PERKINELMER INC
Form 10-Q
August 08, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 29, 2008

or

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

Commission File Number 001-5075

PerkinElmer, Inc.

(Exact name of Registrant as specified in its Charter)

Massachusetts	**04-2052042**
(State of incorporation)	**(I.R.S. Employer Identification No.)**

940 Winter Street

Waltham, Massachusetts 02451

(Address of principal executive offices)

(781) 663-6900

(Registrant s telephone number, including area code)

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

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

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

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

As of July 31, 2008, there were outstanding 119,507,758 shares of common stock, $1 par value per share.

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PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

PERKINELMER, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INCOME STATEMENTS

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
	(In thousands, except per share data)			
Sales	$ 528,636	$ 437,290	$ 1,010,979	$ 840,190
Cost of sales	308,996	263,312	593,762	507,522
Selling, general and administrative expenses	143,022	109,357	275,099	211,122
Research and development expenses	29,890	27,316	59,008	55,157
Restructuring and lease (reversals) charges, net	(305)	4,547	(305)	8,985
Gains on settlement of insurance claim		(15,346)		(15,346)
In-process research and development charges				1,502
Operating income from continuing operations	47,033	48,104	83,415	71,248
Interest and other expense, net	4,948	3,430	10,258	6,196
Income from continuing operations before income taxes	42,085	44,674	73,157	65,052
Provision for income taxes	10,339	11,371	17,988	16,930
Income from continuing operations	31,746	33,303	55,169	48,122
Loss from discontinued operations, net of income taxes	(1,250)		(4,166)	
(Loss) gain on disposition of discontinued operations, net of income taxes	(6,790)	384	(7,159)	257
Net income	$ 23,706	$ 33,687	$ 43,844	$ 48,379
Basic earnings (loss) per share:				
Continuing operations	$ 0.27	$ 0.28	$ 0.47	$ 0.40
Loss from discontinued operations, net of income taxes	(0.01)		(0.04)	
(Loss) gain on disposition of discontinued operations, net of income taxes	(0.06)		(0.06)	
Net income	$ 0.20	$ 0.28	$ 0.37	$ 0.40
Diluted earnings (loss) per share:				
Continuing operations	$ 0.27	$ 0.28	$ 0.46	$ 0.39
Loss from discontinued operations, net of income taxes	(0.01)		(0.04)	
(Loss) gain on disposition of discontinued operations, net of income taxes	(0.06)		(0.06)	
Net income	$ 0.20	$ 0.28	$ 0.37	$ 0.40
Weighted average shares of common stock outstanding:				
Basic	117,811	118,911	117,558	120,298

Diluted	119,263	120,689	118,861	121,976
Cash dividends per common share	$ 0.07	$ 0.07	$ 0.14	$ 0.14

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

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PERKINELMER, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	June 29, 2008	December 30, 2007
	(In thousands, except share and per share data)	
Current assets:		
Cash and cash equivalents	$ 193,451	$ 203,348
Accounts receivable, net	349,688	337,659
Inventories, net	222,636	202,394
Other current assets	116,283	98,797
Current assets of discontinued operations	633	750
Total current assets	882,691	842,948
Property, plant and equipment, net:		
At cost	610,296	579,771
Accumulated depreciation	(403,265)	(378,885)
Property, plant and equipment, net	207,031	200,886
Marketable securities and investments	4,254	5,919
Intangible assets, net	483,582	479,209
Goodwill	1,442,487	1,355,656
Other assets, net	55,013	59,451
Long-term assets of discontinued operations	1,410	5,268
Total assets	$ 3,076,468	$ 2,949,337
Current liabilities:		
Short-term debt	$ 43	$ 562
Accounts payable	194,699	186,388
Accrued restructuring and integration costs	8,734	12,821
Accrued expenses	361,025	346,778
Current liabilities of discontinued operations	6,084	1,049
Total current liabilities	570,585	547,598
Long-term debt	521,059	516,078
Long-term liabilities	329,324	310,384
Total liabilities	1,420,968	1,374,060
Commitments and contingencies (see Note 18)		
Stockholders equity:		
Preferred stock $1 par value per share, authorized 1,000,000 shares; none issued or outstanding		
Common stock $1 par value per share, authorized 300,000,000 shares; issued and outstanding 118,735,000 and 117,585,000 shares at June 29, 2008 and December 30, 2007, respectively	118,735	117,585
Capital in excess of par value	282,903	257,850
Retained earnings	1,169,391	1,142,135
Accumulated other comprehensive income	84,471	57,707

Total stockholders equity	1,655,500	1,575,277
Total liabilities and stockholders equity	$ 3,076,468	$ 2,949,337

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

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PERKINELMER, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended June 29, 2008	Six Months Ended July 1, 2007
	(In thousands)	
Operating activities:		
Net income	$ 43,844	$ 48,379
Add: loss from discontinued operations, net of income taxes	4,166	
Add: loss (gain) on disposition of discontinued operations, net of income taxes	7,159	(257)
Net income from continuing operations	55,169	48,122
Adjustments to reconcile net income from continuing operations to net cash provided by continuing operations:		
Restructuring and lease (reversals) charges, net	(305)	8,985
Depreciation and amortization	44,706	38,161
Stock-based compensation	8,331	7,506
Amortization of deferred debt issuance costs	797	148
Gains on settlement of insurance claim		(15,346)
Gains on dispositions, net	(1,158)	(536)
In-process research and development charges		1,502
Amortization of acquired inventory revaluation		2,047
Changes in operating assets and liabilities which provided (used) cash, excluding effects from companies purchased and divested:		
Accounts receivable, net	7,793	9,457
Inventories, net	(11,429)	(6,456)
Accounts payable	893	(5,945)
Accrued expenses and other	(7,610)	(904)
Net cash provided by operating activities of continuing operations	97,187	86,741
Net cash (used in) provided by operating activities of discontinued operations	(2,325)	246
Net cash provided by operating activities	94,862	86,987
Investing activities:		
Capital expenditures	(19,401)	(27,517)
Proceeds from dispositions of property, plant and equipment, net		10,787
Proceeds from surrender of life insurance policies		1,327
Payments for business development activity	(148)	(1,094)
Proceeds from disposition of investments, net	1,158	580
Payments for acquisitions and investments, net of cash and cash equivalents acquired	(86,358)	(42,925)
Net cash used in investing activities of continuing operations	(104,749)	(58,842)
Net cash (used in) provided by investing activities of discontinued operations	(68)	800
Net cash used in investing activities	(104,817)	(58,042)
Financing activities:		
Payments on debt	(510,500)	(49,694)
Proceeds from borrowing	365,500	129,462
Proceeds from the sale of senior subordinated debt	150,000	
Payment of debt issuance costs	(1,841)	
Settlement of cash flow hedges	(11,702)	

Decrease in other credit facilities	(499)	(824)
Tax benefit from exercise of common stock options	108	1,435
Proceeds from issuance of common stock under stock plans	18,368	12,781
Purchases of common stock	(408)	(147,105)
Dividends paid	(16,487)	(17,123)
Net cash used in financing activities	(7,461)	(71,068)
Effect of exchange rate changes on cash and cash equivalents	7,519	1,104
Net decrease in cash and cash equivalents	(9,897)	(41,019)
Cash and cash equivalents at beginning of period	203,348	191,059
Cash and cash equivalents at end of period	$ 193,451	$ 150,040

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

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PERKINELMER, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1: Basis of Presentation

The condensed consolidated financial statements included herein have been prepared by PerkinElmer, Inc. (the Company), without audit, in accordance with the accounting principles generally accepted in the United States (the U.S.) and pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). Certain information in the footnote disclosures of these financial statements has been condensed or omitted where it substantially duplicates information provided in the Company s latest audited financial statements in accordance with the rules and regulations of the SEC. These financial statements should be read in conjunction with the Company s financial statements and notes included in its Annual Report on Form 10-K for the fiscal year ended December 30, 2007, filed with the SEC (the 2007 Form 10-K). The balance sheet amounts at December 30, 2007 in this report were derived from the Company s audited 2007 financial statements included in the 2007 Form 10-K. The financial statements reflect all adjustments that, in the opinion of management, are necessary to present fairly the Company s financial position, results of operations and cash flows for the periods indicated. The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts and classifications of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The results of operations for the six months ended June 29, 2008 and July 1, 2007, respectively, are not necessarily indicative of the results for the entire fiscal year or any future period.

