2017, as compared to \$107.4 million for the six months ended July 3, 2016, a decrease of \$11.8 million. The cash provided by operating activities for the six months ended July 2, 2017 was principally a result of income from continuing operations of \$98.8 million adjusted for depreciation and amortization of \$49.5 million, stock-based compensation expense of \$11.8 million, restructuring and contract termination charges, net of \$9.7 million, change in fair value of contingent consideration of \$0.9 million, and loss on disposition of businesses and assets, net of \$0.3 million. These items were partially offset by a net cash decrease in accrued expenses, other assets and liabilities and other items of \$49.7 million and a net cash decrease in working capital of \$25.6 million. Contributing to the net cash decrease in working capital for the six months ended July 2, 2017, excluding the effect of foreign exchange rate fluctuations, was a decrease in accounts payable of \$20.9 million and an increase in inventory of \$9.9 million, which was partially offset by a decrease in accounts receivable of \$5.2 million. The decrease in accounts receivable was a result of accounts receivable collections during the first six months of fiscal year 2017. The decrease in accounts payable was primarily a result of the timing of disbursements during the first six months of fiscal year 2017. The increase in inventory was primarily a result of expanding the amount of inventory held at sales locations within our Discovery & Analytical Solutions and Diagnostics segments to improve responsiveness to customer requirements and to facilitate the introduction of new products. Changes in accrued expenses, other assets and liabilities and other items decreased cash provided by operating activities by \$49.7 million for the six months ended July 2, 2017, as compared to \$54.0 million for the six months ended July 3, 2016. These changes primarily related to the timing of payments for pensions, taxes, restructuring, and salary and benefits.

Investing Activities. Net cash used in the investing activities of our continuing operations was \$117.8 million for the six months ended July 2, 2017, as compared to \$7.3 million for the six months ended July 3, 2016, an increase of \$110.5 million. For the six months ended July 2, 2017, the net cash used in investing activities of our continuing operations was principally a result of \$123.6 million of cash used for acquisitions and capital expenditures of \$11.5 million. These items were partially offset by a decrease of \$17.2 million in restricted cash, primarily related to the release of cash that was placed in escrow related to our acquisition of Tulip Diagnostics Private Limited and sale of PerkinElmer Labs, Inc. during fiscal year 2016. Net cash used for capital expenditures was \$15.9 million for the six months ended July 3, 2016. The capital expenditures in each period were primarily for manufacturing and other capital equipment purchases. In addition, during the six months ended July 3, 2016, we received \$21.0 million, net of \$2.0 million in restricted cash from the sale of businesses, and used \$10.5 million in cash for acquisitions and investments.

Financing Activities. Net cash used in financing activities of our continuing operations was \$18.2 million for the six months ended July 2, 2017, as compared to \$112.2 million for the six months ended July 3, 2016, a decrease of \$94.0 million. For the six months ended July 2, 2017, we repurchased 70,540 shares of our common stock pursuant to our equity incentive plans, for a total cost of \$3.3 million. This compares to repurchases of 1.6 million shares of common stock, which includes 66,658 shares of our common stock pursuant to our equity incentive plans for the six months ended July 3, 2016, for a total cost of \$151.4 million, including commissions. Proceeds from the issuance of common stock under stock plans was \$13.2 million for the six months ended July 2, 2017 as compared to \$9.0 million for the six months ended July 3, 2016. During the six months ended July 2, 2017, our debt borrowings totaled \$147.0 million, which were partially offset by debt payments of \$146.0 million. During the six months ended July 3, 2016, our debt payments totaled \$195.0 million, which were offset by debt borrowings of \$240.0 million. We paid \$15.4 million and \$15.5 million in dividends during the six months ended July 2, 2017 and July 3, 2016, respectively. We had net payments on other credit facilities of \$0.6 million during each of the six months ended July 2, 2017 and July 3, 2016. During the six months ended July 2, 2017, we paid \$4.3 million as compared to \$1.3 million of cash received from settlement of forward foreign exchange contracts for the six months ended July 3, 2016. During the six months ended July 2, 2017, we made \$8.9 million in payments for acquisition-related contingent consideration.

Borrowing Arrangements

Senior Unsecured Revolving Credit Facility. Our senior unsecured revolving credit facility provides for \$1.0 billion of revolving loans and has an initial maturity of August 11, 2021. As of July 2, 2017, undrawn letters of credit in the aggregate amount of \$11.4 million were treated as issued and outstanding when calculating the borrowing availability under the senior unsecured revolving credit facility. As of July 2, 2017, we had \$988.6 million available for additional borrowing under the facility. We use the 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 senior unsecured revolving credit facility are based on the Eurocurrency rate or the base rate at the time of borrowing, plus a margin. The base rate is the higher of (i) the rate of interest in effect for such day as publicly announced from time to time by JP Morgan Chase Bank, N.A. as its "prime rate," (ii) the Federal Funds rate plus 50 basis points or (iii) an adjusted one-month Libor plus 1.00%. As of July 2, 2017, the senior unsecured revolving credit facility had no outstanding borrowings, and \$3.8 million of unamortized debt issuance costs. As of January 1, 2017, the senior unsecured revolving credit facility had no outstanding borrowings, and \$4.3 million of unamortized debt issuance costs. The credit agreement for the facility contains affirmative, negative and financial covenants and events of default. The financial covenants include a debt-to-

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capital ratio that remains applicable for so long as our debt is rated as investment grade. In the event that our debt is not rated as investment grade, the debt-to-capital ratio covenant is replaced with a maximum consolidated leverage ratio covenant and a minimum consolidated interest coverage ratio covenant. We were in compliance with all applicable covenants as of July 2, 2017.

5% Senior Unsecured Notes due in 2021. On October 25, 2011, we issued \$500.0 million aggregate principal amount of senior unsecured notes due in 2021 (the "2021 Notes") in a registered public offering and received \$496.9 million of net proceeds from the issuance. The 2021 Notes were issued at 99.372% of the principal amount, which resulted in a discount of \$3.1 million. As of July 2, 2017, the 2021 Notes had an aggregate carrying value of \$496.2 million, net of \$1.6 million of unamortized original issue discount and \$2.3 million of unamortized debt issuance costs. As of January 1, 2017, the 2021 Notes had an aggregate carrying value of \$495.8 million, net of \$1.7 million of unamortized original issue discount and \$2.5 million of unamortized debt issuance costs. The 2021 Notes mature in November 2021 and bear interest at an annual rate of 5%. Interest on the 2021 Notes is payable semi-annually on May 15th and November 15th each year. Prior to August 15, 2021 (three months prior to their maturity date), we may redeem the 2021 Notes in whole or in part, at our option, at a redemption price equal to the greater of (i) 100% of the principal amount of the 2021 Notes to be redeemed, plus accrued and unpaid interest, or (ii) the sum of the present values of the remaining scheduled payments of principal and interest in respect to the 2021 Notes being redeemed, discounted on a semi-annual basis, at the Treasury Rate plus 45 basis points, plus accrued and unpaid interest. At any time on or after August 15, 2021 (three months prior to their maturity date), we may redeem the 2021 Notes, at our option, at a redemption price equal to 100% of the principal amount of the 2021 Notes to be redeemed plus accrued and unpaid interest. Upon a change of control (as defined in the indenture governing the 2021 Notes) and a contemporaneous downgrade of the 2021 Notes below investment grade, each holder of 2021 Notes will have the right to require us to repurchase such holder's 2021 Notes for 101% of their principal amount, plus accrued and unpaid interest.

1.875% Senior Unsecured Notes due 2026. On July 19, 2016, we issued €500.0 million aggregate principal amount of senior unsecured notes due in 2026 (the "2026 Notes") in a registered public offering and received approximately €492.3 million of net proceeds from the issuance. The 2026 Notes were issued at 99.118% of the principal amount, which resulted in a discount of €4.4 million. The 2026 Notes mature in July 2026 and bear interest at an annual rate of 1.875%. Interest on the 2026 Notes is payable annually on July 19th each year. The proceeds from the 2026 Notes were used to pay in full the outstanding balance of our previous senior unsecured revolving credit facility. As of July 2, 2017, the 2026 Notes had an aggregate carrying value of \$561.8 million, net of \$4.6 million of unamortized original issue discount and \$4.5 million of unamortized debt issuance costs. As of January 1, 2017, the 2026 Notes had an aggregate carrying value of \$517.8 million, net of \$4.5 million of unamortized original issue discount and \$4.8 million of unamortized debt issuance costs.

Prior to April 19, 2026 (three months prior to their maturity date), we may redeem the 2026 Notes in whole at any time or in part from time to time, at our option, at a redemption price equal to the greater of (i) 100% of the principal amount of the 2026 Notes to be redeemed, or (ii) the sum of the present values of the remaining scheduled payments of principal and interest in respect to the 2026 Notes being redeemed, discounted on an annual basis, at the applicable Comparable Government Bond Rate (as defined in the indenture governing the 2026 Notes) plus 35 basis points; plus, in each case, accrued and unpaid interest. In addition, at any time on or after April 19, 2026 (three months prior to their maturity date), we may redeem the 2026 Notes, at our option, at a redemption price equal to 100% of the principal amount of the 2026 Notes due to be redeemed plus accrued and unpaid interest.

