LUXOTTICA GROUP SPA
Form 6-K
May 14, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended March 31, 2012
COMMISSION FILE NO. 1 - 10421

LUXOTTICA GROUP S.p.A.

VIA C. CANTÙ 2, MILAN, 20123 ITALY
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F. Form 20-F ý Form 40-F o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): o

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o No ý

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-____________

F O R M 6-K

for the quarter
ended March 31 of
Fiscal Year 2012

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Luxottica Group S.p.A.

Headquarters and registered office Via C. Cantù 2, 20123 Milan, Italy

Capital Stock € 28,122,022.38

authorized and issued

ITEM 1. MANAGEMENT REPORT ON THE INTERIM CONSOLIDATED FINANCIAL RESULTS AS OF MARCH 31, 2012 (UNAUDITED)

The following discussion should be read in connection with the disclosure contained in the Consolidated Financial Statements as of December 31, 2011, which includes a study about risks and uncertainties that can influence the Group's operational results or financial position.

1. OPERATING PERFORMANCE FOR THE THREE MONTHS ENDED MARCH 31, 2012

The results for the first quarter of 2012 confirmed the positive signs seen during the last part of last year and, more generally, the rapid growth trends reported by both of Luxottica's Divisions in all of the geographic areas where the Group operates. The first quarter of 2012 was the best first quarter in Luxottica's history largely as a result of the various initiatives implemented during the period.

Net sales growth in both Divisions increased by double digits compared to the first quarter of 2011, which was also a period characterized by strong growth. Especially strong performance was achieved in emerging markets, which grew by more than 36%, with peak sales growth of approximately 40% in each of Brazil, India and East Asia. The Group's performance in the important North American market remained positive with Luxottica's first quarter 2012 net sales in U.S. dollars growing by 8.5%, mainly due to the performance of the Wholesale Division (+18.1%), which benefited from the successful launch of the Coach brand. Sunglass Hut also contributed to these positive results with Sunglass Hut reporting a double-digit increase (+10.3%) in comparable store sales[(1)].

Net sales for the first quarter of 2012 were Euro 1,788.2 million, marking an increase of 14.9% compared to the same period of 2011 (+11.1% at constant exchange rates[(2)]). GMO and Grupo Tecnol Ltda. ("Tecnol"), which joined the Group in July 2011 and January 2012, respectively, collectively contributed approximately Euro 40 million in net sales.

Operating performance for the first quarter once again confirmed the trend in Group profitability, with more than proportional growth in this performance metric as compared with net sales. More specifically, adjusted EBITDA[(3)] for the first quarter of 2012 rose by 22.1% over the same period of 2011, reaching Euro 345.6 million. The adjusted EBITDA margin[(4)] was therefore up from 18.2% recorded in the first quarter of 2011 to 19.3% in the first quarter of 2012.

Operating income for the first quarter of 2012 amounted to Euro 236.5 million, up by 14.0% as compared to the same period of 2011.

(1) Comparable store sales reflect the change in sales from one period to another that, for comparison purposes, includes in the calculation only stores open in the more recent period that also were open during the comparable prior period in the same geographic area, and applies to both periods the average exchange rate for the prior period.

(2) We calculate constant exchange rates by applying to the current period the average exchange rates between the Euro and the relevant currencies of the various markets in which we operated during the three-month period ended March 31, 2011. Please refer to Attachment 1 for further details on exchange rates.

(3) For a further discussion of adjusted EBITDA, see page 11 "Non-IAS/IFRS Measures."

(4) For a further discussion of adjusted EBITDA margin, see page 11 "Non-IAS/IFRS Measures."

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Adjusted operating income[5] for the first quarter of 2012 amounted to Euro 258.2 million, up by 24.5% as compared to the same period of 2011. The Group's adjusted operating margin[6] therefore rose from 13.3% in the first quarter of 2011 to 14.4% in the first quarter of 2012 (+110 bps).

Net income for the period was Euro 130.8 million, up by 14.0%, from Euro 114.7 million for the first quarter of 2011, corresponding to an earnings per share (EPS) of Euro 0.28.

Adjusted net income[7] for the period was Euro 145.9 million, up by 27.2%, from Euro 114.7 million for the first quarter of 2011, corresponding to an adjusted EPS[8] of Euro 0.32.

By carefully controlling working capital, the Group generated positive free cash flow[9] (Euro 36 million) in a quarter in which free cash flow has historically been negative. Following the closing of the Tecnol acquisition for approximately Euro 90 million during the quarter, net debt[10] remained essentially unchanged at March 31, 2012 at Euro 2,047 million (Euro 2,032 million at December 31, 2011). The ratio of adjusted net debt to EBITDA[11] was 1.7x, unchanged from the ratio at year-end.

2. SIGNIFICANT EVENTS DURING THE THREE MONTHS ENDED MARCH 31, 2012

January

On January 20, 2012, the Company successfully completed the acquisition of 80% of the share capital of the Brazilian entity Grupo Tecnol Ltda. The remaining 20% will be acquired evenly (five percent per year) starting from 2013 over a four year period. The consideration paid for the 80% was approximately 143.7 million Brazilian Reais (approximately Euro 61.9 million). Additionally, the Group assumed Tecnol debt amounting to approximately Euro 32.8 million. The acquisition furthers the Company's strategy of continued expansion of its wholesale business in South America. In the first quarter of 2012, Group completed the compliance plan pursuant to the provisions of art. 36-39 of the Consob Market Regulation.

On January 24, 2012, the Board of Directors of Luxottica Group S.p.A. approved the reorganization of the retail business in Australia. As a result of the reorganization, the Group will close approximately 10% of its Australian and New Zealand stores, redirecting resources into its market-leading OPSM brand.

March

On March 19, 2012, the Company closed an offering in Europe to institutional investors of Euro 500 million of senior unsecured guaranteed notes due March 19, 2019. The notes are listed on the Luxembourg Stock Exchange under ISIN XS0758640279. Interest on the Notes accrues at 3.625% per annum. The Notes are guaranteed on a senior unsecured basis by Luxottica U.S. Holdings Corp. ("U.S. Holdings") and Luxottica S.r.l., both of which are wholly owned subsidiaries. On March 19, 2012, the notes were assigned a BBB+ credit rating by Standard & Poor's.

3. FINANCIAL RESULTS

We are a global leader in the design, manufacture and distribution of fashion, luxury and sport eyewear, with net sales reaching Euro 6.2 billion in 2011, over 65,000 employees and a strong global presence. We operate in two industry segments: (i) manufacturing and wholesale distribution; and (ii) retail distribution. See Note 4 to the Notes to the Condensed Consolidated Quarterly Financial Report

(5) For a further discussion of adjusted operating income, see page 11 "Non-IAS/IFRS Measures."

(6) For a further discussion of adjusted operating margin, see page 11 "Non-IAS/IFRS Measures."

(7) For a further discussion of adjusted net income attributable to Luxottica Group stockholders, see page 11 "Non-IAS/IFRS Measures."

(8) For a further discussion of adjusted EPS, see page 11 "Non-IAS/IFRS Measures."

(9) For a further discussion of free cash flow, see page 11 "Non-IAS/IFRS Measures."

(10) For a further discussion of net debt, see page 11 "Non-IAS/IFRS Measures."

(11)

For a further discussion of the net debt to adjusted EBITDA ratio, see page 11 "Non-IAS/IFRS Measures."

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as of March 31, 2012 (unaudited) for additional disclosures about our operating segments. Through our manufacturing and wholesale distribution segment, we are engaged in the design, manufacture, wholesale distribution and marketing of house and designer lines of mid- to premium-priced prescription frames and sunglasses. We operate our retail distribution segment principally through our retail brands, which include, among others, LensCrafters, Sunglass Hut, Pearle Vision, OPSM, Laubman & Pank, Bright Eyes, Oakley "O" Stores and Vaults, David Clulow, Multiopticas and our Licensed Brands (Sears Optical and Target Optical).

As a result of our numerous acquisitions and the subsequent expansion of our business activities in the United States through these acquisitions, our results of operations, which are reported in Euro, are susceptible to currency rate fluctuations between the Euro and the U.S. dollar. The Euro/U.S. dollar exchange rate has fluctuated from an average exchange rate of Euro 1.00 = U.S. $1.3680 in the first three months of 2011 to Euro 1.00 = U.S. $1.3108 in the same period of 2012. With the acquisition of OPSM and Bright Eyes (acquired through Oakley), our results of operations have also been rendered susceptible to currency fluctuations between the Euro and the Australian dollar. Additionally, we incur part of our manufacturing costs in Chinese Yuan; therefore, the fluctuation of the Chinese Yuan relative to other currencies in which we receive revenues could impact the demand of our products or the profitability in consolidation. Although we engage in certain foreign currency hedging activities to mitigate the impact of these fluctuations, they have impacted our reported revenues and expenses during the periods discussed herein. This discussion should be read in conjunction with Item 10 of the Management Report of the 2011 Consolidated Financial Statements.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011 (UNAUDITED)

In accordance with IAS/IFRS

	Three months ended March 31,			
(Amounts in thousands of Euro)	**2012**	**% of net sales**	**2011**	**% of net sales**
Net sales	**1,778,172**	**100.0%**	**1,556,102**	**100.0%**
Cost of sales	622,564	34.8%	554,453	35.6%
Gross profit	**1,165,608**	**65.2%**	**1,001,648**	**64.4%**
Selling	571,572	32.0%	492,264	31.6%
Royalties	32,518	1.8%	28,543	1.8%
Advertising	101,978	5.7%	90,412	5.8%
General and administrative	223,025	12.5%	183,013	11.8%
Total operating expenses	**929,093**	**52.0%**	**794,232**	**51.0%**
Income from operations	**236,516**	**13.2%**	**207,416**	**13.3%**
Other income/(expense)				
Interest income	5,417	0.3%	2,087	0.1%
Interest expense	(36,984)	2.1%	(29,262)	1.9%
Other net	(69)	0.0%	(1,745)	0.1%
Income before provision for income taxes	**204,880**	**11.5%**	**178,497**	**11.5%**
Provision for income taxes	(72,181)	4.0%	(61,399)	3.9%
Net income	**132,699**	**7.4%**	**117,098**	**7.5%**
Attributable to				
Luxottica Group stockholders	**130,776**	**7.3%**	**114,694**	**7.4%**
non-controlling interests	1,923	0.1%	2,403	0.2%
NET INCOME	**132,699**	**7.4%**	**117,098**	**7.5%**

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Adjusted Measures[12]

	2012	% of Net Sales	2011	% of Net Sales	% Change
Adjusted income from operations	258,178	14.4%	207,416	13.3%	24.5%
Adjusted EBITDA	345,569	19.3%	282,972	18.2%	22.1%
Adjusted net income attributable to Luxottica Group stockholders	145,940	8.2%	114,695	7.4%	27.2%

Net Sales. Net sales increased by Euro 232.1 million, or 14.9 percent, to Euro 1,788.2 million in the first three months of 2012 from Euro 1,556.1 million in the same period of 2011. Euro 85.7 million of such increase was attributable to the increased sales in the manufacturing and wholesale distribution segment in the first three months of 2012 as compared to the same period in 2011 and to increased sales in the retail distribution segment of Euro 146.4 million for the same period.

Net sales for the retail distribution segment increased by Euro 146.4 million, or 16.0 percent, to Euro 1,061.4 million in the first three months of 2012 from Euro 915 million in the same period in 2011. The increase in net sales for the period was partially attributable to a 6.5 percent improvement in comparable store sales[13]. In particular, we saw a 6.4 percent increase in comparable store sales for the North American retail operations and a 5.8 percent increase for the Australian/New Zealand retail operations. The positive effects from currency fluctuations between the Euro, which is our reporting currency, and other currencies in which we conduct business, in particular the strengthening of the U.S. dollar and the Australian dollar compared to the Euro, increased net sales in the retail distribution segment by Euro 50.2 million.

Net sales to third parties in the manufacturing and wholesale distribution segment increased by Euro 85.7 million, or 13.4 percent, to Euro 726.8 million in the first three months of 2012 from Euro 641.1 million in the same period in 2011. This increase was mainly attributable to increased sales of most of our house brands, in particular Ray-Ban, Oakley and Persol, and of some designer brands such as Burberry and Tiffany. These sales volume increases occurred in most of the geographic markets in which the Group operates. These positive effects were further increased by positive currency fluctuations, in particular the strengthening of the U.S. dollar, the Australian dollar and other currencies, including but not limited to the Brazilian Real, the Canadian dollar and the Japanese Yen, which increased net sales to third parties in the manufacturing and wholesale distribution segment by Euro 9.3 million.

In the first three months of 2012, net sales in the retail distribution segment accounted for approximately 59.4 percent of total net sales, as compared to approximately 58.8 percent of total net sales for the same period in 2011. This increase in sales for the retail distribution segment as a percentage of total net sales was primarily attributable to a 16 percent increase in net sales to third parties in our retail distribution segment for the first three months of 2012 as compared to the same period of 2011, compared to a 13.4 percent increase in net sales in the manufacturing and wholesale distribution segment for the first three months of 2012 as compared to the same period of 2011.

In the first three months of 2012, net sales in our retail distribution segment in the United States and Canada comprised 78.5 percent of our total net sales in this segment as compared to 81.9 percent of our total net sales in the same period of 2011. In U.S. dollars, retail net sales in the United States and Canada increased by 6.5 percent to U.S. $1,092.2 million in the first three months of 2012 from U.S. $1,025.1 million for the same period in 2011, due to sales volume increases. During the first three months of 2012, net sales in the retail distribution segment in the rest of the world (excluding the United States

(12) Adjusted measures are not in accordance with IAS/IFRS. For a further discussion of adjusted measures, see page 11 "Non-IAS/IFRS Measures."

(13) Comparable store sales reflects the change in sales from one period to another that, for comparison purposes, includes in the calculation only stores open in the more recent period that also were open during the comparable prior period in the same geographic area, and applies to both periods the average exchange rate for the prior period.

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and Canada) comprised 21.5 percent of our total net sales in the retail distribution segment and increased by 37.8 percent to Euro 228.2 million in the first three months of 2012 from Euro 165.6 million, or 18 percent of our total net sales in the retail distribution segment, for the same period in 2011, mainly due to the inclusion, starting from July 2011, of Multiopticas Internacional and to the growth of Sunglass Hut in Mexico.

In the first three months of 2012, net sales to third parties in our manufacturing and wholesale distribution segment in Europe were Euro 329.0 million, comprising 45.3 percent of our total net sales in this segment, compared to Euro 311.9 million, or 48.6 percent of total net sales in the segment, for the same period in 2011. The increase in net sales in Europe of Euro 17.2 million in the first three months of 2012 as compared to the same period of 2011 constituted a 5.5 percent increase in net sales to third parties, due to a general increase in consumer demand. Net sales to third parties in our manufacturing and wholesale distribution segment in the United States and Canada were U.S. $247.2 million and comprised 25.9 percent of our total net sales in this segment for the first three months of 2012, compared to U.S. $209.7 million, or 23.9 percent of total net sales in the segment, for the same period of 2011. The increase in net sales in the United States and Canada was primarily due to a general increase in consumer demand and to the new brand, Coach. In the first three months of 2012, net sales to third parties in our manufacturing and wholesale distribution segment in the rest of the world were Euro 209.2 million, comprising 28.8 percent of our total net sales in this segment, compared to Euro 176 million, or 27.5 percent of our net sales in this segment, in the same period of 2011. The increase of Euro 33.2 million, or 18.9 percent, in the first three months of 2012 as compared to the same period of 2011, was due to the positive effect of currency fluctuations as well as an increase in consumer demand.

Cost of Sales. Cost of sales, including non-recurring expenses related to the reorganization of the Retail business in Australia of approximately Euro 1.4 million, increased by Euro 68.1 million, or 12.3 percent, to Euro 622.6 million in the first three months of 2012 from Euro 554.5 million in the same period of 2011, essentially in line with the increase of net sales in the period. As a percentage of net sales, cost of sales decreased to 34.8 percent in the first three months of 2012 as compared to 35.6 percent in the same period of 2011. In the first three months of 2012, the average number of frames produced daily in our facilities increased to approximately 262,600 as compared to approximately 250,600 in the same period of 2011, which was attributable to increased production in all manufacturing facilities in response to an overall increase in demand.

Gross Profit. Our gross profit, including non-recurring expenses related to the reorganization of the Retail business in Australia of approximately Euro 1.4 million, increased by Euro 164.0 million, or 16.4 percent, to Euro 1,165.6 million in the first three months of 2012 from Euro 1,001.6 million for the same period of 2011. As a percentage of net sales, gross profit increased to 65.2 percent in the first three months of 2012 as compared to 64.4 percent for the same period of 2011, due to the factors noted above.

Operating Expenses. Total operating expenses, including non-recurring expenses related to the reorganization of the Retail business in Australia of approximately Euro 20.3 million, increased by Euro 134.9 million, or 17.0 percent, to Euro 929.1 million in the first three months of 2012 from Euro 794.2 million in the same period of 2011. As a percentage of net sales, operating expenses increased to 52.0 percent in the first three months of 2012, from 51.0 percent in the same period of 2011.

Adjusted operating expenses[14], excluding non-recurring expenses related to the reorganization of the Retail business in Australia of approximately Euro 20.3 million, increased by Euro 114.6 million, or 14.4 percent, to Euro 908.8 million in the first three months of 2012 from Euro 794.2 million in the same period of 2011. As a percentage of net sales, operating expenses decreased to 50.8 percent in the first three months of 2012, from 51.0 percent in the same period of 2011.

(14) For a further discussion of adjusted operating expenses, see page 11 "Non-IAS/IFRS Measures."

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Selling and advertising expenses (including royalty expenses), including non-recurring expenses related to the reorganization of the Retail business in Australia of approximately Euro 17.3 million, increased by Euro 94.8 million, or 15.5 percent, to Euro 706.1 million in the first three months of 2012 from Euro 611.2 million in the same period of 2011. Selling expenses increased by Euro 79.3 million, or 16.1 percent. Advertising expenses increased by Euro 11.6 million, or 12.8 percent. Royalties increased by Euro 4.0 million, or 13.9 percent. As a percentage of net sales, selling and advertising expenses decreased to 39.5 percent in the first three months of 2012, compared to 39.3 percent for the same period of 2011.

Adjusted selling expenses(15), excluding non-recurring expenses related to the reorganization of the Retail business in Australia of approximately Euro 17.3 million, increased by Euro 62.0 million, or 12.6 percent, to Euro 554.3 million from Euro 492.3 million in the same period of 2011.

General and administrative expenses, including intangible asset amortization, including non-recurring expenses related to the reorganization of the Retail business in Australia of approximately Euro 3.0 million, increased by Euro 40.0 million, or 21.9 percent, to Euro 223.0 million in the first three months of 2012 as compared to Euro 183.0 million in the same period of 2011. As a percentage of net sales, general and administrative expenses were 12.5 percent in the first three months of 2012 as compared to 11.8 percent in the same period of 2011.

Adjusted general and administrative expenses(16), including intangible asset amortization, excluding non-recurring expenses related to the reorganization of the Retail business in Australia of approximately Euro 3.0 million, increased by Euro 37.0 million, or 20.2 percent, to Euro 220.0 million in the first three months of 2012 as compared to Euro 183.0 million in the same period of 2011. As a percentage of net sales, adjusted general and administrative expenses were 12.3 percent in the first three months of 2012 as compared to 11.8 percent in the same period of 2011.

Income from Operations. For the reasons described above, income from operations increased by Euro 29.1 million, or 14.0 percent, to Euro 236.5 million in the first three months of 2012 from Euro 207.4 million in the same period of 2011. As a percentage of net sales, income from operations decreased to 13.2 percent in the first three months of 2012 from 13.3 percent in the same period of 2011.

Adjusted income from operations(17) increased by Euro 50.8 million, or 24.5 percent, to Euro 258.2 million in the first three months of 2012 from Euro 207.4 million in the same period of 2011. As a percentage of net sales, adjusted income from operations increased to 14.4 percent in the first three months of 2012 from 13.3 percent in the same period of 2011.

Other Income (Expense) Net. Other income (expense) net was Euro (31.6) million in the first three months of 2012 as compared to Euro (28.9) million in the same period of 2011. Net interest expense was Euro 31.6 million in the first three months of 2012 as compared to Euro 27.2 million in the same period of 2011. The increase was mainly due to the acquisition of Tecnol.

Net Income. Income before taxes increased by Euro 26.4 million, or 14.8 percent, to Euro 204.9 million in the first three months of 2012 from Euro 178.5 million in the same period of 2011, for the reasons described above. As a percentage of net sales, income before taxes was 11.5 percent in each of the first three months of 2012 and 2011. Adjusted income before taxes(18) increased by Euro 48.0 million, or 26.9 percent, to Euro 226.5 million in the first three months of 2012 from Euro 178.5 million in the same period of 2011. As a percentage of net sales, adjusted income before taxes was 12.7 percent in the first three months of 2012 as compared to 11.5 percent in the first three months of 2011. Net income attributable to non-controlling interests decreased to Euro 1.9 million in the first three months of 2012 as

(15) For a further discussion of adjusted selling expenses, see page 11 "Non-IAS/IFRS Measures."

(16) For a further discussion of adjusted general and administrative expenses, see page 11 "Non-IAS/IFRS Measures."

(17) For a further discussion of adjusted income from operations, see page 11 "Non-IAS/IFRS Measures."

(18) For a further discussion of adjusted income before taxes, see page 11 "Non-IAS/IFRS Measures."

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compared to Euro 2.4 million in the same period of 2011. Our effective tax rate was 35.2 percent in the first three months of 2012 as compared to 34.4 percent for the same period of 2011.

Net income attributable to Luxottica Group stockholders increased by Euro 16.1 million, or 14.0 percent, to Euro 130.8 million in the first three months of 2012 from Euro 114.7 million in the same period of 2011. Net income attributable to Luxottica Group stockholders as a percentage of net sales decreased to 7.3 percent in the first three months of 2012 from 7.4 percent in the same period of 2011.

Adjusted net income attributable to Luxottica Group stockholders(19) increased by Euro 31.2 million, or 27.2 percent, to Euro 145.9 million in the first three months of 2012 from Euro 114.7 million in the same period of 2011. Adjusted net income attributable to Luxottica Group stockholders as a percentage of net sales increased to 8.2 percent in the first three months of 2012 from 7.4 percent in the same period of 2011.

Basic and diluted earnings per share were Euro 0.28 in the first three months of 2012 as compared to Euro 0.25 in the same period of 2011.

Adjusted basic and diluted earnings per share(20) were Euro 0.32 in the first three months of 2012 as compared to Euro 0.25 in the same period of 2011.

OUR CASH FLOWS

The following table sets forth for the periods indicated certain items included in our statements of consolidated cash flows included in Item 2 of this report.

		Three months ended March 31, 2012	Three months ended March 31, 2011
		(unaudited) (Amounts in thousands of Euro)	
A)	Cash and cash equivalents at the beginning of the period	905,100	679,852
B)	Cash provided by operating activities	88,933	33,906
C)	Cash used in investing activities	(119,070)	(69,291)
D)	Cash provided by/(used in) financing activities	407,397	(65,281)
	Change in bank overdrafts	10,555	24,770
	Effect of exchange rate changes on cash and cash equivalents	(15,127)	(16,049)
E)	Net change in cash and cash equivalents	372,688	(91,945)
F)	**Cash and cash equivalents at the end of the period**	**1,277,788**	**587,907**

Operating activities. Our cash provided by operating activities was Euro 88.9 million and Euro 33.9 million for the first three months of 2012 and 2011, respectively.

Depreciation and amortization were Euro 87.4 million in the first three months of 2012 as compared to Euro 75.6 million in the same period of 2011.

Cash used in accounts receivable was Euro (122.2) million in the first three months of 2012, compared to Euro (99.5) million in the same period of 2011. This change was primarily due to an increase in sales volume in the first three months of 2012 as compared to the same period of 2011. Cash (used in) by inventory was Euro (6.8) million in the first three months of 2011 as compared to Euro (6.5) million in the same period of 2011. Cash used in accounts payable was Euro (85.0) million in the first three months of 2012 compared to Euro (93.3) million in the same period of 2011. This change is mainly due to better

(19) For a further discussion of adjusted net income attributable to Luxottica Group stockholders, see page 11 "Non-IAS/IFRS Measures."

(20) For a further discussion of adjusted basic and diluted earnings per share, see page 11 "Non-IAS/IFRS Measures."

payment terms in the first three months of 2012 as compared to the first three months of 2011. Cash generated by other assets and liabilities was Euro 23.2 million in the first three months of 2012 as compared to Euro 5.5 million in the same period of 2011. Cash generated by income taxes payable was Euro 47.6 million in the first three months of 2012 as compared to Euro 23.5 million in the same period of 2011. This change was mainly due to higher taxable income in the first three months of 2012 as compared to 2011, which corresponds to an increase in income taxes payable.

Investing activities. Our cash used in investing activities was Euro (119.1) million for the first three months of 2012 as compared to Euro (69.3) million for the same period in 2011. The cash used in investing activities primarily consisted of (i) Euro (37.0) million in capital expenditures in the first three months of 2012 as compared to Euro (57.9) million in the same period of 2011, (ii) Euro (24.4) million in intangible assets mainly related to software, (iii) Euro (55.3) million related to the acquisition of Tecnol and (iv) Euro (2.4) million related to minor acquisitions.

Financing activities. Our cash provided/(used) in financing activities for the first three months of 2012 and 2011 was Euro 407.4 million and Euro (65.3) million, respectively. Cash generated by financing activities for the first three months of 2012 consisted primarily of the issuance of Euro 500 million of senior unsecured guaranteed notes to institutional investors in Europe and of the proceeds of Euro 7.9 million from long-term borrowings, partially offset by Euro (106.9) million used to repay long-term debt expiring during the first three months of 2011. Cash used in financing activities for the first three months of 2011 consisted primarily of Euro (60.6) million to repay long-term debt expiring during the first three months of 2011.

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OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In accordance with IAS/IFRS

ASSETS	March 31, 2012 (unaudited)	December 31, 2011 (audited)
	(Amounts in thousands of Euro)	
CURRENT ASSETS:		
Cash and cash equivalents	1,277,788	905,100
Accounts receivable net	843,464	714,033
Inventories net	669,992	649,506
Other assets	215,650	230,850
Total current assets	**3,006,894**	**2,499,489**
NON-CURRENT ASSETS:		
Property, plant and equipment net	1,145,324	1,169,066
Goodwill	3,101,140	3,090,563
Intangible assets net	1,310,950	1,350,921
Investments	8,252	8,754
Other assets	140,807	147,625
Deferred tax assets	385,157	377,739
Total non-current assets	**6,091,630**	**6,144,667**
TOTAL ASSETS	**9,098,523**	**8,644,156**

LIABILITIES AND STOCKHOLDERS' EQUITY	March 31, 2012 (unaudited)	December 31, 2011 (audited)
CURRENT LIABILITIES:		
Bank overdrafts	189,326	193,834
Current portion of long-term debt	686,893	498,295
Accounts payable	523,747	608,327
Income taxes payable	82,824	39,859
Other liabilities	662,072	632,932
Total current liabilities	**2,144,863**	**1,973,247**
NON-CURRENT LIABILITIES:		
Long-term debt	2,448,872	2,244,583
Liability for termination indemnity	44,427	45,286
Deferred tax liabilities	442,154	456,375
Other liabilities	297,212	299,545
Total non-current liabilities	**3,232,664**	**3,045,789**
STOCKHOLDERS' EQUITY:		
Luxottica Group stockholders' equity	3,709,305	3,612,928
Non-controlling interests	11,691	12,192

Total stockholders' equity	**3,720,996**	**3,625,120**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**9,098,523**	**8,644,156**

As of March 31, 2012, total assets increased by Euro 454.4 million to Euro 9,098.5 million, compared to Euro 8,644.2 million as of December 31, 2011.

In the first three months of 2012, non-current assets decreased by Euro 53.0 million, due to decreases in net intangible assets (including goodwill) of Euro 29.4 million, property, plant and equipment net of

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Euro 23.7 million, investments of Euro 0.5 million and other assets of Euro 6.8 million, partially offset by increases of deferred tax assets of Euro 7.4 million.

The decrease in net intangible assets was primarily due to the negative effects of foreign currency fluctuations of Euro 101.1 million and the amortization for the period of Euro 34.2 million, and was partially offset by additions of Euro 24.4 million related to software and Euro 83.6 million related to acquisitions that occurred in the first three months of 2012.

The decrease in property, plant and equipment was primarily due to negative currency fluctuation effects of Euro 20.9 million, depreciation in the period of Euro 53.2 million and decreases in the period of Euro 11.8 million and was partially offset by the additions of Euro 51.2 million and Euro 10.2 million related to an acquisition that occurred in the first three months of 2012.

As of March 31, 2012, as compared to December 31, 2011:

- Accounts receivable increased by Euro 129.4 million mainly due to the increase in net sales during the first three months of 2012; and

- Other current liabilities increased by Euro 29.2 million, mainly related to the Italian companies and due to the amount payable for taxes on the exercise of stock options and on the assignment of shares to employees within the 2009 PSP plan that occurred in March 2012.

