



## PerkinElmer Announces Q2 2007 Results

**-- Revenue Growth of 16%; Health Sciences Revenue up 18% -- EPS from Continuing Operations of \$.28; Adjusted EPS of \$.30, up 15% -- Cash Flow from Operations of \$70M, up 31%**

WALTHAM, Mass., Jul 26, 2007 (BUSINESS WIRE) -- PerkinElmer, Inc. (NYSE: PKI), a global leader in Health Sciences and Photonics markets, today reported GAAP earnings per share from continuing operations of \$.28 on revenue of \$437.3 million for the second quarter ended July 1, 2007. On a non-GAAP basis, which includes the adjustments noted in the attached reconciliation, the Company announced adjusted earnings per share for the second quarter 2007 of \$.30, which was on the upper end of the Company's forecasted range of \$.28 to \$.30.

Second quarter 2007 revenue of \$437.3 million increased 16% versus the second quarter of 2006. Revenue growth was 17% in Life and Analytical Sciences and 13% in Optoelectronics compared to the same period last year. From an end market perspective, second quarter 2007 revenue from Health Sciences, which represented 85% of total revenues for the quarter, increased 18% over the same period of 2006. This increase was driven primarily by strong growth in genetic screening, medical imaging, environmental and service. Foreign exchange and acquisitions contributed 7% to second quarter 2007 revenue growth.

"We were very pleased to deliver strong revenue, earnings and cash flow growth for the second quarter. We are continuing to see the benefits of our increased investments in R&D, marketing, and capital equipment. Our recent acquisitions are also performing well," said Gregory L. Summe, Chairman and CEO of PerkinElmer, Inc. "We expect to carry this momentum into the second half of 2007 on the strength of our new products and market development initiatives."

GAAP operating profit during the second quarter of 2007 was \$48.1 million. On a non-GAAP basis, which includes the adjustments noted in the attached reconciliation, second quarter 2007 adjusted operating profit was \$50.8 million, or 11.6% as a percentage of GAAP revenue for the quarter.

The Company generated cash flow from operations of \$69.7 million in the second quarter of 2007, while increasing capital expenditures by 32% over the same period of 2006. In addition, the Company repurchased 3.5 million shares of its common stock for a cost of approximately \$87 million in the second quarter of 2007. This leaves 4.0 million shares remaining on the Company's stock repurchase authorization.

### Financial Overview by Reporting Segment

Life and Analytical Sciences reported revenue of \$326.3 million for the second quarter of 2007, up 17% from revenue of \$278.5 million in the second quarter of 2006, driven primarily by growth in the Company's genetic screening, service and environmental businesses, as well as a positive impact from acquisitions and new product introductions.

The segment's GAAP operating profit for the second quarter of 2007 was \$44.6 million. On a non-GAAP basis, which includes the adjustments noted in the attached reconciliation, the segment's adjusted operating profit for the second quarter of 2007 was \$40.7 million, or 12.5% as a percentage of GAAP revenue.

Optoelectronics reported revenue of \$111.0 million for the second quarter of 2007, up 13% from revenue of \$98.5 million in the second quarter of 2006, driven primarily by revenue growth in medical imaging and specialty lighting.

The segment's GAAP operating profit was \$13.0 million for the second quarter of 2007. On a non-GAAP basis, which includes the adjustments noted in the attached reconciliation, the segment's adjusted operating profit for the second quarter of 2007 was \$18.5 million, or 16.7% as a percentage of GAAP revenue.

### Financial Guidance

For the third quarter of 2007, the Company projects revenue to increase by low double digits, GAAP earnings per share of between \$.24 and \$.26, and on a non-GAAP basis, which includes the adjustments noted in the attached reconciliation, adjusted earnings per share of between \$.31 and \$.33.