Upon a change of control (as defined in the indenture governing the 2026 Notes) and a contemporaneous downgrade of the 2026 Notes below investment grade, we will, in certain circumstances, make an offer to purchase the 2026 Notes at a price equal to 101% of their principal amount plus any accrued and unpaid interest.

Financing Lease Obligations. In fiscal year 2012, we entered into agreements with the lessors of certain buildings that we are currently occupying and leasing to expand those buildings. We provided a portion of the funds needed for the construction of the additions to the buildings, and as a result we were considered the owner of the buildings during the construction period. At the end of the construction period, we were not reimbursed by the lessors for all of the construction costs. We are therefore deemed to have continuing involvement and the leases qualify as financing leases under sale-leaseback accounting guidance, representing debt obligations for us and non-cash investing and financing activities. As a result, we capitalized \$29.3 million in property, plant and equipment, net, representing the fair value of the buildings with a corresponding increase to debt. We have also capitalized \$11.5 million in additional construction costs necessary to complete the renovations to the buildings, which were funded by the lessors, with a corresponding increase to debt. At July 2, 2017, we had \$36.5 million recorded for these financing lease obligations, of which \$1.2 million was recorded as short-term debt and \$35.3 million was recorded as long-term debt. At January 1, 2017, we had \$37.1 million recorded for these financing lease obligations, of which \$1.2 million was recorded as short-term debt and \$35.9 million was recorded as long-term debt. The buildings are being depreciated on a straight-line basis over the terms of the leases to their estimated residual values, which will equal the remaining financing obligation at the end of the lease term. At the end of the lease term, the remaining balances in property, plant and equipment, net and debt will be reversed against each other.

Dividends

Our Board declared a regular quarterly cash dividend of \$0.07 per share for the first two quarters of fiscal year 2017 and in each quarter of fiscal year 2016. At July 2, 2017, we had accrued \$7.7 million for dividends declared on April 28, 2017 for the second quarter of fiscal year 2017 that will be payable on August 10, 2017. On July 24, 2017, we announced that our Board had declared a quarterly dividend of \$0.07 per share for the third quarter of fiscal year 2017 that will be payable on November 10, 2017. In the future, our Board may determine to reduce or eliminate our common stock dividend in order to fund investments for growth, repurchase shares or conserve capital resources.

Contractual Obligations

Our contractual obligations, as described in the contractual obligations table contained in Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our Annual Report on Form 10-K for the fiscal year ended January 1, 2017 have changed due to new lease agreements for certain operating facilities.

During the six months ended July 2, 2017, we entered into new lease agreements for certain operating facilities. Our total rental payments to the lessors are now expected to be \$26.2 million for the remainder of fiscal year 2017, \$38.5 million for fiscal year 2018, \$25.4 million for fiscal year 2019, \$19.9 million for fiscal year 2020, \$16.2 million for fiscal year 2021 and \$44.0 million in the aggregate thereafter. There have not been any other material changes during the first six months of fiscal year 2017.

Effects of Recently Adopted and Issued Accounting Pronouncements

See Note 1 - Basis of Presentation in the Notes to Condensed Consolidated Financial Statements for a summary of recently adopted and issued accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market Risk. We are exposed to market risk, including changes in interest rates and currency exchange rates. To manage the volatility relating to these exposures, we enter into various derivative transactions pursuant to our policies to hedge against known or forecasted market exposures. We briefly describe several of the market risks we face below. The following disclosure is not materially different from the disclosure provided under the heading, Item 7A. "Quantitative and Qualitative Disclosure About Market Risk," in our 2016 Form 10-K.

Foreign Exchange Risk. The potential change in foreign currency exchange rates offers a substantial risk to us, as approximately 60% of our business is conducted outside of the United States, generally in foreign currencies. Our risk management strategy currently uses forward contracts to mitigate certain balance sheet foreign currency transaction exposures. The intent of these economic hedges is to offset gains and losses that occur on the underlying exposures, with gains and losses resulting from the forward contracts that hedge these exposures. Moreover, we are able to partially mitigate the impact that fluctuations in currencies have on our net income as a result of our manufacturing facilities located in countries outside the United States, material sourcing and other spending which occur in countries outside the United States, resulting in natural hedges.

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

In the ordinary course of business, we enter into foreign exchange contracts for periods consistent with our committed exposures to mitigate the effect of foreign currency movements on transactions denominated in foreign currencies. The intent of these economic hedges is to offset gains and losses that occur on the underlying exposures from these currencies, with gains and losses resulting from the forward currency contracts that hedge these exposures. Transactions covered by hedge contracts include intercompany and third-party receivables and payables. The contracts are primarily in European and Asian currencies, have maturities that do not exceed 12 months, have no cash requirements until maturity, and are recorded at fair value on our condensed consolidated balance sheets. The unrealized gains and losses on our foreign currency contracts are recognized immediately in interest and other expense, net. The cash flows related to the settlement of these hedges are included in cash flows from operating activities within our condensed consolidated statement of cash flows.

Principal hedged currencies include the British Pound, Euro, Swedish Krona, Japanese Yen and Singapore Dollar. We held forward foreign exchange contracts, designated as economic hedges, with U.S. dollar equivalent notional amounts totaling \$128.6 million, \$137.5 million and \$131.5 million at July 2, 2017, January 1, 2017 and July 3, 2016, respectively, and the fair value of these foreign currency derivative contracts was insignificant. The gains and losses realized on these foreign currency derivative contracts are not material. The duration of these contracts was generally 30 days or less during each of the six months ended July 2, 2017 and July 3, 2016.

In addition, in connection with certain intercompany loan agreements utilized to finance our acquisitions and stock repurchase program, we enter into forward foreign exchange contracts intended to hedge movements in foreign exchange rates prior to settlement of such intercompany loans denominated in foreign currencies. We record these hedges at fair value on our condensed consolidated balance sheets. The unrealized gains and losses on these hedges, as well as the gains and losses associated with the remeasurement of the intercompany loans, are recognized immediately in interest and other expense, net. The cash flows related to the settlement of these hedges are included in cash flows from financing activities within our condensed consolidated statement of cash flows.

The outstanding forward exchange contracts designated as economic hedges, that were intended to hedge movements in foreign exchange rates prior to the settlement of certain intercompany loan agreements included combined Euro notional amounts of €23.5 million and combined U.S. Dollar notional amounts of \$133.3 million as of July 2, 2017, combined Euro notional amounts of €58.6 million and combined Swedish Krona notional amounts of kr969.5 million as of January 1, 2017, and combined Euro notional amounts of €45.4 million as of July 3, 2016. The net gains and losses on these derivatives, combined with the gains and losses on the remeasurement of the hedged intercompany loans were not material for each of the three and six months ended July 2, 2017 and July 3, 2016. We paid \$4.3 million and received \$1.3 million during the six months ended July 2, 2017 and July 3, 2016, respectively, from the settlement of these hedges.

In connection with the issuance of the 2026 Notes during the fiscal year 2016, we designated the 2026 Notes to hedge our investments in certain foreign subsidiaries. Realized and unrealized translation adjustments from these hedges were included in the foreign currency translation component of accumulated other comprehensive income ("AOCI"), which offsets translation

adjustments on the underlying net assets of foreign subsidiaries. The cumulative translation gains or losses will remain in AOCI until the foreign subsidiaries are liquidated or sold. As of July 2, 2017, the total notional amount of foreign currency denominated debt designated to hedge investments in foreign subsidiaries was €495.9 million. The unrealized foreign exchange loss recorded in AOCI related to the net investment hedge was \$36.4 million and \$43.5 million for the three and six months ended July 2, 2017, respectively.

On June 27, 2017, in connection with the planned acquisition of EUROIMMUN, we entered into several foreign currency forward contracts to partly mitigate the currency exchange risk associated with the payment of the Euro-denominated purchase price. The currency purchased was Euro, with an aggregate notional amount totaling \$1.14 billion. These currency forward contracts were not designated as hedging instruments and therefore the change in the derivative fair value was marked to market through the condensed consolidated statement of operations, which resulted in a \$6.3 million gain being included in other expense, net during the three and six months ended July 2, 2017.

Foreign Currency Exchange Risk—Value-at-Risk Disclosure. We continue to measure foreign currency risk using the Value-at-Risk model described in Item 7A. “*Quantitative and Qualitative Disclosure About Market Risk,*” in our 2016 Form 10-K. The measures for our Value-at-Risk analysis have not changed materially.

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

Interest Rate Risk—Sensitivity. Our 2016 Form 10-K presents sensitivity measures for our interest rate risk. The measures for our sensitivity analysis have not changed materially. More information is available in Item 7A. “*Quantitative and Qualitative Disclosure About Market Risk,*” in our 2016 Form 10-K for our sensitivity disclosure.