Our net financial position as of March 31, 2012 and December 31, 2011 was as follows:

	As of March 31, 2012	**As of December 31, 2011**
	(unaudited)	**(audited)**
	(Amounts in thousands of Euros)	
Cash and cash equivalents	1,277,788	905,100
Bank overdrafts	(189,326)	(193,834)
Current portion of long-term debt	(686,893)	(498,295)
Long-term debt	(2,448,872)	(2,244,583)
Total	(2,047,303)	(2,031,612)

Bank overdrafts consist of the utilized portion of short-term uncommitted revolving credit lines borrowed by various subsidiaries of the Group.

As of March 31, 2012, we, together with our wholly-owned Italian subsidiary Luxottica S.r.l., had credit lines aggregating Euro 431.8 million. The interest rate is a floating rate of EURIBOR plus a margin on average of approximately 0.65 percent. As of March 31, 2012, these lines were not used.

As of March 31, 2012, Luxottica U.S. Holdings ("U.S. Holdings") maintained unsecured lines of credit with an aggregate maximum availability of Euro 97.3 million (U.S. $109.1 million). The interest rate is a floating rate and is approximately USD LIBOR plus 40 basis points. At March 31, 2012, these lines were undrawn.

4. RELATED PARTY TRANSACTIONS

Our related party transactions are neither atypical nor unusual and occur in the ordinary course of our business. Management believes that these transactions are fair to the Company. For further details regarding the related party transactions, please refer to Note 27 to the Notes to the Condensed Consolidated Quarterly Financial Report as of March 31, 2012 (unaudited).

5. SUBSEQUENT EVENTS

On April 17, 2012, the Company and its subsidiary, U.S. Holdings, entered into a multi-currency (Euro/U.S. dollar) revolving credit facility agreement with a group of banks providing for loans in the aggregate principal amount of Euro 500 million (or the equivalent in US dollars). Amounts borrowed may be repaid and re-borrowed with all outstanding balances maturing on April 10, 2017. The Company can select interest periods of one, three or six months with interest accruing (i) on Euro-denominated loans based on the corresponding EURIBOR rate and (ii) on U.S. dollar-denominated loans based on the corresponding LIBOR rate and a premium of 0.35% per annum, both plus a margin between 1.30% and 2.25% based on the "Consolidated Net Debt to EBITDA" ratio, as defined in the agreement. As of May 7, 2012, the line was undrawn. In connection with the agreement, we cancelled Tranche C of our Euro 1,130 million and U.S. $325 million Facilities Agreement dated June 3, 2004, as amended, effective April 27, 2012.

At the Stockholders' Meeting on April 27, 2012, the stockholders approved the distribution of a cash dividend of Euro 0.49 per ordinary share and ADR.

On May 7, 2012, the Board of Directors of the Company approved the merger project of Luxottica Stars S.r.l. with Luxottica Group S.p.A.

6. 2012 OUTLOOK

The results obtained in the first three months of 2012 are an excellent starting point for 2012: management looks to the year optimistically, relying on the strength of our brands and aware of the need to continue to consistently execute our plans.

NON-IAS/IFRS MEASURES

Adjusted measures

We use in this Management Report certain performance measures that are not in accordance with IAS/IFRS. Such non-IAS/IFRS measures are not meant to be considered in isolation or as a substitute for items appearing on our financial statements prepared in accordance with IAS/IFRS. Rather, these non-IAS/IFRS measures should be used as a supplement to IAS/IFRS results to assist the reader in better understanding our operational performance.

Such measures are not defined terms under IAS/IFRS and their definitions should be carefully reviewed and understood by investors. Such non-IAS/IFRS measures are explained in detail and reconciled to their most comparable IAS/IFRS measures below.

In order to provide a supplemental comparison of current period results of operations to prior periods, we have adjusted for certain non-recurring transactions or events.

We have made such adjustments to the following measures: operating income, operating margin, EBITDA, EBITDA margin, net income, earnings per share, operating expenses, selling expenses and general and administrative expenses by excluding non-recurring costs related to the reorganization of the retail business in Australia of Euro 21.7 million.

In addition, the Group has made adjustments to fiscal year 2011 measures as described in the footnotes to the tables that contain such fiscal year 2011 data.

The Group believes that these adjusted measures are useful to both management and investors in evaluating the Group's operating performance compared with that of other companies in its industry because they exclude the impact of non-recurring items that are not relevant to the Group's operating performance.

The adjusted measures referenced above are not measures of performance in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IAS/IFRS). We include these adjusted comparisons in this presentation in order to provide a supplemental view of operations that excludes items that are unusual, infrequent or unrelated to our ongoing core operations. See the tables below for a reconciliation of the adjusted measures discussed above to their most directly comparable IAS/IFRS financial measure or, in the case of adjusted EBITDA and adjusted EBITDA margin, to EBITDA and EBITDA margin, which are also non-IAS/IFRS measures.

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For reconciliation of EBITDA to its most directly comparable IAS/IFRS measure, see the pages following the tables below:

Non-IAS/IFRS Measure: Reconciliation between reported and adjusted P&L items

Luxottica Group	Net sales	EBITDA	EBITDA Margin	Operating Income	Operating Margin	Net Income attributable to Group Stockholders	EPS	Diluted EPS
	1Q 2012 (Amounts in millions of Euro)							
Reported	**1,788.2**	**323.9**	**18.2%**	**236.5**	**13.2%**	**130.8**	**0.28**	**0.28**
> Adjustment for OPSM reorganization		21.7	1.1%	21.7	1.2%	15.2	0.04	0.03
Adjusted	**1,788.2**	**345.6**	**19.3%**	**258.2**	**14.4%**	**145.9**	**0.32**	**0.32**

	Net sales	EBITDA	EBITDA Margin	Operating Income	Operating Margin	Net Income attributable to Group Stockholders	EPS
	1Q 2011 (Amounts in millions of Euro)						
Reported	**1,556.1**	**283.0**	**18.2%**	**207.4**	**13.3%**	**114.7**	**0.25**
> Adjustment for OPSM reorganization							
Adjusted	**1,556.1**	**283.0**	**18.2%**	**207.4**	**13.3%**	**114.7**	**0.25**

Retail Division	Net sales	EBITDA	Operating Income	Net Income	EPS
	1Q 2012 (Amounts in millions of Euro)				
Reported	**1,061.4**	**146.6**	**103.2**	**n.a.**	**n.a.**
> Adjustment for OPSM reorganization		21.7	21.7		
Adjusted	**1,061.4**	**168.3**	**124.8**	**n.a.**	**n.a.**

	Net sales	EBITDA	Operating Income	Net Income	EPS
	1Q 2011 (Amounts in millions of Euro)				
Reported	**915.0**	**131.2**	**96.8**	**n.a.**	**n.a.**
> Adjustment for OPSM reorganization					
Adjusted	**915.0**	**131.2**	**96.8**	**n.a.**	**n.a.**

EBITDA and EBITDA margin

EBITDA represents net income attributable to Luxottica Group stockholders, before non-controlling interest, provision for income taxes, other income/expense, depreciation and amortization. EBITDA margin means EBITDA divided by net sales. We believe that EBITDA is useful to both management and investors in evaluating our operating performance compared with that of other companies in our industry. Our calculation of EBITDA allows us to compare our operating results with those of other companies without giving effect to financing, income taxes and the accounting effects of capital spending, which items may vary for different companies for reasons unrelated to the overall operating performance of a company's business.

EBITDA and EBITDA margin are not measures of performance under IAS/IFRS. We include them in this Management Report in order to:

- improve transparency for investors;

- assist investors in their assessment of the Company's operating performance and its ability to refinance its debt as it matures and incur additional indebtedness to invest in new business opportunities;

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- assist investors in their assessment of the Company's cost of debt;
- ensure that these measures are fully understood in light of how the Company evaluates its operating results and leverage;
- properly define the metrics used and confirm their calculation; and
- share these measures with all investors at the same time.

EBITDA and EBITDA margin are not meant to be considered in isolation or as a substitute for items appearing on our financial statements prepared in accordance with IAS/IFRS. Rather, these non-IAS/IFRS measures should be used as a supplement to IAS/IFRS results to assist the reader in better understanding the operational performance of the Company.

The Company cautions that these measures are not defined terms under IAS/IFRS and their definitions should be carefully reviewed and understood by investors.

Investors should be aware that our method of calculating EBITDA may differ from methods used by other companies. We recognize that the usefulness of EBITDA has certain limitations, including:

- EBITDA does not include interest expense. Because we have borrowed money in order to finance our operations, interest expense is a necessary element of our costs and ability to generate profits and cash flows. Therefore, any measure that excludes interest expense may have material limitations;
- EBITDA does not include depreciation and amortization expense. Because we use capital assets, depreciation and amortization expense is a necessary element of our costs and ability to generate profits. Therefore, any measure that excludes depreciation and expense may have material limitations;
- EBITDA does not include provision for income taxes. Because the payment of income taxes is a necessary element of our costs, any measure that excludes tax expense may have material limitations;
- EBITDA does not reflect cash expenditures or future requirements for capital expenditures or contractual commitments;
- EBITDA does not reflect changes in, or cash requirements for, working capital needs; and
- EBITDA does not allow us to analyze the effect of certain recurring and non-recurring items that materially affect our net income or loss.

We compensate for the foregoing limitations by using EBITDA as a comparative tool, together with IAS/IFRS measurements, to assist in the evaluation of our operating performance and leverage.

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The following table provides a reconciliation of EBITDA to net income, which is the most directly comparable IAS/IFRS financial measure, as well as the calculation of EBITDA margin:

Non-IAS/IFRS Measure: EBITDA and EBITDA margin

	1Q 2011	1Q 2012	FY 2011	LTM March 31, 2012
	(Amounts in millions of Euro)			
Net income/(loss) (+)	114.7	130.8	452.3	468.4
Net income attributable to non-controlling interest (+)	2.4	1.9	6.0	5.5
Provision for income taxes (+)	61.4	72.2	237.0	247.8
Other (income)/expense (+)	28.9	31.6	111.9	114.6
Depreciation & amortization (+)	75.6	87.4	323.9	335.7
EBITDA (=)	283.0	323.9	1,131.0	1,172.0
Net sales (/)	1,556.1	1,788.2	6,222.5	6,454.6
EBITDA margin (=)	18.2%	18.1%	18.2%	18.2%

Non-IAS/IFRS Measure: *Adjusted* EBITDA and *Adjusted* EBITDA margin

	1Q 2011	1Q 2012	FY 2011[(1)]	LTM March 31, 2012[(1)]
	(Amounts in millions of Euro)			
Adjusted net income/(loss) (+)	114.7	145.9	455.6	486.9
Net income attributable to non-controlling interest (+)	2.4	1.9	6.0	5.5
Adjusted provision for income taxes (+)	61.4	78.7	247.4	264.7
Other (income)/expense (+)	28.9	31.6	111.9	114.6
Adjusted depreciation & amortization	75.6	87.4	315.0	326.8

(+)				
Adjusted EBITDA (=)	283.0	345.6	1,135.9	1,198.4
Net sales (/)	1,556.1	1,788.2	6,222.5	6,454.6
Adjusted EBITDA margin (=)	18.2%	19.3%	18.3%	18.6%

(1) The adjusted figures exclude the following measures:

(a) an extraordinary gain of approximately Euro 19 million related to the acquisition, in 2009, of a 40% stake in Multiopticas Internacional;

(b) non-recurring costs related to Luxottica's 50th anniversary celebrations of approximately Euro 12 million, including the adjustment relating to the grant of treasury shares to Group employees;

(c) non-recurring restructuring and start-up costs in the Retail Division of approximately Euro 11 million; and

(d) non-recurring OPSM reorganization costs of approximately Euro 9.5 million in 2011 and Euro 22 million in 2012.

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Free Cash Flow

Free cash flow represents net income before noncontrolling interests, taxes, other income/expense, depreciation and amortization (i.e., EBITDA) plus or minus the decrease/(increase) in working capital over the prior period, less capital expenditures, plus or minus interest income/(expense) and extraordinary items, minus taxes paid. We believe that free cash flow is useful to both management and investors in evaluating our operating performance compared with other companies in our industry. In particular, our calculation of free cash flow provides a clearer picture of our ability to generate net cash from operations, which is used for mandatory debt service requirements, to fund discretionary investments, pay dividends or pursue other strategic opportunities.

Free cash flow is not a measure of performance under IAS/IFRS. We include it in this Management Report in order to:

- Improve transparency for investors;
- Assist investors in their assessment of our operating performance and our ability to generate cash from operations in excess of our cash expenses;
- Ensure that this measure is fully understood in light of how we evaluate our operating results;
- Properly define the metrics used and confirm their calculation; and
- Share this measure with all investors at the same time.

Free cash flow is not meant to be considered in isolation or as a substitute for items appearing on our financial statements prepared in accordance with IAS/IFRS. Rather, this non-IAS/IFRS measure should be used as a supplement to IAS/IFRS results to assist the reader in better understanding the operational performance of the Company.

The Company cautions that this measure is not a defined term under IAS/IFRS and its definition should be carefully reviewed and understood by investors.

Investors should be aware that our method of calculation of free cash flow may differ from methods used by other companies. We recognize that the usefulness of free cash flow as an evaluative tool may have certain limitations, including:

- The manner in which we calculate free cash flow may differ from that of other companies, which limits its usefulness as a comparative measure;
- Free cash flow does not represent the total increase or decrease in the net debt balance for the period since it excludes, among other things, cash used for funding discretionary investments and to pursue strategic opportunities during the period and any impact of the exchange rate changes; and
- Free cash flow can be subject to adjustment at our discretion if we take steps or adopt policies that increase or diminish our current liabilities and/or changes to working capital.

We compensate for the foregoing limitations by using free cash flow as one of several comparative tools, together with IAS/IFRS measurements, to assist in the evaluation of our operating performance.

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The following table provides a reconciliation of free cash flow to adjusted EBITDA and the tables on earlier pages provide a reconciliation of adjusted EBITDA to adjusted net income and adjusted net income to net income, which is the most directly comparable IAS/IFRS financial measure:

Non-IAS/IFRS Measure: Free cash flow

	1Q 2012
	(Amounts in millions of Euro)
Adjusted EBITDA[1]	**346**
Δ working capital	(203)
Capex	(61)
Operating cash flow	**81**
Financial charges[2]	(32)
Taxes	(13)
Extraordinary charges[3]	(0)
Free cash flow	**36**

(1) EBITDA is not an IAS/IFRS measure; please see table on the earlier page for a reconciliation of EBITDA to net income

(2) Equals interest income minus interest expense

(3) Equals extraordinary income minus extraordinary expense

Net debt to EBITDA ratio

Net debt means the sum of bank overdrafts, current portion of long-term debt and long-term debt, less cash. EBITDA represents net income before non-controlling interest, taxes, other income/expense, depreciation and amortization. The Company believes that EBITDA is useful to both management and investors in evaluating the Company's operating performance compared with that of other companies in its industry. Our calculation of EBITDA allows us to compare our operating results with those of other companies without giving effect to financing, income taxes and the accounting effects of capital spending, which items may vary for different companies for reasons unrelated to the overall operating performance of a company's business. The ratio of net debt to EBITDA is a measure used by management to assess the Company's level of leverage, which affects our ability to refinance our debt as it matures and incur additional indebtedness to invest in new business opportunities. The ratio also allows management to assess the cost of existing debt since it affects the interest rates charged by the Company's lenders.

EBITDA and ratio of net debt to EBITDA are not measures of performance under International Financial Reporting Standards as issued by the International Accounting Standards Board (IAS/IFRS).

We include them in this Management Report in order to:

- improve transparency for investors;
- assist investors in their assessment of the Company's operating performance and its ability to refinance its debt as it matures and incur additional indebtedness to invest in new business opportunities;
- assist investors in their assessment of the Company's cost of debt;

ensure that these measures are fully understood in light of how the Company evaluates its operating results and leverage;

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- properly define the metrics used and confirm their calculation; and

- share these measures with all investors at the same time.

EBITDA and ratio of net debt to EBITDA are not meant to be considered in isolation or as a substitute for items appearing on our financial statements prepared in accordance with IAS/IFRS. Rather, these non-IAS/IFRS measures should be used as a supplement to IAS/IFRS results to assist the reader in better understanding the operational performance of the Company.

The Company cautions that these measures are not defined terms under IAS/IFRS and their definitions should be carefully reviewed and understood by investors.

Investors should be aware that Luxottica Group's method of calculating EBITDA and the ratio of net debt to EBITDA may differ from methods used by other companies.

The Company recognizes that the usefulness of EBITDA and the ratio of net debt to EBITDA as evaluative tools may have certain limitations, including:

- EBITDA does not include interest expense. Because we have borrowed money in order to finance our operations, interest expense is a necessary element of our costs and ability to generate profits and cash flows. Therefore, any measure that excludes interest expense may have material limitations;

- EBITDA does not include depreciation and amortization expense. Because we use capital assets, depreciation and amortization expense is a necessary element of our costs and ability to generate profits. Therefore, any measure that excludes depreciation and expense may have material limitations;

- EBITDA does not include provision for income taxes. Because the payment of income taxes is a necessary element of our costs, any measure that excludes tax expense may have material limitations;

- EBITDA does not reflect cash expenditures or future requirements for capital expenditures or contractual commitments;

- EBITDA does not reflect changes in, or cash requirements for, working capital needs;

- EBITDA does not allow us to analyze the effect of certain recurring and non-recurring items that materially affect our net income or loss; and

- The ratio of net debt to EBITDA is net of cash and cash equivalents, restricted cash and short-term investments, thereby reducing our debt position.

Because we may not be able to use our cash to reduce our debt on a dollar-for-dollar basis, this measure may have material limitations. We compensate for the foregoing limitations by using EBITDA and the ratio of net debt to EBITDA as two of several comparative tools, together with IAS/IFRS measurements, to assist in the evaluation of our operating performance and leverage.

See the table below for a reconciliation of net debt to long-term debt, which is the most directly comparable IAS/IFRS financial measure, as well as the calculation of the ratio of net debt to EBITDA. For a reconciliation of EBITDA to its most directly comparable IAS/IFRS measure, see the table on the earlier page.

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Non-IAS/IFRS Measure: Net debt and Net debt/EBITDA

	Mar. 31, 2012	Dec. 31, 2011
	(Amounts in millions of Euro)	
Long-term debt (+)	2,448.9	2,244.6
Current portion of long-term debt (+)	686.9	498.3
Bank overdrafts (+)	189.3	193.8
Cash (-)	(1,277.8)	(905.1)
Net debt (=)	2,047.3	2,031.6
EBITDA	1,172.0	1,131.0
Net debt/EBITDA	1.7x	1.8x
Net debt @ avg. exchange rates[1]	2,006.5	1,944.4
Net debt @ avg. exchange rates[1]/EBITDA	1.7x	1.7x

(1) Net debt figures are calculated using the average exchange rates used to calculate the EBITDA figures.

Non-IAS/IFRS Measure: Net debt and Net debt / *Adjusted* EBITDA

	Mar. 31, 2012[2]	Dec. 31, 2011[2]
	(Amounts in millions of Euro)	
Long-term debt (+)	2,448.9	2,244.6
Current portion of long-term debt (+)	686.9	498.3
Bank overdrafts (+)	189.3	193.8
Cash (-)	(1,277.8)	(905.1)

Net debt (=)	2,047.3	2,031.6
LTM Adjusted EBITDA	1,198.4	1,135.9
Net debt/LTM Adjusted EBITDA	1.7x	1.8x
Net debt @ avg. exchange rates[1]	2,006.5	1,944.4
Net debt @ avg. exchange rates[1]/LTM Adjusted EBITDA	1.7x	1.7x

(1) Net debt figures are calculated using the average exchange rates used to calculate the EBITDA figures.

(2) The adjusted figures exclude the following measures:

(a) an extraordinary gain of approximately Euro 19 million related to the acquisition, in 2009, of a 40% stake in Multiopticas Internacional;

(b) non-recurring costs related to Luxottica's 50th anniversary celebrations of approximately Euro 12 million, including the adjustment relating to the grant of treasury shares to Group employees;

(c) non-recurring restructuring and start-up costs in the Retail Division of approximately Euro 11 million; and

(d) non-recurring OPSM reorganization costs of approximately Euro 9.5 million in 2011 and Euro 22 million in 2012.

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FORWARD-LOOKING INFORMATION

Throughout this report, management has made certain "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995 which are considered prospective. These statements are made based on management's current expectations and beliefs and are identified by the use of forward-looking words and phrases such as "plans," "estimates," "believes" or "belief," "expects" or other similar words or phrases.

Such statements involve risks, uncertainties and other factors that could cause actual results to differ materially from those which are anticipated. Such risks and uncertainties include, but are not limited to, our ability to manage the effect of the uncertain current global economic conditions on our business, our ability to successfully acquire new businesses and integrate their operations, our ability to predict future economic conditions and changes in consumer preferences, our ability to successfully introduce and market new products, our ability to maintain an efficient distribution network, our ability to achieve and manage growth, our ability to negotiate and maintain favorable license arrangements, the availability of correction alternatives to prescription eyeglasses, fluctuations in exchange rates, changes in local conditions, our ability to protect our proprietary rights, our ability to maintain our relationships with host stores, any failure of our information technology, inventory and other asset risk, credit risk on our accounts, insurance risks, changes in tax laws, as well as other political, economic, legal and technological factors and other risks and uncertainties described in our filings with the U.S. Securities and Exchange Commission. These forward-looking statements are made as of the date hereof, and we do not assume any obligation to update them.

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION FOR THE PERIODS ENDED MARCH 31, 2012 AND DECEMBER 31, 2011(*)

	Note reference	March 31, 2012 (unaudited)	December 31, 2011 (unaudited)
		(Amounts in thousands of Euro)	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	5	1,277,788	905,100
Accounts receivable net	6	843,464	714,033
Inventories net	7	669,992	649,506
Other assets	8	215,650	230,850
Total current assets		**3,006,894**	**2,499,489**
NON-CURRENT ASSETS:			
Property, plant and equipment net	9	1,145,324	1,169,066
Goodwill	10	3,101,140	3,090,563
Intangible assets net	10	1,310,950	1,350,921
Investments	11	8,252	8,754
Other assets	12	140,807	147,625
Deferred tax assets	13	385,157	377,739
Total non-current assets		**6,091,630**	**6,144,667**
TOTAL ASSETS		**9,098,523**	**8,644,156**

LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings	14	189,326	193,834
Current portion of long-term debt	15	686,893	498,295
Accounts payable	16	523,747	608,327
Income taxes payable	17	82,824	39,859
Other liabilities	18	662,072	632,932
Total current liabilities		**2,144,863**	**1,973,247**
NON-CURRENT LIABILITIES:			
Long-term debt	19	2,448,872	2,244,583
Liability for termination indemnities	20	44,427	45,286
Deferred tax liabilities	21	442,154	456,375
Other liabilities	22	297,212	299,545
Total non-current liabilities		**3,232,664**	**3,045,789**
STOCKHOLDERS' EQUITY:			
Luxottica Group stockholders' equity	23	3,709,305	3,612,928
Non-controlling Interests	24	11,691	12,192
Total stockholders' equity		**3,720,996**	**3,625,120**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**9,098,523**	**8,644,156**

(*) In accordance with IAS/IFRS.

See notes to the consolidated financial statements.

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CONSOLIDATED STATEMENTS OF INCOME

FOR THE PERIODS ENDED MARCH 31, 2012 AND 2011[*]

(Amounts in thousands of Euro)[1]	Note reference	2011 (unaudited)	2010 (unaudited)
Net sales	25	**1,788,172**	**1,556,102**
Cost of sales		622,564	554,453
Gross profit		**1,165,608**	**1,001,648**
Selling	25	571,572	492,264
Royalties	25	32,518	28,543
Advertising	25	101,978	90,412
General and administrative	25	223,025	183,013
Total operating expenses		**929,093**	**794,232**
Income from operations		**236,516**	**207,416**
Other income/(expense)			
Interest income	25	5,417	2,087
Interest expense	25	(36,984)	(29,262)
Other net	25	(69)	(1,745)
Income before provision for income taxes		**204,880**	**178,497**
Provision for income taxes	25	(72,181)	(61,399)
Net income		**132,699**	**117,098**
Of which attributable to:			
Luxottica Group stockholders		**130,776**	**114,694**
Non-controlling interests		1,923	2,403
NET INCOME		**132,699**	**117,098**
Weighted average number of shares outstanding:			
Basic		462,217,203	459,932,593
Diluted		464,615,581	462,150,235
EPS:			
Basic		0.28	0.25
Diluted		0.28	0.25

(1) Amounts in thousands except per share data.

(*) In accordance with IAS/IFRS.

See notes to the consolidated financial statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE PERIODS ENDED MARCH 31, 2012 AND 2011(*)

(Amounts in thousands of Euro)	March 31, 2012 (unaudited)	March 31, 2011 (unaudited)
Net income	132,699	117,098
Other comprehensive income:		
Cash flow hedge net of tax	4,988	8,153
Currency translation differences	(74,865)	(152,088)
Actuarial gain/(loss) on defined benefit plans net of tax		(25)
Total other comprehensive income net of tax	(69,877)	(143,960)
Total comprehensive income for the period	62,823	(26,862)
Attributable to:		
Luxottica Group stockholders' equity	61,433	(29,584)
Non-controlling interests	1,390	2,722
Total comprehensive income for the period	62,823	(26,862)

(*) In accordance with IAS/IFRS.

See notes to the consolidated financial statements.

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CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE PERIODS ENDED MARCH 31, 2012 AND 2011 (UNAUDITED)[(*)]

	Capital stock		Legal reserve	Additional paid-in capital	Retained earnings	Stock options reserve	Translation of foreign operations and other	Treasury shares	Stockholders' equity	Non-controlling interests
	Number of shares	Amount								
	(Amounts in thousands of Euro, except share data)									
Balance as of January 1, 2011	**466,077,210**	**27,964**	**5,578**	**218,823**	**3,129,786**	**159,184**	**(172,431)**	**(112,529)**	**3,256,375**	**13,029**
Net Income					114,694				114,694	2,403
Other Comprehensive Income:										
Translation Difference							(152,407)		(152,407)	319
Cash Flow Hedge net of taxes of Euro 2,1 million					8,153				8,153	
Actuarial gains/(losses)					(25)				(25)	
Total Comprehensive Income as of March 31, 2011					**122,822**		**(152,407)**		**(29,584)**	**2,722**
Exercise of Stock Options	621,073	37		8,824					8,861	
Non-cash Stock based compensation						9,079			9,079	
Excess tax benefit on Stock Options										
Investment in Treasury shares								(10,473)	(10,473)	
Change in the consolidation perimeter					(500)				(500)	(2,068)
Dividends										(183)
Balance as of March 31, 2011	**466,698,283**	**28,001**	**5,578**	**227,647**	**3,252,109**	**168,263**	**(324,838)**	**(123,002)**	**3,233,758**	**13,501**

	Capital stock		Legal reserve	Additional paid-in capital	Retained earnings	Stock options reserve	Translation of foreign operations and other	Treasury shares	Stockholders' equity	Non-controlling interests
	Number of shares	Amount								
	(Amounts in thousands of Euro except share data)									
Balance as of January 1, 2012	**467,351,677**	**28,041**	**5,600**	**237,015**	**3,355,931**	**203,739**	**(99,980)**	**(117,418)**	**3,612,928**	**12,192**
Net Income					130,777				130,777	1,923
Other Comprehensive Income:										
Translation Difference							(74,332)		(74,332)	(533)
Cash Flow Hedge net of taxes of Euro 2,1 million					4,988				4,988	
Actuarial gains/(losses)										

Total Comprehensive Income as of March 31, 2012					**135,765**		**(74,332)**		**61,433**	**1,390**
Exercise of Stock Options	1,348,696	82		20,724					20,806	
Non-cash Stock based compensation						9,540			9,540	
Excess tax benefit on Stock Options				4,598					4,598	
Investment in Treasury shares										
Granting of treasury shares to employees					(25,489)			25,489		
Change in the consolidation perimeter										
Dividends										(1,891)
Balance as of March 31, 2012	**468,700,373**	**28,123**	**5,600**	**262,337**	**3,466,207**	**213,279**	**(174,312)**	**(91,929)**	**3,709,304**	**11,691**

(*)

In accordance with IAS/IFRS.

See notes to the consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE PERIODS ENDED MARCH 31, 2012 AND 2011(*)

(Amounts in thousands of Euro)	2012 (unaudited)	2011 (unaudited)
Net income	**132,699**	**117,098**
Stock-based compensation	9,540	9,079
Depreciation and amortization	87,390	75,557
Net loss on disposals of fixed assets and other	10,979	3,893
Other non-cash items(**)	(8,588)	(1,476)
Changes in accounts receivable	(122,217)	(99,482)
Changes in inventories	(6,796)	(6,455)
Changes in accounts payable	(84,961)	(93,348)
Changes in other assets/liabilities	23,237	5,538
Changes in income taxes payable	47,648	23,502
Total adjustments	**(43,767)**	**(83,192)**
Cash provided by operating activities	**88,932**	**33,906**
Property, plant and equipment:		
Additions	(37,025)	(57,887)
Disposals		
Purchases of businesses net of cash acquired(***)	(57,652)	(11,404)
Sales of businesses net of cash disposed		
Investments in equity investees		
Additions to intangible assets	(24,393)	
Cash used in investing activities	**(119,070)**	**(69,291)**

(*) In accordance with IAS/IFRS.