The Company will discuss its second quarter results in a conference call on July 26, 2007, at 5:30 p.m. Eastern Time (ET). To

listen to the call live, please tune into the webcast at the "Investors" section of our Web site, [www.perkinelmer.com](http://www.perkinelmer.com). A playback of this conference call will be available beginning at 7:30 p.m. ET, Thursday, July 26, 2007. The playback phone number is (617) 801-6888 and the code number is 44903829.

## Use of Non-GAAP Financial Measures

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

## Factors Affecting Future Performance

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

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

### PerkinElmer, Inc. and Subsidiaries INCOME STATEMENTS

(In thousands, except per share data)	Three Months Ended		Six Months Ended	
	July 1, 2007	July 2, 2006	July 1, 2007	July 2, 2006
Sales	\$437,290	\$377,001	\$840,190	\$732,455
Cost of Sales	262,642	225,412	505,475	439,179
Amortization of Acquired Inventory Revaluation	670	-	2,047	-
Research and Development Expenses	27,316	25,036	55,157	47,878
In-Process Research and Development Charges	-	-	1,502	-
Selling, General and Administrative Expenses	109,357	92,655	211,122	182,508
Gains on Settlement of Insurance Claim	(15,346)	-	(15,346)	-
Gains on Dispositions, Net Restructuring and Lease	-	(1,505)	-	(1,505)

Charges (Reversals), Net	4,547	(290)	8,985	(290)
Operating Income From Continuing Operations	48,104	35,693	71,248	64,685
Interest Income	(1,093)	(2,363)	(2,304)	(5,735)
Interest Expense	3,509	2,232	5,764	4,537
Gains on Dispositions of Investments, Net	(135)	(667)	(536)	(933)
Other Expense, Net	1,149	2,612	3,272	3,772
Income From Continuing Operations Before Income Taxes	44,674	33,879	65,052	63,044
Provision for Income Taxes	11,371	7,559	16,930	14,704
Net Income From Continuing Operations	33,303	26,320	48,122	48,340
Loss From Discontinued Operations, Net of Income Taxes	-	(582)	-	(1,025)
Gain (Loss) on Disposition of Discontinued Operations, Net of Income Taxes	384	(1,253)	257	787
Net Income	\$ 33,687	\$ 24,485	\$ 48,379	\$ 48,102
Diluted Earnings (Loss) Per Share:				
Continuing Operations	\$ 0.28	\$ 0.21	\$ 0.39	\$ 0.38
Loss From Discontinued Operations, Net of Income Taxes	-	-	-	(0.01)
Gain (Loss) on Disposition of Discontinued Operations, Net of Income Taxes	-	(0.01)	-	0.01
Net Income	\$ 0.28	\$ 0.19	\$ 0.40	\$ 0.37
Weighted Average Diluted Shares of Common Stock Outstanding	120,689	127,401	121,976	128,558

ABOVE PREPARED IN ACCORDANCE WITH GAAP

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Additional Supplemental  
Information:

(per share, continuing operations)

GAAP Diluted EPS from Continuing Operations	\$ 0.28	\$ 0.21
Amortization of Intangible Assets, Net of Income Taxes	0.06	0.04
Stock Options, Net of Income Taxes	0.01	0.01
Amortization of Acquired Inventory Revaluation, Net of Income Taxes	0.01	-
Gain on Settlement of Insurance Claim, Net of Income Taxes	(0.08)	-
Restructuring and Lease Charges (Reversals), Net of Income Taxes	0.02	-
Adjusted EPS	\$ 0.30	\$ 0.26

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

(In thousands)	Three Months Ended		Six Months Ended	
	July 1, 2007	July 2, 2006	July 1, 2007	July 2, 2006
Life and Analytical Sciences				
Sales	\$326,284	\$278,462	\$625,822	\$540,391
OP\$ Reported	44,617	25,305	59,469	49,095
OP% Reported	13.7%	9.1%	9.5%	9.1%
Amortization Expense	10,000	7,129	19,783	13,892
Stock Option Expense	718	748	1,466	1,357
Revaluation of Acquired Inventory	670	-	2,047	-
In-Process Research & Development Charges	-	-	1,502	-
Gain on Settlement of Insurance Claim	(15,346)	-	(15,346)	-
Restructuring and Lease Charges	-	1,109	4,438	1,109
OP\$ Adjusted	40,659	34,291	73,359	65,453
OP% Adjusted	12.5%	12.3%	11.7%	12.1%
Optoelectronics				
Sales	111,006	98,539	214,368	192,064