Item 4. Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of our fiscal quarter ended July 2, 2017. The term “disclosure controls and procedures” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of the end of our fiscal quarter ended July 2, 2017, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

During the fiscal quarter ended July 2, 2017, we implemented new controls as part of our efforts to adopt the new revenue recognition standard. Those efforts resulted in changes to our accounting processes and procedures. In particular, we implemented new controls related to:

- monitoring the adoption process of the new revenue recognition standard;
- implementing changes to the enterprise resource planning system for our Informatics business; and
- determining and recording adjustments to the beginning retained earnings for the modified retrospective transition method.

We evaluated the design of these new controls before adoption during the fiscal quarter end July 2, 2017. As we continue the implementation process, we expect that there will be additional changes in internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). There were no other changes in our internal control over financial reporting during the fiscal quarter ended July 2, 2017, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

We are subject to various 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 contingencies at July 2, 2017 should not have a material adverse effect on our condensed consolidated financial statements. However, each of these matters is subject to uncertainties, and it is possible that some of these matters may be resolved unfavorably to us.

Item 1A. *Risk Factors*

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

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

Our customers include pharmaceutical and biotechnology companies, laboratories, academic and research institutions, public health authorities, private healthcare organizations, doctors and government agencies. Our quarterly revenue 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, the inability of our customers to secure credit or funding, restrictions in capital expenditures, general economic conditions, cuts in government funding or unfavorable changes in government regulations would likely result in a reduction in demand for our products and services. In addition, government funding is subject to economic conditions and the political process, which is inherently fluid and unpredictable. Our revenues may be adversely affected if our customers delay or reduce purchases as a result of uncertainties surrounding the approval of government or industrial funding proposals. Such declines could harm our consolidated financial position, results of operations, cash flows and trading price of our common stock, and could limit our ability to sustain profitability.

Our growth is subject to global economic and political conditions, and operational disruptions at our facilities.

Our business is affected by global economic and political conditions as well as the state of the financial markets, particularly as the United States and other countries balance concerns around debt, inflation, growth and budget allocations in their policy initiatives. There can be no assurance that global economic conditions and financial markets will not worsen and that we will not experience any adverse effects that may be material to our consolidated cash flows, results of operations, financial position or our ability to access capital, such as the adverse effects resulting from a prolonged shutdown in government operations both in the United States and internationally. Our business is also affected by local economic environments, including inflation, recession, financial liquidity and currency volatility or devaluation. Political changes, some of which may be disruptive, could interfere with our supply chain, our customers and all of our activities in a particular location.

While we take precautions to prevent production or service interruptions at our global facilities, a major earthquake, fire, flood, power loss or other catastrophic event that results in the destruction or delay of any of our critical business operations could result in our incurring significant liability to customers or other third parties, cause significant reputational damage or have a material adverse effect on our business, operating results or financial condition.

Certain of these risks can be hedged to a limited degree using financial instruments, or other measures, and some of these risks are insurable, but any such mitigation efforts are costly and may not always be fully successful. Our ability to engage in such mitigation efforts has decreased or become even more costly as a result of recent market developments.

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

We sell many of our products in industries characterized by rapid technological change, frequent new product and service introductions, and evolving customer needs and industry standards. Many of the businesses competing with us in these industries have significant financial and other resources to invest in new technologies, substantial intellectual property portfolios, substantial experience in new product development, regulatory expertise, manufacturing capabilities, and established distribution channels to deliver products to customers. Our products could become technologically obsolete over time, or we

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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 reliable 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 revenue. We may also suffer a loss in market share and potential revenue if we are unable to commercialize our technology in a timely and efficient manner.

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

We may not be able to successfully execute acquisitions or divestitures, 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 supplemented, and may in the future supplement, our internal growth by acquiring businesses and licensing technologies that complement or augment our existing product lines, such as our acquisition of Tulip Diagnostics Private Limited in the first quarter of fiscal year 2017 or our planned acquisition of EUROIMMUN. However, we may be unable to identify or complete promising acquisitions or license transactions for many reasons, such as:

- competition among buyers and licensees,
- the high valuations of businesses and technologies,
- the need for regulatory and other approval, and
- our inability to raise capital to fund these acquisitions.

Some of the businesses we acquire may be unprofitable or marginally profitable, or may increase the variability of our revenue recognition. If, for example, we are unable to successfully commercialize products and services related to significant in-process research and development that we have capitalized, we may have to impair the value of such assets. Accordingly, the earnings or losses of acquired businesses may dilute our earnings. For these acquired businesses to achieve acceptable levels of profitability, we would have to improve their management, operations, products and market penetration. We may not be successful in this regard and may encounter other difficulties in integrating acquired businesses into our existing operations, such as incompatible management, information or other systems, cultural differences, loss of key personnel, unforeseen regulatory requirements, previously undisclosed liabilities or difficulties in predicting financial results. Additionally, if we are not successful in selling businesses we seek to divest, the activity of such businesses may dilute our earnings and we may not be able to achieve the expected benefits of such divestitures. As a result, our financial results may differ from our forecasts or the expectations of the investment community in a given quarter or over the long term.

To finance our acquisitions, we may have to raise additional funds, either through public or private financings. We may be unable to obtain such funds or may be able to do so only on terms unacceptable to us. We may also incur expenses related to completing acquisitions or licensing technologies, or in evaluating potential acquisitions or technologies, which may adversely impact our profitability.

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

Patent and trade secret protection is important to us because developing new products, processes and technologies gives us a competitive advantage, although it is time-consuming and expensive. We own many United States and foreign patents and intend to apply for additional patents. Patent applications we file, however, may not result in issued patents or, if they do, the claims allowed in the patents may be narrower than what is needed to protect fully our products, processes and technologies. The expiration of our previously issued patents may cause us to lose a competitive advantage in certain of the products and

services we provide. 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, or incur losses for failing to comply with our contractual obligations. 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 revenue 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. As a result, small declines in sales could disproportionately affect our operating results in a quarter. Factors that may affect our quarterly operating results include:

- demand for and market acceptance of our products,
- competitive pressures resulting in lower selling prices,
- changes in the level of economic activity in regions in which we do business,
- changes in general economic conditions or government funding,
- settlements of income tax audits,
- expenses incurred in connection with claims related to environmental conditions at locations where we conduct or formerly conducted operations,
- contract termination and litigation costs,
- differing tax laws and changes in those laws, or changes in the countries in which we are subject to taxation,
- changes in our effective tax rate,
- changes in industries, such as pharmaceutical and biomedical,

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- changes in the portions of our revenue represented by our various products and customers,
- our ability to introduce new products,
- our competitors' announcement or introduction of new products, services or technological innovations,
- costs of raw materials, energy or supplies,
- changes in healthcare or other reimbursement rates paid by government agencies and other third parties for certain of our products and services,
- our ability to realize the benefit of ongoing productivity initiatives,
- changes in the volume or timing of product orders,
- fluctuation in the expense related to the mark-to-market adjustment on postretirement benefit plans,
- changes in our assumptions underlying future funding of pension obligations,
- changes in assumptions used to determine contingent consideration in acquisitions, and
- changes in foreign currency exchange rates.

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

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

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

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

We are subject to the rules of the Securities and Exchange Commission requiring disclosure as to whether certain materials known as conflict minerals (tantalum, tin, gold, tungsten and their derivatives), which may be contained in our products are mined from the Democratic Republic of the Congo and adjoining countries. As a result of these rules, we may incur additional costs in complying with the disclosure requirements and in satisfying those customers who require that the components used in our products be certified as conflict-free, and the potential lack of availability of these materials at competitive prices could increase our production costs.

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

We face an inherent business risk of exposure to product and other liability claims if our products, services or product candidates are alleged or found to have caused injury, damage or loss. We may 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 obtain. If we are unable to obtain such insurance or the amounts of any claims successfully brought against us substantially exceed our coverage, then our business could be adversely impacted.

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

Our operations are subject to regulation by different state and federal government agencies in the United States and other countries, as well as to the standards established by international standards bodies. If we fail to comply with those regulations or standards, we could be subject to fines, penalties, criminal prosecution or other sanctions. Some of our products are subject to regulation by the United States Food and Drug Administration and similar foreign and domestic agencies. These regulations govern a wide variety of product activities, from design and development to labeling, manufacturing, promotion, sales and distribution. If we fail to comply with those regulations or standards, we may have to recall products, cease their manufacture and distribution, and may be subject to fines or criminal prosecution.

We are also subject to a variety of laws, regulations and standards that govern, among other things, the importation and exportation of products, the handling, transportation and manufacture of toxic or hazardous substances, and our business practices in the United States and abroad such as anti-bribery, anti-corruption and competition laws. This requires that we devote substantial resources to maintaining our compliance with those laws, regulations and standards. A failure to do so could result in the imposition of civil, criminal or monetary penalties having a material adverse effect on our operations.