(**) Other non-cash items include deferred taxes for Euro (19.0) million (Euro (2.0) million in 2011) and other non-cash items for Euro 10.4 million (Euro 0.5 million in 2011).

(***) Purchases of businesses net of cash acquired includes the purchase of 80% of Tecnol for Euro 55.3 million (Euro 0.0 million in 2011) and other acquisitions for Euro 2.4 million (Euro 11.4 million in 2011).

See notes to the consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

FOR THE PERIODS ENDED MARCH 31, 2012 AND 2011(*)

(Amounts in thousands of Euro)	2012 (unaudited)	2011 (unaudited)
Long-term debt:		
Proceeds	507,981	
Repayments	(106,938)	(60,606)
Increase (decrease) in short-term lines of credit	(12,561)	(2,881)
Exercise of stock options	20,806	8,862
Sale of treasury shares		(10,473)
Dividends	(1,891)	(183)
Cash used in financing activities	**407,397**	**(65,281)**
Increase in cash and cash equivalents	377,260	(100,666)
Cash and cash equivalents, beginning of the period	**879,036**	**664,957**
Effect of exchange rate changes on cash and cash equivalents	(15,127)	(16,049)
Cash and cash equivalents, end of the period	**1,241,169**	**548,242**

Supplemental disclosure of cash flows information:

	2012	2011
Cash paid during the period for interest	45,761	41,917
Cash paid during the period for income taxes	12,574	6,140

The following is a reconciliation between the balance of cash and cash equivalents according to the consolidated statements of cash flows and the balance of cash and cash equivalents according to the consolidated statements of financial position:

	2011	2010
Cash and cash equivalents according to the consolidated statements of cash flows (net of bank overdrafts)	1,241,169	548,242
Bank overdrafts	36,619	39,665
Cash and cash equivalents according to the consolidated statements of financial position	**1,277,788**	**587,907**

(*) In accordance with IAS/IFRS.

See notes to the consolidated financial statements.

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Luxottica Group S.p.A.

Headquarters and registered office Via C. Cantù 2 20123 Milan, Italy
Capital Stock: € 28,122,022.38
authorized and issued

Notes to the
CONDENSED CONSOLIDATED QUARTERLY FINANCIAL REPORT
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(UNAUDITED)

1. BACKGROUND

Luxottica Group S.p.A. (hereinafter the "Company" or, together with its consolidated subsidiaries, the "Group") is a company listed on Borsa Italiana and the New York Stock Exchange with its registered office located at Via C. Cantù 2, Milan (Italy).

The Company is controlled by Delfin S.à r.l., based in Luxembourg. The chairman of the Board of Directors of the Company, Leonardo Del Vecchio, controls Delfin S.à r.l.

The Company's Board of Directors, at its meeting on May 7, 2012, approved this condensed consolidated quarterly financial report (hereinafter referred to as the "Quarterly Financial Report") for publication.

The financial statements included in this Quarterly Financial Report are unaudited.

2. BASIS OF PREPARATION

This Quarterly Financial Report has been prepared in accordance with article 154-ter of the Legislative Decree No. 58 of February 24, 1998.

The financial statements included in the Quarterly Financial Report (the "Quarterly Financials") have been prepared in compliance with the International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union ("IAS/IFRS"), and in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*.

The principles and standards used in the preparation of this unaudited First Quarter Financial Report are consistent with those used in preparing the audited consolidated financial statements as of December 31, 2011.

In particular, these Quarterly Financials have been prepared on a going concern basis. Management believes that there are no material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern.

The Quarterly Financials are composed of the consolidated statements of financial position, the consolidated statements of income, the consolidated statements of comprehensive income, the consolidated statements of stockholders' equity, the consolidated statements of cash flows and these Notes to the Condensed Consolidated Quarterly Financial Report as of March 31, 2012.

The preparation of an interim report requires management to use estimates and assumptions that affect the reported amounts of revenue, costs, assets and liabilities, as well as disclosures relating to contingent assets and liabilities at the reporting date. Results published on the basis of such estimates and assumptions could vary from actual results that may be realized in the future.

These measurement processes and, in particular, those that are more complex, such as the calculation of impairment losses on non-current assets, are generally carried out only when the audited consolidated financial statements for the fiscal year are prepared, when all the necessary information is available, unless there are indicators requiring immediate impairment testing. Similarly, the actuarial calculations necessary to calculate certain employee benefit liabilities, the changes to most deferred tax assets and liabilities and

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Notes to the
CONDENSED CONSOLIDATED QUARTERLY FINANCIAL REPORT (Continued)
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2. BASIS OF PREPARATION (Continued)

the impact of share-based payments are normally carried out when the audited consolidated financial statements for the fiscal year are prepared.

Lastly, with reference to Consob resolution no. 15519 of July 27, 2006, which addresses the format of the financial statements, the Company has not included any specific supplements to the statement of income, statement of financial position or statement of cash flows showing related party transactions, as these are immaterial. Please see Note 27 "Related Party Transactions" for additional details regarding transactions with related parties.

3. BUSINESS COMBINATIONS

On January 20, 2012, the Company successfully completed the acquisition of 80% of the share capital of the Brazilian entity Grupo Tecnol Ltda. The remaining 20% will be acquired evenly (five percent per year) starting from 2013 over a four year period. The consideration paid for the 80% was approximately 143.7 million Brazilian Reais (approximately Euro 61.9 million). Additionally, the Group assumed Tecnol debt amounting to approximately Euro 32.8 million. The acquisition furthers the Company's strategy of continued expansion of its wholesale business in South America.

The Company uses various methods to calculate the fair value of the assets acquired and the liabilities assumed. The purchase price allocation was not completed at the date these Quarterly Financials were authorized for issue.

The difference between the consideration paid and the net assets acquired was provisionally recorded as goodwill for an amount of Euro 78.9 million.

The above-mentioned goodwill is mainly related to the expected growth of Tecnol, taking into account the Company's strategy to expand its wholesale business in South America.

4. SEGMENT REPORTING

In accordance with IFRS 8 *Operating Segments* the segment reporting schedules are provided below using a reporting format which includes two market segments: the first relates to Manufacturing and Wholesale Distribution ("Wholesale"), while the second relates to Retail Distribution ("Retail").

The following table provides information by business segment, which management considers necessary to assess the Group's performance and to make future determinations relating to the allocation of resources.

(Amounts in thousands of Euro)	Manufacturing and wholesale distribution	Retail distribution	Inter-segment transactions and corporate adjustments	Consolidated
Three months ended March 31, 2012 (unaudited)				
Net sales	726,794	1,061,378		1,788,172
Income from operations	172,919	103,157	(39,560)	236,515
Capital expenditures	22,758	52,864		75,622(1)
Depreciation and amortization	23,112	43,461	20,818	87,390
Three months ended March 31, 2011 (unaudited)				
Net sales	641,127	914,975		1,556,102
Income from operations	147,819	96,755	(37,159)	207,416
Capital expenditures	17,420	40,467		57,887

Depreciation and amortization	20,718	34,470	20,368	75,556

(1) Capital expenditures in 2011 include capital leases of the Retail Division of Euro 14.2 million. Capital expenditures excluding such capital leases were Euro 61.4 million.

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NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CURRENT ASSETS

5. CASH AND CASH EQUIVALENTS

(Amounts in thousands of Euro)	As of March 31, 2012 (unaudited)	As of December 31, 2011 (audited)
Cash at bank and post office	1,264,252	891,406
Checks	8,335	9,401
Cash and cash equivalents on hand	5,201	4,293
Total	**1,277,788**	**905,100**

Please see Note 3 "Financial results" in the Management Report on the Interim Financial Results as of March 31, 2012 for further details on cash and cash equivalents.

6. ACCOUNTS RECEIVABLE NET

(Amounts in thousands of Euro)	As of March 31, 2012 (unaudited)	As of December 31, 2011 (audited)
Accounts receivable	879,947	749,992
Bad debt fund	(36,483)	(35,959)
Total	**843.464**	**714,033**

The above are exclusively trade receivables and are recognized net of allowances to adjust their carrying amount to estimated realizable value. They are all due within 12 months.

7. INVENTORIES NET

(Amounts in thousands of Euro)	As of March 31, 2012 (unaudited)	As of December 31, 2011 (audited)

Raw materials	138,328	128,909
Work in process	54,119	49,018
Finished goods	577,164	562,141
Less: inventory obsolescence reserves	(99,619)	(90,562)
Total	**669,992**	**649,506**

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8. OTHER ASSETS

(Amounts in thousands of Euro)	As of March 31, 2012 (unaudited)	As of December 31, 2011 (audited)
Sales taxes receivable	27,473	18,785
Short-term borrowing	992	1,186
Accrued income	4,081	1,573
Other financial assets	38,329	38,429
Total financial assets	**70,875**	**59,973**
Income taxes receivable	29,065	59,795
Advances to suppliers	13,131	12,110
Prepaid expenses	75,726	69,226
Other assets	26,854	29,746
Total other assets	**144,775**	**170,877**
Total other current assets	**215,650**	**230,850**

The increase in sales taxes receivables is mainly due to the acquisition of Tecnol during 2012.

Other financial assets included amounts recorded in the North American Retail Division of Euro 10.9 million as of March 31, 2012 (Euro 13.2 million as of December 31, 2011).

The decrease in income taxes receivable is mainly due to the utilization, in 2012, by certain U.S. subsidiaries of the receivable originated in 2011.

The net book value of financial assets is approximately equal to their fair value and corresponds to the maximum exposure of the credit risk. The Group has no guarantees or other instruments aimed at diminishing credit risk.

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NON-CURRENT ASSETS

9. PROPERTY, PLANT AND EQUIPMENT NET

Changes in items of property, plant and equipment during the first three months of 2012 are illustrated below:

(Amounts in thousands of Euro)	Land and buildings, including leasehold improvements	Machinery and equipment	Aircraft	Other equipment	Total
Balance as of January 1, 2012					
Historical cost	900,367	983,164	38,087	586,980	2,508,598
Accumulated depreciation	(405,526)	(613,127)	(8,776)	(312,103)	(1,339,532)
Balance as of January 1, 2012	**494,841**	**370,037**	**29,311**	**274,877**	**1,169,066**
Increases	8,414	31,958		10,857	51,229
Decreases	(1,144)			(10,662)	(11,806)
Business combinations	952	7,673		1,560	10,185
Translation differences and other	(6,649)	(2,817)		(10,691)	(20,157)
Depreciation expense	(15,425)	(22,399)	(388)	(14,981)	(53,193)
Balance as of March 31, 2012	**480,989**	**384,452**	**28,923**	**250,960**	**1,145,324**
Historical cost	883,895	1,015,680	38,087	559,577	2,497,239
Accumulated depreciation	(402,906)	(631,228)	(9,164)	(308,617)	(1,351,915)
Balance as of March 31, 2012	**480,989**	**384,452**	**28,923**	**250,960**	**1,145,324**

Depreciation of Euro 53.2 million (Euro 54.3 million in the same period in 2011) was included in the cost of sales (Euro 17.0 million, compared to Euro 15.3 million in the same period in 2011), selling expenses (Euro 29.1 million, compared to Euro 25.7 million in the same period in 2011), advertising expenses (Euro 1.1 million, compared to Euro 1.2 million in the same period in 2011) and general and administrative expenses (Euro 6.0 million, compared to Euro 12.1 million in the same period in 2011).

Other equipment included assets under construction of Euro 50.0 million at March 31, 2012 (Euro 54.5 million at December 31, 2011), mainly relating to the opening and renovation of North American retail stores.

Leasehold improvements totaled Euro 220.9 million and Euro 230.4 million at March 31, 2012 and December 31, 2011, respectively.

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Notes to the
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10. GOODWILL AND INTANGIBLE ASSETS NET

Changes in intangible assets in the first three months of 2012 are illustrated below:

(Amounts in thousands of Euro)	Goodwill	Trade names and trademarks	Distributor network	Customer relations, contracts and lists	Franchise agreements	Other	Total
Balance as of January 1, 2012							
Historical cost	3,137,506	1,576,008	287	229,733	22,181	464,712	5,430,427
Accumulated amortization	(46,943)	(660,958)	(270)	(68,526)	(7,491)	(204,756)	(988,943)
Balance as of January 1, 2012	**3,090,563**	**915,050**	**17**	**161,208**	**14,690**	**259,956**	**4,441,484**
Increases						24,464	24,464
Decreases						(689)	(689)
Intangible assets from business acquisitions	81,039	302				2,245	83,587
Translation differences and other	(70,463)	(20,878)	1	(4,357)	(454)	(6,408)	(102,558)
Amortization expense		(17,180)	(5)	(3,635)	(274)	(13,104)	(34,197)
Balance as of March 31, 2012	**3,101,140**	**877,294**	**13**	**153,216**	**13,963**	**266,464**	**4,412,090**
Historical cost	3,147,440	1,534,458	293	223,443	21,488	460,663	5,387,787
Accumulated amortization	(46,301)	(657,165)	(279)	(70,227)	(7,525)	(194,199)	(975,696)
Balance as of March 31, 2012	**3,101,140**	**877,294**	**13**	**153,216**	**13,963**	**266,464**	**4,412,090**

The increase in goodwill and intangible assets from business acquisitions mainly relates to the acquisition of Tecnol in January 2012. For additional details on the acquisition, please refer to Note 3 "Business Combinations."

11. INVESTMENTS

This item amounted to Euro 8.3 million (Euro 8.8 million at December 31, 2011).

12. OTHER ASSETS

Other non-current assets amounted to Euro 140.8 million (Euro 147.6 million at December 31, 2011) and were primarily comprised of security deposits of Euro 32.0 million (Euro 32.9 million at December 31, 2011) and advances the Group paid to certain licensees for future contractual minimum royalties, amounting to Euro 83.8 million (Euro 88.3 million at December 31, 2011).

13. DEFERRED TAX ASSETS

Deferred tax assets showed a balance of Euro 385.2 million (Euro 377.7 million at December 31, 2011), increasing by Euro 7.5 million. Deferred tax assets primarily related to temporary differences between the tax values and carrying amounts of inventories, intangible assets, pension funds and tax losses carried forward.

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13. DEFERRED TAX ASSETS (Continued)

LIABILITIES AND EQUITY

14. BANK OVERDRAFTS

Bank overdrafts at March 31, 2012 reflected current account overdrafts with various banks. The interest rates on these credit lines are floating, and the credit lines may be used, if necessary, to obtain letters of credit.

15. CURRENT PORTION OF LONG-TERM DEBT

This item consists of the current portion of loans granted to the Group, as further described below in Note 19 "Long-term Debt."

16. ACCOUNTS PAYABLE

Accounts payable consist of invoices received and not yet paid at the reporting date, in addition to invoices to be received, accounted for on an accrual basis.

The balance, which is due in its entirety within 12 months, is detailed below:

(Amounts in thousands of Euro)	As of March 31, 2012 (unaudited)	As of December 31, 2011 (audited)
Accounts payable	361,620	452,546
Invoices to be received	162,128	155,781
Total	**523,747**	**608,327**

17. INCOME TAXES PAYABLE

Income taxes payable include liabilities for current taxes which are certain and determined.

(Amounts in thousands of Euro)	As of March 31, 2012 (unaudited)	As of December 31, 2011 (audited)
Current year income taxes payable fund	100,875	59,310
Income taxes advance payment	(18,051)	(19,451)
Total	**82,824**	**39,859**

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18. OTHER LIABILITIES

(Amounts in thousands of Euro)	As of March 31, 2012 (unaudited)	As of December 31, 2011 (audited)
Premiums and discounts to suppliers	33,633	47,519
Sales commissions	884	904
Leasing rental	22,690	23,181
Insurance	10,221	9,893
Sales taxes payable	53,535	31,740
Salaries payable	188,805	204,481
Due to social security authorities	38,358	28,678
Sales commissions payable	8,364	9,733
Royalties payable	1,919	2,218
Other financial liabilities	183,389	164,728
Total financial liabilities	**541,799**	**523,075**
Deferred income	3,571	3,626
Customers' right of return	33,551	31,094
Advances from customers	45,857	47,501
Other liabilities	37,295	27,636
Total liabilities	**120,273**	**109,857**
Total other current liabilities	**662,072**	**632,932**

Other liabilities consist of the current portion of funds set aside for the provision for risks, which primarily included:

Provisions for long-term insurance risk of Euro 0.9 million as of March 31, 2012 and Euro 0.8 million as of December 31, 2011;

Provisions for licensing expenses and advertising expenses for licensed designer brands of Euro 10.5 million (Euro 5.2 million as of December 31, 2011), which are based upon advertising expenses that the Group is required to incur under the license agreements; and

Provisions for various litigated matters that have occurred in the ordinary course of business of Euro 4.5 million (Euro 4.9 million as of December 31, 2011).

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19. LONG-TERM DEBT

The Company's long-term debt consists of the following:

(Amounts in thousands of Euro)	As of March 31, 2012 (unaudited)	As of December 31, 2011 (audited)
Luxottica Group S.p.A. credit agreement with various financial institutions[a]	457,135	487,363
Senior unsecured guaranteed notes[b]	1,702,626	1,226,246
Credit agreement with various financial institutions[c]	213,199	225,955
Credit agreement with various financial institutions for Oakley acquisition[d]	711,403	772,743
Capital lease obligations, payable in installments through 2010	4,705	3,788
Other loans with banks and other third parties, interest at various rates, payable in installments through 2014[e]	46,697	26,783
Total	**3,135,765**	**2,742,878**
Less: Current maturities	686,893	498,295
Long-term debt	**2,448,872**	**2,244,583**

(a) On May 29, 2008, the Company entered into a Euro 250.0 million revolving credit facility, guaranteed by its subsidiary, Luxottica U.S. Holdings Corp. ("U.S. Holdings"), with Intesa Sanpaolo S.p.A., as agent, and Intesa Sanpaolo S.p.A., Banca Popolare di Vicenza S.c.p.A. and Banca Antonveneta S.p.A., as lenders. The final maturity of the credit facility is May 29, 2013. This revolving credit facility requires repayments of equal quarterly installments of Euro 30.0 million of principal which started on August 29, 2011, with a repayment of Euro 40.0 million on the final maturity date of May 29, 2013. Interest accrues at EURIBOR (as defined in the agreement) plus a margin between 0.40 percent and 0.60 percent based on the "Net Debt/EBITDA" ratio, as defined in the agreement (1.447 percent as of March 31, 2012). As of March 31, 2012, Euro 160.0 million was borrowed under this credit facility. The credit facility contains certain financial and operating covenants. The Company was in compliance with those covenants as of March 31, 2012.

In June and July 2009, the Company entered into eight interest rate swap transactions with an aggregate initial notional amount of Euro 250.0 million with various banks ("Intesa Swaps"). The notional amounts of the Intesa Swaps decrease on a quarterly basis, following the amortization schedule of the underlying facility, which started on August 29, 2011. These Intesa Swaps will expire on May 29, 2013. The Intesa Swaps were entered into as a cash flow hedge on the Intesa Sanpaolo S.p.A. credit facility discussed above. The Intesa Swaps exchange the floating rate of EURIBOR for an average fixed rate of 2.252 percent per annum. The ineffectiveness of cash flow hedges was tested at the inception date and at least every three months. The results of the tests indicated that the cash flow hedges are highly effective.

On November 11, 2009, the Company entered into a Euro 300.0 million Term Facility Agreement, guaranteed by its subsidiaries U.S. Holdings and Luxottica S.r.l., with Mediobanca Banca di Credito Finanziario S.p.A., as agent, and Mediobanca Banca di Credito Finanziario S.p.A., Deutsche Bank S.p.A., Calyon S.A. Milan Branch and Unicredit Corporate Banking S.p.A., as lenders. The final maturity of the Term Facility was November 30, 2012 prior to the renegotiation discussed below. Interest accrued at EURIBOR (as defined in the agreement) plus a margin between 1.75 percent and 3.00 percent

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19. LONG-TERM DEBT (Continued)

based on the "Net Debt/EBITDA" ratio, as defined in the agreement. In November 2010, the Company renegotiated this credit facility. The final maturity of the Term Facility is November 30, 2014. Interest accrues at EURIBOR (as defined in the agreement) plus a margin between 1.00 percent and 2.75 percent based on the "Net Debt/EBITDA" ratio (1.694 percent as of March 31, 2012). As of March 31, 2012, Euro 300.0 million was borrowed under this credit facility.

(b) On July 1, 2008, U.S. Holdings closed a private placement of U.S. $275.0 million senior unsecured guaranteed notes (the "2008 Notes"), issued in three series (Series A, Series B and Series C). The aggregate principal amounts of the Series A, Series B and Series C Notes are U.S. $20.0 million, U.S. $127.0 million and U.S. $128.0 million, respectively. The Series A Notes mature on July 1, 2013, the Series B Notes mature on July 1, 2015 and the Series C Notes mature on July 1, 2018. Interest on the Series A Notes accrues at 5.96 percent per annum, interest on the Series B Notes accrues at 6.42 percent per annum and interest on the Series C Notes accrues at 6.77 percent per annum. The 2008 Notes contain certain financial and operating covenants. The Group was in compliance with those covenants as of March 31, 2012. The proceeds from the 2008 Notes received on July 1, 2008 were used to repay a portion of the Bridge Loan Facility (described in (d) below).

On January 29, 2010, U.S. Holdings closed a private placement of U.S. $175.0 million senior unsecured guaranteed notes (the "January 2010 Notes"), issued in three series (Series D, Series E and Series F). The aggregate principal amounts of the Series D, Series E and Series F Notes are U.S. $50.0 million, U.S. $50.0 million and U.S. $75.0 million, respectively. The Series D Notes mature on January 29, 2017, the Series E Notes mature on January 29, 2020 and the Series F Notes mature on January 29, 2019. Interest on the Series D Notes accrues at 5.19 percent per annum, interest on the Series E Notes accrues at 5.75 percent per annum and interest on the Series F Notes accrues at 5.39 percent per annum. The January 2010 Notes contain certain financial and operating covenants. The Group was in compliance with those covenants as of March 31, 2012.

On September 30, 2010, the Company closed a private placement of Euro 100.0 million senior unsecured guaranteed notes (the "September 2010 Notes"), issued in two series (Series G and Series H). The aggregate principal amounts of the Series G and Series H Notes are Euro 50.0 million and Euro 50.0 million, respectively. The Series G Notes mature on September 15, 2017 and the Series H Notes mature on September 15, 2020. Interest on the Series G Notes accrues at 3.75 percent per annum and interest on the Series H Notes accrues at 4.25 percent per annum. The September 2010 Notes contain certain financial and operating covenants. The Company was in compliance with those covenants as of March 31, 2012.

On November 10, 2010, the Company issued senior unsecured guaranteed notes to institutional investors for an aggregate principal amount of Euro 500.0 million. The notes mature on November 10, 2015 and interest accrues at 4.00 percent. The notes are listed on the Luxembourg Stock Exchange (ISIN XS0557635777). The notes were issued in order to exploit favorable market conditions and extend the average maturity of the Group's debt.

On December 15, 2011, U.S. Holdings closed a private placement of U.S. $350 million of senior unsecured guaranteed notes ("Series I"). Interest on the Series I Notes accrues at 4.35 percent per annum. The Series I Notes mature on December 15, 2021. The Series I Notes contain certain financial and operating covenants. The Company was in compliance with those covenants as of March 31, 2012.

Notes to the
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19. LONG-TERM DEBT (Continued)

On March 19, 2012, the Company issued senior unsecured guaranteed notes to institutional investors for an aggregate principal amount of Euro 500.0 million. The notes mature on March 19, 2019 and interest accrues at 3.625 percent. The notes are listed on the Luxembourg Stock Exchange (ISIN XS0758640279). The notes were issued in order to take advantage of favorable market conditions and extend the average maturity of the Group's debt. On March 19, 2012, Standard & Poor's assigned the notes a credit rating of BBB+.

(c) On June 3, 2004, as amended on March 10, 2006, the Company and U.S. Holdings entered into a credit facility with a group of banks providing for loans in the aggregate principal amount of Euro 740.0 million and U.S. $325.0 million. The five-year facility consisted of three Tranches (Tranche A, Tranche B and Tranche C). The March 10, 2006 amendment increased the available borrowings to Euro 1,130.0 million and U.S. $325.0 million, decreased the interest margin and defined a new maturity date of five years from the date of the amendment for Tranche B and Tranche C. In February 2007, the Company exercised an option included in the amendment to the term and revolving facility to extend the maturity date of Tranches B and C to March 2012. In February 2008, the Company exercised an option included in the amendment to the term and revolving facility to extend the maturity date of Tranches B and C to March 2013. Tranche A, which was to be used for general corporate purposes, including the refinancing of existing Company debt as it matures, was a Euro 405.0 million amortizing term loan requiring repayment of nine equal quarterly installments of principal of Euro 45.0 million beginning in June 2007. Tranche A expired on June 3, 2009 and was repaid in full. Tranche B is a term loan of U.S. $325.0 million which was drawn upon on October 1, 2004 by U.S. Holdings to finance the purchase price of the acquisition of Cole National Corporation ("Cole"). Amounts borrowed under Tranche B will mature in March 2013. Tranche C is a Revolving Credit Facility of Euro 725.0 million-equivalent multi-currency (Euro/US dollar). Amounts borrowed under Tranche C may be repaid and reborrowed with all outstanding balances maturing in March 2013. The Company can select interest periods of one, two, three or six months with interest accruing on Euro-denominated loans based on the corresponding EURIBOR rate and US dollar-denominated loans based on the corresponding LIBOR rate, both plus a margin between 0.20 percent and 0.40 percent based on the "Net Debt/EBITDA" ratio, as defined in the agreement. The interest rate on March 31, 2012 was 0.492 percent for Tranche B, while Tranche C was not used. The credit facility contains certain financial and operating covenants. The Company was in compliance with those covenants as of March 31, 2012. Under this credit facility, Euro 213.7 million was borrowed as of March 31, 2012. The Company cancelled Tranche C effective April 27, 2012.

During the third quarter of 2007, the Group entered into 13 interest rate swap transactions with an aggregate initial notional amount of U.S. $325.0 million with various banks ("Tranche B Swaps"). These swaps expired on March 10, 2012. The Tranche B Swaps were entered into as a cash flow hedge on Tranche B of the credit facility discussed above. The Tranche B Swaps exchange the LIBOR floating rate for an average fixed rate of 4.634 percent per annum. The ineffectiveness of cash flow hedges was tested at the inception date and at least every three months.

(d) On November 14, 2007, the Group completed the merger with Oakley for a total purchase price of approximately U.S. $2.1 billion. In order to finance the acquisition of Oakley, on October 12, 2007, the Company and U.S. Holdings entered into two credit facilities with a group of banks providing for certain term loans and a short-term bridge loan (with an original principal balance of $500 milion which was repaid and cancelled as of December 31, 2011) for an aggregate principal amount of U.S. $2.0 billion. The

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19. LONG-TERM DEBT (Continued)

term loan facility is a term loan of U.S. $1.5 billion, with a five-year term, with options to extend the maturity on two occasions for one year each time. The term loan facility is divided into two facilities, Facility D and Facility E. Facility D is a U.S. $1.0 billion amortizing term loan requiring repayments of U.S. $50.0 million on a quarterly basis starting from October 2009, made available to U.S. Holdings, and Facility E consists of a bullet term loan in an aggregate amount of U.S. $500.0 million, made available to the Company. Interest accrues on the term loan at LIBOR plus 20 to 40 basis points based on "Net Debt to EBITDA" ratio, as defined in the facility agreement (0.830 percent for Facility D and 0.724 percent for Facility E on March 31, 2012). The repayment of the facility is scheduled for October 12, 2012. In September 2008, the Company exercised an option included in the agreement to extend the maturity date of Facilities D and E to October 12, 2013. These credit facilities contain certain financial and operating covenants. The Company was in compliance with those covenants as of March 31, 2011. U.S. $1.0 billion was borrowed under this credit facility as of March 31, 2012.

During the third quarter of 2007, the Group entered into ten interest rate swap transactions with an aggregate initial notional amount of U.S. $500.0 million with various banks ("Tranche E Swaps"). These swaps will expire on October 12, 2012. The Tranche E Swaps were entered into as a cash flow hedge on Facility E of the credit facility discussed above. The Tranche E Swaps exchange the floating rate of LIBOR for an average fixed rate of 4.260 percent per annum. The ineffectiveness of cash flow hedges was tested at the inception date and at least every three months. The results of the tests indicated that the cash flow hedges are highly effective.

During the fourth quarter of 2008 and the first quarter of 2009, U.S. Holdings entered into 14 interest rate swap transactions with an aggregate initial notional amount of U.S. $700.0 million with various banks ("Tranche D Swaps"), which began decreasing by U.S. $50.0 million every three months on April 12, 2011. The final maturity of these swaps will be October 12, 2012. The Tranche D Swaps were entered into as a cash flow hedge on Facility D of the credit facility discussed above. The Tranche D Swaps exchange the floating rate of LIBOR for an average fixed rate of 2.767 percent per annum. The ineffectiveness of cash flow hedges was tested at the inception date and at least every three months. The results of the tests indicated that the cash flow hedges are highly effective.

As of March 31, 2012, the Group had unused committed (revolving) credit lines for Euro 692.2 million.

(e) Other loans consist of several small credit agreements which are not material.