Recently Adopted Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements* (SFAS No. 157), which clarifies the principle that fair value should be based on the assumptions market participants would use when pricing an asset or liability, establishes a fair value hierarchy that prioritizes the information used to develop those assumptions, and expands the related disclosure requirements. Under the standard, fair value measurements are to be separately disclosed by level within the fair value hierarchy. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements. SFAS No. 157 defines fair value based upon an exit price model. The FASB also issued FASB Staff Position (FSP) No. 157-2 in February 2008 (FSP No. 157-2). FSP No. 157-2 delays the effective date of the application of SFAS No. 157 to fiscal years beginning after November 15, 2008 for all nonfinancial assets and nonfinancial liabilities that are recognized at fair value in the financial statements on a nonrecurring basis. The Company adopted SFAS No. 157 as of December 31, 2007, with the exception of the application of the statement to non-recurring nonfinancial assets and nonfinancial liabilities. See Note 17, below, for additional details.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159). SFAS No. 159 provides entities with an option to report selected financial assets and liabilities at fair value, with the objective to reduce both the complexity in accounting for financial instruments, and the volatility in earnings caused by measuring related financial assets and liabilities differently. Unrealized gains and losses on items for which the fair value option is elected would be reported in earnings. The Company adopted SFAS No. 159 as of December 31, 2007, and has elected not to measure any additional financial instruments and other items at fair value. Therefore, material financial assets and liabilities not carried at fair value, such as the Company s short-term and long-term debt obligations and trade accounts receivable and accounts payable, are still reported at their carrying values. Any future transacted financial asset or liability will be evaluated for the fair value election as prescribed by SFAS No. 159.

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In March 2007, the FASB ratified Emerging Issues Task Force (EITF) Issue No. 06-10, *Accounting for Collateral Assignment Split-Dollar Life Insurance Agreements* (EITF No. 06-10). EITF No. 06-10 provides guidance for determining a liability for the post-retirement benefit obligation as well as recognition and measurement of the associated asset on the basis of the terms of the collateral assignment agreement. The Company adopted EITF No. 06-10 as of December 31, 2007 and the adoption did not have an impact on its consolidated financial statements.

In June 2007, the FASB ratified EITF Issue No. 07-3, *Accounting for Nonrefundable Advance Payments for Goods or Services Received for Use in Future Research and Development Activities* (EITF No. 07-3). EITF No. 07-3 requires that nonrefundable advance payments for goods or services that will be used or rendered for future research and development activities be deferred, capitalized and recognized as an expense as the goods are delivered or the related services are performed. The Company adopted EITF No. 07-3, on a prospective basis, as of December 31, 2007 and the adoption did not have an impact on its consolidated financial statements.

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (SFAS No. 162). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in accordance with GAAP. With the issuance of this statement, the FASB concluded that the GAAP hierarchy should be directed toward the entity and not its auditor, and reside in the accounting literature established by the FASB as opposed to the American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards No. 69, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles.* SFAS No. 162 is effective 60 days following the SEC s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles.* The Company has evaluated the requirements of SFAS No. 162 and has determined that it will not have a significant impact on its determination or reporting of financial results.

Recently Issued Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* (SFAS No. 141(R)). SFAS No. 141(R) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements significant aspects of a business combination. Under SFAS No. 141(R), acquisition costs will generally be expensed as incurred; noncontrolling interests will be valued at fair value at the acquisition date; in-process research and development will be recorded at fair value as an indefinite-lived intangible asset at the acquisition date; restructuring costs associated with a business combination will generally be expensed subsequent to the acquisition date; and changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense. SFAS No. 141(R) amends SFAS No. 109, *Accounting for Income Taxes,* such that adjustments made to valuation allowances on deferred taxes and acquired tax contingencies associated with acquisitions that closed prior to the effective date of SFAS No. 141(R) would also apply the provisions of SFAS No. 141(R). SFAS No. 141(R) also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. Early adoption is not permitted. SFAS No. 141(R) is effective on a prospective basis for all business combinations for which the acquisition date is on or after the beginning of the first annual period subsequent to December 15, 2008, with the exception of the accounting for valuation allowances on deferred taxes and acquired tax contingencies. The Company will be required to adopt SFAS No. 141(R) in the first quarter of fiscal year 2009. The Company is currently evaluating the requirements of SFAS No. 141(R) and has not yet determined the impact of its adoption on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of Accounting Research Bulletin No. 51* (SFAS No. 160). SFAS No. 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent s ownership interest, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS No. 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. The Company will be required to adopt SFAS No. 160 in the first quarter of fiscal year 2009. The Company is currently evaluating the requirements of SFAS No. 160 and has not yet determined the impact, if any, of its adoption on its consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133* (SFAS No. 161). SFAS No. 161 is intended to improve transparency in financial reporting by requiring enhanced disclosures of an entity s derivative instruments and hedging activities and their effects on the entity s financial position, financial performance, and cash flows. SFAS No. 161 applies to all derivative instruments within the scope of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* as well as related hedged items, bifurcated derivatives, and nonderivative instruments that are designated and qualify as hedging instruments. SFAS No. 161 establishes principles and requirements for how an entity identifies derivative instruments and related hedged items that affect its financial position, financial performance, and cash flows. SFAS No. 161 also establishes disclosure requirements that the fair values of derivative instruments and their gains and losses are disclosed in a tabular format, that derivative features which are credit-risk related be disclosed to provide clarification to an entity s liquidity and cross-referencing within footnotes. The Company will be required to adopt SFAS No. 161 in the first quarter of fiscal year 2009. The Company is currently evaluating the requirements of SFAS No. 161 and has not yet determined the impact of its adoption on its consolidated financial statements.

In April 2008, the FASB issued FSP No. 142-3, *Determination of the Useful Life of Intangible Assets* (FSP No. 142-3). FSP No. 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets* (SFAS No. 142). The objective of FSP No. 142-3 is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141(R), and other accounting principles. FSP No. 142-3 applies to all intangible assets, whether acquired in a business combination or otherwise, and early adoption is prohibited. The Company will be required to adopt FSP No. 142-3 in the first quarter of fiscal year 2009. The Company is currently evaluating the requirements of FSP No. 142-3 and has not yet determined the impact of its adoption on its consolidated financial statements.

Note 2: Acquisitions

Acquisition of VaConics Lighting, Inc. In May 2008, the Company acquired specified assets and assumed specified liabilities of VaConics Lighting, Inc. (VaConics), a leading provider of custom and standard ceramic Xenon arc lamps. This acquisition is expected to expand the Company s Xenon lighting technology by increasing the Company s offerings of lamp operations that include mobile phone cameras, medical endoscopes, surgical headlamps, forensic analyses, video projectors, searchlights, and infrared lighting. Consideration for this transaction was approximately $3.9 million in cash. During the second quarter of 2008, the Company paid VaConics approximately $0.1 million for net working capital adjustments. The excess of the purchase price over the fair value of the acquired net assets has been allocated to goodwill, all of which is tax deductible. The operations for this acquisition are reported within the results of the Company s Optoelectronics segment from the acquisition date.

Acquisition of LabMetrix Technologies S.A. In March 2008, the Company acquired all of the stock of LabMetrix Technologies S.A. (LabMetrix) and acquired specified assets and assumed specified liabilities of Labmetrix Technologies Ltd. and LabMetrix Technologies, Inc., a provider of metrology-based multi-vendor analytical instrument qualification solutions. This acquisition is expected to add technology, tools, processes and compliance expertise to the Company s suite of OneSource® laboratory services by strengthening its support of customers in a wide range of industries including the pharmaceutical, medical device, food, toy and other

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consumer goods industries. Consideration for this transaction was approximately $4.3 million in cash plus potential additional contingent consideration. The Company determined that $1.9 million of the contingent consideration was probable and recorded the accrual at the date of acquisition. The excess of the purchase price over the fair value of the acquired net assets has been allocated to goodwill. None of the goodwill related to the LabMetrix acquisition is tax deductible and all of the goodwill related to the LabMetrix Technologies Ltd. and LabMetrix Technologies, Inc. acquisitions is tax deductible. The operations for this acquisition are reported within the results of the Company s Life and Analytical Sciences segment from the acquisition date.

Acquisition of Newborn Metabolic Screening Business from Pediatrix Medical Group, Inc. In February 2008, the Company acquired the outstanding stock of Pediatrix Screening, Inc., which constituted the newborn metabolic screening business of Pediatrix Medical Group, Inc., and is now known as PerkinElmer Genetics, Inc. (PKI Genetics). PKI Genetics provides neonatal screening and consultative services to hospitals, medical groups and various states. This acquisition is expected to expand the Company s capabilities to supply state laboratories and other agencies with comprehensive newborn screening solutions. Consideration for this transaction was approximately $66.3 million in cash. During the second quarter of 2008, the Company received approximately $0.3 million from Pediatrix Medical Group, Inc. for net working capital adjustments. The excess of the purchase price over the fair value of the acquired net assets has been allocated to goodwill, which may be tax deductible if elected by the Company. The operations for this acquisition are reported within the results of the Company s Life and Analytical Sciences segment from the acquisition date.

Acquisition of ViaCell, Inc. In November 2007, the Company completed a tender offer for all of the outstanding shares of common stock of ViaCell, Inc. (ViaCell), at a price of $7.25 per share. ViaCell specializes in the collection, testing, processing and preservation of umbilical cord blood stem cells. The addition of ViaCell s ViaCord® product offering for the preservation of umbilical cord blood, and its sales and marketing organization, is expected to facilitate the expansion of the Company s neonatal and prenatal businesses. Aggregate consideration for this transaction was approximately $295.8 million in cash, which excludes $31.8 million in acquired cash. The excess of the purchase price over the fair value of the acquired net assets has been allocated to goodwill, none of which is tax deductible. The operations for this acquisition are reported within the results of the Company s Life and Analytical Sciences segment from the acquisition date.