	OP\$ Reported	12,993	17,365	29,262	30,112
	OP% Reported	11.7%	17.6%	13.7%	15.7%
	Amortization Expense	663	637	1,316	1,259
	Stock Option Expense	341	412	751	687
	Restructuring and Lease Charges (Reversals)	4,547	(1,399)	4,547	(1,399)
	OP\$ Adjusted	18,544	17,015	35,876	30,659
	OP% Adjusted	16.7%	17.3%	16.7%	16.0%
Corporate	OP\$ Reported	(9,506)	(6,977)	(17,483)	(14,522)
	Stock Option Expense	1,078	933	2,110	1,699
	OP\$ Adjusted	(8,428)	(6,044)	(15,373)	(12,823)
Continuing Operations	Sales	\$437,290	\$377,001	\$840,190	\$732,455
	OP\$ Reported	48,104	35,693	71,248	64,685
	OP% Reported	11.0%	9.5%	8.5%	8.8%
	Amortization Expense	10,663	7,766	21,099	15,151
	Stock Option Expense	2,137	2,093	4,327	3,743
	Revaluation of Acquired Inventory	670	-	2,047	-
	In-Process Research & Development Charges	-	-	1,502	-
	Gain on Settlement of Insurance Claim	(15,346)	-	(15,346)	-
	Restructuring and Lease Charges (Reversals)	4,547	(290)	8,985	(290)
	OP\$ Adjusted	\$ 50,775	\$ 45,262	\$ 93,862	\$ 83,289
	OP% Adjusted	11.6%	12.0%	11.2%	11.4%

SALES AND REPORTED OPERATING PROFIT PREPARED IN ACCORDANCE WITH GAAP

PerkinElmer, Inc. And Subsidiaries  
CONSOLIDATED BALANCE SHEETS

July 1,                      December                      July 2,  
2007                              31, 2006                              2006

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(In thousands)  
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Current assets:			
Cash and cash equivalents	\$ 150,040	\$ 191,059	\$ 323,755
Accounts receivable, net	271,470	268,459	233,449
Inventories, net	204,059	183,260	173,658
Other current assets	86,139	101,511	76,707
Current assets of discontinued operations	485	477	854
Total current assets	712,193	744,766	808,423
Property, plant and equipment:			
At cost	544,064	525,134	507,642
Accumulated depreciation	(353,326)	(342,938)	(327,931)
Net property, plant and equipment	190,738	182,196	179,711
Marketable securities and investments	4,485	7,508	9,674
Intangible assets, net	414,737	404,021	383,406
Goodwill	1,158,836	1,117,724	1,066,542
Other assets	49,971	52,502	86,351
Long-term assets of discontinued operations	1,509	1,605	1,455
Total assets	\$2,532,469	\$2,510,322	\$2,535,562
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Current liabilities:			
Short-term debt	\$ 898	\$ 1,153	\$ 1,090
Accounts payable	151,930	152,836	130,014
Accrued restructuring and integration costs	4,687	2,731	9,797
Accrued expenses	292,241	318,987	276,135
Current liabilities of discontinued operations	-	826	998
Total current liabilities	449,756	476,533	418,034
Long-term debt	234,504	151,781	199,187
Long-term liabilities	351,903	304,278	317,364
Total liabilities	1,036,163	932,592	934,585
Commitments and contingencies			
Total stockholders' equity	1,496,306	1,577,730	1,600,977
Total liabilities and stockholders' equity	\$2,532,469	\$2,510,322	\$2,535,562
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PREPARED IN ACCORDANCE WITH GAAP