Long-term debt, including capital lease obligations, as of March 31, 2012 matures as follows:

(Amounts in thousands of Euro)

2012	414,381
2013	736,982
2014	300,000
2015	595,088
2016 and subsequent years	1,088,919
Effect deriving from the adoption of the amortized cost method	394
Total	3,135,765

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19. LONG-TERM DEBT (Continued)

The net financial position was as follows:

	(Amounts in thousands of Euro)	March 31, 2012 (unaudited)	December 31, 2011 (audited)
A	Cash and cash equivalents	1,277,788	905,100
B	Other availabilities		
C	Marketable securities		
D	**Availabilities (A) + (B) + (C)**	1,277,788	905,100
E	**Current Investments**		
F	Bank overdrafts	189,326	193,834
G	Current portion of long-term debt	686,893	498,295
H	Other liabilities		
I	**Current Liabilities (F) + (G) + (H)**	**876,220**	**692,129**
J	**Net Current Liabilities (I) (E) (D)**	**(401,568)**	**(212,971)**
K	Long-term debt	746,246	541,957
L	Notes paybles	1,702,626	1,702,626
M	Other non-current liabilities		
N	**Total non-current liabilities (K) + (L) + (M)**	**2,448,872**	**2,244,583**
O	**Net Financial Position (J) + (N)**	**2,047,303**	**2,031,612**

Our net financial position with respect to related parties is not material.

20. LIABILITY FOR TERMINATION INDEMNITIES

This item amounted to Euro 44.4 million as of March 31, 2012 (Euro 45.3 million at December 31, 2011). This item primarily includes liabilities related to the post-employment benefits of our Italian employees.

21. DEFERRED TAX LIABILITIES

Deferred tax liabilities amounted to Euro 442.2 million and Euro 456.4 million as of March 31, 2012 and December 31, 2011, respectively. Deferred tax liabilities primarily relate to temporary differences between the tax values and carrying amounts of property, plant and equipment and intangible assets.

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22. OTHER NON-CURRENT LIABILITIES

(Amounts in thousands of Euro)	As of March 31, 2012 (unaudited)	As of December 31, 2011 (audited)
Risk funds	80,730	80,400
Other liabilities	143,689	152,388
Other financial liabilities	72,793	66,757
Total	**297,212**	**299,545**

Risk funds includes:

accruals for "self-insurance" covering specific risks, amounting to Euro 23.0 million (Euro 23.8 million at December 31, 2011);

accruals for various legal disputes arising from normal business activities totaling Euro 8.6 million (Euro 8.6 million at December 31, 2011); and

accruals for tax liabilities of Euro 35.6 million (Euro 36.4 million at December 31, 2011).

Other liabilities (Euro 143.7 million, compared to Euro 152.4 million at December 31, 2011) consisted of liabilities for U.S. pension funds. Other financial liabilities mainly includes the non-current portion of interest rate derivative liabilities (Euro 4.5 million at March 31, 2012, compared to Euro 8.6 million at December 31, 2011).

23. LUXOTTICA GROUP STOCKHOLDERS' EQUITY

Capital stock

The Company's capital stock at March 31, 2012 amounted to Euro 28,122,022.38 and was comprised of 468,700,373 ordinary shares of stock with a par value of Euro 0.06 per share. At January 1, 2012, the capital stock amounted to Euro 28,041,100.62 and was comprised of 467,351,677 ordinary shares of stock with a par value of Euro 0.06 per share.

Following the exercise of 1,348,696 options to purchase ordinary shares of stock granted to employees under existing stock option plans, the capital stock increased by Euro 80,921.76 in the first three months of 2012.

The options exercised included 138,100 from the 2003 grant, 399,200 from the 2004 grant, 100,000 from the 2004 STR grant, 306,256 from the 2005 grant and 405,140 from the 2008 grant.

Legal reserve

This reserve represents the portion of the Company's earnings that is not distributable as dividends, in accordance with article 2430 of the Italian Civil Code.

Additional paid-in capital

This reserve increases in connection with the issuance and exercise of options.

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23. LUXOTTICA GROUP STOCKHOLDERS' EQUITY (Continued)

Retained earnings

These include subsidiaries' earnings that have not been distributed as dividends and the amount of consolidated subsidiaries' equity in excess of the corresponding carrying amounts of investments in the same subsidiaries. This item also includes amounts arising as a result of consolidation adjustments.

Translation of foreign operations

Translation differences are generated by the translation into Euro of financial statements prepared in currencies other than Euro.

Treasury reserve

Treasury reserve was equal to Euro 91.9 million as of March 31, 2012 (Euro 117.4 million as of December 31, 2011). The decrease of Euro 25.5 million was due to grants to certain top executives of approximately 1.5 million of treasury shares as a result of the achievement of the financial targets identified by the Board of Directors for the 2009 PSP. As a result of these grants, treasury shares were reduced from 6,186,425 as of December 31, 2011 to 4,681,025 as of March 31, 2012.

24. NON-CONTROLLING INTERESTS

Equity attributable to non-controlling interests amounted to Euro 11.7 million and Euro 12.2 million at March 31, 2012 and December 31, 2011, respectively.

25. NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

Please refer to Note 3 "Financial Results" in the Management Report on the Interim Consolidated Financial Results as of March 31, 2012 (unaudited).

26. COMMITMENTS AND RISKS

The Group has commitments under contractual agreements in place. Such commitments relate to the following:

Royalty agreements signed with certain designers whereby the Group is required to pay royalties and advertising fees calculated as a percentage of turnover (as contractually defined) guaranteeing, in some cases, a minimum annual amount. These agreements require minimum payments of an aggregate of Euro 331.5 million as of March 31, 2012 and Euro 359.5 million as of December 31, 2011.

Rental and operating lease agreements for various stores, plants, warehouses and offices, along with a portion of the IT system and motor vehicles. The agreements include renewal options subject to various conditions. The rental and licensing agreements for the Group's points of sale in the United States often include rent increase clauses and conditions requiring the payment of progressively higher rent installments, in addition to an established minimum, in relation to the achievement of sales targets set forth in such agreements. Future minimum rental payments required under these

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26. COMMITMENTS AND RISKS (Continued)

rental and operating agreements were Euro 1,051.5 million as of March 31, 2012 and Euro 1,255.9 million as of December 31, 2011.

Other commitments which include future payments for endorsement contracts, supplier purchases and other long-term commitments mainly consist of auto, machinery and equipment lease commitments were Euro 61.4 million as of March 31, 2012 and Euro 60.5 million as of December 31, 2011.

Guarantees

The United States Shoe Corporation, a wholly-owned subsidiary within the Group, has guaranteed the lease payments for five stores in the United Kingdom. These lease agreements have varying termination dates through June 30, 2017. At March 31, 2012, the Group's maximum liability amounted to Euro 3.1 million (Euro 3.3 million at December 31, 2011).

A wholly-owned U.S. subsidiary guaranteed future minimum lease payments for lease agreements on certain stores. The lease agreements were signed directly by the franchisees as part of certain franchising agreements. Total minimum guaranteed payments under this guarantee were Euro 1.4 million (U.S. $1.8 million) at March 31, 2012 (Euro 1.4 million at December 31, 2011). The commitments provided for by the guarantee arise if the franchisee cannot honor its financial commitments under the lease agreements.

Credit lines $1,639,581 $(53,491) $1,925,818

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended

	January 2, 2011	January 3, 2010 (In thousands)	December 28, 2008
Operating activities:			
Net income	$ 383,919	$ 85,599	$ 126,409
Add: net income from discontinued operations and dispositions	(247,997)	(11,264)	(35,519)
Income from continuing operations	135,922	74,335	90,890
Adjustments to reconcile income from continuing operations to net cash provided by continuing operations:			
Restructuring and lease charges, net	18,963	17,987	6,669
Depreciation and amortization	89,163	80,762	77,376
Stock-based compensation	12,416	13,995	18,146
Deferred taxes	(25,476)	27,495	(16,880)
Contingencies and prior year tax matters	(7,671)	577	(7,257)
Amortization of deferred debt issuance costs, interest rate hedge and accretion of discounts	2,613	2,540	2,239
Gains on step acquisition and dispositions, net	(28,942)		(1,158)
Amortization of acquired inventory revaluation		1,141	
Changes in assets and liabilities which (used) provided cash, excluding effects from companies purchased and divested:			
Accounts receivable, net	(38,103)	(30,439)	(6,120)
Inventories, net	(22,630)	(4,474)	(9,493)
Accounts payable	27,789	(10,435)	4,548
Excess tax benefit from exercise of common stock options	2,405	222	342
Accrued expenses and other	754	(45,858)	11,486
Net cash provided by operating activities of continuing operations	167,203	127,848	170,788
Net cash (used in) provided by operating activities of discontinued operations	(2,950)	20,874	47,056
Net cash provided by operating activities	164,253	148,722	217,844
Investing activities:			
Capital expenditures	(33,646)	(25,516)	(35,269)
Proceeds from dispositions of property, plant and equipment, net	11,014		
Changes in restricted cash balances	(1,120)	1,412	384
Payments for business development activity			(167)
Proceeds from dispositions of businesses and investments, net			1,158
Payments for acquisitions and investments, net of cash and cash equivalents acquired	(150,374)	(101,926)	(85,642)
Net cash used in investing activities of continuing operations	(174,126)	(126,030)	(119,536)
Net cash provided by (used in) investing activities of discontinued operations	469,275	(27,837)	(16,142)
Net cash provided by (used in) investing activities	295,149	(153,867)	(135,678)
Financing activities:			
Payments on debt	(508,846)	(361,547)	(633,000)
Proceeds from borrowings	368,000	406,500	476,000
Proceeds from sale of senior debt			150,000
Payments of debt issuance costs	(72)	(7)	(1,997)
Settlement of cash flow hedges			(27,064)
Payments on other credit facilities	(149)	(116)	(521)
Payments for acquisition related contingent consideration	(136)		
Excess tax benefit from exercise of common stock options	2,405	222	342

Proceeds from issuance of common stock under stock plans	29,035	6,244	43,741
Purchases of common stock	(72,768)	(14,619)	(75,514)
Dividends paid	(32,992)	(32,701)	(33,072)
Net cash (used in) provided by financing activities of continuing operations	(215,523)	3,976	(101,085)
Net cash used in financing activities of discontinued operations	(2,844)	(1,564)	
Net cash (used in) provided by financing activities	(218,367)	2,412	(101,085)
Effect of exchange rate changes on cash and cash equivalents	(656)	3,330	(5,319)
Net increase (decrease) in cash and cash equivalents	240,379	597	(24,238)
Cash and cash equivalents at beginning of year	179,707	179,110	203,348
Cash and cash equivalents at end of year	$ 420,086	$ 179,707	$ 179,110
Supplemental disclosures of cash flow information			
Cash paid during the year for:			
Interest	$ 12,226	$ 12,410	$ 20,157
Income taxes	$ 32,910	$ 35,381	$ 38,357

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Nature of Operations and Accounting Policies

Nature of Operations: PerkinElmer, Inc. is a leading provider of technology, services and solutions to the diagnostics, research, environmental and safety, industrial and laboratory services markets. Through its technologies, applications and services critical issues are addressed that help to improve the health and safety of people and their environment. The results are reported within two reporting segments: Human Health and Environmental Health.

The consolidated financial statements include the accounts of PerkinElmer, Inc. and its subsidiaries (the Company). All intercompany balances and transactions have been eliminated in consolidation. Investments in business entities in which the Company does not have control, but has the ability to exercise significant influence over operating and financial policies, are accounted for by the equity method.

The Company has two operating segments; Human Health and Environmental Health. The Company s Human Health segment concentrates on developing diagnostics, tools and applications to help detect diseases earlier and more accurately and to accelerate the discovery and development of critical new therapies. Within the Human Health segment, the Company serves both the diagnostics and research markets. The Company s Environmental Health segment provides technologies and applications to facilitate the creation of safer food and consumer products, more secure surroundings and efficient energy resources. The Environmental Health segment serves the environmental and safety, industrial and laboratory services markets.

The Company s fiscal year ends on the Sunday nearest December 31. The Company reports fiscal years under a 52/53 week format. Under this method, certain years will contain 53 weeks. The fiscal year ended January 2, 2011 included 52 weeks. The fiscal years ended January 3, 2010 and December 28, 2008 included 53 weeks and 52 weeks, respectively. The fiscal year ending January 1, 2012 will include 52 weeks.

The Company has evaluated subsequent events from January 2, 2011 through the date of the issuance of these consolidated financial statements and has determined that no material subsequent events have occurred that would affect the information presented in these consolidated financial statements or to require additional disclosure.

Reclassifications: Certain reclassifications were made to prior year amounts to conform to the current period presentation. None of the reclassifications affected the Company s net income in any period.

Accounting Policies and Estimates: The preparation of consolidated financial statements in accordance with United States (U.S.) Generally Accepted Accounting Principles (GAAP) requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, the Company evaluates its estimates. The Company bases its estimates on historical experience and on various other assumptions that are believed 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.

Revenue Recognition: The Company s product sales are recorded when persuasive evidence of an arrangement exists, delivery has occurred, the price to the buyer is fixed or determinable, and collectability is reasonably assured. For products that include installation, and if the installation meets the criteria to be considered a separate element, product revenue is recognized upon delivery, and installation revenue is recognized when the installation is complete. For sales that include customer-specified acceptance criteria, revenue is recognized after the acceptance criteria have been met. Certain of the Company s products require specialized installation. Revenue for these products is deferred until installation is completed. Revenue from

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

services is deferred and recognized over the contractual period, or as services are rendered and accepted by the customer. When arrangements include multiple elements, the Company uses objective evidence of fair value to allocate revenue to the elements, and recognizes revenue when the criteria for revenue recognition have been met for each element, in accordance with authoritative guidance on multiple-element arrangements.

The Company sells products and accessories predominantly through its direct sales force. As a result, the use of distributors is generally limited to geographic regions where the Company has no direct sales force. The Company does not offer product return or exchange rights (other than those relating to defective goods under warranty) or price protection allowances to its customers, including its distributors. Payment terms granted to distributors are the same as those granted to end-user customers and payments are not dependent upon the distributors receipt of payment from their end-user customers. Sales incentives related to distributor sales are also the same as those for end-user customers.

Warranty Costs: The Company provides for estimated warranty costs for products at the time of their sale. Warranty liabilities are based on estimated future repair costs using historical labor and material costs incurred in the warranty period.

Shipping and Handling Costs: The Company reports shipping and handling costs in both sales and the related costs as cost of goods sold to the extent they are billed to customers. In all other instances, they are reflected as a component of cost of goods sold.

Inventories: Inventories, which include material, labor and manufacturing overhead, are valued at the lower of cost or market. Inventories are accounted for using the first-in, first-out method of determining inventory costs. Inventory quantities on-hand are regularly reviewed, and where necessary, provisions for excess and obsolete inventory are recorded based primarily on the Company s estimated forecast of product demand and production requirements.

Income Taxes: The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. This method also requires the recognition of future tax benefits such as net operating loss carryforwards, to the extent that realization of such benefits is more likely than not. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the fiscal years in which those temporary differences are expected to be recovered or settled. A valuation allowance is established for any deferred tax asset for which realization is not more likely than not. With respect to corporate earnings expected to be permanently reinvested offshore, the Company does not accrue tax for the repatriation of such foreign earnings.

The Company provides reserves for potential payments of tax to various tax authorities related to uncertain tax positions and other issues. These reserves are based on a determination of whether and how much of a tax benefit taken by the Company in its tax filings or positions is more likely than not to be realized following resolution of any potential contingencies present related to the tax benefit. Potential interest and penalties associated with such uncertain tax positions is recorded as a component of income tax expense. See Note 6, below, for additional details.

Property, Plant and Equipment: The Company depreciates plant and equipment using the straight-line method over its estimated useful lives, which generally fall within the following ranges: buildings 10 to 40 years; leasehold improvements estimated useful life or remaining term of lease, whichever is shorter; machinery and equipment 3 to 7 years. Certain tooling costs are capitalized and amortized over a 3-year life, while repairs and maintenance costs are expensed.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Asset Retirement Obligations: The Company records obligations associated with its lease obligations, the retirement of tangible long-lived assets and the associated asset-retirement costs in accordance with authoritative guidance on asset retirement obligations. The Company reviews legal obligations associated with the retirement of long-lived assets that result from contractual obligations or the acquisition, construction, development and/or normal use of the assets. If it is determined that a legal obligation exists, regardless of whether the obligation is conditional on a future event, the fair value of the liability for an asset retirement obligation is recognized in the period in which it is incurred, if a reasonable estimate of fair value can be made. The fair value of the liability is added to the carrying amount of the associated asset, and this additional carrying amount is depreciated over the life of the asset. The difference between the gross expected future cash flow and its present value is accreted over the life of the related lease as an operating expense.

Pension Plans: The Company s funding policy provides that payments to the U.S. pension trusts shall at least be equal to the minimum funding requirements of the Employee Retirement Income Security Act of 1974. Non-U.S. plans are accrued for, but generally not fully funded, and benefits are paid from operating funds. The difference between actual amounts and estimates based on actuarial assumptions will be recognized in other comprehensive (loss) income in the period in which they occur. The Company recognizes a net liability or asset and an offsetting adjustment, net of taxes, to accumulated other comprehensive loss to report the funded status of defined benefit pension and other postretirement benefit plans, and measures plan assets and obligations at their year-end balance sheet date.

Translation of Foreign Currencies: For foreign operations, asset and liability accounts are translated at current exchange rates; income and expenses are translated using weighted average exchange rates for the reporting period. Resulting translation adjustments, as well as translation gains and losses from certain intercompany transactions, are reported in accumulated other comprehensive loss, a separate component of stockholders equity. Gains and losses arising from transactions and translation of period-end balances denominated in currencies other than the functional currency are included in earnings.

Business Combinations: Business combinations are accounted for at fair value. Acquisition costs are generally expensed as incurred and recorded in selling, general and administrative expenses; previously held equity interests are valued at fair value upon the acquisition of a controlling interest; in-process research and development (IPR&D) is recorded at fair value as an intangible asset at the acquisition date; restructuring costs associated with a business combination are generally expensed subsequent to the acquisition date; and changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally affect income tax expense. These changes are effective on a prospective basis for all of the Company s business combinations for which the acquisition date is on or after December 28, 2008, with the exception of the accounting for valuation allowances on deferred taxes and acquired tax contingencies. Adjustments for valuation allowances on deferred taxes and acquired tax contingencies associated with acquisitions that closed prior to December 28, 2008 would also apply the revised accounting. The accounting for business combinations requires estimates and judgment 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 value for assets and liabilities acquired. 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. If the actual results differ from the estimates and judgments used in these estimates, the amounts recorded in the financial statements could result in a possible impairment of the intangible assets and goodwill, or require acceleration of the amortization expense of finite-lived intangible assets.

Intangible Assets: The Company s intangible assets consist of (i) goodwill, which is not being amortized; (ii) indefinite lived intangibles, which consist of certain trademarks and trade names that are not subject to

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

amortization; and (iii) amortizing intangibles, which consist of patents and purchased technologies, which are being amortized over their useful lives. All intangible assets are subject to impairment tests on an annual or periodic basis.

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. This annual impairment assessment is performed by the Company on the later of January 1 or the first day of each fiscal year. This same impairment test will be performed at other times during the course of the year, should an event occur which suggests that the recoverability of goodwill should be reconsidered. Non-amortizing intangibles are also subject to an annual impairment test. 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 life of its non-amortizing intangible assets at least annually to determine whether events or circumstances continue to support an indefinite useful life. If events or circumstances indicate that the useful lives of non-amortizing intangible assets are no longer indefinite, the assets will be tested for impairment. These intangible assets will then be amortized prospectively over their estimated remaining useful life and accounted for in the same manner as other intangible assets that are subject to amortization. Recoverability of amortizing intangible assets is assessed only when events have occurred that may give rise to an impairment. When a potential impairment has been identified, forecasted undiscounted net cash flows of the operations to which the asset relates are compared to the current carrying value of the long-lived assets present in that operation. If such cash flows are less than such carrying amounts, long-lived assets, including such intangibles, are written down to their respective fair values. See Note 12, below, for additional details.

Stock-Based Compensation: The Company accounts for stock-based compensation expense based on estimated grant date fair value, generally using the Black-Scholes option-pricing model. The fair value is recognized, net of estimated forfeitures, as expense in the consolidated financial statements over the requisite service period. The determination of fair value and the timing of expense using option pricing models such as the Black-Scholes model require the input of highly subjective assumptions, including the expected forfeiture rate, life of the option and the expected price volatility of the underlying stock. The Company estimates the expected forfeiture and expected life assumptions based on historical experience. In determining the Company s expected stock price volatility assumption, the Company reviews both the historical and implied volatility of the Company s common stock, with implied volatility based on the implied volatility of publicly traded options on the Company s common stock. The Company elected to use the practical transition option to calculate its historical pool of windfall tax benefits. The practical transition option allows the use of a simplified method to establish the beginning balance of the additional paid-in capital pool, which is available to absorb shortfalls when actual tax deductions are less than the related book share-based compensation cost recognized. Beginning in fiscal year 2009, the Company has one stock-based compensation plan from which it makes grants, which is described more fully in Note 18, below.

Marketable Securities and Investments: The cost of securities sold is based on the specific identification method. If securities are classified as available for sale, the Company records these investments at their fair values with unrealized gains and losses included in accumulated other comprehensive loss. Under the cost method of accounting, equity investments in private companies are carried at cost and are adjusted for other-than-temporary declines in fair value, additional investments or distributions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Cash Flows: For purposes of the Consolidated Statements of Cash Flows, the Company considers all highly liquid unrestricted instruments with a purchased maturity of three months or less to be cash equivalents. The carrying amount of cash and cash equivalents approximates fair value due to the short maturities of these instruments.

Environmental Matters: The Company accrues for costs associated with the remediation of environmental pollution when it is probable that a liability has been incurred and the Company s proportionate share of the amount can be reasonably estimated. The recorded liabilities have not been discounted.

Research and Development: Research and development costs are expensed as incurred. The fair value of acquired IPR&D costs is recorded at fair value as an intangible asset at the acquisition date and amortized once the product is ready for sale.

Restructuring Charges: In recent fiscal years, the Company has undertaken a series of restructuring actions related to the alignment with the Company s growth strategy, the impact of acquisitions, divestitures and the integration of its business units. In connection with these initiatives, the Company has recorded restructuring charges, as more fully described in Note 4, below. Generally, costs associated with an exit or disposal activity are recognized when the liability is incurred. Costs related to employee separation arrangements requiring future service beyond a specified minimum retention period are recognized over the service period.

Comprehensive (Loss) Income: Comprehensive (loss) income is defined as net income or loss and other changes in stockholders equity from transactions and other events from sources other than stockholders. Comprehensive (loss) income is reflected in the Consolidated Statements of Stockholders Equity and Comprehensive Income.

Derivative Instruments and Hedging: Derivatives are recorded on the consolidated balance sheets at fair value. Gains or losses resulting from changes in the values of those derivatives would be accounted for depending on the use of the derivative instrument and whether it qualifies for hedge accounting.

For a cash flow hedge, the effective portion of the derivative s gain or loss is initially reported as a component of other comprehensive (loss) income and subsequently amortized into net earnings when the hedged exposure affects net earnings. Cash flow hedges related to anticipated transactions are designated and documented at the inception of each hedge by matching the terms of the contract to the underlying transaction. The Company classifies the cash flows from hedging transactions in the same categories as the cash flows from the respective hedged items. Once established, cash flow hedges are generally recorded in other comprehensive (loss) income, unless an anticipated transaction is no longer likely to occur, and subsequently amortized into net earnings when the hedged exposure affects net earnings. Discontinued or dedesignated cash flow hedges are immediately settled with counterparties, and the related accumulated derivative gains or losses are recognized into net earnings on the consolidated financial statements. Settled cash flow hedges related to forecasted transactions that remain probable are recorded as a component of other comprehensive (loss) income and are subsequently amortized into net earnings when the hedged exposure affects net earnings. Forward contract effectiveness for cash flow hedges is calculated by comparing the fair value of the contract to the change in value of the anticipated transaction using forward rates on a monthly basis. The Company also has entered into foreign currency forward contracts that are not designated as hedging instruments for accounting purposes. These contracts are recorded at fair value, with the changes in fair value recognized into net earnings on the consolidated financial statements.

Recently 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

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specified effective dates. Unless otherwise discussed below, the Company believes that the impact of recently issued pronouncements will not have a material impact on the Company s consolidated financial position, results of operations, and cash flows or do not apply to the Company s operations.

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

In October 2009, the FASB issued authoritative guidance on certain revenue arrangements that include software elements. This guidance changes the accounting model for revenue arrangements that include both tangible products and software elements that are essential to the functionality of the product and excludes these products from current software revenue guidance. The new guidance will include factors to help companies determine what software elements are considered essential to the functionality of the product. Once adopted, the amendments will subject software-enabled products to other revenue guidance and disclosure requirements, such as guidance surrounding revenue arrangements with multiple deliverables. The Company will be required to adopt this authoritative guidance on certain revenue arrangements that include software elements in the first quarter of fiscal year 2011. The Company is evaluating the requirements of this guidance and has not yet determined the impact of its adoption on the Company s condensed consolidated financial statements.

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

Note 2: Business Combinations and Asset Purchases

Acquisition of chemagen Biopolymer-Technologie AG. In February 2011, the Company acquired all of the outstanding stock of chemagen Biopolymer-Technologie AG (chemagen). chemagen manufactures and sells nucleic acid sample preparation systems and reagents utilizing M-PVA magnetic bead technology. The Company expects this acquisition to enhance its genetic screening business by expanding the Company s product offerings to diagnostics, academic and industrial end markets. The Company paid the shareholders of chemagen approximately $35.0 million in cash at the closing for the stock of chemagen, plus potential additional consideration of up to $20.3

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

million. The purchase price is also subject to potential adjustments for chemagen s indebtedness, working capital as of the closing date, and indemnification obligations of chemagen s equity holders. The excess of the purchase price over the fair value of the acquired 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 will be allocated to goodwill, none of which will be tax deductible. The Company expects to report the operations for this acquisition within the results of the Company s Human Health segment from the acquisition date.

Acquisition of VisEn Medical Inc. In July 2010, the Company acquired all of the outstanding stock of VisEn Medical Inc. (VisEn). VisEn is an *in vivo* molecular imaging technology company. The Company expects this acquisition to enhance its cellular imaging business by expanding the Company s technologies and capabilities into preclinical research undertaken in academic institutes and pharmaceutical companies. The Company paid the equity holders of VisEn $23.0 million in cash for the stock of VisEn, of which $18.2 million was paid at closing and an additional amount of $4.8 million is held in an escrow account to secure potential adjustments for VisEn s indebtedness, working capital as of the closing date, and indemnification obligations of VisEn s equity holders. During the fourth quarter of fiscal year 2010, the Company finalized the purchase price and related allocation resulting in an increase in deferred tax assets, included in long-term liabilities, of $8.5 million and a decrease in goodwill of $8.5 million. The excess of the purchase price over the fair value of the acquired 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, none of which is tax deductible. The Company reports the operations for this acquisition within the results of the Company s Human Health segment from the acquisition date.

Acquisition of Signature Genomic Laboratories, LLC. In May 2010, the Company acquired all of the outstanding stock of SGL Newco, Inc., the parent company of Signature Genomic Laboratories, LLC (Signature Genomic). Signature Genomic is a provider of diagnostic cytogenetic testing of chromosome abnormalities in individuals with unexplained physical and developmental disabilities. The Company expects this acquisition to expand the Company s existing genetic testing business and expand its position in early detection of disease, specifically in the molecular diagnostics market. The Company paid the equity holders of Signature Genomic $90.0 million in cash, of which $77.5 million was paid at closing and an additional amount of $12.5 million is held in an escrow account to secure certain adjustments for Signature Genomic s indebtedness, working capital as of the closing date, and indemnification obligations of Signature Genomic s equity holders. The excess of the purchase price over the fair value of the acquired 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, none of which is tax deductible. The Company has reported the operations for this acquisition within the results of the Company s Human Health segment from the acquisition date.

Acquisition of Remaining Interest in the Inductively Coupled Plasma Mass Spectrometry Joint Venture. In May 2010, the Company acquired the remaining fifty percent equity interest in the Company s joint venture (the ICPMS Joint Venture) with the company previously known as MDS, Inc. for the development and manufacturing of its Inductively Coupled Plasma Mass Spectrometry (ICPMS) product line and other related tangible assets from DH Technologies Development Pte Ltd., a subsidiary of Danaher Corporation (Danaher). The Company expects this acquisition will help support the continued success of the premier ICPMS product line by allowing the Company to direct development with a dedicated and consistent approach. The fair value of the acquisition was $67.7 million, including cash consideration of $35.0 million, non-cash consideration of $2.6 million for certain non-exclusive rights to intangible assets owned by the Company, and $30.4 million representing the fair value of the Company s fifty percent equity interest in the ICPMS Joint Venture held prior to the acquisition. The Company recognized a pre-tax gain of $25.6 million from the re-measurement to fair value of the Company s previously held equity interest in the ICPMS Joint Venture. This pre-tax gain is reported in interest and other (income) expense, net, for fiscal year 2010. The excess of the purchase price over the fair value of the acquired net assets represents cost and revenue synergies specific to the Company as well as

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

non-capitalizable intangible assets, and has been allocated to goodwill, none of which is tax deductible. The Company has reported the operations for this acquisition within the results of the Company s Environmental Health segment from the acquisition date.