Following the ViaCell acquisition, the Company committed to a preliminary plan of integration of certain ViaCell activities that included workforce reductions and the partial closure of an excess facility. As of June 29, 2008, the Company recorded a $2.4 million liability for severance and the partial closure of an excess facility with a corresponding adjustment to goodwill in accordance with EITF Issue No. 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination* (EITF No. 95-3). The Company finalized the integration plan and all actions related to this plan as of June 29, 2008.

Following the ViaCell acquisition, the Company s Board of Directors (the Board) approved a plan to sell the ViaCyte℠ and Cellular Therapy Technology businesses that were acquired with ViaCell. The ViaCyte℠ business focuses on the development of a proprietary media intended for the cryopreservation of human unfertilized oocytes. The Cellular Therapy Technology business focuses on the development and sale of unrestricted somatic stem cell products that are derived from umbilical cord blood. The Company determined that both businesses do not strategically fit with the other products offered by the Life and Analytical Sciences segment. The Company also determined that without investing capital into the operations of both businesses, the Company could not effectively compete in the marketplace with larger companies which focus on the market for such products. After careful consideration, the Company decided in the second quarter of 2008 to close the ViaCyte℠ and Cellular Therapy Technology businesses, recording a pre-tax loss of $8.5 million for severance and facility closure costs. The Company has classified the results and closure of the ViaCyte℠ and Cellular Therapy Technology businesses as discontinued operations in the accompanying financial statements. See Note 11, below, for additional details.

The acquisitions were accounted for using the purchase method of accounting. Allocation of the purchase price for the acquisitions was based on estimates of the fair value of the net assets acquired, and is subject to

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adjustment upon finalization of the purchase price allocation. The fair values assigned to tangible and intangible assets acquired and liabilities assumed are based on management s estimates and assumptions, as well as other information compiled by management, including valuations that utilize customary valuation procedures and techniques. The excess purchase price over those assigned values was recorded as goodwill. In accordance with SFAS No. 142, goodwill will be reviewed at least annually for impairment. Purchased intangibles with finite lives will be amortized over their respective estimated useful lives. See Note 13, below, for additional details.

In connection with purchase price and related allocations, the Company estimates the fair value of deferred revenue assumed in connection with these acquisitions. The estimated fair value of deferred revenue is determined by the legal performance obligation at the date of acquisition, and is generally based on the nature of the activities to be performed and the related costs to be incurred after consummation. The fair value of an assumed liability related to deferred revenue is estimated based on the current market cost of fulfilling the obligation, plus a normal profit margin thereon. The estimated costs to fulfill the deferred revenue are based on the historical direct costs related to providing the services. The Company does not include any costs associated with selling efforts, research and development, or the related fulfillment margins on these costs. In most acquisitions, profit associated with selling efforts is excluded because the acquired entities would have concluded the selling effort on the support contracts prior to the acquisition date. The estimated research and development costs are not included in the fair value determination, as these costs are not deemed to represent a legal obligation at the time of acquisition. The sum of the costs and operating income approximates, in theory, the amount that the Company would be required to pay a third party to assume the obligation. As a result of purchase accounting, the Company recognized the deferred revenue related to the ViaCell acquisition at fair value, and did not recognize $18.1 million of deferred revenue that would have been otherwise recognized in future periods.

As of June 29, 2008, the purchase price and related allocations for the ViaCell, PKI Genetics, LabMetrix and VaConics acquisitions were preliminary, and may be revised as a result of adjustments made to the purchase price, as well as additional information regarding assets and liabilities assumed, including contingent liabilities, deferred taxes, and revisions of preliminary estimates of fair values made at the date of purchase. The Company is not aware of any information that indicates the final purchase price allocation will differ materially from the preliminary estimates, and the Company expects to complete any outstanding asset valuations no later than one year from the date of acquisition.

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The components of the preliminary purchase price and allocation for the acquisitions completed during the first two quarters of fiscal year 2008 are as follows:

	PKI Genetics	LabMetrix (In thousands)	VaConics
Consideration and acquisition costs:			
Cash payments	$ 66,264	$ 4,277	$ 3,882
Cash acquired	(70)	(245)	
Deferred consideration		1,850	
Working capital adjustments	(285)		66
Transaction costs	741	421	184
Total consideration and acquisition costs	$ 66,650	$ 6,303	$ 4,132
Allocation of purchase price:			
Current assets	$ 2,735	$ 1,951	$ 623
Property, plant and equipment	553	437	255
Other assets	43		
Identifiable intangible assets	22,300	1,800	810
Goodwill	52,392	6,132	3,001
Deferred taxes	(10,589)	(600)	
Liabilities assumed	(784)	(3,417)	(557)
Total	$ 66,650	$ 6,303	$ 4,132

Note 3: Restructuring and Lease (Reversals) Charges, net

The Company has undertaken a series of restructuring actions related to the impact of acquisitions, divestitures and the integration of its business units. Restructuring actions were recorded in accordance with SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities.*

A description of the restructuring plans and the activity recorded for the six months ended June 29, 2008 are listed below. Details of these plans, particularly those listed under Previous Restructuring and Integration Plans, are discussed more fully in Note 3 to the financial statements in the 2007 Form 10-K.

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

Q4 2007 Plan

During the fourth quarter of 2007, the Company s management approved a plan to shift resources into geographic regions and product lines that are more consistent with the Company s growth strategy (the Q4 2007 Plan). As a result of the Q4 2007 Plan, the Company recognized a $4.8 million pre-tax restructuring charge in the Life and Analytical Sciences segment related to a workforce reduction from reorganization activities. The Company also recognized a $4.8 million pre-tax restructuring charge in the Optoelectronics segment related to a workforce reduction and the partial closure of a facility, which was offset by the recognition of a $2.2 million deferred gain from the sale-leaseback of that facility during the fiscal year 2001. All actions related to the Q4 2007 Plan were completed by December 30, 2007.

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The following table summarizes the Q4 2007 Plan activity for the six months ended June 29, 2008:

	Headcount	Severance	Partial Closure of Excess Facility	Total
		(Dollars in thousands)		
Balance at December 30, 2007	59	$ 4,268	$ 4,328	$ 8,596
Amounts paid, amortization of deferred gain and foreign currency	(47)	(3,042)	(358)	(3,400)
Balance at June 29, 2008	12	$ 1,226	$ 3,970	$ 5,196

The Company anticipates that the remaining payments of $1.2 million for workforce reductions will be completed by the end of the first quarter of fiscal year 2009, and the remaining payments of $4.0 million for the partial closure of the excess facility will be paid through fiscal year 2022, in accordance with the terms of the lease.

ViaCell Plan

Following the ViaCell acquisition, the Company committed to a preliminary plan of integration of certain ViaCell activities that included workforce reductions and the partial closure of an excess facility (the ViaCell Plan). As of June 29, 2008, the Company recorded a $2.4 million liability for severance and the partial closure of an excess facility with a corresponding adjustment to goodwill in accordance with EITF No. 95-3. The Company finalized the integration plan and all actions related to this plan as of June 29, 2008.

The following table summarizes the ViaCell Plan activity for the six months ended June 29, 2008:

	Headcount	Severance	Partial Closure of Excess Facility	Total
		(Dollars in thousands)		
Balance at December 30, 2007	5	$ 1,184	$	$ 1,184
Provision	6	419	810	1,229
Amounts paid	(8)	(870)	(117)	(987)
Balance at June 29, 2008	3	$ 733	$ 693	$ 1,426

The Company anticipates that the remaining payments of approximately $0.7 million for workforce reductions will be completed by the end of the third quarter of fiscal year 2009, and the remaining payments of $0.7 million for the partial closure of the excess facility will be paid through fiscal year 2014 in accordance with the terms of the lease.

Previous Restructuring and Integration Plans

The principal actions of these restructuring plans were workforce reductions related to the integration of the Company s Life Sciences and Analytical Instruments businesses, which is now the Company s Life and Analytical Sciences segment, in order to reduce costs and achieve operational efficiencies as well as workforce reductions in both the Life and Analytical Sciences and Optoelectronics segments by shifting resources into geographic regions and product lines that are more consistent with the Company s growth strategy. During the six months ended June 29, 2008, the Company paid $0.5 million related to these plans. During the second quarter of fiscal year 2008, the Company recorded an additional charge of $0.1 million related to higher than expected costs associated with severance of one of these plans. As of June 29, 2008, the Company had approximately $2.6 million of remaining liabilities associated with restructuring and integration plans from the fiscal years 2001 through the first quarter of 2007, primarily relating to remaining lease obligations related to those closed facilities in the Life and Analytical Sciences segment. The remaining terms of these leases vary in length and will be paid through fiscal year 2011. The Company anticipates that the remaining severance payments will be completed by the end of fiscal year 2008.