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

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

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

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

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

Because we sell our products worldwide, our businesses are subject to risks associated with doing business internationally. Our sales originating outside the United States represented the majority of our total revenue in the six months ended July 2, 2017. We anticipate that sales from international operations will continue to represent a substantial portion of our total revenue. 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 actual, or from projected, 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,
- embargoes, trade protection measures and import or export licensing requirements,
- policies in foreign countries benefiting domestic manufacturers or other policies detrimental to companies headquartered in the United States,
- differing tax laws and changes in those laws, or changes in the countries in which we are subject to tax,
- adverse income tax audit settlements or loss of previously negotiated tax incentives,
- differing business practices associated with foreign operations,

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- difficulty in transferring cash between international operations and the United States,
- difficulty in staffing and managing widespread operations,
- differing labor laws and changes in those laws,
- differing protection of intellectual property and changes in that protection,
- increasing global enforcement of anti-bribery and anti-corruption laws, 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 scientists, 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 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 key personnel increase significantly or if we are unable to continue to attract qualified personnel. We do not maintain any key person life insurance policies on any of our officers or employees.

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

If we experience a significant disruption in, or breach in security of, our information technology systems or those of our customers, suppliers or other third parties, or inadvertent transfer of information, or if we fail to implement new systems, software and technologies successfully, our business could be adversely affected.

We rely on several centralized information technology systems throughout our company to develop, manufacture and provide products and services, keep financial records, process orders, manage inventory, process shipments to customers and operate other critical functions. Our information technology systems may be susceptible to damage, disruptions or shutdowns due to power outages, hardware failures, computer viruses, attacks by computer hackers, telecommunication failures, user errors, catastrophes or other unforeseen events. If we were to experience a prolonged system disruption in the information technology systems that involve our interactions with customers, suppliers or other third parties, it could result in the loss of sales and customers and significant incremental costs, which could adversely affect our business. In addition, security breaches of our information technology systems or inadvertent transfer of information could result in the misappropriation or unauthorized disclosure of confidential information belonging to us or to our employees, partners, customers or suppliers, which could result in our suffering significant financial or reputational damage.

We have a substantial amount of outstanding debt, which could impact our ability to obtain future financing and limit our ability to make other expenditures in the conduct of our business.

We have a substantial amount of debt and other financial obligations. Our debt level and related debt service obligations could have negative consequences, including:

- requiring us to dedicate significant cash flow from operations to the payment of principal and interest on our debt, which reduces the funds we have available for other purposes, such as acquisitions and stock repurchases;
- reducing our flexibility in planning for or reacting to changes in our business and market conditions; and
- exposing us to interest rate risk since a portion of our debt obligations are at variable rates.

In addition, we may incur additional indebtedness in the future to meet future financing needs. If we add new debt, the risks described above could increase.

Restrictions in our senior unsecured revolving credit facility and other debt instruments may limit our activities.

Our senior unsecured revolving credit facility, senior unsecured notes due in 2021 ("2021 Notes") and senior unsecured notes due in 2026 ("2026 Notes") include restrictive covenants that limit our ability to engage in activities that could otherwise benefit our company. These 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 our subsidiaries' ability to make dividend or other payments to us,

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- 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 certain of our existing debt instruments. Our ability to comply with these financial restrictions and covenants is dependent on our future performance, which is subject to prevailing economic conditions and other factors, including factors that are beyond our control, such as foreign exchange rates, interest rates, changes in technology and changes in the level of competition. In addition, if we are unable to maintain our investment grade credit rating, our borrowing costs would increase and we would be subject to different and potentially more restrictive financial covenants under some of our existing debt instruments.

Any future indebtedness that we incur may include similar or more restrictive covenants. Our failure to comply with any of the restrictions in our senior unsecured revolving credit facility, the 2021 Notes, the 2026 Notes or any future indebtedness may result in an event of default under those debt instruments, which could permit acceleration of the debt under those debt instruments, and require us to prepay that debt before its scheduled due date under certain circumstances.

The United Kingdom's vote in favor of withdrawing from the European Union could adversely impact our operations and make it more difficult for us to do business in Europe.

Nearly 3% of our net sales from continuing operations in 2016 came from the United Kingdom. Following the referendum vote in the United Kingdom in June 2016 in favor of leaving the European Union (commonly referred to as "Brexit"), on March 29, 2017, the country formally notified the European Union of its intention to withdraw. It appears likely that this withdrawal will involve a process of lengthy negotiations between the United Kingdom and European Union member states to determine the future terms of the United Kingdom's relationship with the European Union. This could lead to a period of considerable uncertainty and volatility, particularly in relation to United Kingdom financial and banking markets. Weakening of economic conditions or economic uncertainties tend to harm our business, and if such conditions emerge in the U.K. or in the rest of Europe, it may have a material adverse effect on our operations and sales.

Any significant weakening of the Great Britain Pound (the "GBP") to the U.S. dollar will have an adverse impact on our European revenues due to the importance of U.K. sales. Currency exchange rates in the pound sterling and the euro with respect to each other and the U.S. dollar have already been adversely affected by Brexit and that may continue to be the case. In addition, depending on the terms of Brexit, the United Kingdom could lose the benefits of global trade agreements negotiated by the European Union on behalf of its members, which may result in increased trade barriers which could make our doing business in Europe more difficult.

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

As of July 2, 2017, our total assets included \$2.8 billion of net intangible assets. Net intangible assets consist principally of goodwill associated with acquisitions and costs associated with securing patent rights, trademark rights, customer relationships, core technology and technology licenses and in-process research and development, net of accumulated amortization. We test certain of these items—specifically all of those that are considered "non-amortizing"—at least annually 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 also evaluated for impairment should events occur that call into question the value of the intangible assets.

Adverse changes in our business, adverse changes in the assumptions used to determine the fair value of our reporting units, or the failure to grow our Discovery & Analytical Solutions and Diagnostics segments may result in impairment of our intangible assets, which could adversely affect our results of operations.

Our share price will fluctuate.

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

- operating results that vary from our financial guidance or the expectations of securities analysts and investors,
- the financial performance of the major end markets that we target,

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- the operating and securities price performance of companies that investors consider to be comparable to us,
- announcements of strategic developments, acquisitions and other material events by us or our competitors, and
- changes in global financial markets and global economies and general market conditions, such as interest or foreign exchange rates, commodity and equity prices and the value of financial assets.

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

On April 28, 2017, we announced that our Board had declared a quarterly dividend of \$0.07 per share for the second quarter of fiscal year 2017 that will be payable on August 10, 2017. On July 24, 2017, we announced that our Board had declared a quarterly dividend of \$0.07 per share for the third quarter of fiscal year 2017 that will be payable on November 10, 2017. In the future, our Board may determine to reduce or eliminate our common stock dividend in order to fund investments for growth, repurchase shares or conserve capital resources.

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds***Stock Repurchases**

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

<u>Period</u>	Issuer Repurchases of Equity Securities			
	Total Number of Shares Purchased⁽¹⁾⁽²⁾	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
April 3, 2017 - April 30, 2017	527	\$ 56.95	—	8,000,000
May 1, 2017 - May 28, 2017	6,365	59.99	—	8,000,000
May 29, 2017 - July 2, 2017	699	64.00	—	8,000,000
Activity for quarter ended July 2, 2017	7,591	\$ 60.15	—	8,000,000

(1) On July 27, 2016, our Board of Directors (our "Board") authorized us to repurchase up to 8.0 million shares of common stock under a stock repurchase program (the "Repurchase Program"). The Repurchase Program will expire on July 26, 2018 unless terminated earlier by our Board, and may be suspended or discontinued at any time. During the six months ended July 2, 2017, we had no stock repurchases under the Repurchase Program. As of July 2, 2017, 8.0 million shares remained available for repurchase under the Repurchase Program.

(2) Our Board has authorized us to repurchase shares of common stock to satisfy minimum statutory tax withholding obligations in connection with the vesting of restricted stock awards and restricted stock unit awards granted pursuant to our equity incentive plans and to satisfy obligations related to the exercise of stock options made pursuant to our equity incentive plans. During the second quarter of fiscal year 2017, the Company repurchased 7,591 shares of common stock for this purpose at an aggregate cost of \$0.5 million. The repurchased shares have been reflected as additional authorized but unissued shares, with the payments reflected in common stock and capital in excess of par value.

Item 6. Exhibits

Exhibit Number	Exhibit Name
2.1 ⁽¹⁾	Amendment No. 2, dated April 28, 2017, to the Master Purchase and Sale Agreement, dated as of December 21, 2016, by and between PerkinElmer, Inc. and Varex Imaging Corporation.
2.2 ⁽¹⁾	Share Sale and Transfer Agreement, dated June 16, 2017, by and among PerkinElmer, Inc., Prof. Dr. Winfried Stöcker and Stöcker Vermögensverwaltungsgesellschaft mbH & Co. KG.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

⁽¹⁾ The exhibits and schedules to this agreement have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. The registrant agrees to furnish copies of any such exhibits or schedules to the SEC upon request.