Purchase of Intangible Assets from GE Healthcare. In September 2009, the Company purchased the core technology and patents of GE Healthcare s 3H and 14C Catalog Radiochemicals, Scintillation Proximity Assay (SPA) reagents and Cytostar-T plate portfolios for aggregate consideration of $12.0 million in cash. The Catalog Radiochemical products are used for a variety of research applications, including screening of potential drug candidates through binding assays. The SPA bead-based light-emitting assay and Cytostar-T plate technologies are offerings that enable the automation of High Throughput Screening (HTS) processes to help drug discovery researchers determine if potential new drug compounds are effective against their intended disease targets. The Company expects that incorporation of these technologies will strengthen its G-protein-coupled receptor and Kinase research product lines and complement its HTS and research reagent solutions. The core technology and patents that the Company purchased do not meet the definition of a business, as the purchased assets were not accompanied by any associated processes. As a result, purchased intangible assets are amortized over their estimated useful lives. The Company has reported the amortization of these intangible assets within the results of the Company s Human Health segment from the purchase date.

Acquisition of Sym-Bio LifeScience Co., Ltd. In August 2009, the Company acquired the outstanding equity interests of Sym-Bio LifeScience Co., Ltd. (Sym-Bio). Sym-Bio is a major supplier of diagnostics instruments and related reagents, particularly in the area of infectious diseases, to hospitals in China. The Company expects this acquisition to expand the Company s access to the hospital market segment in China, offering a larger base from which to expand its prenatal and newborn screening business in the country and providing the Company with a significant diagnostics manufacturing and research and development base within China. The excess of the purchase price over the fair value of the acquired net assets represents cost and revenue synergies specific to the Company as well as non-capitalizable intangible assets, such as the employee workforce acquired. The Company paid the shareholders of Sym-Bio approximately $51.2 million in cash for this acquisition plus an additional amount of $12.5 million held in an escrow account for contingencies, of which $7.3 million is for potential additional contingent consideration with a fair value of $6.9 million at the acquisition date. The excess of the purchase price over the fair value of the acquired net assets has been allocated to goodwill, none of which is tax deductible. The Company has reported the operations for this acquisition within the results of the Company s Human Health segment from the acquisition date.

Acquisition of Analytica of Branford, Inc. In May 2009, the Company acquired all of the outstanding stock of Analytica of Branford, Inc. (Analytica). Analytica is a leading developer of mass spectrometry and ion source technology. This acquisition allows the Company to offer its customers access to critical technologies such as time-of-flight and quadrupole mass spectrometers and new ion sources that provide more complete information as well as better throughput. The Company also gained significant intellectual property in the field of mass spectrometry and ion source technology. The excess of the purchase price over the fair value of the acquired net assets represents cost and revenue synergies specific to the Company as well as non-capitalizable intangible assets, such as the employee workforce acquired. The Company paid the shareholders of Analytica approximately $21.7 million in cash for this acquisition. During the first quarter of fiscal year 2010, the Company agreed to pay approximately $1.1 million to the shareholders of Analytica as additional purchase price for the election to treat the acquisition as a deemed asset sale. Based on the effect of this election, at the acquisition date the Company has retrospectively adjusted the fiscal year 2009 comparative information. The adjustment resulted in a decrease in deferred tax liability, included in long-term liabilities, of $6.3 million, an increase in accrued expenses of $1.1 million and an increase in other current assets of $0.2 million, offset by a decrease in goodwill of $5.4 million. The excess of the purchase price over the fair value of the acquired net assets has been allocated to goodwill, all of which is tax deductible. The Company has reported the operations for this acquisition within the results of the Company s Environmental Health segment from the acquisition date.

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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 allocation. 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 with changes in the fair value after the acquisition date affecting earnings to the extent it is to be settled in cash. If the actual results differ from the estimates and judgments used in these fair values, the amounts recorded in the consolidated financial statements could result in a possible impairment of the intangible assets and goodwill, or require acceleration of the amortization expense of finite-lived intangible assets. The Company does not consider these acquisitions to be material to its consolidated results of operations and is therefore not presenting pro forma financial information of operations. The Company has also determined that the presentation of the results of operations for each of these acquisitions, from the date of acquisition, is impracticable due to the integration of the operations upon acquisition. See Note 12 for additional details.

As of January 2, 2011, the purchase price and related allocation for the acquisitions completed in fiscal years 2010 and 2009 were final. For acquisitions completed subsequent to fiscal year 2008, during the measurement period, the Company will adjust assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have resulted in the recognition of those assets and liabilities as of that date. Adjustments to the initial allocation of the purchase price during the measurement period require the revision of comparative prior period financial information when reissued in subsequent financial statements. The effect of measurement period adjustments to the allocation of the purchase price would be as if the adjustments had been completed on the acquisition date. The effects of measurement period adjustments may cause changes in depreciation, amortization, or other income or expense recognized in prior periods. All changes that do not qualify as measurement period adjustments are included in current period earnings.

The components of the fair values of the business combinations and allocations for the acquisitions completed in fiscal year 2010 are as follows:

	ICPMS Joint Venture	Signature Genomic	VisEn
		(In thousands)	
Fair value of business combination:			
Cash payments	$ 35,000	$ 90,000	$ 23,028
Fair value of previously held equity interest	30,378		
Non-cash consideration	2,600		
Working capital adjustments			(29)
Less: cash acquired	(278)	(1,278)	(766)
Total	$ 67,700	$ 88,722	$ 22,233
Identifiable assets acquired and liabilities assumed:			
Current assets	$ 14,579	$ 5,093	$ 2,093
Property, plant and equipment	1,012	5,239	290
Identifiable intangible assets	7,600	24,950	7,540
Goodwill	46,228	67,681	10,676
Deferred taxes	(372)	(8,734)	12,968
Liabilities assumed	(1,347)	(5,507)	(11,334)
Total	$ 67,700	$ 88,722	$ 22,233

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The components of the fair values of the business combinations and allocations for the acquisitions completed in fiscal year 2009 are as follows:

	Sym-Bio	Analytica
	(In thousands)	
Fair value of business combination:		
Cash payments	$ 63,675	$ 21,730
Less: cash acquired	(2,887)	(293)
Deferred consideration	(420)	2,409
Total	$ 60,368	$ 23,846
Identifiable assets acquired and liabilities assumed:		
Current assets	$ 4,429	$ 2,448
Property, plant and equipment	9,108	91
Identifiable intangible assets	18,697	17,600
Goodwill	36,485	9,250
Other long-term assets	4,401	
Deferred taxes	(5,131)	
Liabilities assumed	(7,621)	(5,543)
Total	$ 60,368	$ 23,846

Note 3: Discontinued Operations

As part of the Company s continuing efforts to focus on higher growth opportunities, the Company has discontinued certain businesses. 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 for all periods presented. The assets and liabilities of these businesses have been presented separately, and are reflected within the assets and liabilities from discontinued operations in the accompanying consolidated balance sheets as of January 2, 2011 and January 3, 2010.

The Company recorded the following pre-tax gains and losses, which have been reported as a gain (loss) on disposition of discontinued operations during the three fiscal years ended:

	January 2, 2011	January 3, 2010	December 28, 2008
		(In thousands)	
Gain on disposition of Illumination and Detection Solutions business	$ 315,324	$	$
Gain on disposition of Photoflash business	4,369		
Gain (loss) on disposition of certain instrument businesses	102	398	(4,831)
Loss on disposition of ViaCyte SM and Cellular Therapy Technology businesses	(78)	(1,309)	(8,010)
Net loss on disposition of other discontinued operations	(1,821)	(2,080)	(431)
Net gain (loss) on disposition of discontinued operations before income taxes	$ 317,896	$ (2,991)	$ (13,272)

In November 2010, the Company sold its Illumination and Detection Solutions (IDS) business, which was included in the Company s Environmental Health segment, for approximately $500.0 million, $482.0 million net of payments for acquired cash balances, subject to an adjustment for working capital as of the closing date. The Company expects the divestiture of its IDS business to reduce the complexity of its product offerings and

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

organizational structure, and to provide capital to reinvest in other Human Health and Environmental Health end markets. The buyer acquired the Company s IDS business through the purchase of all outstanding stock of certain of the Company s subsidiaries located in Germany, Canada, China, Indonesia, the Philippines, the United Kingdom and the United States as well as the purchase of related assets and the assumption of liabilities held by the Company and certain of its subsidiaries located in Singapore and Germany. The Company recognized a pre-tax gain of $315.3 million, inclusive of the net working capital adjustment, in the fourth quarter of fiscal year 2010 as a result of the sale of its IDS business. The gain was recognized as a gain on the disposition of discontinued operations.

As part of the Company s strategic business alignment into the Human Health and Environmental Health segments, completed at the beginning of fiscal year 2009, and the Company s continuing efforts to focus on higher growth opportunities, in December 2008, the Company s management approved separate plans to divest its Photonics and Photoflash businesses. The distressed economic conditions during fiscal year 2009 adversely impacted the Company s plan to market and sell the Photonics and Photoflash businesses. The Company implemented a number of actions during fiscal year 2009 to respond to these changing circumstances and continued to actively market these businesses. In the fourth quarter of fiscal year 2009, the Company determined that it could not effectively market and sell the Photonics business given the changed circumstances and, after careful consideration, the Company decided to cease its plan to actively market and sell the Photonics business on a standalone basis. The Photonics business was included with the set of businesses which were sold as the Company s IDS business, as described above. In June 2010, the Company sold the Photoflash business for approximately $13.5 million, including a net working capital adjustment, plus potential additional contingent consideration. The Company recognized a pre-tax gain of $4.4 million, inclusive of the net working capital adjustment, in the second quarter of fiscal year 2010 as a result of the sale. The gain was recognized as a gain on the disposition of discontinued operations.

In addition, during December 2008, the Company s management approved the shut down of certain instrument businesses within the Human Health segment, including Cellular Screening Fluorescence and Luminescence workstations, Analytical Proteomics Instruments and Proteomics and Genomics Instruments, which resulted in a pre-tax gain of $0.1 million, a pre-tax gain of $0.4 million and a pre-tax loss of $4.8 million related to lease and severance costs and the reduction of fixed assets and inventory to net realizable value during fiscal years 2010, 2009 and 2008, respectively.

In November 2007, the Company acquired ViaCell, Inc. (ViaCell), which specializes in the collection, testing, processing and preservation of umbilical cord blood stem cells. Following the ViaCell acquisition, the Board of Directors (the Board) approved a plan to sell the ViaCyte^{SM} and Cellular Therapy Technology businesses that were acquired with ViaCell. The Company determined that both businesses did not strategically fit with the other products offered by the Human Health segment. The Company also determined that without investing capital into the operations of both businesses, the Company could not effectively compete with larger companies that focus on the market for such products. After careful consideration, the Company decided in the second quarter of fiscal year 2008 to shut down the ViaCyte^{SM} and Cellular Therapy Technology businesses. The Company recorded a pre-tax loss of $8.0 million for severance and facility closure costs during fiscal year 2008 and recorded additional pre-tax losses of $0.1 million and $1.3 million related to facility closure costs during fiscal years 2010 and 2009, respectively.

During fiscal years 2010, 2009 and 2008, the Company settled various commitments related to the divestiture of other discontinued operations and recognized a pre-tax loss of $1.8 million in fiscal year 2010, a pre-tax loss of $2.1 million in fiscal year 2009 and a pre-tax loss of $0.4 million in fiscal year 2008. During fiscal year 2009, the Company reached a settlement with the landlord of a closed facility and recognized a pre-tax loss of $1.4 million.

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

	2010	2009 (In thousands)	2008
Sales	$ 288,713	$ 284,983	$ 363,862
Costs and expenses	263,915	264,952	315,622
Operating income from discontinued operations	24,798	20,031	48,240
Other expenses, net	660	1,148	1,570
Income from discontinued operations before income taxes	$ 24,138	$ 18,883	$ 46,670

The Company recognized a tax provision of $94.0 million on discontinued operations in fiscal year 2010, a tax provision of $4.6 million on discontinued operations in fiscal year 2009 and a tax benefit of $2.1 million in fiscal year 2008 on discontinued operations. The recognition of $94.0 million income tax expense in fiscal year 2010 includes $16.0 million of income tax expense associated with unremitted earnings of directly-owned foreign subsidiaries that no longer qualify as permanently reinvested once the subsidiary is held for sale, and $65.8 million of income tax expense for additional unremitted earnings from foreign subsidiaries associated with the sale of the Company s IDS and Photoflash businesses that do not require the same level of capital as previously required, and therefore the Company plans to repatriate $250.0 million of cash and have provided for the taxes on the related previously unremitted earnings. The benefit from income taxes of $2.1 million recorded in discontinued operations in fiscal year 2008 includes $8.5 million of income tax benefits related to the favorable settlement of several income tax audits worldwide during the third quarter of fiscal year 2008, as discussed in Note 6, below.

Note 4: Restructuring and Lease Charges, Net

The Company has undertaken a series of restructuring actions related to the impact of acquisitions and divestitures, alignment with the Company s growth strategy and the integration of its business units.

A description of the restructuring plans and the activity recorded are as follows:

The restructuring plan for the fourth quarter of fiscal year 2010 was intended principally to shift resources to higher growth geographic regions and end markets. The restructuring plans for the second quarter of fiscal year 2010 and third quarter of fiscal year 2009 were intended principally to reduce resources in response to the continued economic downturn and its impact on demand in certain end markets and to shift resources to higher growth geographic regions and end markets. The restructuring plan for the first quarter of fiscal year 2009 was intended principally to reduce resources in response to the economic downturn and its impact on demand in certain end markets. The activities associated with these plans have been reported as restructuring expenses and are included as a component of operating expenses from continuing operations.

Q4 2010 Restructuring Plan

During the fourth quarter of fiscal year 2010, the Company s management approved a plan to shift resources to higher growth geographic regions and end markets (the Q4 2010 Plan). As a result of the Q4 2010 Plan, the Company recognized a $5.6 million pre-tax restructuring charge in the Human Health segment related to a workforce reduction from reorganization activities and the closure of excess facility space. The Company also recognized a $7.6 million pre-tax restructuring charge in the Environmental Health segment related to a workforce reduction from reorganization activities and the closure of excess facility space. The restructuring costs for the closure of excess facility space was offset by the recognition of a $2.8 million gain that had been deferred from a previous sales-leaseback transaction on this facility. As part of the Q4 2010 Plan, the Company reduced headcount by 113 employees. All employee notifications and actions related to the closure of excess facility space for the Q4 2010 Plan were completed by January 2, 2011.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes the Q4 2010 Plan activity:

	Severance	Closure of Excess Facility Space (In thousands)	Total
Provision, net of deferred gain	$ 8,795	$ 1,570	$ 10,365
Reclassification of deferred gain on excess facility space		2,840	2,840
Amounts paid and foreign currency translation	(943)	(340)	(1,283)
Balance at January 2, 2011	$ 7,852	$ 4,070	$ 11,922

All employee relationships have been severed and the Company anticipates that the remaining severance payments of $7.9 million for workforce reductions will be completed by the end of the fourth quarter of fiscal year 2012. The Company also anticipates that the remaining payments of $4.1 million for the closure of excess facility space will be paid through fiscal year 2022, in accordance with the terms of the applicable lease.

Q2 2010 Restructuring Plan

During the second quarter of fiscal year 2010, the Company s management approved a plan to reduce resources in response to the continued economic downturn and its impact on demand in certain end markets and to shift resources to higher growth geographic regions and end markets (the Q2 2010 Plan). As a result of the Q2 2010 Plan, the Company recognized a $7.0 million pre-tax restructuring charge in the Human Health segment related to a workforce reduction from reorganization activities and the closure of excess facility space. The restructuring costs for the closure of excess facility space was offset by the recognition of a $0.1 million gain that had been deferred from a previous sales-leaseback transaction on this facility. The Company also recognized a $3.9 million pre-tax restructuring charge in the Environmental Health segment related to a workforce reduction from reorganization activities. As part of the Q2 2010 Plan, the Company reduced headcount by 115 employees. All employee notifications and actions related to the closure of excess facility space for the Q2 2010 Plan were completed by July 4, 2010.

The following table summarizes the Q2 2010 Plan activity:

	Severance	Closure of Excess Facility Space (In thousands)	Total
Provision, net of deferred gain	$ 9,067	$ 1,735	$ 10,802
Reclassification of deferred gain on excess facility space		143	143
Amounts paid and foreign currency translation	(6,874)	181	(6,693)
Balance at January 2, 2011	$ 2,193	$ 2,059	$ 4,252

All employee relationships have been severed and the Company anticipates that the remaining severance payments of $2.2 million for workforce reductions will be completed by the end of the fourth quarter of fiscal year 2011. The Company also anticipates that the remaining payments of $2.1 million for the closure of excess facility space will be paid through fiscal year 2022, in accordance with the terms of the applicable lease.

Q3 2009 Plan

During the third quarter of fiscal year 2009, the Company s management approved a plan to reduce resources in anticipation of the economic downturn and its impact on demand in certain end markets and to shift resources to higher growth geographic regions and end markets (the Q3 2009 Plan). As a result of the Q3 2009

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Plan, the Company recognized a $4.3 million pre-tax restructuring charge in the Human Health segment related to a workforce reduction from reorganization activities and the closure of an excess facility. The Company also recognized a $6.3 million pre-tax restructuring charge in the Environmental Health segment related to a workforce reduction from reorganization activities. During fiscal year 2010, the Company recorded a pre-tax restructuring reversal of $0.5 million relating to its Q3 2009 Plan due to lower than expected costs associated with the workforce reductions in Europe within both the Human Health and Environmental Health segments. As part of the Q3 2009 Plan, the Company reduced headcount by 131 employees. All notifications and actions related to the Q3 2009 Plan were completed by October 4, 2009.

The following table summarizes the Q3 2009 Plan activity:

	Severance	Closure of Excess Facility (In thousands)	Total
Balance at December 28, 2008	$	$	$
Provision	10,167	440	10,607
Amounts paid and foreign currency translation	(5,143)	(99)	(5,242)
Balance at January 3, 2010	5,024	341	5,365
Change in estimates	(497)		(497)
Amounts paid and foreign currency translation	(2,558)	(220)	(2,778)
Balance at January 2, 2011	$ 1,969	$ 121	$ 2,090

All employee relationships have been severed and the Company anticipates that the remaining severance payments of $2.0 million for workforce reductions will be completed by the end of the fourth quarter of fiscal year 2011. The Company also anticipates that the remaining payments of $0.1 million for the closure of the excess facility will be paid through fiscal year 2011, in accordance with the terms of the applicable lease.

Q1 2009 Plan

During the first quarter of fiscal year 2009, the Company s management approved a plan to reduce resources in anticipation of the economic downturn and its impact on demand in certain end markets (the Q1 2009 Plan). As a result of the Q1 2009 Plan, the Company recognized a $4.8 million pre-tax restructuring charge in the Human Health segment related to a workforce reduction from reorganization activities and the closure of an excess facility. The Company also recognized a $2.4 million pre-tax restructuring charge in the Environmental Health segment related to a workforce reduction from reorganization activities and the closure of an excess facility. During fiscal year 2010, the Company recorded a pre-tax restructuring reversal of $1.2 million relating to its Q1 2009 Plan due to lower than expected costs associated with the workforce reductions in Europe within both the Human Health and Environmental Health segments. As part of the Q1 2009 Plan, the Company reduced headcount by 106 employees. All notifications and actions related to the Q1 2009 Plan were completed by April 5, 2009.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes the Q1 2009 Plan activity:

	Severance	Closure of Excess Facility (In thousands)	Total
Balance at December 28, 2008	$	$	$
Provision	6,733	458	7,191
Amounts paid and foreign currency translation	(3,834)	(149)	(3,983)
Balance at January 3, 2010	2,899	309	3,208
Change in estimates	(1,235)		(1,235)
Amounts paid and foreign currency translation	(1,275)	(85)	(1,360)
Balance at January 2, 2011	$ 389	$ 224	$ 613

All employee relationships have been severed and the Company anticipates that the remaining severance payments of $0.4 million for workforce reductions will be completed by the end of the fourth quarter of fiscal year 2011. The Company also anticipates that the remaining payments of $0.2 million for the closure of the excess facility will be paid through fiscal year 2012, in accordance with the terms of the applicable lease.

Previous Restructuring and Integration Plans

The principal actions of the restructuring and integration plans from fiscal years 2001 through 2008 were workforce reductions related to the integration of the Company s businesses in order to reduce costs and achieve operational efficiencies as well as workforce reductions in both the Human Health and Environmental Health segments by shifting resources into geographic regions and product lines that are more consistent with the Company s growth strategy. During fiscal year 2010, the Company paid $1.5 million related to these plans, recorded a reversal of $0.9 million related to lower than expected costs associated with workforce reductions in Europe within both the Human Health and Environmental Health segments, and recorded a charge of $0.4 million to reduce the estimated sublease rental payments reasonably expected to be obtained for an excess facility in Europe within the Environmental Health segment. As of January 2, 2011, the Company had approximately $3.7 million of remaining liabilities associated with these restructuring and integration plans, primarily for residual lease obligations related to closed facilities in both the Human Health and Environmental Health segments. Payments for these leases, the terms of which vary in length, will be made through fiscal year 2022.

Lease Charges

To facilitate the sale of a business in fiscal year 2001, the Company was required to guarantee the lease obligations that the buyer assumed related to the lease for the building in which the business operated. The lease obligations continue through March 2011. While the Company assigned its interest in the lease to the buyer at the time of the sale of the business, the buyer subsequently defaulted under the lease, and the lessor sought reimbursement from the Company. The Company recorded a charge of $2.7 million in fiscal year 2007 related to payments for this lease obligation. The buyer filed for bankruptcy protection during the third quarter of fiscal year 2008 and was delinquent in making both its lease payments and payments for certain building expenses. The buyer ceased operations in the third quarter of fiscal year 2009 and vacated the property. The Company recorded an additional charge of $0.9 million during the third quarter of fiscal year 2009 related to waste removal and restoration costs, and reduced the estimated sublease rental payments reasonably expected to be obtained for the property. The Company also recorded an additional charge of $0.1 million during the second quarter of fiscal year 2010 to further reduce the estimated sublease rental payments reasonably expected to be obtained for the property. The Company was required to make payments for these obligations of $1.7 million during fiscal year 2010, $1.1 million during fiscal year 2009, and $0.4 million during fiscal year 2008. The remaining balance of this accrual as of January 2, 2011 was $0.5 million.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 5: Interest and Other (Income) Expense, Net

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

	2010	2009	2008
		(In thousands)	
Interest income	$ (832)	$ (1,035)	$ (4,023)
Interest expense	15,891	16,008	23,652
Gains on step acquisition	(25,586)		
Discontinuance and settlement of forward interest rate contracts			17,478
Gains on disposition of investments, net			(1,158)
Other expense, net	2,144	814	8,090
Total interest and other (income) expense, net	$ (8,383)	$ 15,787	$ 44,039

Note 6: Income Taxes

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

The tabular reconciliation of the total amounts of unrecognized tax benefits is as follows:

	2010	2009	2008
		(In thousands)	
Unrecognized tax benefits, beginning of period	$ 39,431	$ 40,983	$ 48,647
Gross increases tax positions in prior period	13,314	6,603	8,652
Gross decreases tax positions in prior period	(11,190)	(5,949)	(18,956)
Gross increases current-period tax positions	2,503	2,457	4,108
Gross increases related to acquisitions	80	88	1,642
Settlements	(2,035)	(3,126)	(2,673)
Lapse of statute of limitations	(2,054)	(2,087)	(207)
Foreign currency translation adjustments	(823)	462	(230)
Unrecognized tax benefits, end of period	$ 39,226	$ 39,431	$ 40,983

The Company continues to classify interest and penalties as a component of income tax expense. At January 2, 2011, the Company had accrued approximately $6.1 million and $6.2 million in interest and penalties, respectively. During fiscal year 2010, the Company recognized approximately $0.8 million in interest and $0.9 million in penalties in its total tax provision. During fiscal year 2009, the Company recognized approximately $1.1 million in interest and a reversal of $0.5 million in penalties in its total tax provision. At January 2, 2011, the Company had gross tax effected unrecognized tax benefits of $39.2 million ($6.3 million included in current liabilities and $32.9 million included in long-term liabilities), of which $33.2 million, if recognized, would affect the continuing operations effective tax rate. The remaining amount, if recognized, would affect discontinued operations. With the Company s adoption of the new authoritative guidance on business combinations in the first quarter of fiscal year 2009, changes in deferred tax asset valuation allowances and income tax uncertainties, after the acquisition date, will affect income tax expense, including those associated with acquisitions that closed prior to the effective date of the new authoritative guidance on business combinations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At January 2, 2011, the Company had uncertain tax positions of $6.5 million, including accrued interest, net of tax benefits, and penalties, which are expected to be resolved within the next year. A portion of the uncertain tax positions could affect the continuing operations effective tax rate depending on the ultimate resolution; however, the Company cannot quantify an estimated range at this time. The Company is subject to U.S. federal income tax as well as to income tax of numerous state and foreign jurisdictions.

The Company re-measured several of its uncertain tax positions related to fiscal years 2006 through 2009 during fiscal years 2010 and 2009 based on new information arising from events during the year that affected positions for those years. The Company also effectively settled several income tax audits worldwide. The re-measurements and closure of audits included uncertain tax positions in Hong Kong, the United Kingdom, Australia, the Philippines, and the federal and certain state governments within the United States. The net effect of these re-measurements and closure of audits, statute of limitations lapses, provision to return adjustments, interest expense accruals, as well as other discrete items, resulted in the recognition of $11.9 million of income tax benefits in continuing operations during fiscal year 2010 and $1.6 million of income tax benefits in continuing operations during fiscal year 2009. During fiscal year 2008, the Company effectively settled several income tax audits worldwide, including in Canada, the Netherlands, the United Kingdom and the United States covering various years ranging from 1998 through 2005. The closing of these audits resulted in the recognition of $15.6 million of income tax benefits in continuing operations and $8.5 million of income tax benefits in discontinued operations. Tax years ranging from 2000 through 2010 remain open to examination by various tax jurisdictions in which the Company has significant business operations, such as Singapore, Canada, Germany, the United Kingdom and the United States. The tax years under examination vary by jurisdiction.

The components of (loss) income from continuing operations before income taxes were as follows:

	2010	2009 (In thousands)	2008
U.S.	$ (24,237)	$ (33,480)	$ (58,826)
Non-U.S.	186,221	139,615	162,414
	$ 161,984	$ 106,135	$ 103,588

The components of the provision for (benefit from) income taxes for continuing operations were as follows:

	Current	Deferred Expense (Benefit) (In thousands)	Total
2010			
Federal	$ 6,499	$ (16,694)	$ (10,195)
State	6,772	(3,085)	3,687
Non-U.S.	38,267	(5,697)	32,570
	$ 51,538	$ (25,476)	$ 26,062
2009			
Federal	$ (30,989)	$ 13,219	$ (17,770)
State	1,762	2,851	4,613

Non-U.S.	33,532	11,425	44,957
	$ 4,305	$ 27,495	$ 31,800
2008			
Federal	$ (5,954)	$ (18,913)	$ (24,867)
State	2,532	(625)	1,907
Non-U.S.	33,000	2,658	35,658
	$ 29,578	$ (16,880)	$ 12,698

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The total provision for income taxes included in the consolidated financial statements is as follows:

	2010	2009	2008
		(In thousands)	
Continuing operations	$ 26,062	$ 31,800	$ 12,698
Discontinued operations	94,037	4,628	(2,121)
	$ 120,099	$ 36,428	$ 10,577

A reconciliation of income tax expense at the U.S. federal statutory income tax rate to the recorded tax provision (benefit) is as follows:

	2010	2009	2008
		(In thousands)	
Tax at statutory rate	$ 56,696	$ 37,149	$ 36,258
Non-U.S. rate differential, net	(23,367)	(12,764)	(6,872)
U.S. taxation of multinational operations	4,032	8,618	9,515
State income taxes, net	4,648	7,562	1,046
Prior year tax matters	(11,891)	(1,590)	(10,863)
Federal tax credits	(3,867)	(5,706)	(7,779)
Change in valuation allowance	(3,529)	(2,178)	(11,800)
Other, net	3,340	709	3,193
	$ 26,062	$ 31,800	$ 12,698

The tax effects of temporary differences and attributes that gave rise to deferred income tax assets and liabilities as of January 2, 2011 and January 3, 2010 were as follows:

	2010	2009
	(In thousands)	
Deferred tax assets:		
Inventory	$ 8,477	$ 7,249
Reserves and accruals	19,198	17,946
Accrued compensation	22,025	15,736
Net operating loss and credit carryforwards	103,590	88,210
Accrued pension	27,626	40,470
Restructuring reserve	4,994	3,981
Deferred revenue	20,262	9,995
All other, net	2,339	2,195
Total deferred tax assets	208,511	185,782
Deferred tax liabilities:		
Postretirement health benefits	(3,018)	(2,307)

Depreciation and amortization	(139,312)	(140,003)
Repatriation accrual	(65,826)	
Total deferred tax liabilities	(208,156)	(142,310)
Valuation allowance	(58,643)	(50,315)
Net deferred tax liabilities	$ (58,288)	$ (6,843)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At January 2, 2011, the Company had state net operating loss carryforwards of $206.3 million, foreign net operating loss carryforwards of $159.3 million, state tax credit carryforwards of $3.0 million, general business tax credit carryforwards of $10.3 million, and foreign tax credit carryforwards of $8.5 million. These are subject to expiration in years ranging from 2011 to 2029, and without expiration for certain foreign net operating loss carryforwards and certain state credit carryforwards. At January 2, 2011, the Company also had U.S. federal net operating loss carryforwards of approximately $92.2 million and federal credit carryforwards of approximately $3.6 million as a result of acquisitions made during fiscal years 2007 through 2010. The utilization of these losses and credits is subject to annual limitations based on Section 382 of the Internal Revenue Code of 1986, as amended. These federal losses and credits will expire in fiscal years 2011 through 2026.