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Lease Charges

To facilitate the sale of a business in 2001, the Company was required to guarantee the obligations that the buyer of the business assumed related to the lease for the building in which the business operates. The lease obligations continue through March 2011. While the Company assigned its interest in the lease to the buyer at the time of the sale of the business, in the event the buyer defaults under the lease, the Company is responsible for all remaining lease payments and certain other building related expenses. As an additional measure to facilitate the sale of the business, the Company obtained a letter of credit as partial security for a loan to the buyer, which could have been drawn upon by the buyer s lender in the event the buyer was delinquent in repayment of the loan. During the second quarter of 2007, the lessor of the building began the process to evict the buyer as a result of unpaid lease payments and building expenses and sought reimbursement from the Company. As a result of this action, the Company recorded a charge of $4.5 million related to payments for this lease obligation and the potential drawdown of the letter of credit. During the third quarter of 2007, the buyer completed a recapitalization of the business with another lender. The proceeds of the recapitalization were used to pay off the remaining balance on the original securitized loan, as well as to make certain payments to the landlord for back rent and other obligations arising under the lease. The Company was also released from its obligation under the letter of credit on the original securitized loan. As a result of these actions, the Company recorded a reversal of $1.4 million related to payments for this lease obligation and the release of the letter of credit in the third quarter of 2007. During the second quarter of 2008, the buyer paid all delinquent lease payments and building expenses and as a result, the Company recorded an additional reversal of $0.4 million. The Company is still responsible for the remaining accrual of $2.7 million, which relates to the remaining lease and building obligations through March 2011, reduced by estimated sublease rentals reasonably expected to be obtained for the property.

Note 4: Interest and Other Expense, net

Interest and other expense, net consisted of the following:

	Three Months Ended		Six Months Ended	
	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
	(In thousands)			
Interest income	$ (827)	$ (1,093)	$ (2,185)	$ (2,304)
Interest expense	5,746	3,509	12,064	5,764
Gains on dispositions of investments, net	(269)	(135)	(1,158)	(536)
Other expense, net	298	1,149	1,537	3,272
Total interest and other expense, net	$ 4,948	$ 3,430	$ 10,258	$ 6,196

Note 5: Inventories, net

Inventories consisted of the following:

	June 29, 2008	December 30, 2007
	(In thousands)	
Raw materials	$ 81,965	$ 75,196
Work in progress	17,729	14,125
Finished goods	122,942	113,073
Total inventories, net	$ 222,636	$ 202,394

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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 as required by FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes* (FIN No. 48). Adjustments are made to the Company s 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.

At June 29, 2008, the Company had gross tax effected unrecognized tax benefits of $52.1 million, of which $37.7 million, if recognized, would affect the continuing operations effective tax rate. The remaining amount, if recognized, would affect goodwill and discontinued operations. However, upon the Company s adoption of SFAS No. 141(R) in the first quarter of fiscal year 2009, changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense, including those associated with acquisitions that closed prior to the effective date of SFAS No. 141(R).

At June 29, 2008, the Company had $26.6 million of FIN No. 48 accrued tax liabilities, including accrued interest, net of tax benefits, and penalties, which should be resolved within the next year as a result of the completion of various audits. A portion of the FIN No. 48 accrued tax liabilities 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 multiple state and foreign jurisdictions.

During 2005, the Internal Revenue Service concluded its audit of the Company s federal income taxes for the years 1999 through 2002. There was a single open issue related to this audit which the Company favorably resolved during the fourth quarter of 2007. The U.S. federal income tax returns for 2003 through 2005 are currently under examination by the Internal Revenue Service, and are anticipated to be completed during fiscal year 2008. In addition, tax years ranging from 1997 through 2007 remain open to examination by various state and foreign tax jurisdictions (such as China, Indonesia, the Philippines and the United Kingdom) in which the Company has significant business operations. The tax years under examination vary by jurisdiction.

Note 7: Debt

Amended Senior Unsecured Revolving Credit Facility. On August 13, 2007, the Company entered into an amended and restated senior unsecured revolving credit facility providing for a facility through August 13, 2012, which amended and restated in its entirety the Company s previous senior revolving credit agreement dated as of October 31, 2005. During the first quarter of 2008, the Company exercised its option to increase the amended senior unsecured revolving credit facility to $650.0 million from $500.0 million. Letters of credit in the aggregate amount of approximately $14.0 million were issued under the previous facility, which are treated as issued under the 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 June 29, 2008 was 40 basis points. The weighted average Eurocurrency interest rate as of June 29, 2008 was 2.48%, resulting in a weighted average effective Eurocurrency rate, including the margin, of 2.88%. The Company had drawn down approximately $371.0 million of borrowings in U.S. Dollars under the facility as of June 29, 2008, with interest based on the above described Eurocurrency rate. The agreement for the facility contains affirmative, negative and financial covenants and events of default customary for financings of this type, and which are consistent with

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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. The Company was in compliance with all applicable covenants as of June 29, 2008.

Unsecured Interim Credit Facility. On November 14, 2007, the Company entered into a $300.0 million unsecured interim credit facility. The Company entered into this unsecured interim credit facility in order to pay the purchase price and transactional expenses of the ViaCell acquisition. This unsecured interim credit facility matured on March 31, 2008, at which point all amounts outstanding were due in full. On March 28, 2008, the Company paid in full the outstanding balance on the unsecured interim credit facility of $300.0 million. The source of funds for the repayment was comprised of cash and cash equivalents held by the Company, and borrowings under the Company s amended and restated senior unsecured revolving credit facility.

6% Senior Unsecured Subordinated Notes. On May 30, 2008, the Company issued and sold seven-year senior subordinated 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 subordinated notes is payable semi-annually on May 30th and November 30th. The Company may redeem some or all of its 6% senior subordinated 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 debt is subordinated to the Company s amended and restated senior unsecured revolving credit facility and other existing and future senior indebtedness. The financial covenants in the Company s 6% senior subordinated notes 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. The Company was in compliance with all applicable covenants as of June 29, 2008.

During the fourth quarter of 2007, the Company entered into forward interest rate contracts, with notional amounts totaling $300.0 million and a weighted average interest rate of 4.25%. These contracts are intended to hedge movements in interest rates prior to the Company s forecasted debt issuance in 2008. The Company had accumulated net derivative losses of $13.5 million, net of taxes of $8.7 million, in other comprehensive income as of June 29, 2008 and $5.3 million, net of taxes of $3.5 million, as of December 30, 2007, related to these cash flow hedges. The net derivative losses will be amortized into interest expense when the hedged exposure affects interest expense. The Company settled half of the forward interest rate contracts, with notional amounts totaling $150.0 million, upon the issuance of the 6% senior subordinated notes in May 2008, for a loss of $8.4 million, net of taxes of $5.4 million. As of June 29, 2008, $0.2 million of these derivative losses were amortized into interest expense to coincide with the issuance of the 6% senior subordinated notes in May 2008. The remaining forward interest rate contracts, with notional amounts totaling $150.0 million, have a future dated settlement to coincide with the Company s additional forecasted debt issuance in 2008.

Once established, cash flow hedges are generally not removed until maturity unless an anticipated transaction is no longer likely to occur. Discontinued or dedesignated cash flow hedges are immediately settled with counterparties, and the related accumulated derivative gains or losses are recognized into interest expense on the consolidated financial statements. During the six months ended June 29, 2008, there were no cash flow hedges that were discontinued or dedesignated, and the Company did not recognize any ineffectiveness.

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Note 8: Earnings Per Share

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

	Three Months Ended		Six Months Ended	
	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
	(In thousands)			
Number of common shares basic	117,811	118,911	117,558	120,298
Effect of dilutive securities:				
Stock options	1,380	1,716	1,239	1,612
Restricted stock	72	62	64	66
Number of common shares diluted	119,263	120,689	118,861	121,976
Number of potentially dilutive securities excluded from calculation due to antidilutive impact	6,042	6,991	6,987	7,692

Antidilutive securities include outstanding stock options with exercise prices and average unrecognized compensation cost in excess of the average fair market value of the Company s 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 9: Comprehensive Income

The components of comprehensive income, net of income taxes, consist of the following:

	Three Months Ended		Six Months Ended	
	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
	(In thousands)			
Net income	$ 23,706	$ 33,687	$ 43,844	$ 48,379
Other comprehensive (loss) income:				
Foreign currency translation adjustments	(4,054)	3,866	34,789	8,603
Pension and other postretirement benefit liability adjustments, net of income taxes		548		548
Unrealized net gains (losses) on securities, net of income taxes	41	70	(12)	(99)
Unrealized and realized gains (losses) on derivatives, net of amortization and income taxes	5,348		(8,013)	
	1,335	4,484	26,764	9,052
Comprehensive income, net of income taxes	$ 25,041	$ 38,171	$ 70,608	$ 57,431

The components of accumulated other comprehensive income, net of income taxes, consist of the following:

	June 29, 2008	December 30, 2007
	(In thousands)	
Foreign currency translation adjustments	$ 146,961	$ 112,172
Unrecognized losses and prior service costs, net of income taxes	(49,080)	(49,080)
Unrealized net losses on securities, net of income taxes	(59)	(47)
Unrealized and realized losses on derivatives, net of amortization and income taxes	(13,351)	(5,338)
Accumulated other comprehensive income, net of income taxes	$ 84,471	$ 57,707

Note 10: Industry Segment Information

The Company evaluates the performance of its operating segments based on sales and operating income. Intersegment sales and transfers are not significant. Based on the guidance in SFAS No. 131, *Disclosures About Segments of an Enterprise and Related Information,* the Company has two operating segments for financial reporting purposes. The operating segments and their principal products and services are:

Life and Analytical Sciences. The Company is a leading provider of analysis tools, including instruments, reagents, software, and consumables, to the analytical sciences, genetic screening, bio-discovery and laboratory services markets.