PerkinElmer, Inc. and Subsidiaries  
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended		Six Months Ended	
	July 1, 2007	July 2, 2006	July 1, 2007	July 2, 2006
(In thousands)				
Operating activities:				
Net income	\$ 33,687	\$ 24,485	\$ 48,379	\$ 48,102
Add: loss from discontinued operations, net of income taxes	-	582	-	1,025
Add: (gain) loss on disposition of discontinued operations, net of income taxes	(384)	1,253	(257)	(787)
Net income from continuing operations	33,303	26,320	48,122	48,340
Adjustments to reconcile net income from continuing operations to net cash provided by continuing operations:				
Stock-based compensation	4,618	4,475	7,506	7,316
Restructuring and lease charges (reversals), net	4,547	285	8,985	(1,812)
Amortization of deferred debt issuance costs	74	73	148	143
Depreciation and amortization	19,076	16,928	38,161	33,406
In-process research and development charges	-	-	1,502	-
Amortization of acquired inventory revaluation	670	-	2,047	-
Gains on settlement of insurance claim	(15,346)	-	(15,346)	-
Gains on dispositions, net	(135)	(3,571)	(536)	(3,837)
Changes in operating assets and liabilities:				
Accounts receivable, net	(3,003)	9,618	9,457	27,842
Inventories	2,445	854	(6,456)	(6,519)
Accounts payable	4,210	(9,049)	(5,945)	(21,260)
Taxes paid on divestitures	(235)	(4,601)	(235)	(59,151)
Accrued expenses and other	19,135	12,200	(669)	(8,049)
Net cash provided by continuing operations	69,359	53,532	86,741	16,419

Net cash provided by (used in) discontinued operations	377	(291)	246	(871)
Net cash provided by operating activities	69,736	53,241	86,987	15,548
Investing activities:				
Capital expenditures	(16,124)	(12,210)	(27,517)	(21,448)
Proceeds from dispositions of property, plant and equipment, net	10,787	7,085	10,787	7,085
Proceeds from surrender of life insurance policies	1,327	2,327	1,327	2,327
Payments for business development activity	(177)	(796)	(1,094)	(796)
Proceeds from (payments for) disposition of businesses and investments, net	135	(876)	580	20,325
Payments for acquisitions and investments, net of cash and cash equivalents acquired	(2,930)	(29,616)	(42,925)	(38,312)
Net cash used in continuing operations	(6,982)	(34,086)	(58,842)	(30,819)
Net cash provided by discontinued operations	800	-	800	-
Net cash used in investing activities	(6,182)	(34,086)	(58,042)	(30,819)
Financing Activities:				
Payments on debt	(49,694)	(16,831)	(49,694)	(56,565)
Proceeds from borrowings	104,012	-	129,462	-
Payments for debt issuance costs	-	-	-	(741)
Decrease in other credit facilities	(810)	(499)	(824)	(603)
Tax benefit from (provision for) exercise of common stock options	732	(154)	1,435	3,631
Proceeds from issuance of common stock options	6,611	2,316	12,781	17,145
Purchases of common stock	(87,077)	-	(147,105)	(116,393)
Dividends paid	(8,494)	(8,858)	(17,123)	(17,974)
Net cash used in financing activities	(34,720)	(24,026)	(71,068)	(171,500)
Effect of exchange rate changes on cash and cash equivalents	1,644	6,785	1,104	8,262



Net increase (decrease) in cash and cash equivalents	30,478	1,914	(41,019)	(178,509)
Cash and cash equivalents at beginning of period	119,562	321,841	191,059	502,264
Cash and cash equivalents at end of period	\$150,040	\$323,755	\$ 150,040	\$ 323,755