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

(i) Condensed Consolidated Statements of Operations for the three and six months ended July 2, 2017 and July 3, 2016, (ii) Condensed Consolidated Statements of Comprehensive Income for the three and six months ended July 2, 2017 and July 3, 2016, (iii) Condensed Consolidated Balance Sheets at July 2, 2017 and January 1, 2017, (iv) Condensed Consolidated Statement of Cash Flows for the six months ended July 2, 2017 and July 3, 2016, and (v) Notes to Condensed Consolidated Financial Statements.

SIGNATURES

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

PERKINELMER, INC.

August 8, 2017

By: _____
/s/ FRANK A. WILSON
Frank A. Wilson
Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)

PERKINELMER, INC.

August 8, 2017

By: _____
/s/ ANDREW OKUN
Andrew Okun
Vice President and Chief Accounting Officer
(Principal Accounting Officer)

EXHIBIT INDEX

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AMENDMENT NO. 2 TO MASTER PURCHASE AND SALE AGREEMENT

THIS AMENDMENT NO. 2 TO MASTER PURCHASE AND SALE AGREEMENT (this "Amendment No. 2") is made and entered into as of April 28, 2017, by and between: **PERKINELMER, INC.**, a Massachusetts corporation ("PKI"); and **VAREX IMAGING CORPORATION**, a Delaware corporation ("Varex"), and amends that certain Master Purchase and Sale Agreement, dated as of December 21, 2016, by and between PKI and Varian Medical Systems, Inc. ("Varian"), as amended on January 17, 2017 and assigned to Varex pursuant to that certain Assignment and Assumption Agreement, dated January 27, 2017, by and between Varian and Varex (the "MPSA").

RECITALS

A. PKI and Varian entered into the MPSA on December 21, 2016. On January 27, 2017, Varian assigned to Varex all of its rights, obligations, title and interest in and under the MPSA. Except as otherwise set forth herein, capitalized terms used herein have the meanings set forth in the MPSA.

B. PKI and Varex have determined to amend the MPSA in furtherance of the consummation of the transactions contemplated by the MPSA.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises contained herein and in the MPSA, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, PKI and Varex agree as follows:

1. THE AMENDMENTS

1.1 Amendment to Section 1.3(a). The first sentence of Section 1.3(a) of the MPSA is hereby amended and restated in its entirety to read as follows:

(a) Time and Location. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Wilmer Cutler Pickering Hale and Dorr LLP in Boston, Massachusetts, commencing at 10:00 AM eastern time, on the Closing Date. The Closing shall be deemed to have taken effect at 12:01 AM eastern time in the United States and at 12:01 AM in each other applicable jurisdiction. The Closing Date shall be determined as follows: if all of the conditions to the obligations of the Parties to consummate the transactions contemplated hereby (excluding the delivery of any documents to be delivered at the Closing by any of the Parties and other than the satisfaction of those conditions that by their terms are to be satisfied or waived at Closing, it being understood that the occurrence of the Closing shall remain subject to the delivery of such documents and the satisfaction or waiver of such conditions) (collectively, the "Closing Conditions") have not been satisfied or waived on or before April 24, 2017, the Closing Date shall be the fifth (5th) Business Day after the first date on which all of the Closing Conditions have been satisfied or waived; provided, however, that if such fifth (5th) Business Day falls between the dates of June 19, 2017 and June 30, 2017, the Closing Date shall be July 3, 2017.

1.2 Amendment to Section 1.3(b)(x). Section 1.3(b)(x) of the MPSA is hereby amended and restated in its entirety to read as follows:

(x) PKI shall deliver (or cause the Asset Sellers, or, as necessary, any other Affiliates of PKI, to deliver) (i) an executed Bill of Sale and Assignment and Assumption Agreement in substantially the form attached as Exhibit A to that certain Amendment No. 2 to this Agreement (or such other form as may be mutually agreed upon by PKI and Buyer) (the "PKI Shanghai Bill of Sale and Assignment and Assumption Agreement") and (ii) such other instruments of conveyance as Buyer may reasonab

ly request in order to effect the sale, transfer, conveyance and assignment to Buyer of valid ownership of the Transferred Assets (or, in the case of PerkinElmer Management (Shanghai) Co., Ltd., the assets set forth on Schedule A to the PKI Shanghai Bill of Sale and Assignment and Assumption Agreement) owned by PKI, PerkinElmer Management (Shanghai) Co., Ltd. and each of the Asset Sellers;

1.3 Amendment to Section 1.3(b)(xiv). Section 1.3(b)(xiv) of the MPSA is hereby amended and restated in its entirety to read as follows:

(xiv) Buyer shall deliver to PKI (i) an executed Lease Assignment and Assumption Agreement in substantially the form attached hereto as Exhibit D (or such other forms as may be reasonably requested by PKI or the landlord) (the “Lease Assignment and Assumption Agreement”) and (ii) an executed sublease agreement in substantially the form attached as Exhibit B to that certain Amendment No. 2 to this Agreement (or such other form as may be mutually agreed upon by PKI and Buyer) for the sublease of the Leased Facility in Germany, as listed on Schedule 1.1(b)(i) attached hereto (the “German Sublease Agreement”);

1.4 Amendment to Section 1.3(b)(xv). Section 1.3(b)(xv) of the MPSA is hereby amended and restated in its entirety to read as follows:

(xv) the Parties shall execute and deliver a Transition Services Agreement (the “Transition Services Agreement” and collectively with the Local Transfer Agreements, the Assignment and Assumption of Contracts Agreement, the Lease Assignment and Assumption Agreement, the German Sublease Agreement and the PKI Shanghai Bill of Sale and Assignment and Assumption Agreement, the “Ancillary Agreements”) in substantially the form attached hereto as Exhibit E;

1.5 Amendment to Section 5.1(a). Section 5.1(a) of the MPSA is hereby amended and restated in its entirety to read as follows:

(a) PKI shall have (i) obtained (or caused to be obtained) all of the waivers, permits, consents, approvals or other authorizations and effected all of the registrations, filings and notices (collectively, the “Consents”) listed on Schedule 5.1(a) attached hereto, in form and substance reasonably satisfactory to Buyer and (ii) delivered evidence to Buyer that such Consent was obtained; provided, however, that, for the avoidance of doubt, a written consent to the German Sublease Agreement from the landlord of the PKI Germany facility in Walluf shall constitute a Consent for purposes of this Section 5.1(a);

1.6 Amendment to Section 6.5. Section 6.5 of the MPSA is hereby amended to include a new Section 6.5(i), which shall read as follows:

(i) In no event shall Buyer’s or PKI’s rights to, or defenses against, any claim for indemnification, compensation or reimbursement under this Agreement be affected or limited in any way by the terms of that certain Deed of Novation of Contract, by and among Elekta Limited, PKI and Varex Imaging Corporation, and, for purposes of determining the rights of Varex Imaging Corporation under this sentence and under this Agreement, the release set forth in Section 2.2 of the Deed of Novation of Contract shall be disregarded. Without limiting the foregoing, PKI shall, in accordance with the provisions of Sections 6.3, 6.4, 6.5(a), 6.5(c) through 6.5(h) and 6.6 of the MPSA, indemnify, compensate and reimburse Varex Imaging Corporation for any Damages Varex Imaging Corporation or any of its Affiliates suffer as a result of any fact, circumstance, event or action arising, existing or taken prior to the Closing under or in connection with the Contract (as such term is defined in the Deed of Novation of Contract), including as a result of any breach of the Contract prior to the Closing and any claims or other legal proceedings made by Elekta Limited against Varex Imaging Corporation or any of its Affiliates relating thereto, again disregarding Section 2.2 of the Deed of Novation of Contract. By way of example of the foregoing, if Elekta Limited or PKI was in breach of the Contra

ct prior to the Closing, any Damages resulting therefrom or claims or legal proceedings by Elekta Limited or its Affiliates against Varex Imaging Corporation or any of its Affiliates relating thereto shall be subject to the indemnification, compensation and reimbursement obligations under this Section 6 notwithstanding the release set forth in Section 2.2 of the Deed of Novation of Contract. Notwithstanding anything to the contrary in Section 6: (A) the aggregate liability of PKI with respect to Damages relating to the matters referred to in the second sentence of this Section 6.5(i), together with other matters that are subject to the \$20,700,000 liability cap set forth in Section 6.5(b)(i), shall not exceed an amount equal to \$20,700,000; (B) no individual claim or series of related claims for indemnification under the second sentence of this Section 6.5(i) shall be valid and assertable unless it is (or they are) for an amount in excess of \$25,000; and (C) PKI shall be liable under the second sentence of this Section 6.5(i) only for that portion of aggregate Damages that exceeds \$1,000,000 (it being understood that (1) PKI shall not be liable, in any event, for the first \$1,000,000 of said Damages and (2) any Damages with respect to claims made under the second sentence of this Section 6.5(i) shall be taken into account for purposes of the deductible set forth in Section 6.5(b)(iii)).