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

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

Sales and operating profit by segment, excluding discontinued operations, are shown in the table below:

	Three Months Ended		Six Months Ended	
	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
	(In thousands)			
Life & Analytical Sciences				
Sales	$ 397,050	$ 326,284	$ 753,664	$ 625,822
Operating income from continuing operations	35,541	44,617	58,904	59,469
Optoelectronics				
Sales	131,586	111,006	257,315	214,368
Operating income from continuing operations	23,733	12,993	47,064	29,262
Corporate				
Operating loss from continuing operations	(12,241)	(9,506)	(22,553)	(17,483)
Continuing Operations				
Sales	$ 528,636	$ 437,290	$ 1,010,979	$ 840,190
Operating income from continuing operations	47,033	48,104	83,415	71,248
Interest and other expense, net (see Note 4)	4,948	3,430	10,258	6,196

Income from continuing operations before income taxes	$ 42,085	$ 44,674	$ 73,157	$ 65,052

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Note 11: Discontinued Operations

As part of its continued efforts to focus on higher growth opportunities, the Company has discontinued certain businesses. The Company has accounted for these businesses as discontinued operations in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets,* and, accordingly, 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 June 29, 2008 and December 30, 2007.

The Company recorded the following gains and losses, which have been reported as (loss) gain on dispositions of discontinued operations:

	Three Months Ended		Six Months Ended	
	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
	(In thousands)			
Net loss on dispositions of ViaCyte[SM] and Cellular Therapy Technology businesses	$ (8,451)	$	$ (8,451)	$
Net gain on dispositions of other discontinued operations	283	784	46	756
Net (loss) gain on dispositions of discontinued operations before income taxes	(8,168)	784	(8,405)	756
(Benefit from) provision for income taxes	(1,378)	400	(1,246)	499
(Loss) gain on dispositions of discontinued operations, net of income taxes	$ (6,790)	$ 384	$ (7,159)	$ 257

Following the ViaCell acquisition, the Board approved a plan to sell the ViaCyte[SM] and Cellular Therapy Technology businesses that were acquired with ViaCell. The ViaCyte[SM] business focuses on the development of a proprietary media intended for the cryopreservation of human unfertilized oocytes. The Cellular Therapy Technology business focuses on the development and sale of unrestricted somatic stem cell products that are derived from umbilical cord blood. The Company determined that both businesses do not strategically fit with the other products offered by the Life and Analytical Sciences segment. The Company also determined that without investing capital into the operations of both businesses, the Company could not effectively compete in the marketplace with larger companies which focus on the market for such products. After careful consideration, the Company decided in the second quarter of 2008 to close the ViaCyte[SM] and Cellular Therapy Technology businesses, recording a pre-tax loss of $8.5 million for severance and facility closure costs. The Company has classified the results and closure of the ViaCyte[SM] and Cellular Therapy Technology businesses as discontinued operations in the accompanying financial statements.

During each of the first six months of fiscal year 2008 and fiscal year 2007, the Company settled various commitments related to the divestiture of other discontinued operations and recognized a pre-tax gain of $0.05 million in 2008 and a pre-tax gain of $0.8 million in 2007.

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

	Three Months Ended		Six Months Ended	
	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
	(In thousands)			
Sales	$	$	$	$
Costs and expenses	(1,290)		(4,270)	
Operating loss from discontinued operations	(1,290)		(4,270)	
Other expense, net				
Loss from discontinued operations before income taxes	(1,290)		(4,270)	
Benefit from income taxes	(40)		(104)	
Loss from discontinued operations, net of income taxes	$ (1,250)	$	$ (4,166)	$

Note 12: Stock Plans

The Company has three stock-based compensation plans where the Company s common stock has been made available for stock option grants, restricted stock awards, performance units and stock grants as part of the Company s compensation programs (the Plans). The Plans are described in more detail in the Company s definitive proxy statement filed with the SEC on March 14, 2008 and Note 20 to the Company s financial statements filed with the 2007 Form 10-K.

For the three and six months ended June 29, 2008, 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 $6.1 million and $10.9 million, respectively. For the three and six months ended July 1, 2007, 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 $5.1 million and $9.3 million, respectively. The total income tax benefit recognized in the consolidated income statements for stock-based compensation was $2.1 million and $3.6 million for the three and six months ended June 29, 2008, respectively. The total income tax benefit recognized in the consolidated income statements for stock-based compensation was $1.8 million and $3.3 million for the three and six months ended July 1, 2007, respectively. Stock-based compensation costs capitalized as part of inventory were approximately $0.4 million as of both June 29, 2008 and July 1, 2007.

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

	Three and Six Months Ended	
	June 29, 2008	July 1, 2007
Risk-free interest rate	2.6%	4.9%
Expected dividend yield	1.2%	1.2%
Expected lives	4 years	4 years
Expected stock volatility	28%	36%

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The following table summarizes stock option activity for the six months ended June 29, 2008:

	Number of Shares	Weighted-Average Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
	(Shares in thousands)		(In years)	(In millions)
Outstanding at December 30, 2007	11,246	$ 24.41		
Granted	1,625	25.09		
Exercised	(965)	19.03		
Canceled	(706)	36.32		
Forfeited	(337)	24.31		
Outstanding at June 29, 2008	10,863	$ 24.22	3.7	$ 43.6
Exercisable at June 29, 2008	7,942	$ 24.20	2.9	$ 35.3
Vested and expected to vest in the future	9,194	$ 24.22	3.7	$ 36.9

The weighted-average grant-date fair values of options granted for the three and six months ended June 29, 2008 were $6.14 and $5.86, respectively. The weighted-average grant-date fair values of options granted for the three and six months ended July 1, 2007 were $7.79 and $7.47, respectively. The total intrinsic value of options exercised for the three and six months ended June 29, 2008 were $7.7 million and $8.0 million, respectively. The total intrinsic value of options exercised for the three and six months ended July 1, 2007 was $3.7 million and $6.5 million, respectively. Cash received from option exercises for the six months ended June 29, 2008 and July 1, 2007 was $18.4 million and $12.8 million, respectively. The related tax benefit classified as a financing cash inflow was $0.1 million and $1.4 million for the six months ended June 29, 2008 and July 1, 2007, respectively.

There was $12.9 million of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested stock options granted as of June 29, 2008. This cost is expected to be recognized over a weighted-average period of 2.0 fiscal years and will be adjusted for any future changes in estimated forfeitures.

The following table summarizes total compensation recognized related to the stock options, which is a function of current and prior year awards and net of estimated forfeitures, included in the Company s consolidated income statements for the three and six months ended June 29, 2008 and July 1, 2007:

	Three Months Ended		Six Months Ended	
	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
	(In thousands)			
Cost of sales	$ 273	$ 304	$ 589	$ 550
Research and development expenses	123	110	233	295
Selling, general and administrative and other expenses	1,369	1,720	2,925	3,485
Compensation expense related to stock options	1,765	2,134	3,747	4,330
Less: income tax benefit	(534)	(697)	(1,157)	(1,414)
Net compensation expense related to stock options	$ 1,231	$ 1,437	$ 2,590	$ 2,916

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Restricted Stock Awards: The following table summarizes the restricted stock award activity for the six months ended June 29, 2008:

	Number of Shares	Weighted-Average Grant-Date Fair Value
	(Shares in thousands)	
Nonvested at December 30, 2007	377	$ 22.84
Granted	237	25.27
Vested	(2)	20.65
Forfeited	(84)	24.25
Nonvested at June 29, 2008	528	$ 23.72

The weighted-average grant-date fair values of restricted stock awards granted during the three and six months ended June 29, 2008 were $28.46 and $25.27, respectively. The weighted-average grant-date fair values of restricted stock awards granted during the three and six months ended July 1, 2007 were $24.27 and $23.61, respectively. The fair value of restricted stock awards vested was $0.03 million for each of the six months ended June 29, 2008 and July 1, 2007. The total compensation expense recognized related to the restricted stock awards, which is a function of current and prior year awards, was approximately $0.5 million and $2.7 million for the three and six months ended June 29, 2008, respectively. The total compensation expense recognized related to the restricted stock awards, which is a function of current and prior year awards, was approximately $0.7 million and $1.4 million for the three and six months ended July 1, 2007, respectively.

As of June 29, 2008, there was $7.0 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 1.6 fiscal years.

Performance Units: The Company granted 127,151 and 209,326 performance units during the six months ended June 29, 2008 and July 1, 2007, respectively. The weighted-average grant-date fair values of performance units granted during the six months ended June 29, 2008 and July 1, 2007 were $24.86 and $23.48, respectively. The total compensation expense recognized related to these performance units, which is a function of current and prior year awards, was approximately $3.0 million and $3.6 million for the three and six months ended June 29, 2008, respectively. The total compensation expense recognized related to these performance units, which is a function of current and prior year awards, was approximately $1.6 million and $2.9 million for the three and six months ended July 1, 2007, respectively. As of June 29, 2008, there were 439,853 performance units outstanding subject to forfeiture.