Valuation allowances generally take into consideration limitations imposed upon the use of the tax attributes and reduce the value of such items to the likely net realizable amount. Based on the judgment of the Company, and consistent with prior years, full valuation allowances have been established against these tax attributes with the exception of acquired federal net operating loss carryforwards, certain foreign net operating loss carryforwards and the federal research and experimental tax credit carryforwards that have been determined to be more likely than not to be realized. The tax benefit of the reversal of the valuation allowance associated with the Company s research and experimental credits was reported as part of the gain on disposal of discontinued operations in fiscal year 2005. The foreign tax credit carryforwards of $8.5 million, if utilized, will result in a credit to equity rather than a reduction of the income tax provision on continuing operations.

In November 2009, the Worker, Homeownership, and Business Assistance Act of 2009 was enacted and allowed businesses with net operating losses for 2008 or 2009 to carry back those losses for up to five years. The Company had anticipated carrying back losses of up to $80.0 million at the end of fiscal 2009 and classified certain deferred taxes anticipated to be monetized with the filing of the 2009 tax return as a tax receivable. Subsequently, the Company decided not to implement all of the tax deferral strategies previously anticipated, and carried back losses of $43.6 million from fiscal year 2009 to fiscal year 2005. As a result, the tax attributes that related to tax deferral strategies not implemented have reduced the Company s deferred tax liability balances, with a corresponding reduction in income tax receivable. The Company received a federal income tax refund of $8.9 million in January 2011 and generated general business tax credit carryforwards of $6.4 million.

Current deferred tax assets of $12.1 million and $28.8 million were included in other current assets at January 2, 2011 and January 3, 2010, respectively. Short-term deferred tax liabilities of $15.8 million were included in other current liabilities at January 2, 2011. Short-term deferred tax liabilities were zero at January 3, 2010. Long-term deferred tax liabilities of $54.6 million and $42.2 million were included in other long-term liabilities at January 2, 2011 and January 3, 2010, respectively.

As a result of the sale of the IDS and Photoflash businesses, the Company concluded that the remaining operations within those foreign subsidiaries previously containing IDS and Photoflash operations did not require the same level of capital as previously required, and therefore the Company plans to repatriate $250.0 million of cash and has provided for the taxes on the related previously unremitted earnings. Taxes have not been provided for unremitted earnings that the Company continues to consider permanently reinvested, which is based on its future operational and capital requirements. The impact of this tax provision in fiscal year 2010 was an increase to the Company s tax provision of $65.8 million in discontinued operations. The Company expects to utilize existing tax attributes to repatriate these earnings and expect the taxes to be paid to repatriate these earnings will be minimal. The Company continues to maintain its permanent 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 January 2, 2011, the amount of foreign earnings that are expected to remain invested outside the U.S. indefinitely and for which no U.S. tax cost has been provided was approximately $514.0 million. It is not practical to calculate the unrecognized deferred tax liability on those earnings.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 7: 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:

	2010	2009	2008
		(In thousands)	
Number of common shares basic	117,109	116,250	117,659
Effect of dilutive securities:			
Stock options	725	255	969
Restricted stock	148	85	59
Number of common shares diluted	117,982	116,590	118,687
Number of potentially dilutive securities excluded from calculation due to antidilutive impact	4,583	8,019	6,889

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 8: Accounts Receivable, Net

Accounts receivable were net of reserves for doubtful accounts of $23.7 million and $22.3 million as of January 2, 2011 and January 3, 2010, respectively.

During fiscal year 2001, the Company established a wholly owned consolidated subsidiary to maintain a receivables purchase agreement with a third-party financial institution. Under this arrangement, the Company sold, on a revolving basis, certain of the Company s accounts receivable balances to the consolidated subsidiary which simultaneously sold an undivided percentage ownership interest in designated pools of receivables to a third-party financial institution. As collections reduced the balance of sold accounts receivable, new receivables were sold. The Company s consolidated subsidiary retained the risk of credit loss on the receivables. Accordingly, the full amount of the allowance for doubtful accounts had been provided for on the Company s consolidated balance sheets. The amount of receivables sold and outstanding with the third-party financial institution was not to exceed $65.0 million, reduced to $50.0 million in March 2009. Under the terms of this agreement, the Company s consolidated subsidiary retained collection and administrative responsibilities for the balances. The agreement required the third-party financial institution to be paid interest during the period from the date the receivable was sold to its maturity date.

In March 2009, the Company s consolidated subsidiary entered into an agreement to extend the term of the accounts receivable securitization facility to December 30, 2009. On June 30, 2009, the Company s consolidated subsidiary exercised the right to terminate the receivables purchase agreement with a third-party financial institution, releasing both parties of their rights, liabilities and obligations under this agreement.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 9: Inventories, Net

Inventories as of January 2, 2011 and January 3, 2010 consisted of the following:

	2010	2009
	(In thousands)	
Raw materials	$ 70,472	$ 61,491
Work in progress	12,660	11,892
Finished goods	124,146	105,283
Total inventories, net	$ 207,278	$ 178,666

Note 10: Property, Plant and Equipment, Net

Property, plant and equipment, at cost, as of January 2, 2011 and January 3, 2010, consisted of the following:

	2010	2009
	(In thousands)	
Land	$ 8,058	$ 7,350
Building and leasehold improvements	134,483	125,206
Machinery and equipment	274,294	260,107
Total property, plant and equipment	416,835	392,663
Accumulated depreciation	(255,015)	(239,637)
Total property, plant and equipment, net	$ 161,820	$ 153,026

Depreciation expense on property, plant and equipment for the fiscal years ended January 2, 2011, January 3, 2010 and December 28, 2008 was $28.4 million, $26.6 million and $24.9 million, respectively.

Note 11: Marketable Securities and Investments

Investments as of January 2, 2011 and January 3, 2010 consisted of the following:

	2010	2009
	(In thousands)	
Marketable securities	$ 1,178	$ 1,066

Joint venture and other investments	172	1,221
	$ 1,350	$ 2,287

Marketable securities include equity and fixed-income securities held to meet obligations associated with the Company s supplemental executive retirement plan and other deferred compensation plans. The Company has, accordingly, classified these securities as long-term.

The net unrealized holding gain and loss on marketable securities, net of deferred income taxes, reported as a component of accumulated other comprehensive loss in stockholders equity, was a $0.1 million loss at January 2, 2011 and $0.2 million loss at January 3, 2010. The proceeds from the sales of securities and the related gains and losses are not material for any period presented.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Marketable securities classified as available for sale as of January 2, 2011 and January 3, 2010 consisted of the following:

	Market Value	Cost	Gains	(Losses)
		Gross Unrealized Holding		
		(In thousands)		
2010				
Equity securities	$ 772	$ 874	$	$ (102)
Fixed-income securities	262	261	1	
Other	144	206		(62)
	$ 1,178	$ 1,341	$ 1	$ (164)
2009				
Equity securities	$ 701	$ 885	$	$ (184)
Fixed-income securities	230	229	1	
Other	135	221		(86)
	$ 1,066	$ 1,335	$ 1	$ (270)

Note 12: 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.

As discussed in Note 22, the Company realigned its organization into two new operating segments at the beginning of fiscal year 2009. In conjunction with the realignment of its operating segments, the Company also redefined its reporting units based on the new alignment of its operating segments. Financial information in this report relating to fiscal year 2008 has been retrospectively adjusted to reflect the changes in the Company s operating segments. The Company s segment management reviews the results of the operations at the operating segment level or one level below its operating segments.

The Company has determined that the reporting units that should be used to test goodwill for impairment are the analytical sciences and laboratory services, genetic screening, bio-discovery and medical imaging. The income approach, specifically the discounted cash flow model, was used to determine the fair values of each of the reporting units in order to allocate goodwill on a relative fair value basis.

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 on January 4, 2010, the annual impairment date for fiscal year 2010, and concluded based on the first step of the process that there was no goodwill impairment.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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. In fiscal year 2010, the long-term terminal growth rates for the Company s reporting units ranged from 5.0% to 7.5%. The range for the discount rates for the reporting units was 10.5% to 14.0%. Keeping all other variables constant, a 10.0% change in any one of the input assumptions for the various reporting units would still allow the Company to conclude, based on the first step of the process, that there was no impairment of goodwill.

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

The changes in the carrying amount of goodwill for fiscal years 2010 and 2009 are as follows, which included changes related to acquisitions completed during fiscal years 2010 and 2009 and immaterial adjustments related to acquisitions completed prior to fiscal year 2009:

	Human Health	Environmental Health	Consolidated
		(In thousands)	
Balance, December 28, 2008	$ 888,172	$ 481,294	$ 1,369,466
Foreign currency translation	499	522	1,021
Acquisitions, earn-outs and other	37,336	11,662	48,998
Balance, January 3, 2010	926,007	493,478	1,419,485
Foreign currency translation	(20,322)	(10,558)	(30,880)
Acquisitions, earn outs and other	69,255	46,955	116,210
Balance, January 2, 2011	$ 974,940	$ 529,875	$ 1,504,815

As discussed in Note 2, the January 3, 2010 goodwill balance has been retrospectively adjusted by $5.4 million for the measurement period adjustment related to the Analytica acquisition. As discussed in Note 3, the financial information in this report relating to fiscal years 2010, 2009 and 2008 has been retrospectively adjusted to reflect the divesture of the Company s IDS business, including the goodwill and identifiable intangible asset balances as of January 2, 2011, January 3, 2010 and December 28, 2008.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Identifiable intangible asset balances at January 2, 2011 by category and by business segment were as follows:

	Human Health	Environmental Health (In thousands)	Consolidated
Patents	$ 91,502	$ 16,060	$ 107,562
Less: Accumulated amortization	(64,998)	(13,737)	(78,735)
Net patents	26,504	2,323	28,827
Trade names and trademarks	15,885	334	16,219
Less: Accumulated amortization	(8,042)	(201)	(8,243)
Net trade names and trademarks	7,843	133	7,976
Licenses	59,660	1,150	60,810
Less: Accumulated amortization	(33,420)	(284)	(33,704)
Net licenses	26,240	866	27,106
Core technology	160,496	150,061	310,557
Less: Accumulated amortization	(100,874)	(86,415)	(187,289)
Net core technology	59,622	63,646	123,268
Customer relationships	131,812	9,019	140,831
Less: Accumulated amortization	(48,194)	(5,694)	(53,888)
Net customer relationships	83,618	3,325	86,943
IPR&D	199	3,300	3,499
Less: Accumulated amortization	(11)	(394)	(405)
Net IPR&D	188	2,906	3,094
Net amortizable intangible assets	204,015	73,199	277,214
Non-amortizable intangible assets:			
Trade names and trademarks	57,338	89,696	147,034
Totals	$ 261,353	$ 162,895	$ 424,248

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	Human Health	Environmental Health (In thousands)	Consolidated
Patents	$ 90,974	$ 16,347	$ 107,321
Less: Accumulated amortization	(56,247)	(12,255)	(68,502)
Net patents	34,727	4,092	38,819
Trade names and trademarks	15,629	355	15,984
Less: Accumulated amortization	(6,876)	(139)	(7,015)
Net trade names and trademarks	8,753	216	8,969
Licenses	63,040	250	63,290
Less: Accumulated amortization	(33,294)	(112)	(33,406)
Net licenses	29,746	138	29,884
Core technology	141,254	139,951	281,205
Less: Accumulated amortization	(84,353)	(73,880)	(158,233)
Net core technology	56,901	66,071	122,972
Customer relationships	118,967	9,494	128,461
Less: Accumulated amortization	(33,115)	(4,615)	(37,730)
Net customer relationships	85,852	4,879	90,731
IPR&D	1,049	3,300	4,349
Less: Accumulated amortization		(83)	(83)
Net IPR&D	1,049	3,217	4,266
Net amortizable intangible assets	217,028	78,613	295,641
Non-amortizable intangible assets:			
Trade names and trademarks	57,338	89,696	147,034
Totals	$ 274,366	$ 168,309	$ 442,675

Total amortization expense related to finite-lived intangible assets was $60.7 million in fiscal year 2010, $54.1 million in fiscal year 2009 and $52.7 million in fiscal year 2008.

Note 13: Debt

Amended Senior Unsecured Revolving Credit Facility. On August 13, 2007, the Company entered into an amended and restated senior unsecured revolving credit facility which provides for a $650.0 million facility through August 13, 2012. Letters of credit in the aggregate amount of approximately $14.0 million are treated as issued under this amended facility. The Company uses the amended senior unsecured revolving credit facility for general corporate purposes, which may include working capital, refinancing existing indebtedness, capital expenditures, share repurchases, acquisitions and strategic alliances. The interest rates under the amended senior unsecured revolving credit facility are based on the Eurocurrency rate at the time of borrowing plus a margin, or the base rate from time to time. The base rate is the higher of (i) the corporate base rate announced from time to time by Bank of America, N.A. and (ii) the Federal Funds rate plus 50 basis points. The Company may allocate all or a portion of its indebtedness under the amended senior unsecured revolving credit facility to interest based upon the Eurocurrency rate plus a margin, or the base rate. The Eurocurrency margin as of January 2, 2011 was 40 basis points. The weighted average Eurocurrency interest rate as of January 2, 2011 was 0.26%, resulting in a weighted average effective Eurocurrency rate, including the margin, of 0.66%. The Company had drawn down

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

$274.0 million of borrowings in U.S. Dollars under the facility as of January 2, 2011, with interest based on the above described Eurocurrency rate. The agreement for the facility contains affirmative, negative and financial covenants and events of default customary for financings of this type, which are consistent with those financial covenants contained in the Company s previous senior revolving credit agreement. The financial covenants in the Company s amended and restated senior unsecured revolving credit facility include debt-to-capital ratios and a contingent maximum total leverage ratio, applicable if the Company s credit rating is down-graded below investment grade.

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

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

As of January 2, 2011, the balance remaining in accumulated other comprehensive loss related to the effective cash flow hedges was $5.3 million, net of taxes of $3.4 million. The derivative losses are being amortized into interest expense when the hedged exposure affects interest expense. The Company amortized $2.0 million into interest expense during each of the fiscal years 2010 and 2009, and $1.2 million during fiscal year 2008.

The following table summarizes the maturities of the Company s indebtedness at January 2, 2011:

	Amended Sr. Unsecured Revolving Credit Facility Maturing 2012(1)	6.0% Sr. Notes Maturing 2015(2)	Other Debt Facilities(2)	Total
		(In thousands)		
2011	$	$	$ 2,255	$ 2,255
2012	274,000			274,000
2013				
2014				
2015		150,000		150,000
Thereafter				
Total	$ 274,000	$ 150,000	$ 2,255	$ 426,255

(1) The credit facility borrowings carry variable interest rates; the amounts included in this table do not contemplate interest obligations.
(2) For the purposes of this table, the obligation has been calculated without interest obligations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 14: Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities as of January 2, 2011 and January 3, 2010 consisted of the following:

	2010	2009
	(In thousands)	
Payroll and incentives	$ 42,475	$ 40,059
Employee benefits	36,183	37,464
Deferred revenue	96,534	93,467
Federal, non-U.S. and state income taxes	24,428	21,794
Other accrued operating expenses	123,418	102,928
Total accrued expenses and other current liabilities	$ 323,038	$ 295,712

Note 15: Employee Benefit Plans

Savings Plan: The Company has a 401(k) Savings Plan for the benefit of all qualified U.S. employees. Under this plan, the Company s employees, other than those eligible for continued accruals under the defined benefit pension plan in fiscal year 2010, received matching contributions in the amount equal to 100% of the first 5% of eligible compensation up to applicable Internal Revenue Service limits. Employees eligible for continued accruals under the defined benefit pension plan in fiscal year 2010 received matching contributions of 55% of the first 6% of eligible compensation. Effective February 1, 2011, all employees receive matching contributions in the amount equal to 100% of the first 5% of eligible compensation up to applicable Internal Revenue Service limits as active pension accruals ceased effective January 31, 2011. Savings plan expense was $10.6 million in fiscal year 2010, $10.6 million in fiscal year 2009 and $9.7 million in fiscal year 2008.

Pension Plans: The Company has a defined benefit pension plan covering some U.S. employees and non-U.S. pension plans for some non-U.S. employees. The principal U.S. defined benefit pension plan was closed to new hires effective January 31, 2001, and benefits for those employed by the Company s former Life Sciences businesses were frozen as of that date. Plan benefits were frozen as of March 2003 for those employed by the Company s former Analytical Instruments business and corporate employees. Plan benefits were frozen as of January 31, 2011 for all employees that were still actively accruing in the plan. The plans provide benefits that are based on an employee s years of service and compensation near retirement.

Net periodic pension cost for U.S. and non-U.S. plans included the following components:

	2010	2009	2008
		(In thousands)	
Service cost	$ 4,778	$ 4,607	$ 4,969
Interest cost	24,894	25,012	26,752
Expected return on plan assets	(23,680)	(22,588)	(26,381)
Settlement loss	458		
Net amortization and deferral	8,094	5,266	3,060

Net periodic pension cost	$ 14,544	$ 12,297	$ 8,400

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table sets forth the changes in the funded status of the principal U.S. pension plan and the principal non-U.S. pension plans and the amounts recognized in the Company s consolidated balance sheets as of January 2, 2011 and January 3, 2010.

	2010		2009	
	Non-U.S.	U.S.	Non-U.S.	U.S.
	(In thousands)			
Actuarial present value of benefit obligations:				
Accumulated benefit obligations	$ 216,320	$ 249,592	$ 224,637	$ 242,867
Change in benefit obligations:				
Projected benefit obligations at beginning of year	$ 235,227	$ 249,085	$ 212,768	$ 236,081
Service cost	2,586	2,192	2,358	2,249
Interest cost	11,583	13,311	11,952	13,060
Benefits paid and plan expenses	(9,476)	(14,903)	(10,761)	(14,412)
Participants contributions	485		513	
Plan amendments			(150)	
Plan curtailment	(984)	(5,569)		
Plan settlement	(4,102)			
Actuarial loss	4,577	5,475	15,843	12,107
Effect of exchange rate changes	(13,779)		2,704	
Projected benefit obligations at end of year	$ 226,117	$ 249,591	$ 235,227	$ 249,085
Change in plan assets:				
Fair value of plan assets at beginning of year	$ 86,087	$ 169,505	$ 66,680	$ 161,883
Actual return on plan assets	10,527	19,223	15,900	22,034
Benefits paid and plan expenses	(9,476)	(14,903)	(10,761)	(14,412)
Employer s contributions	15,161	30,000	11,382	
Participants contributions	485		513	
Plan settlement	(4,102)			
Effect of exchange rate changes	(3,022)		2,373	
Fair value of plan assets at end of year	95,660	203,825	86,087	169,505
Net amount recognized in the consolidated balance sheets	$ 130,457	$ 45,766	$ 149,140	$ 79,580
Net amounts recognized in the consolidated balance sheets consist of:				
Noncurrent assets	$	$	$	$
Current liabilities	6,506		6,872	
Noncurrent liabilities	123,951	45,766	142,268	$ 79,580
Net amounts recognized in the consolidated balance sheets	$ 130,457	$ 45,766	$ 149,140	$ 79,580
Net amounts recognized in accumulated other comprehensive loss consist of:				
Net actuarial loss	$ 29,825	$ 118,590	$ 34,184	$ 127,510
Prior service cost	(2,419)		(2,557)	4
Net amounts recognized in accumulated other comprehensive loss	$ 27,406	$ 118,590	$ 31,627	$ 127,514

Actuarial assumptions as of the year-end measurement date:				
Discount rate	5.14%	5.30%	5.29%	5.50%
Rate of compensation increase	3.42%	3.50%	3.39%	3.50%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	2010		2009		2008	
	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.
Actuarial assumptions used to determine net periodic pension cost during the year:						
Discount rate	5.29%	5.50%	5.77%	5.75%	5.52%	6.00%
Rate of compensation increase	3.39%	3.50%	3.14%	3.50%	3.74%	3.50%
Expected rate of return on assets	7.20%	8.50%	6.50%	8.50%	7.60%	8.50%

Assets of the defined benefit pension plans are primarily equity and debt securities. Asset allocations at January 2, 2011 and January 3, 2010, and target asset allocations for fiscal year 2011 are as follows:

	Target Allocation January 1, 2012		Percentage of Plan Assets at January 2, 2011		January 3, 2010	
Asset Category	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.
Equity securities	65-75%	50-60%	70%	57%	72%	51%(1)
Debt securities	25-35%	40-50%	30%	38%	27%	36%
Other	0%	0-5%	0%	5%	1%	13%(1)
Total	100%	100%	100%	100%	100%	100%

(1) Blackstone Park Avenue Non-Taxable Fund L.P. was redeemed for cash as of December 31, 2009. This amount was included in the Other asset category and Equity securities asset category as of January 3, 2010. The Company reinvested this cash into equity securities during the first and second quarters of fiscal year 2010.

The Company maintains target allocation percentages among various asset classes based on investment policies established for the pension plans which are designed to maximize the total rate of return (income and appreciation) after inflation within the limits of prudent risk taking, while providing for adequate near-term liquidity for benefit payments. The Company s expected returns on assets assumptions are derived from management s estimates, as well as other information compiled by management, including studies that utilize customary procedures and techniques. The studies include a review of anticipated future long-term performance of individual asset classes and consideration of the appropriate asset allocation strategy given the anticipated requirements of the plans to determine the average rate of earnings expected on the funds invested to provide for the pension plans benefits. While the study gives appropriate consideration to recent fund performance and historical returns, the assumption is primarily a long-term, prospective rate.

The target allocations for plan assets are listed in the above table. Equity securities primarily include investments in large-cap and mid-cap companies located in the United States and abroad, and equity index funds. Debt securities include corporate bonds of companies from diversified industries, high-yield bonds, and U.S. government securities. Other types of investments include investments in non U.S. government index liked bonds, multi-strategy hedge funds and venture capital funds that follow several different strategies.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The fair values of the Company s pension plan assets at January 2, 2011 and January 3, 2010 by asset category, classified in the three levels of inputs described in Note 20, below, are as follows:

	Total Carrying Value at January 2, 2011	Fair Value Measurements at January 2, 2011 Using: Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(In thousands)		
Cash	$ 11,173	$ 11,173	$	$
Equity Securities:				
U.S large-cap	36,569	36,569		
International large-cap value	31,902	31,902		
U.S. small cap	3,407	3,407		
Emerging markets growth	8,008	8,008		
Equity index funds	68,850		68,850	
Domestic real estate	10,977	10,977		
Commodities	4,781	4,781		
Fixed income securities:				
U.S. Treasury securities	2,437	2,437		
Corporate debt instruments-preferred	372		372	
Corporate debt instruments	58,608		58,608	
Corporate bonds	17,312		17,312	
High yield bonds	15,922	15,922		
Other types of investments:				
Multi-strategy hedge funds	20,073			20,073
Venture capital funds	14			14
Non U.S. government index linked bonds	8,487		8,487	
DC units	593		593	
Total assets measured at fair value	$ 299,485	$ 125,176	$ 154,222	$ 20,087

	Total Carrying Value at January 3, 2010	Fair Value Measurements at January 3, 2010 Using: Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(In thousands)		
Cash	$ 22,075	$ 22,075	$	$
Equity Securities:				
U.S. large-cap	32,664	32,664		
International large-cap value	30,769	30,769		
U.S. small cap	3,265	3,265		
Emerging markets growth	3,323	3,323		
Equity index funds	62,467		62,467	
Domestic real estate	2,591	2,591		
Fixed income securities:				
U.S. government securities	14,587	14,587		
Corporate debt instruments-preferred	360		360	
Corporate debt instruments	44,416		44,416	

Corporate bonds	22,899		22,899	
High yield bonds	1,714	1,714		
Other types of investments:				
Common collective trusts	14,375		2,276	12,099
Venture capital funds	87			87
Total assets measured at fair value	$ 255,592	$ 110,988	$ 132,418	$ 12,186

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Valuation Techniques: 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 reconciliation of the beginning and ending Level 3 assets for fiscal years 2010 and 2009 is as follows:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3):			
	Common Collective Trusts	Venture Capital Funds	Multi-strategy Hedge Funds	Total
	(In thousands)			
Balance at December 28, 2008	$ 42,396	$ 23,523	$	$ 65,919
Realized losses	(7,982)	(2,116)		(10,098)
Unrealized gains	15,009	5		15,014
Purchases, issuances, and settlements	(36,409)	(21)		(36,430)
Transfers out of Level 3	(915)	(21,304)		(22,219)
Balance at January 3, 2010	12,099	87		12,186
Realized gains (losses)	20	(92)		(72)
Unrealized gains		113	151	264
Purchases, issuances, and settlements	(12,119)	(94)	19,922	7,709
Balance at January 2, 2011	$	$ 14	$ 20,073	$ 20,087

The Company does not expect to make a contribution to the U.S. pension plan during fiscal year 2011. With respect to non-U.S. plans, the Company expects to contribute approximately $11.0 million in fiscal year 2011.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

	Non-U.S.	U.S.
	(In thousands)	
2011	$ 10,184	$ 15,159
2012	10,349	15,291
2013	11,119	15,540
2014	11,096	15,893
2015	11,570	16,094
2016-2020	61,205	83,892

The estimated amount that will be amortized from accumulated other comprehensive loss into net periodic benefit cost in fiscal year 2011 is as follows:

	2011 (In thousands)
Net actuarial loss	$ 8,934
Prior service cost	(212)
	$ 8,722

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company also sponsors a supplemental executive retirement plan to provide senior management with benefits in excess of normal pension benefits. Effective July 31, 2000, this plan was closed to new entrants. At January 2, 2011 and January 3, 2010, the projected benefit obligations were $19.1 million and $18.0 million, respectively. Assets with a fair value of $0.1 million, segregated in a trust (which is included in marketable securities and investments on the consolidated balance sheets), were available to meet this obligation as of both January 2, 2011 and January 3, 2010. Pension expense for this plan was approximately $1.6 million in fiscal year 2010, $1.5 million in fiscal year 2009 and $1.3 million in fiscal year 2008.

Postretirement Medical Plans: The Company provides healthcare benefits for eligible retired U.S. employees under a comprehensive major medical plan or under health maintenance organizations where available. The majority of the Company s U.S. employees become eligible for retiree health benefits if they retire directly from the Company and have at least ten years of service. Generally, the major medical plan pays stated percentages of covered expenses after a deductible is met and takes into consideration payments by other group coverage and by Medicare. The plan requires retiree contributions under most circumstances and has provisions for cost-sharing charges. Effective January 1, 2000, this plan was closed to new hires. For employees retiring after 1991, the Company has capped its medical premium contribution based on employees years of service. The Company funds the amount allowable under a 401(h) provision in the Company s defined benefit pension plan. Assets of the plan are primarily equity and debt securities.

Net periodic postretirement medical benefit credit included the following components:

	2010	2009	2008
		(In thousands)	
Service cost	$ 102	$ 98	$ 95
Interest cost	204	211	224
Expected return on plan assets	(832)	(759)	(1,034)
Curtailment gain	(690)		
Net amortization and deferral	(363)	(335)	(702)
Net periodic postretirement medical benefit credit	$ (1,579)	$ (785)	$ (1,417)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table sets forth the changes in the postretirement medical plan s funded status and the amounts recognized in the Company s consolidated balance sheets at January 2, 2011 and January 3, 2010.

	2010	2009
	(In thousands)	
Actuarial present value of benefit obligations:		
Retirees	$ 1,833	$ 1,945
Active employees eligible to retire	453	486
Other active employees	1,778	1,576
Accumulated benefit obligations at beginning of year	4,064	4,007
Service cost	102	98
Interest cost	204	211
Benefits paid	(251)	(484)
Curtailment	(628)	
Actuarial (gain) loss	(132)	232
Change in accumulated benefit obligations during the year	(705)	57
Retirees	1,618	1,833
Active employees eligible to retire	294	453
Other active employees	1,447	1,778
Accumulated benefit obligations at end of year	3,359	4,064
Change in plan assets:		
Fair value of plan assets at beginning of year	9,918	9,063
Actual return on plan assets	1,102	1,339
Benefits paid		(484)
Fair value of plan assets at end of year	11,020	9,918
Net amounts recognized in the consolidated balance sheets	$ (7,661)	$ (5,854)
Net amounts recognized in the consolidated balance sheets consist of:		
Noncurrent assets	$ (7,661)	$ (5,854)
Net amounts recognized in the consolidated balance sheets	$ (7,661)	$ (5,854)
Net amounts recognized in accumulated other comprehensive loss consist of:		
Net actuarial gain	$ (1,863)	$ (1,258)
Prior service cost	(253)	(630)
Net amounts recognized in accumulated other comprehensive loss	$ (2,116)	$ (1,888)
Actuarial assumptions as of the year-end measurement date:		
Discount rate	5.30%	5.50%

	2010	2009	2008
Actuarial assumptions used to determine net cost during the year:			
Discount rate	5.50%	5.75%	6.00%
Expected rate of return on assets	8.50%	8.50%	8.50%

The consolidated financial statements included $7.7 million and $5.9 million of net long-term assets as of January 2, 2011 and January 3, 2010, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company maintains a master trust for plan assets related to the U.S. defined benefit plans and the U.S. postretirement medical plan. Accordingly, investment policies, target asset allocations and actual asset allocations are the same as those disclosed for the U.S. defined benefit plans.