2. MISCELLANEOUS PROVISIONS

2.1 Effect of Amendment. This Amendment No. 2 shall be effective as of the date first written above. For the avoidance of any doubt, all references (a) in the MPSA to “this Agreement” and (b) to the MPSA in any other agreements, exhibits, schedules and disclosure schedules referred to in the MPSA, will, in each case, be deemed to be references to the MPSA as amended by this Amendment No. 2. Except as amended hereby, the MPSA will continue in full force and effect and shall be otherwise unaffected hereby.

2.2 Counterparts. This Amendment No. 2 may be executed in two or more counterparts (including by facsimile or by an electronic scan delivered by electronic mail), each of which shall be deemed an original but all of which together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party hereto and delivered to the other party, it being understood that each party need not sign the same counterpart. This Amendment No. 2 may be executed and delivered by facsimile or by an electronic scan delivered by electronic mail.

2.3 Applicable Legal Requirements. This Amendment No. 2 shall be governed by, and construed in accordance with, the laws of the State of Delaware, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof.

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IN WITNESS WHEREOF, the parties have caused this Amendment No. 2 to be duly executed as of the date first written above.

PERKINELMER, INC.

By: /s/ Joel S. Goldberg

Name: Joel S. Goldberg

Title: Senior Vice President

Administration, General Counsel
and Secretary

VAREX IMAGING CORPORATION

By: /s/ Sunny Sanyal

Name: Sunny Sanyal

Title: Chief Executive Officer

Exhibit A

PKI Shanghai Bill of Sale and Assignment and Assumption Agreement

Exhibit B

German Sublease Agreement

SHARE SALE AND TRANSFER AGREEMENT

between

Prof. Dr. Winfried Stöcker with his address at Am Sonnenberg 9, 23627 Groß Grönau ("**Prof. Dr. Stöcker**") and Stöcker Vermögensverwaltungsgesellschaft mbH & Co. KG with its address at Am Sonnenberg 9, 23627 Groß Grönau, a company registered in the commercial register of the Local Court (*Amtsgericht*) of Lübeck, no. HRA 5340 HL ("**Stöcker KG**" and, collectively with Prof. Dr. Stöcker, "**Seller**")

and

PerkinElmer, Inc., with its address at 940 Winter Street, Waltham, Massachusetts 02451, a corporation, registered in the Commonwealth of Massachusetts, USA ("**Purchaser**", the Seller and the Purchaser collectively "**Parties**" and each a "**Party**").

1. PREAMBLE

- (A) EUROIMMUN Medizinische Labordiagnostika AG with its registered business address at Seekamp 31, 23560 Lübeck, Germany, is a German stock corporation registered in the commercial register of the Local Court of Lübeck under HRB 2330 HL and is referred to as "**Company**". The Company has a registered share capital (*Grundkapital*) of EUR 6,404,000.00 which is divided in 6,404,000 registered non-par value shares (*auf den Namen lautende Stückaktien*) (collectively "**Company Shares**").
- (B) The Company holds direct and indirect participations in the companies listed in Annex (B) ("**Subsidiaries**", the Company and the Subsidiaries collectively "**Target Group Companies**" or "**Target Group**").
- (C) The Target Group Companies are active in the business of development, production, and distribution of test systems for the laboratory diagnosis of autoimmune and infectious diseases, allergies, and for gene analyses, including test systems for the determination of antibodies, antigens and genetic markers in patient samples (collectively "**Business**"). However, not every Subsidiary is active in every of the three business activities (meaning development, production and distribution).
- (D) The Seller holds 50.37 percent of the Company Shares as follows: Prof. Dr. Stöcker holds 4.06 percent of the Company Shares and Stöcker KG holds 46.31 percent of the Company Shares (collectively, "**Seller Shares**").
- (E) Prior to the date hereof, the Seller has entered into share transfer option agreements providing for certain terms and conditions whereby the Seller may purchase additional Company Shares from the respective shareholder for the same price per share as offered by the Purchaser to the Seller (each an "**Option Agreement**") in the form attached hereto as Annex (E)(1) with the other shareholders of the Company for the Company Shares represented on Annex (E)(2).
- (F) Subject to the terms and conditions of this agreement ("**Agreement**"), the Seller undertakes to offer an Option Agreement to all shareholders of the Company who are not currently a party to an Option Agreement. The Company Shares covered under all Option Agreements entered into with shareholders of the Company on or prior to the Closing Date (as defined in Section 5.3 below) shall be referred to as "**Option Shares**" and collectively with the Seller Shares "**Salable Shares**".
- (G) Subject to the terms and conditions of this agreement, the Seller undertakes to sell to the Purchaser and the Purchaser undertakes to purchase from the Seller all Salable Shares ("**Transaction**").

2. SIGNING

2.1 As of the date hereof ("**Signing Date**" and the signing of this Agreement, "**Signing**"), the Seller:

- (a) declares that he is able to fulfil his obligations resulting from this Agreement due at the Closing Date;

(b) declares that he either owns (Seller Shares) or has the power of disposition (Option Shares) regarding greater than 52.93 percent (52.93%) of the Company Shares;

(c) undertakes to continue to conclude as many Option Agreements as possible regarding the remaining Company Shares (exceeding the aforementioned greater than 52.93 percent (52.93%) in his possession or under his disposition);

(d) undertakes irrevocably to keep in effect prior to the Closing and subsequently exercise the option under all Option Agreements entered into by the Seller at the Scheduled Closing Date; and

(e) undertakes irrevocably to sell and transfer all Salable Shares to the Purchaser at the Closing after the occurrence of the Closing Conditions.

2.2 As of the Signing Date, the Purchaser:

(a) declares that it is able to fulfil his obligations resulting from this Agreement due at the Closing Date; and

(b) undertakes irrevocably to buy all the Salable Shares at the Closing after the occurrence of the Closing Conditions.

3. CLOSING CONDITIONS

3.1 The obligation of the Parties to proceed to Closing (as defined in Section 5 below) and cause the Closing Events to occur is subject to the fulfilment of the following conditions precedent (*aufschiebende Bedingungen*) ("**Closing Conditions**"):

(a) The German Federal Cartel Office (*Bundeskartellamt*) has (i) notified the Seller or the Purchaser that it will not prohibit the proposed acquisition of the Company Shares, (ii) has failed to notify the Seller or the Purchaser within one month after filing of the proposed acquisition of the Company Shares in accordance with Section 39 of the German Act against Restraints on Competition (*Gesetz gegen Wettbewerbsbeschränkungen – "GWB"*) that it has initiated a formal investigation, or (iii) has failed to issue an order pursuant to Section 40 (2) sentence 1 GWB within the time periods required pursuant to Section 40 (2) GWB.

(b) The merger control clearance regarding the Transaction has been granted (or is deemed to be granted under other applicable merger control laws) in the People's Republic of China or the Seller and the Purchaser have agreed in writing that such merger control clearance is not necessary prior to the Closing.

3.2 Each Party shall use reasonable best efforts to ensure that the Closing Conditions will be fulfilled as soon as possible after the Signing. As soon as any Closing Condition has been fulfilled, the Seller or the Purchaser, as the case may be, shall notify the other Party thereof providing reasonable proof.

3.3 Except where required otherwise by mandatory law, the Purchaser shall prepare the filings required to satisfy the Closing Conditions (collectively "**Merger Filings**") and shall make all Merger Filings it can make itself under applicable law as soon as reasonable practical after the Signing. If the Company is required under mandatory law to make any Merger Filing, the Seller shall procure that the Company makes such Merger Filing based on the draft prepared and approved by the Purchaser as soon as reasonably practical after the Signing.

3.4 The Seller and the Company shall make available all support and information reasonably required by the Purchaser for the preparation of the Merger Filings. The Purchaser shall take the lead regarding the Merger Filings and shall keep the Seller reasonably informed about the status of the proceedings. No Merger Filing shall be submitted unless the content has been approved by the Purchaser. In case any competent merger control authority only clears the Transaction with conditions (*Auflagen und Bedingungen*), the Purchaser is entitled in its sole discretion to determine whether such conditions are acceptable. If the Purchaser accepts such conditions, the respective Closing Condition is deemed fulfilled.

- 3.5 In the event that any of the Closing Conditions has neither been fulfilled nor duly waived within two years after the Signing Date, the Seller or the Purchaser may withdraw (*zurücktreten*) from this Agreement, unless the non-fulfilment of the Closing Condition(s) occurred because of a breach of the Seller, as far as a withdrawal of the Seller is concerned, or the Purchaser, as far as a withdrawal of the Purchaser is concerned, of any of his/its obligations under this Agreement.
- 3.6 Any withdrawal from this Agreement under Section 3.5 must be made in writing. The withdrawal shall be deemed void if at the time when the notice is received by the other Party all relevant Closing Conditions have been fulfilled. The effect of any withdrawal from this Agreement under Section 3.5 shall be limited to eliminating the obligations of the Parties to consummate this Agreement

4. PURCHASE PRICE

The total purchase price for 100 percent (100%) of the Company Shares is EUR 1,200,000,000 (one billion two hundred million Euros) ("**Overall Price**"). The purchase price for the Salable Shares equals the percentage of the Company Shares delivered to the Purchaser as Salable Shares at the Closing multiplied by the Overall Price ("**Purchase Price**"). For illustrative purposes only: if the Salable Shares represent 90 percent (90%) of the Company Shares, the Purchase Price shall be 90% of the Overall Price or EUR 1,080,000,000 (one billion eighty million Euros).