Stock Awards: The Company s stock award program provides non-employee Directors an annual equity award. For awards granted for 2008 and 2007, 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, and on the third business day after the Company s first quarter earnings release. Directors may defer the receipt of shares into the Company s deferred compensation plan. The compensation expense associated with these stock awards is recognized when the stock award is granted. During the first quarter of 2008, a new non-employee Director was awarded 667 shares. During the six months ended June 29, 2008 and July 1, 2007, each non-employee director was awarded 3,740 and 4,114 shares, respectively. The weighted-average grant-date fair values of stock awards granted during the six months ended June 29, 2008 and July 1, 2007 was $26.70 and $24.31, respectively. The total compensation expense recognized related to these stock awards was approximately $0.8 million and $0.7 million for the six months ended June 29, 2008 and July 1, 2007, respectively.

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Employee Stock Purchase Plan: During the six months ended June 29, 2008, the Company issued 44,005 shares of common stock under the Company s Employee Stock Purchase Plan at a weighted-average price of $24.72 per share. There remains available for sale to employees an aggregate of 1.7 million shares of the Company s common stock out of the 5.0 million shares authorized by shareholders for issuance under this plan.

Stock Repurchase Program: On November 6, 2006, 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). The Repurchase Program will expire on October 25, 2010 unless this authorization is terminated earlier by the Board and may be suspended or discontinued at any time. The Company did not repurchase any shares of the Company s common stock under the Repurchase Program during the first six months of fiscal year 2008. A total of 17,549 shares of the Company s common stock was repurchased during the first quarter of 2008 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. 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. Approximately 1.9 million shares of the Company s common stock remain available for repurchase from the 10.0 million shares authorized by the Board under the Repurchase Program.

Note 13: Goodwill and Intangible Assets

Goodwill is subject to annual impairment testing using the guidance and criteria described in SFAS No. 142. The impairment 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 implied fair value of the reporting unit. The 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. The Company completed the annual impairment test using a measurement date of January 1, 2008 and concluded based on the first step of the process that there was no goodwill impairment.

The changes in the carrying amount of goodwill for the period ended June 29, 2008 from December 30, 2007 are as follows:

	Life and Analytical Sciences	Optoelectronics	Consolidated
		(In thousands)	
Balance, December 30, 2007	$ 1,307,083	$ 48,573	$ 1,355,656
Foreign currency translation	24,030	1,405	25,435
Acquisitions and earn-out adjustments	58,395	3,001	61,396
Balance, June 29, 2008	$ 1,389,508	$ 52,979	$ 1,442,487

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Identifiable intangible asset balances at June 29, 2008 and December 30, 2007 by category were as follows:

	June 29, 2008	December 30, 2007
	(In thousands)	
Patents	$ 127,666	$ 113,744
Less: Accumulated amortization	(66,341)	(61,421)
Net patents	61,325	52,323
Licenses	64,301	61,649
Less: Accumulated amortization	(32,956)	(30,709)
Net licenses	31,345	30,940
Core technology	373,164	357,066
Less: Accumulated amortization	(141,417)	(120,285)
Net core technology	231,747	236,781
Net amortizable intangible assets	324,417	320,044
Non-amortizing intangible assets:		
Trade names and trademarks	159,165	159,165
Totals	$ 483,582	$ 479,209

Total amortization expense related to finite-lived intangible assets for the six months ended June 29, 2008 and July 1, 2007 was $27.9 million and $21.1 million, respectively.

Note 14: 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 of 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 on the condensed consolidated balance sheets. A summary of warranty reserve activity for the three and six months ended June 29, 2008 and July 1, 2007 is as follows:

	Three Months Ended		Six Months Ended	
	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
	(In thousands)			
Balance beginning of period	$ 10,674	$ 10,742	$ 10,971	$ 10,054
Provision charged to income	3,859	3,879	7,365	7,508
Payments	(4,428)	(3,795)	(8,051)	(7,619)
Adjustments to previously provided warranties, net	(516)	(334)	(1,277)	(216)
Foreign currency and acquisitions	385	73	966	838
Balance end of period	$ 9,974	$ 10,565	$ 9,974	$ 10,565

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Note 15: Employee Benefit Plans

The following table summarizes the components of net periodic benefit cost (credit) for the Company s various defined benefit employee pension and post-retirement plans for the three and six months ended June 29, 2008 and July 1, 2007:

	Defined Benefit Pension Benefits		Post-Retirement Medical Benefits	
	Three Months Ended			
	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
	(In thousands)			
Service cost	$ 1,259	$ 1,280	$ 25	$ 23
Interest cost	6,857	6,288	57	60
Expected return on plan assets	(6,746)	(6,141)	(258)	(242)
Amortization of prior service	(49)	16	(79)	(79)
Recognition of actuarial losses (gains)	759	1,491	(91)	(96)
Net periodic benefit cost (credit)	$ 2,080	$ 2,934	$ (346)	$ (334)

	Defined Benefit Pension Benefits		Post-Retirement Medical Benefits	
	Six Months Ended			
	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
	(In thousands)			
Service cost	$ 2,508	$ 2,620	$ 50	$ 46
Interest cost	13,645	12,378	114	120
Expected return on plan assets	(13,506)	(12,151)	(517)	(484)
Amortization of prior service	(101)	31	(158)	(158)
Recognition of actuarial losses (gains)	1,521	2,874	(181)	(192)
Net periodic benefit cost (credit)	$ 4,067	$ 5,752	$ (692)	$ (668)

Note 16: Settlement of Insurance Claim

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

The Company accrued $9.7 million representing its management s estimate of the total cost for decommissioning the building, including environmental matters, that was damaged in the fire. The Company paid $0.7 million during the first six months of fiscal year 2008 and $3.9 million during fiscal year 2007 towards decommissioning the building, and anticipates that the remaining payments of $5.1 million will be completed by the first quarter of fiscal year 2009.

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Note 17: Fair Value Measurements

The Company adopted SFAS No. 157 as of December 31, 2007, with the exception of the application of the statement to non-recurring nonfinancial assets and nonfinancial liabilities that was delayed by FSP No. 157-2. Non-recurring nonfinancial assets and nonfinancial liabilities for which the Company has not applied the provisions of SFAS No. 157 include those measured at fair value in goodwill and indefinite lived intangible assets for impairment testing, those initially measured at fair value in a business combination, and asset retirement obligations initially measured at fair value.

Valuation Hierarchy: SFAS No. 157 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs, where available. The following summarizes the three levels of inputs required by the standard to measure fair value: Level 1 inputs are quoted prices in active markets for identical assets or liabilities; Level 2 inputs are observable prices that are based on inputs not quoted on active markets, but corroborated by market data; and Level 3 inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities based on the Company s assumptions. 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 table shows the assets and liabilities carried at fair value measured on a recurring basis at June 29, 2008 classified in one of the three classifications described above:

	Total Carrying Value at June 29, 2008	Fair Value Measurements at June 29, 2008 Using: Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		(In thousands)		
Marketable securities	$ 1,795	$ 1,795	$	$
Foreign exchange derivative assets	9		9	
Interest rate derivative liabilities	(6,262)		(6,262)	

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	Include foreign exchange derivative contracts that are valued using quoted forward foreign exchange prices at the reporting date.
Interest rate derivative liabilities	Include interest rate derivative contracts that are valued at the quoted market price from a third party bank rate at the reporting date.

Note 18: Contingencies

The Company is conducting a number of environmental investigations and remedial actions at current and former locations of the Company and, along with other companies, has been named a potentially responsible party (PRP) for certain waste disposal sites. The Company accrues for environmental issues in the accounting period that the Company s responsibility is established and when the cost can be reasonably estimated. The Company has accrued $4.1 million as of June 29, 2008, which represents management s estimate of the total cost

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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 financial position, results of operations or cash flows. While it is possible that a loss exceeding the amounts recorded in the consolidated financial statements may be incurred, the potential exposure is not expected to be materially different from those amounts recorded.

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 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, but a decision on those motions has not been rendered, and a trial date has not been set.