The fair values of the Company s plan assets at January 2, 2011 and January 3, 2010 by asset category, classified in the three levels of inputs described in Note 20, are as follows:

		Fair Value Measurements at January 2, 2011 Using:		
	Total Carrying Value at January 2, 2011	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)			
Cash	$ 577	$ 577	$	$
Equity Securities:				
U.S large-cap	1,978	1,978		
International large-cap value	1,725	1,725		
U.S. small cap	184	184		
Emerging markets growth	433	433		
Domestic real estate	594	594		
Commodities	259	259		
Fixed income securities:				
U.S. Treasury securities	132	132		
Corporate debt instruments-preferred	20		20	
Corporate debt instruments	3,170		3,170	
High yield bonds	861	861		
Other types of investments:				
Multi-strategy hedge funds	1,086			1,086
Venture capital funds	1			1
Total assets measured at fair value	$ 11,020	$ 6,743	$ 3,190	$ 1,087

		Fair Value Measurements at January 3, 2010 Using:		
	Total Carrying Value at January 3, 2010	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)			
Cash	$ 1,247	$ 1,247	$	$
Equity Securities:				
U.S. large-cap	1,912	1,912		
International large-cap value	1,801	1,801		
U.S. small cap	191	191		
Emerging markets growth	194	194		
Domestic real estate	152	152		
Fixed income securities:				
U.S. government securities	854	854		

Corporate debt instruments-preferred	21		21	
Corporate debt instruments	2,600		2,600	
High yield bonds	100	100		
Other types of investments:				
Common collective trusts	841		133	708
Venture capital funds	5			5
Total assets measured at fair value	$ 9,918	$ 6,451	$ 2,754	$ 713

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Valuation Techniques: Valuation techniques are the same as those disclosed for the U.S. defined benefit plans above.

A reconciliation of the beginning and ending Level 3 assets for fiscal years 2010 and 2009 is as follows:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3):			
	Common Collective Trusts	Venture Capital Funds	Multi-strategy Hedge Funds	Total
	(In thousands)			
Balance at December 28, 2008	$ 2,481	$ 1,376	$	$ 3,857
Realized losses	(467)	(124)		(591)
Unrealized gains	878			878
Purchases, issuances, and settlements	(2,130)	(1)		(2,131)
Transfers out of Level 3	(54)	(1,246)		(1,300)
Balance at January 3, 2010	708	5		713
Realized losses	(53)	(5)		(58)
Unrealized gains		6	8	14
Purchases, issuances, and settlements	(655)	(5)	1,078	418
Balance at January 2, 2011	$	$ 1	$ 1,086	$ 1,087

The Company does not expect to make any contributions to the postretirement medical plan during fiscal year 2011.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Postretirement Medical Plan	
	(In thousands)
2011	$ 246
2012	243
2013	240
2014	244
2015	244
2016-2020	1,259

The estimated amount that will be amortized from accumulated other comprehensive loss into net periodic benefit cost in fiscal year 2011 is as follows:

		2011 (In thousands)
Net actuarial gain	$	(74)
Prior service cost		(253)
	$	(327)

Deferred Compensation Plans: During fiscal year 1998, the Company implemented a nonqualified deferred compensation plan that provides benefits payable to officers and certain key employees or their designated beneficiaries at specified future dates, or upon retirement or death. Benefit payments under the plan

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

are funded by contributions from participants, and for certain participants, contributions are funded by the Company. The obligations related to the deferred compensation plan totaled $0.9 million at both January 2, 2011 and January 3, 2010.

Note 16: Contingencies

The Company is conducting a number of environmental investigations and remedial actions at current and former locations of the Company and, along with other companies, has been named a potentially responsible party (PRP) for certain waste disposal sites. The Company accrues for environmental issues in the accounting period that the Company s responsibility is established and when the cost can be reasonably estimated. The Company has accrued $6.0 million as of January 2, 2011, which represents management s estimate of the total cost of ultimate disposition of known environmental matters. This amount is not discounted and does not reflect the recovery of any amounts through insurance or indemnification arrangements. These cost estimates are subject to a number of variables, including the stage of the environmental investigations, the magnitude of the possible contamination, the nature of the potential remedies, possible joint and several liability, the time period over which remediation may occur, and the possible effects of changing laws and regulations. For sites where the Company has been named a PRP, management does not currently anticipate any additional liability to result from the inability of other significant named parties to contribute. The Company expects that the majority of such accrued amounts could be paid out over a period of up to ten years. As assessment and remediation activities progress at each individual site, these liabilities are reviewed and adjusted to reflect additional information as it becomes available. There have been no environmental problems to date that have had, or are expected to have, a material adverse effect on the Company s consolidated financial statements. While it is possible that a loss exceeding the amounts recorded in the consolidated financial statements may be incurred, the potential exposure is not expected to be materially different from those amounts recorded.

Enzo Biochem, Inc. and Enzo Life Sciences, Inc. (collectively, Enzo) filed a complaint dated October 23, 2002 in the United States District Court for the Southern District of New York, Civil Action No. 02-8448, against Amersham plc, Amersham BioSciences, PerkinElmer, Inc., PerkinElmer Life Sciences, Inc., Sigma-Aldrich Corporation, Sigma Chemical Company, Inc., Molecular Probes, Inc., and Orchid BioSciences, Inc. (the New York Case). The complaint alleges that the Company has breached its distributorship and settlement agreements with Enzo, infringed Enzo s patents, engaged in unfair competition and fraud, and committed torts against Enzo by, among other things, engaging in commercial development and exploitation of Enzo s patented products and technology, separately and together with the other defendants. Enzo seeks injunctive and monetary relief. In 2003, the court severed the lawsuit and ordered Enzo to serve individual complaints against the five defendants. The Company subsequently filed an answer and a counterclaim alleging that Enzo s patents are invalid. In July 2006, the court issued a decision regarding the construction of the claims in Enzo s patents that effectively limited the coverage of certain of those claims and, the Company believes, excludes certain of the Company s products from the coverage of Enzo s patents. Summary judgment motions were filed by the defendants in January 2007, and a hearing with oral argument on those motions took place in July 2007. In January 2009, the case was assigned to a new district court judge and in March 2009, the new judge denied the pending summary judgment motions without prejudice and ordered a stay of the case until the federal appellate court decides Enzo s appeal of the judgment of the United States District Court for the District of Connecticut in Enzo Biochem vs. Applera Corp. and Tropix, Inc. (the Connecticut Case), which involves a number of the same patents and which could materially affect the scope of Enzo s case against the Company. On March 26, 2010, the United States Court of Appeals for the Federal Circuit (CAFC) affirmed-in-part and reversed-in-part the judgment in the Connecticut Case. Pending further disposition of the Connecticut Case, the New York Case against the Company and other defendants remains stayed.

The Company believes it has meritorious defenses to the matter described above, and it is contesting the action vigorously. While this matter is subject to uncertainty, in the opinion of the Company s management,

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

based on its review of the information available at this time, the resolution of this matter will not have a material adverse effect on the Company s consolidated financial statements.

The Company is also subject to various other claims, legal proceedings and investigations covering a wide range of matters that arise in the ordinary course of its business activities. Although the Company has established accruals for potential losses that it believes are probable and reasonably estimable, in the opinion of the Company s management, based on its review of the information available at this time, the total cost of resolving these other contingencies at January 2, 2011 should not have a material adverse effect on the Company s 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.

Note 17: Warranty Reserves

The Company provides warranty protection for certain products for periods usually ranging from one to three years beyond the date of sale. The majority of costs associated with warranty obligations include the replacement of parts and the time for service personnel to respond to repair and replacement requests. A warranty reserve is recorded based upon historical results, supplemented by management s expectations of future costs. Warranty reserves are included in Accrued expenses and other current liabilities on the consolidated balance sheets. A summary of warranty reserve activity for the fiscal years ended January 2, 2011, January 3, 2010 and December 28, 2008 is as follows:

	(In thousands)
Balance at December 30, 2007	$ 9,410
Provision charged to income	13,716
Payments	(13,360)
Adjustments to previously provided warranties, net	(1,153)
Foreign currency and acquisitions	(134)
Balance at December 28, 2008	8,479
Provision charged to income	13,832
Payments	(13,901)
Adjustments to previously provided warranties, net	366
Foreign currency and acquisitions	134
Balance at January 3, 2010	8,910
Provision charged to income	13,022
Payments	(13,082)
Adjustments to previously provided warranties, net	(596)
Foreign currency and acquisitions	(4)
Balance at January 2, 2011	$ 8,250

Note 18: Stockholders Equity

Stock-Based Compensation:

In addition to the Company s Employee Stock Purchase Plan, the Company formerly had three stock-based compensation plans, the Amended and Restated 2001 Incentive Plan, the 2005 Incentive Plan and the Amended and Restated Life Sciences Incentive Plan (collectively the Prior Plans), under which the Company s common stock was made available for stock option grants, restricted stock awards, and stock grants as part of the Company s compensation programs. On April 28, 2009, the Company s shareholders approved the 2009 Incentive Plan (the 2009 Plan), which is described in more detail in the Company s definitive proxy statement

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

filed with the Securities and Exchange Commission on March 20, 2009. Under the 2009 Plan, 10.0 million shares of the Company s common stock, as well as shares of the Company s common stock previously granted under the Amended and Restated 2001 Incentive Plan and the 2005 Incentive Plan that were cancelled or forfeited without the shares being issued, are authorized for stock option grants, restricted stock awards, and stock grants as part of the Company s compensation programs. The 2009 Plan replaced the Prior Plans. Awards granted under the Prior Plans prior to the approval of the 2009 Plan remain outstanding.

For fiscal years 2010, 2009 and 2008, the Company recorded incremental pre-tax compensation expense related to the stock options of $6.6 million, $8.7 million, and $10.4 million, respectively. The total pre-tax stock-based compensation expense for the cost of stock options, restricted stock, restricted stock units, performance units and stock grants was $13.8 million in both fiscal years 2010 and 2009 and $17.8 million in fiscal year 2008. The total pre-tax stock-based compensation expense recognized in continuing operations for the cost of stock options, restricted stock, restricted stock units, performance units and stock grants was $12.6 million in fiscal year 2010, $12.8 million in fiscal year 2009 and $16.6 million in fiscal year 2008. The total pre-tax stock-based compensation expense recognized in discontinued operations for the cost of stock options, restricted stock, restricted stock units, performance units and stock grants was $1.2 million in fiscal year 2010, $1.0 million in fiscal year 2009 and $1.2 million in fiscal year 2008. The total income tax benefit recognized in the consolidated statements of operations for stock-based compensation was $4.7 million in fiscal year 2010, $4.8 million in fiscal year 2009 and $5.1 million in fiscal year 2008. Stock-based compensation costs capitalized as part of inventory were $0.3 million and $0.2 million as of January 2, 2011 and January 3, 2010, respectively.

Stock Options: The Company has granted options to purchase common shares at prices equal to the market price of the common shares on the date the option is granted. Conditions of vesting are determined at the time of grant. Options are generally exercisable in equal annual installments over a period of three years, and will generally expire seven years after the date of grant. Options assumed as part of business combination transactions retain all the rights, terms and conditions of the respective plans under which they were originally issued.

The fair value of each option grant is estimated using the Black-Scholes option pricing model. The fair value is then amortized on a straight-line basis over the requisite service periods of the awards, which is generally the vesting period. Use of a valuation model requires management to make certain assumptions with respect to selected model inputs. Expected volatility was calculated primarily based on the historical volatility of the Company s stock. The average expected life was based on the contractual term of the option and historic exercise experience. The risk-free interest rate is based on United States Treasury zero-coupon issues with a remaining term equal to the expected life assumed at the date of grant. Forfeitures are estimated based on voluntary termination behavior, as well as an analysis of actual option forfeitures. The Company s weighted-average assumptions used in the Black-Scholes option pricing model are as follows:

	2010	2009	2008
Risk-free interest rate	1.8%	1.6%	2.6%
Expected dividend yield	1.4%	1.9%	1.2%
Expected lives	4.0 years	4.0 years	4.0 years
Expected stock volatility	37.5%	35.0%	28.0%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes stock option activity for the three fiscal years ended January 2, 2011:

	2010		2009		2008	
	Number of Shares	Weighted-Average Price	Number of Shares	Weighted-Average Price	Number of Shares	Weighted-Average Price
			(Shares in thousands)			
Outstanding at beginning of year	8,415	$ 21.27	9,424	$ 24.81	11,246	$ 24.41
Granted	784	21.16	2,254	13.26	1,676	25.05
Exercised	(1,543)	18.82	(459)	13.59	(2,251)	19.43
Canceled	(267)	25.19	(2,601)	28.50	(794)	35.20
Forfeited	(406)	17.67	(203)	21.27	(453)	24.24
Outstanding at end of year	6,983	$ 21.86	8,415	$ 21.27	9,424	$ 24.81
Exercisable at end of year	4,787	$ 23.78	4,909	$ 23.95	6,639	$ 25.03

The weighted-average grant-date fair value of options granted during fiscal years 2010, 2009 and 2008 were $5.99, $3.33, and $5.85, respectively. The total intrinsic value of options exercised during fiscal years 2010, 2009 and 2008 were $6.1 million, $2.0 million, and $19.4 million, respectively. Cash received from option exercises for fiscal years 2010, 2009 and 2008 was $29.0 million, $6.2 million, and $43.7 million, respectively. The related excess tax benefit classified as a financing cash inflow was $2.4 million for fiscal year 2010, $0.2 million for fiscal year 2009, and $0.3 million for fiscal year 2008.

The aggregate intrinsic value for stock options outstanding at January 2, 2011 was $25.3 million with a weighted-average remaining contractual term of 3.2 years. The aggregate intrinsic value for stock options exercisable at January 2, 2011 was $10.7 million with a weighted-average remaining contractual term of 2.2 years. At January 2, 2011, there were 6.6 million stock options that were vested, and expected to vest in the future, with an aggregate intrinsic value of $23.9 million and a weighted-average remaining contractual term of 3.2 years.

There was $5.4 million of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested stock options granted as of January 2, 2011. This cost is expected to be recognized over a weighted-average period of 1.6 years, and will be adjusted for any future changes in estimated forfeitures.

The following table summarizes total compensation expense recognized related to the stock options, which is a function of current and prior year awards, net of estimated forfeitures, included in the Company s consolidated statements of operations during the fiscal years ended:

	January 2, 2011	January 3, 2010	December 28, 2008
		(In thousands)	
Cost of sales	$ 592	$ 1,173	$ 1,433
Selling, general and administrative expenses and other expenses	5,124	6,266	7,333

Research and development expenses	440	413	423
Continuing operations compensation expense related to stock options	6,156	7,852	9,189
Discontinued operations compensation expense related to stock options	475	818	1,193
Less: income tax benefit	(2,358)	(2,978)	(3,285)
Net compensation expense related to stock options	$ 4,273	$ 5,692	$ 7,097

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Restricted Stock Awards: The Company has awarded shares of restricted stock and restricted stock units that contain time-based vesting provisions and performance-based vesting provisions to certain employees at no cost to them, which cannot be sold, assigned, transferred or pledged during the restriction period. These awards were granted under the Company s 2009 Plan, 2005 Incentive Plan and 2001 Incentive Plan. Recipients of the restricted stock have the right to vote such shares and receive dividends.

Restricted Stock Awards (Time-based Vesting) The Company grants restricted stock and restricted stock units that vest through the passage of time, assuming continued employment. The fair value of the award at the time of the grant is expensed on a straight line basis primarily in selling, general and administrative expenses over the vesting period, which is generally three years.

Restricted Stock Awards (Performance-based Vesting) The Company grants restricted stock and restricted stock units that vest based on certain specified performance criteria, assuming employment at the time the performance criteria are met. The fair value of the shares is expensed over the period of performance primarily in selling, general and administrative expenses, once achievement of criteria is deemed probable.

The following table summarizes the restricted stock activity for the three fiscal years ended January 2, 2011:

	2010		2009		2008	
	Number of Shares	Weighted-Average Grant-Date Fair Value	Number of Shares	Weighted-Average Grant-Date Fair Value	Number of Shares	Weighted-Average Grant-Date Fair Value
			(Shares in thousands)			
Nonvested at beginning of year	451	$ 22.49	321	$ 24.54	377	$ 22.84
Granted	413	21.20	283	13.24	246	25.38
Vested	(147)	20.45	(118)	15.45	(208)	22.65
Forfeited	(139)	21.17	(35)	23.80	(94)	24.11
Nonvested at end of year	578	$ 22.00	451	$ 22.49	321	$ 24.54

The weighted-average grant-date fair value of restricted stock awards granted were $21.20 in fiscal year 2010, $13.24 in fiscal year 2009, and $25.38 in fiscal year 2008. The fair value of restricted stock awards vested was $3.0 million in fiscal year 2010, $1.8 million in fiscal year 2009, and $4.7 million in fiscal year 2008. The total compensation expense recognized related to the restricted stock awards, which is a function of current and prior year awards, was $4.3 million in fiscal year 2010, $2.3 million in fiscal year 2009, and $6.0 million in fiscal year 2008.

As of January 2, 2011, there was $7.7 million of total unrecognized compensation cost, net of forfeitures, related to nonvested restricted stock awards. That cost is expected to be recognized over a weighted-average period of 1.5 fiscal years.

Performance Units: The Company s performance unit program provides a cash award based on the achievement of specific performance criteria. A target number of units are granted at the beginning of a three-year performance period. The number of units earned at the end of the performance period is determined by multiplying the number of units granted by a performance factor ranging from 0% to 200%. Awards are determined by multiplying the number of units earned by the stock price at the end of the performance period, and are paid in cash and accounted for as a liability based award. The compensation expense associated with these units is recognized over the period that the performance targets are expected to be achieved. The Company granted 129,879 performance units, 205,900 performance units, and 131,151 performance units during fiscal

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

years 2010, 2009, and 2008, respectively. The weighted-average grant-date fair value of performance units granted during fiscal years 2010, 2009, and 2008 was $20.89, $13.17, and $24.95, respectively. The total compensation expense related to these performance units, which is a function of current and prior year awards, was $2.0 million, $2.1 million, and $0.6 million for fiscal years 2010, 2009, and 2008, respectively. As of January 2, 2011, there were 323,674 performance units outstanding subject to forfeiture.

Stock Awards: The Company s stock award program provides non-employee Directors an annual equity award. For fiscal years 2010, 2009, and 2008 the award equaled the number of shares of the Company s common stock which has an aggregate fair market value of $100,000 on the date of the award. The stock award is prorated for non-employee Directors who serve for only a portion of the year. The shares are granted in April following the annual meeting of shareholders, on the third business day after the Company s first quarter earnings release. The compensation expense associated with these stock awards is recognized when the stock award is granted. During the first quarter of fiscal year 2008, a new non-employee Director was awarded 667 shares as a prorated award for serving a portion of fiscal year 2007. During fiscal years 2010, 2009, and 2008, each non-employee Director was awarded 4,337 shares, 5,790 shares, and 3,740 shares, respectively. The weighted-average grant-date fair value of stock awards granted during fiscal years 2010, 2009, and 2008 was $23.06, $17.27, and $26.70, respectively. The total compensation expense recognized related to these stock awards was $0.8 million, $0.8 million, and $0.8 million for fiscal years 2010, 2009, and 2008, respectively.

Employee Stock Purchase Plan: In April 1999, the Company s shareholders approved the 1998 Employee Stock Purchase Plan. In April 2005, the Compensation and Benefits Committee of the Board voted to amend the Employee Stock Purchase Plan, effective July 1, 2005, whereby participating employees have the right to purchase common stock at a price equal to 95% of the closing price on the last day of each six-month offering period. The number of shares which an employee may purchase, subject to certain aggregate limits, is determined by the employee s voluntary contribution, which may not exceed 10% of the employee s base compensation. During fiscal year 2010, the Company issued 0.1 million shares of common stock under the Company s Employee Stock Purchase Plan at a weighted-average price of $21.80 per share. During fiscal year 2009, the Company issued 0.2 million shares under this plan at a weighted-average price of $16.05 per share. During fiscal year 2008, the Company issued 0.1 million shares under this plan at a weighted-average price of $25.56 per share. At January 2, 2011 there remains available for sale to employees an aggregate of 1.3 million shares of the Company s common stock out of the 5.0 million shares authorized by shareholders for issuance under this plan.

Comprehensive (Loss) Income:

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

	Foreign Currency Translation Adjustment	Unrecognized Losses and Prior Service Costs, net of tax	Unrealized (Losses) Gains on Securities, net of tax	Unrealized and Realized (Losses) Gains on Derivatives, net of tax	Accumulated Other Comprehensive (Loss) Income
			(In thousands)		
Balance, December 30, 2007	$ 112,172	$ (49,080)	$ (47)	$ (5,338)	$ 57,707
Current year change	(29,067)	(57,220)	(321)	(2,338)	(88,946)
Balance, December 28, 2008	83,105	(106,300)	(368)	(7,676)	(31,239)
Current year change	4,937	(2,349)	204	1,196	3,988

Balance, January 3, 2010	88,042	(108,649)	(164)	(6,480)	(27,251)
Current year change	(33,692)	6,192	64	1,196	(26,240)
Balance, January 2, 2011	$ 54,350	$ (102,457)	$ (100)	$ (5,284)	$ (53,491)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The tax effects on the foreign currency translation component of other comprehensive (loss) income are minimal due to the Company s previous position that undistributed earnings of foreign subsidiaries are permanently reinvested. As a result of the sale of the IDS and Photoflash businesses, the Company concluded that the remaining operations within those foreign subsidiaries previously containing IDS and Photoflash operations did not require the same level of capital as previously required, and therefore the Company plans to repatriate $250.0 million of cash and has provided for the taxes on the related previously unremitted earnings. Taxes have not been provided for unremitted earnings that the Company continues to consider permanently reinvested, which is based on its future operational and capital requirements. The components of other comprehensive (loss) income were as follows:

	After-Tax Amount (In thousands)
2010	
Foreign currency translation adjustments	$ (34,086)
Reclassification of foreign currency translation gains to earnings upon sale of subsidiaries	394
Unrecognized gains and prior service costs, net of income taxes	6,192
Unrealized net gains on securities, net of income taxes	64
Reclassification adjustments for losses on derivatives included in net income	1,196
Other comprehensive loss	$ (26,240)
2009	
Foreign currency translation adjustments	$ 4,937
Unrecognized losses and prior service costs, net of income taxes	(2,349)
Unrealized net gains on securities, net of income taxes	204
Reclassification adjustments for losses on derivatives included in net income	1,196
Other comprehensive income	$ 3,988
2008	
Foreign currency translation adjustments	$ (29,067)
Unrecognized losses and prior service costs, net of income taxes	(57,220)
Unrealized net losses on securities, net of income taxes	(321)
Reclassification adjustments for losses on derivatives included in net income	3,268
Unrealized and realized losses on derivatives, net of income taxes	(5,606)
Other comprehensive loss	$ (88,946)

Stock Repurchase Program:

On October 23, 2008, the Company announced that the Board authorized the Company to repurchase up to 10.0 million shares of common stock under a stock repurchase program (the Repurchase Program). On August 31, 2010, the Company announced that the Board had authorized the Company to repurchase an additional 5.0 million shares of common stock under the Repurchase Program. The Repurchase Program will expire on October 22, 2012 unless terminated earlier by the Board, and may be suspended or discontinued at any time. During fiscal year 2008, the Company repurchased approximately 1.0 million shares of common stock in the open market at an aggregate cost of $18.0 million, including commissions, under the Repurchase Program. During fiscal year 2009, the Company repurchased approximately 1.0 million shares of common stock in the open market at an aggregate cost of $14.2 million, including commissions, under the Repurchase Program. During fiscal year 2010, the Company repurchased approximately 3.0 million shares of common stock in the open market at an aggregate cost of $71.5 million, including commissions, under the Repurchase Program. As of January 2, 2011, approximately 10.0 million shares of common stock remained available for repurchase from the

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15.0 million shares authorized by the Board under the Repurchase Program. From January 3, 2011 through February 24, 2011, the Company repurchased approximately 3.0 million shares of common stock in the open market at an aggregate cost of $80.6 million, including commissions, under the Repurchase Program.

The Board has authorized the Company to repurchase shares of common stock to satisfy minimum statutory tax withholding obligations in connection with the vesting of restricted stock awards and restricted stock unit awards granted pursuant to the Company s equity incentive plans. During fiscal year 2008, the Company repurchased 37,521 shares of common stock. During fiscal year 2009, the Company repurchased 28,890 shares of common stock. During fiscal year 2010, the Company repurchased 57,551 shares of common stock for this purpose.

The repurchased shares have been reflected as additional authorized but unissued shares, with the payments reflected in common stock and capital in excess of par value.

Dividends:

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

Note 19: 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 61% of the Company s business is conducted outside of the United States, generally in foreign currencies. The fluctuations in foreign currency can increase the costs of financing, investing and operating the business. The intent of these economic hedges is to offset gains and losses that occur on the underlying exposures from these currencies, with gains and losses resulting from the forward currency contracts that hedge these exposures.

In the ordinary course of business, the Company enters into foreign exchange contracts for periods consistent with its committed exposures to mitigate the effect of foreign currency movements on transactions denominated in foreign currencies. Transactions covered by hedge contracts include intercompany and third-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 consolidated balance sheets. Unrealized gains and losses on the Company s foreign currency contracts are recognized immediately in earnings for hedges designated as fair value and, for hedges designated as cash flow, the related unrealized gains or losses are deferred as a component of other comprehensive (loss) income in the accompanying consolidated balance sheets. Deferred gains and losses are recognized in income in the period in which the underlying anticipated transaction occurs and impacts earnings.

Principal hedged currencies include the British Pound (GBP), Canadian Dollar (CAD), Euro (EUR), Japanese Yen (JPY), and Singapore Dollar (SGD). The Company held forward foreign exchange contracts with U.S. equivalent notional amounts totaling $107.3 million at January 2, 2011 and $168.5 million at January 3, 2010, and the approximate fair value of these foreign currency derivative contracts was insignificant. The gains and losses realized on foreign currency derivative contracts are not material. The duration of these contracts was generally 30 days during fiscal years 2010, 2009 and 2008.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

As of January 2, 2011, the balance remaining in accumulated other comprehensive loss related to the effective cash flow hedges was $5.3 million, net of taxes of $3.4 million. The derivative losses are being amortized into interest expense when the hedged exposure affects interest expense. The Company amortized $2.0 million into interest expense during each of the fiscal years 2010 and 2009, and $1.2 million during fiscal year 2008.

Note 20: Fair Value Measurements

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments, marketable securities and accounts receivable. The Company believes it had no significant concentrations of credit risk as of January 2, 2011.

The Company uses the market approach technique to value its financial instruments and there were no changes in valuation techniques during fiscal years 2010 and 2009. 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 by the guidance to measure fair value. For Level 1 inputs, the Company utilizes quoted market prices as these instruments have active markets. For Level 2 inputs, the Company utilizes quoted market prices in markets that are not active, broker or dealer quotations, or utilizes alternative pricing sources with reasonable levels of price transparency. For Level 3 inputs, the Company utilizes unobservable inputs based on the best information available, including estimates by management primarily based on information provided by third-party fund managers, independent brokerage firms and insurance companies. A financial asset s or liability s classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

The following tables show the assets and liabilities carried at fair value measured on a recurring basis at January 2, 2011 and January 3, 2010 classified in one of the three classifications described above:

		Fair Value Measurements at January 2, 2011 Using:		
	Total Carrying Value at	Quoted Prices in Active	Significant Other Observable Inputs	Significant Unobservable Inputs

	January 2, 2011	Markets (Level 1)	(Level 2)	(Level 3)
		(In thousands)		
Marketable securities	$ 1,178	$ 1,178	$	$
Foreign exchange derivative liabilities, net	(84)		(84)	
Contingent consideration	(1,731)			(1,731)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Total Carrying Value at January 3, 2010	Fair Value Measurements at January 3, 2010 Using: Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(In thousands)		
Marketable securities	$ 1,066	$ 1,066	$	$
Foreign exchange derivative liabilities, net	(41)		(41)	
Contingent consideration	(4,251)			(4,251)

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

Marketable securities	Include equity and fixed-income securities measured at fair value using the quoted market prices at the reporting date.
Foreign exchange derivative assets and liabilities	Include foreign exchange derivative contracts that are valued using quoted forward foreign exchange prices at the reporting date.