5. CLOSING

- 5.1 The consummation of the Transaction shall take place at the offices of Hogan Lovells International LLP, Alstertor 21, 20095 Hamburg, Germany, within five (5) business days following the date on which all Closing Conditions were satisfied but in any event, not prior to the date that is sixty (60) days from the Signing Date, or at any other time or place which the Seller and the Purchaser mutually agree upon (such date "**Scheduled Closing Date**").
- 5.2 On the Scheduled Closing Date, the Parties shall initiate and thereafter complete the following actions or, with regard to Section 5.2(h) and Section 5.2(i), fulfil the conditions precedent (*aufschiebende Bedingungen*) (collectively "**Closing Events**") in the following order:
- (a) The Seller shall provide evidence of the Option Agreements entered into by Seller.
 - (b) The Parties and HSBC Bank PLC ("**Escrow Agent**") shall execute an escrow agreement establishing an escrow account for the Purchase Price ("**Escrow Account**") substantially in the form of Annex 5.2(b) with such modifications as the Parties reasonably agree.
 - (c) The Purchaser shall pay the Purchase Price into the Escrow Account.
 - (d) Following evidence of the payment of the Purchase Price into the Escrow Account, the Seller shall exercise the options under all Option Agreements entered into by the Seller and thereby transfer all Option Shares to himself subject only to the condition precedent (*unter der aufschiebenden Bedingung*) of the payment of the purchase prices set forth in the Option Agreements.
 - (e) The Purchaser shall instruct the Escrow Agent to make the payments set out in Annex 6.3 which shall be updated and agreed to by the Parties as of the Closing Date (in the aggregate "**Third Party Amount**") to fully extinguish all liens and other encumbrances on any Seller Shares.
 - (f) The Seller shall hand over to the Purchaser confirmations substantially in the form of Annex 5.2(f) from the holders of all liens and other encumbrances on the Seller Shares that such liens and other encumbrances have been fully extinguished.
 - (g) The Parties shall instruct the Escrow Agent to pay the Purchase Price minus EUR 100,000,000 (one hundred million Euros) ("**Escrow Amount**") and minus the Third Party Amount to the Seller and to the sellers of the Option Shares as set forth on Annex 5.2(g) which shall be prepared and agreed to by the Parties as of the Closing Date.
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(h) Subject to the condition precedent (*unter der aufschiebenden Bedingung*) of the payments set forth in Section 5.2(g), the Seller herewith sells the Salable Shares to the Purchaser including all ancillary rights (*Nebenrechte*) appertaining thereto, including the right to the profits (*Gewinnbezugsrecht*) for the current financial year of the Company as well as to profits for previous financial years of the Company which have not yet been distributed to the shareholders of the Company as of the Signing Date provided that the Company may make a dividend distribution to its shareholders for the financial year 2016 up to an amount of approximately EUR 4,000,000 (four million Euros) ("**2016 Dividend Distribution**").

(i) Subject to the condition precedent (*unter der aufschiebenden Bedingung*) of the payments set forth in Section 5.2(g), the Seller herewith transfers (*überträgt*) all Salable Shares (including all ancillary rights (*Nebenrechte*) as described in Section 5.2(h) to the Purchaser and the Purchaser accepts such transfer. The Parties are of the opinion that the sale and transfer of the Salable Shares to the Purchaser contemplated by this Agreement does not trigger value added tax. The Seller undertakes not to opt to treat the sale and transfer of the Salable Shares as being subject to value added tax.

5.3 After all other Closing Events have been performed, the Parties shall sign a closing memorandum substantially in the form of **Annex 5.3** by which the Parties confirm that the Closing has taken place and all Closing Events have occurred. The point in time when the Closing Memorandum is signed by both Parties is referred to as "**Closing**". The Day on which the Closing occurs is referred to as the "**Closing Date**".

6. CORPORATE REPRESENTATIONS AND WARRANTIES

The Seller hereby represents and warrants to the Purchaser in the form of an independent guarantee regardless of any fault or negligence (*selbstständige verschuldensunabhängige Garantie*) within the meaning of Section 311 (1) German Civil Code (*Bürgerliches Gesetzbuch*) that the following statements (collectively "**Seller's Corporate Warranties**") are true and accurate as of the Signing and as of the Closing or as of any different date(s) set out in the Seller's Corporate Warranties.

6.1 The registered capital of the Company is fully paid in. All contributions on the registered capital of the Company have been made in compliance with applicable law and have not been repaid or returned, in whole or in part. There is no obligation to make any further contribution (*keine Nachschusspflicht*) to the Company and there are no other equity instruments of the Company such as virtual shares, warrants, options, or otherwise, issued or outstanding.

6.2 The Seller owns all Seller Shares and, after exercise of the Option Agreements, immediately prior to the Closing, the Seller owns all Salable Shares.

6.3 The Company Shares have been validly issued and, the Salable Shares, except as set out on **Annex 6.3**, are free and unencumbered from any third party rights, in particular any liens, mortgages, charges, pledges, calls, warrants or other encumbrances or commitments and are transferable to the Purchaser pursuant to the terms of this Agreement.

6.4 Prof. Dr. Stöcker holds 100% of the issued and outstanding capital of Stöcker KG and is authorized to bind Stöcker KG to this Agreement through his sole signature.

7. NON-CORPORATE REPRESENTATIONS AND WARRANTIES

The Seller hereby represents and warrants to the Purchaser that the following statements (collectively "**Seller's Non-Corporate Warranties**") are true and accurate as of the Signing and as of the Closing or as of any different date(s) set out in the Seller's Non-Corporate Warranties. Any reference in this Section 7 to the "**Best Knowledge of the Seller**" means the knowledge or grossly negligent lack of knowledge of the relevant facts of any member of the managing board (*Vorstand*) of the Company or any managing director (*Geschäftsführer*) of any Subsidiary.

7.1 Financial Statements

(a) The audited consolidated financial statements of the Target Group as well as the audited individual financial statements of the Company for the business years 2013 through 2016 copies of which are enclosed in **Annex 7.1(a)** (collectively "**Financial Statements**") (i) have been prepared in accordance with the German generally accepted accounting principles and (ii) show a true and fair view of the assets and liabilities, financial condition and results of operation (*zutreffendes Bild der Vermögens-, Finanz- und Ertragslage*), including of any environmental liabilities, of the Target Group Companies as of (and for the financial period up to) 31 December 2013, 31 December 2014, 31 December 2015 and 31 December 2016, respectively. Sufficient provisions have been included and appropriate value adjustments have been made in the Financial Statements for all risks and uncertainties.

(b) Except for liabilities and obligations incurred in the Ordinary Course, since 1 January 2017 no Target Group Company has incurred or agreed to assume or incur any liability or obligation (whether direct, indirect, accrued or contingent). "**Ordinary Course**" means any action or inaction of the Target Group Companies which is consistent with past practices (including with respect to quantity and frequency) and is taken in the ordinary course of the Business.

7.2 Assets

The Target Group Companies have good title to or, in the case of leased or in-licensed assets, valid leasehold interests or licenses for, all assets (whether real, personal, tangible or intangible) reflected in the Financial Statements, except for assets disposed of since 31 December 2016 in the Ordinary Course.

7.3 Taxes

(a) The Target Group Companies have duly and timely filed all tax returns, given all material notices and supplied all other material information required to be supplied to any relevant tax authority and have properly maintained all material records required to be maintained for tax purposes under applicable law (e.g. transfer pricing documentation).

(b) All such information was and remained complete, correct and accurate in all material respects and all such tax returns and notices were and remain complete and accurate in all material respects and are based on correct facts and assumptions and comply with all material legal provisions and are not the subject of any material dispute or likely to become the subject of any material dispute with any tax authority.

(c) All taxes which were due and payable by the Target Group Companies have been timely paid, irrespective of whether they are expressly declared or not.

7.4 Permits, Compliance with Laws

(a) To the Best Knowledge of the Seller, the Target Group Companies hold all valid permits, licenses, authorisations (public and private), registrations, qualifications and consents which are required under applicable public laws (*nach öffentlichem Recht*) in order to conduct the Business substantially in the same manner as conducted at the Signing (collectively "**Permits**").

(b) To the Best Knowledge of the Seller, in order to conduct the Business substantially in the same manner as conducted at the signing, (A) the Target Group Companies conduct the Business in compliance with all Permits and (B) the Target Group Companies and the Business are, and have been, in compliance with all material (i) applicable laws, (ii) orders, decrees, rulings, decisions or restrictions imposed by any court, administrative authority, notified body or other public authority, and (iii) applicable European harmonized and international standards.