PREPARED IN ACCORDANCE WITH GAAP

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

	PKI			
	Q207		Q206	
Adjusted Gross Margin:				
GAAP Gross Margin	174.0	39.8%	151.6	40.2%
Intangibles Amortization	8.6	2.0%	7.2	1.9%
Stock Option Expense	0.3	0.1%	0.3	0.1%
Revaluation of Acquired Inventory	0.7	0.2%	-	0.0%
Adjusted Gross Margin:	\$183.5	42.0%	\$159.1	42.2%
Adjusted SG&A:				
GAAP SG&A	109.4	25.0%	92.7	24.6%
Intangibles Amortization	(1.7)	-0.4%	(0.3)	-0.1%
Stock Option Expense	(1.7)	-0.4%	(1.6)	-0.4%
Adjusted SG&A:	\$106.0	24.2%	\$ 90.8	24.1%
Adjusted R&D:				
GAAP R&D	27.3	6.2%	25.0	6.6%
Intangibles Amortization	(0.4)	-0.1%	(0.3)	-0.1%
Stock Option Expense	(0.1)	0.0%	(0.2)	-0.1%
Adjusted R&D:	\$ 26.8	6.1%	\$ 24.5	6.5%
Adjusted Operating Profit:				
GAAP Operating Profit	48.1	11.0%	35.7	9.5%
Intangibles Amortization	10.7	2.4%	7.8	2.1%
Stock Option Expense	2.1	0.5%	2.1	0.6%
Revaluation of Acquired Inventory	0.7	0.2%	-	0.0%
Gains on Settlement of Insurance Claim	(15.3)	-3.5%	-	
Restructuring and Lease Charges	4.5	1.0%	(0.3)	-0.1%
Adjusted Operating Profit	\$ 50.8	11.6%	\$ 45.3	12.0%

PKI

	Q207	Q206
Adjusted EPS:		
GAAP EPS	\$ 0.28	\$ 0.19
Discontinued Operations	0.00	0.01
GAAP EPS from Continuing Operations	0.28	0.21
Intangibles Amortization	0.06	0.04
Stock Option Expense	0.01	0.01
Revaluation of Acquired Inventory	0.01	-
Gains on Settlement of Insurance Claim	(0.08)	-
Restructuring and Lease Charges	0.02	(0.00)
Adjusted EPS	\$ 0.30	\$ 0.26

	PKI	
	Q307	Q306
Adjusted EPS:	Projected	
GAAP EPS	\$0.24 - 0.26	\$ 0.24
Discontinued Operations	-	(0.01)
GAAP EPS from Continuing Operations	\$0.24 - 0.26	0.23
Intangibles Amortization	0.06	0.05
Stock Option Expense	0.01	0.02
Adjusted EPS	\$0.31 - 0.33	\$ 0.30

	LAS			
	Q207		Q206	
Adjusted Operating Profit:				
GAAP Operating Profit	44.6	13.7%	25.3	9.1%
Intangibles Amortization	10.0	3.1%	7.1	2.6%
Stock Option Expense	0.7	0.2%	0.7	0.3%
Revaluation of Acquired Inventory	0.7	0.2%	-	0.0%
Gains on Settlement of Insurance Claim	(15.3)	-4.7%	-	0.0%
Restructuring and Lease Charges	-	0.0%	1.1	0.4%
Adjusted Operating Profit	\$ 40.7	12.5%	\$ 34.3	12.3%

	OPTO			
	Q207		Q206	
Adjusted Operating Profit:				
GAAP Operating Profit	13.0	11.7%	17.4	17.6%
Intangibles Amortization	0.7	0.6%	0.6	0.6%
Stock Option Expense	0.3	0.3%	0.4	0.4%

Restructuring and Lease Charges	4.5	4.1%	(1.4)	-1.4%
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Adjusted Operating Profit	\$ 18.5	16.7%	\$ 17.0	17.3%
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#### Adjusted Gross Margin and Adjusted Gross Margin Percentage

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

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

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

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

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

#### Adjusted Operating Profit and Adjusted Operating Profit Percentage

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

divestiture, repositioning of the business or other unusual event that could distort the performance measures of our internal investments and costs to support our internal operating structure.

## Adjusted Earnings per Share

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

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

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

SOURCE: PerkinElmer

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