PharmaStem Therapeutics, Inc. (PharmaStem) filed a complaint dated February 22, 2002 against ViaCell, Inc., which is now a wholly owned subsidiary of the Company, and several other defendants in the United States District Court for the District of Delaware, alleging infringement of United States Patents No. 5,004,681 and No. 5,192,553, relating to certain aspects of the collection, cryopreservation and storage of hematopoietic stem cells and progenitor cells from umbilical cord blood (PharmaStem I). After several years of proceedings at the District Court level, the United States Court of Appeals for the Federal Circuit issued a decision in July 2007 that ViaCell did not infringe these two patents and that the two patents are invalid. PharmaStem filed a certiorari petition in January 2008 seeking to have the United States Supreme Court review the appellate court s decision as to the invalidity of the patents, but did not seek any further review of the non-infringement decision. However, the United States Supreme Court denied certiorari in March 2008, so the decision by the United States Court of Appeals for the Federal Circuit in favor of ViaCell is final and non-appealable. PharmaStem had also filed a second complaint against ViaCell and other defendants in July 2004 in the United States District Court for the District of Massachusetts, alleging infringement of United States Patents No. 6,461,645 and 6,569,427, which also relate to certain aspects of the collection, cryopreservation and storage of hematopoietic stem cells and progenitor cells from umbilical cord blood (PharmaStem II). The Company believes that the issues presented in PharmaStem II, which was subsequently consolidated in the District of Delaware with similar cases brought by PharmaStem against other family cord blood banks, are substantially the same as the issues presented in PharmaStem I, and that ViaCell does not infringe the patents at issue in the second case and that those patents are invalid for the same reasons as cited by the Court of Appeals in PharmaStem I. The Delaware court granted ViaCell s motion in October 2005 to stay the proceedings in PharmaStem II pending the outcome of PharmaStem I and a decision from the United States Patent and Trademark Office (U.S. PTO) on certain patent re-examination issues. Following reexamination of United States Patents No. 5,004,681, 6,461,645 and

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6,569,427, the U.S. PTO issued notices stating that all claims of these three United States Patents have been cancelled. Reexamination of United States Patent No. 5,192,553 by the U.S. PTO is ongoing. ViaCell has informed the Delaware Court overseeing PharmaStem II that the Federal Circuit had ruled in its favor in the PharmaStem I case, and that the Federal Circuit s decision in the PharmaStem I case is final and non-appealable given the denial of certiorari by the United States Supreme Court. The Delaware Court has yet to take any action in response to these notices.

The Company believes it has meritorious defenses to these lawsuits and other proceedings, and it is contesting the actions vigorously in all of the above unresolved matters. The Company is currently unable, however, to determine whether resolution of any of these matters will have a material adverse impact on its 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 June 29, 2008, should not have a material adverse effect on the Company s consolidated financial statements. Each of these matters is subject to uncertainties, and it is possible that some of these matters may be resolved unfavorably to the Company.

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

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

Overview

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

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

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

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

Recent Developments

Acquisitions:

Acquisition of VaConics Lighting, Inc. In May 2008, we acquired specified assets and assumed specified liabilities of VaConics Lighting, Inc. (VaConics), a leading provider of custom and standard ceramic Xenon arc lamps. This acquisition is expected to expand our Xenon lighting technology by increasing our offerings of lamp operations that include mobile phone cameras, medical endoscopes, surgical headlamps, forensic analyses, video projectors, searchlights, and infrared lighting. Consideration for this transaction was approximately $3.9 million in cash. During the second quarter of 2008, we paid VaConics approximately $0.1 million for net working capital adjustments. The excess of the purchase price over the fair value of the acquired net assets has been allocated to goodwill, all of which is tax deductible. The operations for this acquisition are reported within the results of our Optoelectronics segment from the acquisition date.

Acquisition of LabMetrix Technologies S.A. In March 2008, we acquired all of the stock of LabMetrix Technologies S.A. (LabMetrix) and acquired specified assets and assumed specified liabilities of Labmetrix Technologies Ltd. and LabMetrix Technologies, Inc., a provider of metrology-based multi-vendor analytical instrument qualification solutions. This acquisition is expected to add technology, tools, processes and compliance expertise to our suite of OneSource® laboratory services by strengthening our support of customers in a wide range of industries including the pharmaceutical, medical device, food, toy and other consumer goods industries. Consideration for this transaction was approximately $4.3 million in cash plus potential additional contingent consideration. We determined that $1.9 million of the contingent consideration was probable and recorded the accrual at the date of acquisition. The excess of the purchase price over the fair value of the

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acquired net assets has been allocated to goodwill. None of the goodwill related to the LabMetrix acquisition is tax deductible and all of the goodwill related to the LabMetrix Technologies Ltd. and LabMetrix Technologies, Inc. acquisitions is tax deductible. The operations for this acquisition are reported within the results of our Life and Analytical Sciences segment from the acquisition date.

Acquisition of Newborn Metabolic Screening Business from Pediatrix Medical Group, Inc. In February 2008, we acquired the outstanding stock of Pediatrix Screening, Inc., which constituted the newborn metabolic screening business of Pediatrix Medical Group, Inc., and is now known as PerkinElmer Genetics, Inc. (PKI Genetics). PKI Genetics provides neonatal screening and consultative services to hospitals, medical groups and various states. This acquisition is expected to expand our capabilities to supply state laboratories and other agencies with comprehensive newborn screening solutions. Consideration for this transaction was approximately $66.3 million in cash. During the second quarter of 2008, we received approximately $0.3 million from Pediatrix Medical Group, Inc. for net working capital adjustments. The excess of the purchase price over the fair value of the acquired net assets has been allocated to goodwill, which may be tax deductible if elected by us. The operations for this acquisition are reported within the results of our Life and Analytical Sciences segment from the acquisition date.

Acquisition of ViaCell, Inc. In November 2007, we completed a tender offer for all of the outstanding shares of common stock of ViaCell, Inc. (ViaCell), at a price of $7.25 per share. ViaCell specializes in the collection, testing, processing and preservation of umbilical cord blood stem cells. The addition of ViaCell s ViaCord® product offering for the preservation of umbilical cord blood, and its sales and marketing organization, is expected to facilitate the expansion of our neonatal and prenatal businesses. Aggregate consideration for this transaction was approximately $295.8 million in cash, which excludes $31.8 million in acquired cash. The excess of the purchase price over the fair value of the acquired net assets has been allocated to goodwill, none of which is tax deductible. The operations for this acquisition are reported within the results of our Life and Analytical Sciences segment from the acquisition date.

Following the ViaCell acquisition, we committed to a preliminary plan of integration of certain ViaCell activities that included workforce reductions and the partial closure of an excess facility. As of June 29, 2008, we recorded a $2.4 million liability for severance and the partial closure of an excess facility with a corresponding adjustment to goodwill in accordance with EITF Issue No. 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination* (EITF No. 95-3). We finalized the integration plan and all actions related to this plan as of June 29, 2008.

Following the ViaCell acquisition, our Board of Directors (the Board) approved a plan to sell the ViaCyte℠ and Cellular Therapy Technology businesses that were acquired with ViaCell. The ViaCyte℠ business focuses on the development of a proprietary media intended for the cryopreservation of human unfertilized oocytes. The Cellular Therapy Technology business focuses on the development and sale of unrestricted somatic stem cell products that are derived from umbilical cord blood. We determined that both businesses do not strategically fit with the other products offered by the Life and Analytical Sciences segment. We also determined that without investing capital into the operations of both businesses, we could not effectively compete in the marketplace with larger companies which focus on the market for such products. After careful consideration, we decided in the second quarter of 2008 to close the ViaCyte℠ and Cellular Therapy Technology businesses, recording a pre-tax loss of $8.5 million for severance and facility closure costs. We have classified the results and closure of the ViaCyte℠ and Cellular Therapy Technology businesses as discontinued operations in the accompanying financial statements. See Note 11 to our financial statements included in this quarterly report for additional details.

Critical Accounting Policies and Estimates

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

Critical accounting policies are those policies that affect our more significant judgments and estimates used in the preparation of our consolidated financial statements. We believe our critical accounting policies include our policies regarding revenue recognition, allowances for doubtful accounts, inventory valuation, business combinations, value of long-lived assets, including intangibles, employee compensation and benefits, restructuring activities, gains or losses on dispositions and income taxes. For a more detailed discussion of our critical accounting policies, please refer to our Annual Report on Form 10-K for the fiscal year ended December 30, 2007, as filed with the Securities and Exchange Commission (the SEC) (the 2007 Form 10-K).

Consolidated Results of Continuing Operations

Sales

Sales for the three months ended June 29, 2008 were $528.6 million, versus $437.3 million for the three months ended July 1, 2007, an increase of $91.3 million, or 21%, which includes an approximate 5% increase in sales attributable to favorable changes in foreign exchange rates and an approximate 5% increase from acquisitions. The analysis in the remainder of this paragraph compares segment sales for the three months ended June 29, 2008 as compared to the three months ended July 1, 2007 and includes the effect of foreign exchange rate fluctuations and acquisitions. The total increase in sales reflects a $70.8 million, or 22%, increase in our Life and Analytical Sciences segment sales, due to increases in sales to genetic screening customers of $31.4 million, sales to laboratory service customers of $16.2 million, sales to analytical sciences customers of $13.9 million, and sales to bio-discovery customers of $9.3 million. Our Optoelectronics segment sales grew $20.6 million, or 19%, primarily due to increases in sales of our specialty lighting products of $9.9 million, medical imaging products of $8.9 million, and optical sensors of $1.8 million.