7.5 Litigation and Product Liability

(a) No Target Group Company is involved in any material lawsuit, arbitration, administrative or other proceedings pending or threatened by or against it before any state court, arbitration tribunal or Public Authority or any material dispute with any customer or supplier. To the Best Knowledge of the Seller, no circumstances exist which are likely to give rise to any such proceedings against any Target Group Company.

For purposes of this Section 7.5(a), "material" shall mean any proceeding or claim that is reasonably likely to result in a loss to the Target Group of at least EUR 12,000,000 (twelve million Euros).

(b) To the Best Knowledge of the Seller, no governmental or official investigation or inquiry concerning any Target Group Company is in progress or pending and, no circumstances exist which are likely to give rise to any such investigation or inquiry.

(c) To the Best Knowledge of the Seller there are no pending product liability claims with the exception of the pending product liability claim described in Annex 7.5(c) or facts giving rise to foresee any product liability of any Target Group Company or any obligation to recall any product.

7.6 Conduct of Business and Disclosure

(a) During the period between 1 January 2017 and the Signing, the Business has been operated in the Ordinary Course and without any material alteration in the nature, scope or manner.

(b) All information provided in connection with this Transaction to the Purchaser and its advisors listed on Annex 7.6(b) is accurate in all material respects, is not materially misleading and does not omit anything material relating to the Target Group Companies or the Business which the Purchaser should be aware of in order to be able to evaluate such information.

(c) To the Best Knowledge of the Seller no facts or circumstances exist which in the future could have a materially adverse effect on the Target Group taken as a whole except for general developments of the economy or the market.

8. REMEDIES

8.1 In the event of a breach of any Seller's Corporate Warranty, the Seller is liable to the Purchaser for monetary damages. The liability of the Seller under the foregoing sentence is capped at the portion of the Purchase Price relating to the Seller Shares (50.37 percent of the Overall Price). In addition, subject to the condition precedent (*unter der aufschiebenden Bedingung*) of the payments set forth in Section 5.2(g), the Seller herewith assigns to the Purchaser all warranty claims under the Option Agreements.

8.2 If within two years after the Closing Date (the "Escrow Period") the Purchaser identifies any breach of any of Seller's Non-Corporate Warranties, the Purchaser shall notify the Seller of any such breach (such notification "**Breach Notification**").

(a) Following the receipt of a Breach Notification, the Seller and the Purchaser shall meet to discuss in good faith the breach set forth in the Breach Notification and the resulting impact on the Business and determine a fair and reasonable solution to address the situation.

(b) If the Purchaser and the Seller cannot reach such agreement, a fair and reasonable compensation of the Purchaser shall be determined by an arbitral panel in accordance with Section 11.3.

(c) Any liability of the Seller pursuant to this Section 8.2 shall exclusively be settled through a payment from the Escrow Account and shall be capped at the Escrow Amount.

8.3 At the end of the Escrow Period, the Parties shall jointly instruct the Escrow Agent to return all or any remaining portion of the Escrow Amount to the Seller. If, however, any Breach Notification is provided prior to the end of the Escrow Period and not finally settled by such date pursuant to Section 8.2, the Parties shall instruct the Escrow Agent to continue to hold in the Escrow Account the reasonably claimed value of the impact identified in the Breach Notification until any liability thereunder is finally determined as provided in Section 8.2. For purposes of clarity, even if the Escrow Agent continues holding a portion of the Escrow Amount following the end of the Escrow Period, the Buyer may not provide the Seller with any new Breach Notifications following the end of the Escrow Period.

9. GENERAL LIABILITY CLAUSE

Following the Closing, except as provided in Section 8.1 of this Agreement or in connection with any breach of Section 10.1 of this Agreement, any liability of the Seller arising out of or in connection with this Agreement is limited to the Escrow Period and the Escrow Amount.

10. BUSINESS BETWEEN SIGNING AND CLOSING

10.1 The Seller shall, except as otherwise approved by the Purchaser in writing, procure that between Signing and Closing the Target Group Companies are operated in the Ordinary Course, in accordance with applicable laws and in a reasonable and prudent manner and shall not take any of the following actions:

(a) With regards to the Target Group Companies and without any obligation to control the activities of holders of Company Shares other than the Seller: (i) adopt or permit the adoption of any shareholder resolution regarding the liquidation of any Target Group Company or the formation of any new entity as subsidiary; (ii) change the articles of association of any Target Group Company; (iii) issue any new shares in or redeem any shares of any Target Group Company; (iv) declare or pay any dividends or other distributions other than the 2016 Dividend Distribution; (v) sell, transfer, create any lien on or otherwise dispose of any Company Shares; or (vi) grant any options, virtual option rights, warrants, pre-emptive rights, rights of first refusal or other rights to purchase or obtain any of the Company Shares or any shares in any Target Group Company;

(b) With regards to the employees of the Target Group Companies: (i) implement or announce any group termination of employees; (ii) other than in the Ordinary Course, including annual salary increases and similar actions in keeping with past practice, increase the compensation of its officers, employees or agents or their benefits under any bonus, insurance, pension or other benefit plan, arrangement or agreement; or (iii) terminate the employment, change the title, office or position, or materially reduce the responsibilities of any division director reporting to the Company's members of the board;

(c) With regards to agreements and payments: (i) enter into, modify, amend or terminate any agreement material to the Business; (ii) waive any claim of any Target Group Company; (iii) sell, transfer, license, create or discharges any lien on, or otherwise disposes of, or agree to sell, transfer, license or otherwise dispose of, any material asset used in the conduct of the Business; (iv) directly or indirectly acquire or invest in any business or material asset involving the payment of more than EUR 1,000,000 (one million Euros); or (v) borrow any amount or incur any indebtedness or incurs any contingent liability as guarantor or otherwise with respect to the obligations of others of more than EUR 1,000,000 (one million Euros).

11. MISCELLANEOUS

11.1 Should individual terms of this Agreement be or become invalid or unenforceable or should this Agreement contain gaps, this shall not affect the validity of the remaining terms of this Agreement. In place of the invalid, unenforceable or missing term, such valid term which the Parties would reasonably have agreed, had they been aware at the conclusion of this Agreement that the relevant term was invalid, unenforceable or missing, shall be deemed to have been agreed.

11.2 This Agreement shall be governed by the laws of the Federal Republic of Germany, excluding the United Nations Convention on Contracts for the International Sale of Goods (CISG) without regard to the conflicts of laws provisions thereof.

11.3 All disputes under or in connection with this Agreement or its validity shall be finally settled according to the arbitration rules of the German Institution of Arbitration e.V. (*Deutsche Institution für Schiedsgerichtsbarkeit*) without recourse to the ordinary courts of law. The arbitral tribunal shall consist of three arbitrators, appointed in accordance with the abovementioned arbitration rules. The language of the arbitral proceedings shall be English. The place of arbitration shall be Hamburg, Germany.

11.4 At any time prior to the Closing, Purchaser may assign this Agreement as well as Purchaser's rights, obligations and liabilities hereunder to a wholly owned subsidiary of the Purchaser.

- 11.5 All Annexes attached hereto form an integral part of this Agreement and any amendment or supplementation of this Agreement, including of this provision, shall be valid only if made in writing, except where a stricter form (e.g. notarization) is required under applicable law.
- 11.6 Each Party shall bear the costs and fees of its own advisors, in particular the costs and fees of its legal advisors. The costs of the Merger Filings, notary fees, and of any real estate transfer Tax triggered by the Transaction shall be borne by the Purchaser. Change of control payments due to third parties under credit commitments by any Target Group Company shall remain the obligation of such Target Group Company following the Closing.

[Signature page to follow]

IN WITNESS WHEREOF the parties have hereunto caused this Agreement to be duly executed as of June 16, 2017.

PERKINELMER, INC.

By: /s/ Robert F. Friel

Name: Robert F. Friel

Title: Chairman, Chief Executive Officer and President

STÖCKER VERMÖGENSVERWALTUNGSGESELLSCHAFT MBH & CO. KG

By: /s/ Prof. Dr. Winfried Stöcker

Name: Prof. Dr. Winfried Stöcker

Title: Sole Shareholder

PROF. DR. WINFRIED STÖCKER

By: /s/ Prof. Dr. Winfried Stöcker

CERTIFICATION

I, Robert F. Friel, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PerkinElmer, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2017

/s/ ROBERT F. FRIEL

Robert F. Friel
Chairman, Chief Executive Officer
and President

CERTIFICATION

I, Frank A. Wilson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PerkinElmer, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2017

/s/ FRANK A. WILSON

Frank A. Wilson
Senior Vice President and
Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of PerkinElmer, Inc. (the "Company") for the period ended July 2, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Robert F. Friel, Chairman, Chief Executive Officer and President of the Company, and Frank A. Wilson, Senior Vice President and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) Based on my knowledge, the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) Based on my knowledge, the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 8, 2017

/s/ ROBERT F. FRIEL

**Robert F. Friel
Chairman, Chief Executive Officer
and President**

Dated: August 8, 2017

/s/ FRANK A. WILSON

**Frank A. Wilson
Senior Vice President and
Chief Financial Officer**