The Company has classified its net liabilities for contingent consideration relating to its acquisitions of Opto Technology Inc., acquired in January 2009, and Sym-Bio within Level 3 of the fair value hierarchy because the fair value is determined using significant unobservable inputs, which included probability weighted cash flows. A reconciliation of the beginning and ending Level 3 net liabilities is as follows:

	(In thousands)
Balance at December 28, 2008	$
Transfers into Level 3	(4,437)
Payments	
Change in fair value (included within selling, general and administrative expenses)	186
Balance at January 3, 2010	(4,251)
Transfers into Level 3	
Payments	2,717
Change in fair value (included within selling, general and administrative expenses)	(197)
Balance at January 2, 2011	$ (1,731)

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

The Company s amended senior unsecured revolving credit facility, with a $650.0 million available limit, and the Company s 6% senior unsecured notes, with a face value of $150.0 million, had outstanding balances as of January 2, 2011 of $274.0 million and $150.0 million, respectively, and as of January 3, 2010 of $406.0 million and $150.0 million, respectively. The interest rate on the Company s amended senior unsecured revolving credit facility is reset at least monthly to correspond to variable rates that reflect currently available terms and conditions for similar debt. The Company had no change in credit standing during fiscal year 2010. Consequently, the carrying value of the current year and prior year credit facilities approximate fair value. The fair value of the 6% senior unsecured notes is estimated using market quotes from brokers or is based on current

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

rates offered for similar debt. At January 2, 2011, the 6% senior unsecured notes had an aggregate carrying value of $150.0 million and a fair value of $166.8 million. At January 3, 2010, the 6% senior unsecured notes had an aggregate carrying value of $150.0 million and a fair value of $159.4 million.

As of January 2, 2011, 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 21: Leases

The Company leases certain property and equipment under operating leases. Rental expense charged to continuing operations for fiscal years 2010, 2009, and 2008 amounted to $46.8 million, $36.2 million, and $36.5 million, respectively. Minimum rental commitments under noncancelable operating leases are as follows: $40.3 million in fiscal year 2011, $29.6 million in fiscal year 2012, $19.9 million in fiscal year 2013, $15.2 million in fiscal year 2014, $15.0 million in fiscal year 2015 and $58.9 million in fiscal year 2016 and thereafter.

Note 22: Industry Segment and Geographic Area 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.

Beginning with fiscal year 2009, the Company realigned its businesses in a manner intended to allow the Company to prioritize its capabilities on two key strategic operating areas Human Health and Environmental Health. The Company evaluates the performance of its operating segments based on sales and operating income. Intersegment sales and transfers are not significant. The Company s management reviews the results of the Company s operations by these two operating segments. The accounting policies of the operating segments are the same as those described in Note 1. Financial information in this report relating to fiscal year 2008 has been retrospectively adjusted to reflect the changes in the Company s operating segments. The principal products and services of these operating segments are:

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

> *Environmental Health.* Provides technologies and applications to facilitate the creation of safer food and consumer products, more secure surroundings and efficient energy resources. The Environmental Health segment serves the environmental and safety, industrial and laboratory services markets.

The expenses for the Company s corporate headquarters, such as legal, tax, audit, human resources, information technology, and other management and compliance costs, have been included as Corporate below. The Company has a process to allocate and recharge expenses to the reportable segments when such costs are administered or paid by the corporate headquarters based on the extent to which the segment benefited from the expenses. These amounts have been calculated in a consistent manner and are included in the Company s calculations of segment results to internally plan and assess the performance of each segment for all purposes, including determining the compensation of the business leaders for each of the Company s operating segments.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Sales and operating income (loss) by operating segment for the three fiscal years ended January 2, 2011, excluding discontinued operations, are shown in the table below:

	2010	2009 (In thousands)	2008
Human Health			
Sales	$ 796,310	$ 731,649	$ 768,659
Operating income from continuing operations	96,474	80,581	79,743
Environmental Health			
Sales	908,036	819,117	891,009
Operating income from continuing operations	92,295	75,518	106,153
Corporate			
Operating loss from continuing operations	(35,168)	(34,177)	(38,269)
Continuing Operations			
Sales	$ 1,704,346	$ 1,550,766	$ 1,659,668
Operating income from continuing operations	153,601	121,922	147,627
Interest and other (income) expense, net (see Note 5)	(8,383)	15,787	44,039
Income from continuing operations before income taxes	$ 161,984	$ 106,135	$ 103,588

Additional information relating to the Company s operating segments is as follows:

	Depreciation and Amortization Expense			Capital Expenditures		
	2010	2009 (In thousands)	2008	2010	2009 (In thousands)	2008
Human Health	$ 61,346	$ 54,287	$ 52,614	$ 17,341	$ 17,945	$ 20,313
Environmental Health	26,284	24,272	23,212	15,005	5,684	11,755
Corporate	1,533	2,203	1,550	1,300	1,887	3,201
Continuing operations	$ 89,163	$ 80,762	$ 77,376	$ 33,646	$ 25,516	$ 35,269
Discontinued operations	$ 10,177	$ 12,377	$ 16,381	$ 9,090	$ 7,073	$ 10,135

	Total Assets	
	January 2, 2011	January 3, 2010
	(In thousands)	
Human Health	$ 1,772,695	$ 1,656,462
Environmental Health	1,376,248	1,164,603
Corporate	60,203	27,516
Net current and long-term assets of discontinued operations	227	210,459
Total assets	$ 3,209,373	$ 3,059,040

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following geographic area information for continuing operations includes sales based on location of external customer and net long-lived tangible assets based on physical location:

	Sales		
	2010	2009	2008
	(In thousands)		
U.S.	$ 669,935	$ 596,345	$ 614,258
International:			
China	131,541	104,313	79,202
United Kingdom	97,204	104,368	115,128
Germany	91,687	95,418	129,042
France	82,288	76,522	82,829
Japan	75,678	68,858	64,997
Italy	67,433	68,861	76,752
Other international	488,580	436,081	497,460
Total international	1,034,411	954,421	1,045,410
	$ 1,704,346	$ 1,550,766	$ 1,659,668

	Net Long-Lived Assets	
	January 2, 2011	January 3, 2010
	(In thousands)	
U.S.	$ 126,575	$ 140,264
International:		
China	21,111	15,469
Finland	14,046	14,512
Singapore	5,694	6,027
Netherlands	3,343	3,975
Italy	3,019	2,555
United Kingdom	2,830	2,787
Japan	2,667	2,686
Germany	2,412	2,795
Canada	1,980	2,109
Other international	11,561	5,732
Total international	68,663	58,647
	$ 195,238	$ 198,911

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 23: Quarterly Financial Information (Unaudited)

Selected quarterly financial information follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
	(In thousands, except per share data)				
2010					
Sales	$ 393,620	$ 421,613	$ 419,143	$ 469,970	$ 1,704,346
Gross profit	175,266	189,253	185,783	208,329	758,631
Restructuring and lease charges, net		9,833		9,130	18,963
Operating income from continuing operations	30,619	33,244	41,417	48,321	153,601
Income from continuing operations before income taxes	27,497	54,897	34,737	44,853	161,984
Income from continuing operations	19,636	47,179	26,545	42,562	135,922
Net income	24,391	57,643	13,391	288,494	383,919
Basic earnings per share:					
Continuing operations	$ 0.17	$ 0.40	$ 0.23	$ 0.37	$ 1.16
Net income	0.21	0.49	0.11	2.48	3.28
Diluted earnings per share:					
Continuing operations	$ 0.17	$ 0.40	$ 0.22	$ 0.36	$ 1.15
Net income	0.21	0.49	0.11	2.46	3.25
Cash dividends per common share	0.07	0.07	0.07	0.07	0.28
2009					
Sales	$ 368,848	$ 376,406	$ 377,036	$ 428,476	$ 1,550,766
Gross profit	167,355	169,029	168,755	193,843	698,982
Restructuring and lease charges, net	7,191		10,796		17,987
Operating income from continuing operations	19,565	30,867	21,903	49,587	121,922
Income from continuing operations before income taxes	15,043	26,981	17,353	46,758	106,135
Income from continuing operations	10,255	17,832	13,328	32,920	74,335
Net income	10,559	21,505	13,589	39,946	85,599
Basic earnings per share:					
Continuing operations	$ 0.09	$ 0.15	$ 0.11	$ 0.28	$ 0.64
Net income	0.09	0.19	0.12	0.34	0.74
Diluted earnings per share:					
Continuing operations	$ 0.09	$ 0.15	$ 0.11	$ 0.28	$ 0.64
Net income	0.09	0.18	0.12	0.34	0.73
Cash dividends per common share	0.07	0.07	0.07	0.07	0.28

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Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

Not applicable.

Item 9A. ***Controls and Procedures***

Conclusion Regarding the Effectiveness of Disclosure 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 January 2, 2011. The term disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by the company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of January 2, 2011, 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.

Management s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, the company s principal executive and principal financial officers and effected by the company s board of directors, management and other personnel, 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, and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of January 2, 2011. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework.

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Based on this assessment, our management concluded that, as of January 2, 2011, our internal control over financial reporting was effective based on those criteria.

Our registered public accounting firm has issued an attestation report on our internal control over financial reporting. This report appears below.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of PerkinElmer, Inc.

Waltham, Massachusetts

We have audited the internal control over financial reporting of PerkinElmer, Inc. and subsidiaries (the Company) as of January 2, 2011, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed by, or under the supervision of, the company s principal executive and principal financial officers, or persons performing similar functions, and effected by the company s board of directors, management, and other personnel 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. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 2, 2011, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended January 2, 2011 of the Company and our report dated March 1, 2011 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ DELOITTE & TOUCHE LLP

Boston, Massachusetts

March 1, 2011

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Changes in Internal Control Over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended January 2, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. ***Other Information***

Not applicable.

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PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

The information required to be disclosed by this Item pursuant to Item 401 of Regulation S-K with respect to our executive officers is contained in Part I of this annual report on Form 10-K under the caption, Executive Officers of the Registrant. The remaining information required to be disclosed by the Item pursuant to Item 401 and Item 407 of Regulation S-K is contained in the proxy statement for our annual meeting of stockholders to be held on April 26, 2011 under the captions Proposal No. 1 Election of Directors and Information Relating to Our Board of Directors and Its Committees and is incorporated in this annual report on Form 10-K by reference.

The information required to be disclosed by this Item pursuant to Item 405 of Regulation S-K is contained in the proxy statement for our annual meeting of stockholders to be held on April 26, 2011 under the caption Section 16(a) Beneficial Ownership Reporting Compliance, and is incorporated in this annual report on Form 10-K by reference.

We have adopted a code of ethics, our Standards of Business Conduct, that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions. Our Standards of Business Conduct, as well as our corporate governance guidelines and the charters for the audit, compensation and benefits, nominating and corporate governance, executive and finance committees of our Board of Directors, are each accessible under the Corporate Governance heading of the Investors section of our website, http://www.perkinelmer.com. This information is also available in print to any stockholder who requests it, by writing to PerkinElmer, Inc., 940 Winter Street, Waltham, Massachusetts 02451, Attention: Investor Relations. We also intend to disclose in the same location on our website, any amendments to, or waivers from, our Standards of Business Conduct that are required to be disclosed pursuant to the disclosure requirements of Item 5.05 of Form 8-K.

Item 11. *Executive Compensation*

The information required to be disclosed by this Item pursuant to Item 402 and Item 407(e) of Regulation S-K is contained in the proxy statement for our annual meeting of stockholders to be held on April 26 2011 under the captions Information Relating to Our Board of Directors and Its Committees Director Compensation, Compensation Committee Interlocks and Insider Participation, and Executive Compensation, and is incorporated in this annual report on Form 10-K by reference.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The information required to be disclosed by this Item pursuant to Item 403 of Regulation S-K is contained in the proxy statement for our annual meeting of stockholders to be held on April 26, 2011 under the caption Beneficial Ownership of Common Stock, and is incorporated in this annual report on Form 10-K by reference.

The information required to be disclosed by this Item pursuant to Item 201(d) of Regulation S-K is contained in the proxy statement for our annual meeting of stockholders to be held on April 26, 2011 under the caption Executive Compensation Equity Compensation Plan Information, and is incorporated in this annual report on Form 10-K by reference.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

The information required to be disclosed by this Item pursuant to Item 404 of Regulation S-K is contained in the proxy statement for our annual meeting of stockholders to be held on April 26, 2011 under the caption Information Relating to Our Board of Directors and Its Committees Certain Relationships and Policies on Related Party Transactions, and is incorporated in this annual report on Form 10-K by reference.

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The information required to be disclosed by this Item pursuant to Item 407(a) of Regulation S-K is contained in the proxy statement for our annual meeting of stockholders to be held on April 26, 2011 under the caption Information Relating to Our Board of Directors and Its Committees Determination of Independence, and is incorporated in this annual report on Form 10-K by reference.

Item 14. ***Principal Accountant Fees and Services***

The information required to be disclosed by this Item pursuant to Item 9(e) of Schedule 14A is contained in the proxy statement for our annual meeting of stockholders to be held on April 26, 2011 under the caption Information Relating to Our Board of Directors and Its Committees Independent Registered Public Accounting Firm Fees and Other Matters , and is incorporated in this annual report on Form 10-K by reference.

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PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

(a) DOCUMENTS FILED AS PART OF THIS REPORT:

1. FINANCIAL STATEMENTS

Included in Part II, Item 8:

Report of Independent Registered Public Accounting Firm

Consolidated Statements of Operations for each of the Three Years in the Period Ended January 2, 2011

Consolidated Balance Sheets at January 2, 2011 and January 3, 2010

Consolidated Statements of Stockholders Equity and Comprehensive Income for each of the Three Years in the Period Ended January 2, 2011

Consolidated Statements of Cash Flows for each of the Three Years in the Period Ended January 2, 2011

Notes to Consolidated Financial Statements

2. FINANCIAL STATEMENT SCHEDULE

Schedule II Valuation and Qualifying Accounts

We have omitted financial statement schedules, other than those we note above, because of the absence of conditions under which they are required, or because the required information is given in the financial statements or notes thereto.

3. EXHIBITS

Exhibit No.	**Exhibit Title**
3.1	PerkinElmer, Inc. s Restated Articles of Organization, filed with the Commission on May 11, 2007 as Exhibit 3.1 to our quarterly report on Form 10-Q and herein incorporated by reference.
3.2	PerkinElmer, Inc. s Amended and Restated By-Laws , filed with the Commission on April 28, 2009 as Exhibit 3.1 to our current report on Form 8-K and herein incorporated by reference.
4.1	Specimen Certificate of PerkinElmer, Inc. s Common Stock, $1 par value, filed with the Commission on August 15, 2001 as Exhibit 4.1 to our quarterly report on Form 10-Q and herein incorporated by reference.
10.1	Amended and Restated Credit Agreement, dated as of August 13, 2007, among PerkinElmer, Inc. and Wallac Oy as Borrowers, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, Citigroup Global Markets Inc. and HSBC Bank USA, National Association, as Co-Syndication Agents, ABN AMRO Bank N.V. and Deutsche Bank Securities Inc., as Co-Documentation Agents, Banc of America Securities LLC and Citigroup Global Markets Inc., as Joint Lead Arrangers and Joint Book Managers, and the Other Lenders party thereto, filed with the Commission on May 15, 2009 as Exhibit 10.17 to our quarterly report on Form 10-Q and herein incorporated by reference.
10.2	First Amendment to the Amended and Restated Credit Agreement dated as of May 30, 2008, filed with the Commission on August 8, 2008 as Exhibit 10.2 to our quarterly report on Form 10-Q and herein incorporated by reference.

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Exhibit No.	Exhibit Title
10.3	Note Purchase Agreement, dated as of May 30, 2008 by and among PerkinElmer, Inc. and the Northwestern Mutual Life Insurance Company, New York Life Insurance Company, New York Life Insurance and Annuity Corporation, New York Life Insurance and Annuity Corporation Institutionally Owned Life Insurance Separate Account, Aviva Life and Annuity Company, American Investors Life Insurance Company, the Lincoln National Life Insurance Company, Physicians Life Insurance Company, Hartford Life and Accident Insurance Company, Allianz Life Insurance Company of North America, Massachusetts Mutual Life Insurance Company, C.M. Life Insurance Company, Hakone Fund II LLC, Great-West Life & Annuity Insurance Company, Knights of Columbus, the Ohio National Life Insurance Company and Ohio National Life Assurance Corporation, filed with the Commission on May 15, 2009 as Exhibit 10.18 to our quarterly report on Form 10-Q and herein incorporated by reference.
10.4*	Employment Contracts:

(1) Third Amended and Restated Employment Agreement between PerkinElmer, Inc. and Robert F. Friel, dated as of December 16, 2008, filed with the Commission on February 26, 2009 as Exhibit 10.4(2) to our annual report on Form 10-K and herein incorporated by reference;

(2) Amended and Restated Employment Agreement between PerkinElmer, Inc. and John A. Roush, dated as of December 17, 2008, filed with the Commission on February 26, 2009 as Exhibit 10.4(4) to our annual report on Form 10-K and herein incorporated by reference;

(3) Amended and Restated Employment Agreement between PerkinElmer, Inc. and Daniel R. Marshak, dated as of December 15, 2008, filed with the Commission on February 26, 2009 as Exhibit 10.4(5) to our annual report on Form 10-K and herein incorporated by reference;

(4) Employment Agreement by and between Joel S. Goldberg and PerkinElmer, Inc. dated as of July 21, 2008, filed with the Commission on August 8, 2008 as Exhibit 10.1 to our quarterly report on Form 10-Q and herein incorporated by reference;

(5) Employment Agreement by and between Frank Anders Wilson and PerkinElmer, Inc. dated as of April 28, 2009, filed with the Commission on April 30, 2009 as Exhibit 10.1 to our current report on Form 8-K and herein incorporated by reference;

(6) Employment Agreement by and between PerkinElmer, Inc. and John R. Letcher dated as of February 1, 2010, filed with the Commission on March 1, 2010 as Exhibit 10.4(9) to our annual report on Form 10-K and herein incorporated by reference; and

(7) Form of Amendment, entered into by and between PerkinElmer, Inc. and each of the following executive officers on the dates indicated below, attached hereto as Exhibit 10.4(7):

Executive Officer	Date
Joel S. Goldberg	December 3, 2010
John R. Letcher	December 13, 2010
Daniel R. Marshak	December 17, 2010
Frank Anders Wilson	December 21, 2010

10.5*	PerkinElmer, Inc. s 2005 Incentive Plan, filed with the Commission on March 18, 2005 as Appendix A to our definitive proxy statement on Schedule 14A and herein incorporated by reference.
10.6*	PerkinElmer, Inc. s Amended and Restated 2001 Incentive Plan, filed with the Commission on November 13, 2006 as Exhibit 10.1 to our quarterly report on Form 10-Q and herein incorporated by reference.
10.7*	PerkinElmer, Inc. s 2009 Incentive Plan, filed with the Commission on March 20, 2009 as Appendix A to our definitive proxy statement on Schedule 14A and herein incorporated by reference.

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Exhibit No.	Exhibit Title
10.8*	PerkinElmer, Inc. s 2008 Deferred Compensation Plan, filed with the Commission on December 12, 2008 as Exhibit 10.1 to our current report on Form 8-K and herein incorporated by reference.
10.9*	First Amendment to PerkinElmer, Inc. s 2008 Deferred Compensation Plan, attached hereto as Exhibit 10.9
10.10*	PerkinElmer, Inc. s 2008 Supplemental Executive Retirement Plan, filed with the Commission on December 12, 2008 as Exhibit 10.2 to our current report on Form 8-K and herein incorporated by reference.
10.11*	PerkinElmer, Inc. s Performance Unit Program Description, filed with the Commission on February 6, 2009 as Exhibit 10.10 to our annual report on Form 10-K and herein incorporated by reference.
10.12*	PerkinElmer, Inc. s Performance Incentive Plan (Executive Officers), filed with the Commission on February 6, 2009 as Exhibit 10.11 to our annual report on Form 10-K and herein incorporated by reference.
10.13*	PerkinElmer, Inc. s Amended and Restated Life Sciences Incentive Plan, filed with the Commission on November 13, 2006 as Exhibit 10.2 to our quarterly report on Form 10-Q and herein incorporated by reference.
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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, attached hereto as Exhibit 32.1.
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* Management contract or compensation plan or arrangement required to be filed as an exhibit pursuant to Item 15(b) of Form 10-K.

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

(i) Consolidated Statements of Operations for each of the three years in the period ended January 2, 2011, (ii) Consolidated Balance Sheets as of January 2, 2011 and January 3, 2010, (iii) Consolidated Statements of Stockholders Equity and Comprehensive Income for each of the three years in the period ended January 2, 2011, (iv) Consolidated Statements of Cash Flows for each of the three years in the period ended January 2, 2011, (v) Notes to Condensed Consolidated Financial Statements, and (vi) Financial Schedule of Valuation and Qualifying Accounts.

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

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SCHEDULE II

PERKINELMER, INC. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

For the Three Years Ended January 2, 2011

Description	Balance at Beginning of Year	Provisions	Charges/ Write-offs	Other[1]	Balance at End of Year
			(In thousands)		
Reserve for doubtful accounts					
Year ended December 28, 2008	$ 15,584	$ 10,069	$ (2,789)	$ 473	$ 23,337
Year ended January 3, 2010	23,337	8,016	(9,416)	374	22,311
Year ended January 2, 2011	$ 22,311	$ 5,374	$ (4,706)	$ 697	$ 23,676

(1) Other amounts primarily relate to the impact of acquisitions and foreign exchange movements.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

	Signature	Title	Date
By:	/s/ ROBERT F. FRIEL Robert F. Friel	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	March 1, 2011
By:	/s/ FRANK A. WILSON Frank A. Wilson	Sr. Vice President, Chief Financial Officer and Chief Accounting Officer (Principal Financial Officer and Principal Accounting Officer)	March 1, 2011

POWER OF ATTORNEY AND SIGNATURES

We, the undersigned officers and directors of PerkinElmer, Inc., hereby severally constitute Robert F. Friel and Frank A. Wilson, and each of them singly, our true and lawful attorneys with full power to them, and each of them singly, to sign for us and in our names, in the capacities indicated below, this Annual Report on Form 10-K and any and all amendments to said Annual Report on Form 10-K, and generally to do all such things in our name and behalf in our capacities as officers and directors to enable PerkinElmer, Inc. to comply with the provisions of the Securities Exchange Act of 1934, and all requirements of the Securities and Exchange Commission, hereby rectifying and confirming signed by our said attorneys, and any and all amendments thereto.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated:

	Signature	Title	Date
By:	/s/ ROBERT F. FRIEL Robert F. Friel	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	March 1, 2011
By:	/s/ FRANK A. WILSON	Sr. Vice President,	March 1, 2011

	Frank A. Wilson	Chief Financial Officer and Chief Accounting Officer (Principal Financial Officer and Principal Accounting Officer)	
By:	/s/ NICHOLAS A. LOPARDO Nicholas A. Lopardo	Director	March 1, 2011
By:	/s/ ALEXIS P. MICHAS Alexis P. Michas	Director	March 1, 2011
By:	/s/ JAMES C. MULLEN James C. Mullen	Director	March 1, 2011
By:	/s/ DR. VICKI L. SATO Dr. Vicki L. Sato	Director	March 1, 2011

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	Signature	Title	Date
By:	/s/ GABRIEL SCHMERGEL Gabriel Schmergel	Director	March 1, 2011
By:	/s/ KENTON J. SICCHITANO Kenton J. Sicchitano	Director	March 1, 2011
By:	/s/ PATRICK J. SULLIVAN Patrick J. Sullivan	Director	March 1, 2011
By:	/s/ G. ROBERT TOD G. Robert Tod	Director	March 1, 2011

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EXHIBIT INDEX

Exhibit No.	Exhibit Title
3.1	PerkinElmer, Inc. s Restated Articles of Organization, filed with the Commission on May 11, 2007 as Exhibit 3.1 to our quarterly report on Form 10-Q and herein incorporated by reference.
3.2	PerkinElmer, Inc. s Amended and Restated By-Laws , filed with the Commission on April 28, 2009 as Exhibit 3.1 to our current report on Form 8-K and herein incorporated by reference.
4.1	Specimen Certificate of PerkinElmer, Inc. s Common Stock, $1 par value, filed with the Commission on August 15, 2001 as Exhibit 4.1 to our quarterly report on Form 10-Q and herein incorporated by reference.
10.1	Amended and Restated Credit Agreement, dated as of August 13, 2007, among PerkinElmer, Inc. and Wallac Oy as Borrowers, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, Citigroup Global Markets Inc. and HSBC Bank USA, National Association, as Co-Syndication Agents, ABN AMRO Bank N.V. and Deutsche Bank Securities Inc., as Co-Documentation Agents, Banc of America Securities LLC and Citigroup Global Markets Inc., as Joint Lead Arrangers and Joint Book Managers, and the Other Lenders party thereto, filed with the Commission on May 15, 2009 as Exhibit 10.17 to our quarterly report on Form 10-Q and herein incorporated by reference.
10.2	First Amendment to the Amended and Restated Credit Agreement dated as of May 30, 2008, filed with the Commission on August 8, 2008 as Exhibit 10.2 to our quarterly report on Form 10-Q and herein incorporated by reference.
10.3	Note Purchase Agreement, dated as of May 30, 2008 by and among PerkinElmer, Inc. and the Northwestern Mutual Life Insurance Company, New York Life Insurance Company, New York Life Insurance and Annuity Corporation, New York Life Insurance and Annuity Corporation Institutionally Owned Life Insurance Separate Account, Aviva Life and Annuity Company, American Investors Life Insurance Company, the Lincoln National Life Insurance Company, Physicians Life Insurance Company, Hartford Life and Accident Insurance Company, Allianz Life Insurance Company of North America, Massachusetts Mutual Life Insurance Company, C.M. Life Insurance Company, Hakone Fund II LLC, Great-West Life & Annuity Insurance Company, Knights of Columbus, the Ohio National Life Insurance Company and Ohio National Life Assurance Corporation, filed with the Commission on May 15, 2009 as Exhibit 10.18 to our quarterly report on Form 10-Q and herein incorporated by reference.
10.4*	Employment Contracts: (1) Third Amended and Restated Employment Agreement between PerkinElmer, Inc. and Robert F. Friel, dated as of December 16, 2008, filed with the Commission on February 26, 2009 as Exhibit 10.4(2) to our annual report on Form 10-K and herein incorporated by reference; (2) Amended and Restated Employment Agreement between PerkinElmer, Inc. and John A. Roush, dated as of December 17, 2008, filed with the Commission on February 26, 2009 as Exhibit 10.4(4) to our annual report on Form 10-K and herein incorporated by reference; (3) Amended and Restated Employment Agreement between PerkinElmer, Inc. and Daniel R. Marshak, dated as of December 15, 2008, filed with the Commission on February 26, 2009 as Exhibit 10.4(5) to our annual report on Form 10-K and herein incorporated by reference; (4) Employment Agreement by and between Joel S. Goldberg and PerkinElmer, Inc. dated as of July 21, 2008, filed with the Commission on August 8, 2008 as Exhibit 10.1 to our quarterly report on Form 10-Q and herein incorporated by reference; (5) Employment Agreement by and between Frank Anders Wilson and PerkinElmer, Inc. dated as of April 28, 2009, filed with the Commission on April 30, 2009 as Exhibit 10.1 to our current report on Form 8-K and herein incorporated by reference; (6) Employment Agreement by and between PerkinElmer, Inc. and John R. Letcher dated as of February 1, 2010, filed with the Commission on March 1, 2010 as Exhibit 10.4(9) to our annual report on Form 10-K and herein incorporated by reference; and

Exhibit No.	Exhibit Title
	(7) Form of Amendment, entered into by and between PerkinElmer, Inc. and each of the following executive officers on the dates indicated below, attached hereto as Exhibit 10.4(7):

Executive Officer	Date
Joel S. Goldberg	December 3, 2010
John R. Letcher	December 13, 2010
Daniel R. Marshak	December 17, 2010
Frank Anders Wilson	December 21, 2010

10.5*	PerkinElmer, Inc. s 2005 Incentive Plan, filed with the Commission on March 18, 2005 as Appendix A to our definitive proxy statement on Schedule 14A and herein incorporated by reference.
10.6*	PerkinElmer, Inc. s Amended and Restated 2001 Incentive Plan, filed with the Commission on November 13, 2006 as Exhibit 10.1 to our quarterly report on Form 10-Q and herein incorporated by reference.
10.7*	PerkinElmer, Inc. s 2009 Incentive Plan, filed with the Commission on March 20, 2009 as Appendix A to our definitive proxy statement on Schedule 14A and herein incorporated by reference.
10.8*	PerkinElmer, Inc. s 2008 Deferred Compensation Plan, filed with the Commission on December 12, 2008 as Exhibit 10.1 to our current report on Form 8-K and herein incorporated by reference.
10.9*	First Amendment to PerkinElmer, Inc. s 2008 Deferred Compensation Plan, attached hereto as Exhibit 10.9
10.10*	PerkinElmer, Inc. s 2008 Supplemental Executive Retirement Plan, filed with the Commission on December 12, 2008 as Exhibit 10.2 to our current report on Form 8-K and herein incorporated by reference.
10.11*	PerkinElmer, Inc. s Performance Unit Program Description, filed with the Commission on February 6, 2009 as Exhibit 10.10 to our annual report on Form 10-K and herein incorporated by reference.
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