Sales for the six months ended June 29, 2008 were $1,011.0 million, versus $840.2 million for the six months ended July 1, 2007, an increase of $170.8 million, or 20%, which includes an approximate 5% increase in sales attributable to favorable changes in foreign exchange rates and an approximate 5% increase from acquisitions. The analysis in the remainder of this paragraph compares segment sales for the six months ended June 29, 2008 as compared to the six months ended July 1, 2007 and includes the effect of foreign exchange rate fluctuations and acquisitions. The total increase in sales reflects a $127.8 million, or 20%, increase in our Life and Analytical Sciences segment sales, due to increases in sales to genetic screening customers of $57.9 million, sales to analytical sciences customers of $30.5 million, sales to laboratory service customers of $26.5 million, and sales to bio-discovery customers of $12.9 million. Our Optoelectronics segment sales grew $42.9 million, or 20%, primarily due to increases in sales of our specialty lighting products of $21.0 million, medical imaging products of $18.6 million, and optical sensors of $3.3 million.

Cost of Sales

Cost of sales for the three months ended June 29, 2008 was $309.0 million, versus $263.3 million for the three months ended July 1, 2007, an increase of approximately $45.7 million, or 17%. As a percentage of sales, cost of sales decreased to 58.5% in the three months ended June 29, 2008 from 60.2% in the three months ended July 1, 2007, resulting in an increase in gross margin of 176 basis points to 41.5% in the three months ended June 29, 2008, from 39.8% in the three months ended July 1, 2007. Amortization of intangible assets increased due to the acquisitions completed in 2008 and 2007 and was $9.6 million for the three months ended June 29, 2008 as compared to $8.6 million for the three months ended July 1, 2007. The amortization of purchase accounting adjustments to record the inventory from certain acquisitions completed in 2007 was approximately $0.7 million for the three months ended July 1, 2007. Stock option expense was $0.3 million for each of the three

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months ended June 29, 2008 and July 1, 2007. The combined favorable impact of productivity improvements, increased sales volume, and growth in higher gross margin products such as ViaCord® increased gross margin; however, this increase was partially offset by inflation and increased freight costs.

Cost of sales for the six months ended June 29, 2008 was $593.8 million, versus $507.5 million for the six months ended July 1, 2007, an increase of approximately $86.2 million, or 17%. As a percentage of sales, cost of sales decreased to 58.7% in the six months ended June 29, 2008 from 60.4% in the six months ended July 1, 2007, resulting in an increase in gross margin of 167 basis points to 41.3% in the six months ended June 29, 2008, from 39.6% in the six months ended July 1, 2007. Amortization of intangible assets increased due to the acquisitions completed in 2008 and 2007 and was $18.8 million for the six months ended June 29, 2008 as compared to $17.1 million for the six months ended July 1, 2007. The amortization of purchase accounting adjustments to record the inventory from certain acquisitions completed in 2007 was approximately $2.0 million for the six months ended July 1, 2007. Stock option expense was $0.6 million and $0.5 million for the six months ended June 29, 2008 and July 1, 2007, respectively. The combined favorable impact of productivity improvements, increased sales volume, and growth in higher gross margin products such as ViaCord® increased gross margin; however, this increase was partially offset by inflation, increased freight costs and growth in lower gross margin products such as laboratory service and specialty lighting.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three months ended June 29, 2008 were $143.0 million as compared to $109.4 million for the three months ended July 1, 2007, an increase of approximately $33.7 million, or 31%. As a percentage of sales, selling, general and administrative expenses were 27.1% for the three months ended June 29, 2008, compared to 25.0% in the three months ended July 1, 2007. Amortization of intangible assets was $4.2 million for the three months ended June 29, 2008 as compared to $1.7 million for the three months ended July 1, 2007. Stock option expense was $1.4 million and $1.7 million for the three months ended June 29, 2008 and July 1, 2007, respectively. Increased sales and marketing expenses to support recent acquisitions, particularly the acquisition of ViaCell, also increased selling, general and administrative expenses.

Selling, general and administrative expenses for the six months ended June 29, 2008 were $275.1 million as compared to $211.1 million for the six months ended July 1, 2007, an increase of approximately $64.0 million, or 30%. As a percentage of sales, selling, general and administrative expenses were 27.2% for the six months ended June 29, 2008, compared to 25.1% in the six months ended July 1, 2007. Amortization of intangible assets was $8.0 million for the six months ended June 29, 2008 as compared to $3.3 million for the six months ended July 1, 2007. Stock option expense was $2.9 million and $3.5 million for the six months ended June 29, 2008 and July 1, 2007, respectively. Increased sales and marketing expenses to support recent acquisitions, particularly the acquisition of ViaCell, also increased selling, general and administrative expenses.

Research and Development Expenses

Research and development expenses for the three months ended June 29, 2008 were $29.9 million versus $27.3 million for the three months ended July 1, 2007, an increase of $2.6 million, or 9%. As a percentage of sales, research and development expenses decreased to 5.7% in the three months ended June 29, 2008, from 6.2% in the three months ended July 1, 2007. Amortization of intangible assets was $0.6 million for the three months ended June 29, 2008 as compared to $0.4 million for the three months ended July 1, 2007. Research and development expenses also included stock option expense of $0.1 million in each of the three months ended June 29, 2008 and July 1, 2007. We directed research and development efforts similarly during 2008 and 2007, primarily toward genetic screening, bio-discovery, and analytical sciences markets within our Life and Analytical Sciences segment, and medical imaging and photonics within our Optoelectronics segment, in order to help accelerate our growth initiatives.

Research and development expenses for the six months ended June 29, 2008 were $59.0 million versus $55.2 million for the six months ended July 1, 2007, an increase of $3.9 million, or 7%. As a percentage of sales, research and development expenses decreased to 5.8% in the six months ended June 29, 2008, from 6.6% in the six months ended July 1, 2007. Amortization of intangible assets was $1.1 million for the six months ended June 29, 2008 as compared to $0.8 million for the six months ended July 1, 2007. Research and development expenses also included stock option expense of $0.2 million and $0.3 million for the six months ended June 29, 2008 and July 1, 2007, respectively.

Restructuring and Lease (Reversals) Charges, Net

We have undertaken a series of restructuring actions related to the impact of acquisitions, divestitures and the integration of our business units. Restructuring actions were recorded in accordance with Statement of Financial Accounting Standards (SFAS) No. 146, *Accounting for Costs Associated with Exit or Disposal Activities.*

A description of the restructuring plans and the activity recorded for the six months ended June 29, 2008 are listed below. Details of these plans, particularly those listed under Previous Restructuring and Integration Plans, are discussed more fully in Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations in the 2007 Form 10-K.

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

Q4 2007 Plan

During the fourth quarter of 2007, our management approved a plan to shift resources into geographic regions and product lines that are more consistent with our growth strategy (the Q4 2007 Plan). As a result of the Q4 2007 Plan, we recognized a $4.8 million pre-tax restructuring charge in the Life and Analytical Sciences segment related to a workforce reduction from reorganization activities. We also recognized a $4.8 million pre-tax restructuring charge in the Optoelectronics segment related to a workforce reduction and the partial closure of a facility, which was offset by the recognition of a $2.2 million deferred gain from the sale-leaseback of that facility during the fiscal year 2001. All actions related to the Q4 2007 Plan were completed by December 30, 2007.

The following table summarizes the Q4 2007 Plan activity for the six months ended June 29, 2008:

	Headcount	Severance	Partial Closure of Excess Facility (Dollars in thousands)	Total
Balance at December 30, 2007	59	$ 4,268	$ 4,328	$ 8,596
Amounts paid, amortization of deferred gain and foreign currency	(47)	(3,042)	(358)	(3,400)
Balance at June 29, 2008	12	$ 1,226	$ 3,970	$ 5,196

We anticipate that the remaining payments of $1.2 million for workforce reductions will be completed by the end of the first quarter of fiscal year 2009, and the remaining payments of $4.0 million for the partial closure of the excess facility will be paid through fiscal year 2022, in accordance with the terms of the lease.

ViaCell Plan

Following the ViaCell acquisition, we committed to a preliminary plan of integration of certain ViaCell activities that included workforce reductions and the partial closure of an excess facility (the ViaCell Plan). As of June 29, 2008, we recorded a $2.4 million liability for severance and the partial closure of an excess facility with a corresponding adjustment to goodwill in accordance with EITF No. 95-3. We finalized the integration plan and all actions related to this plan as of June 29, 2008.

The following table summarizes the ViaCell Plan activity for the six months ended June 29, 2008:

	Headcount	Severance	Partial Closure of Excess Facility	Total
		(Dollars in thousands)		
Balance at December 30, 2007	5	$ 1,184	$	$ 1,184
Provision	6	419	810	1,229
Amounts paid	(8)	(870)	(117)	(987)
Balance at June 29, 2008	3	$ 733	$ 693	$ 1,426

We anticipate that the remaining payments of approximately $0.7 million for workforce reductions will be completed by the end of the third quarter of fiscal year 2009, and the remaining payments of $0.7 million for the partial closure of the excess facility will be paid through fiscal year 2014 in accordance with the terms of the lease.

Previous Restructuring and Integration Plans

The principal actions of these restructuring plans were workforce reductions related to the integration of our Life Sciences and Analytical Instruments businesses, which is now our Life and Analytical Sciences segment, in order to reduce costs and achieve operational efficiencies as well as workforce reductions in both the Life and Analytical Sciences and Optoelectronics segments by shifting resources into geographic regions and product lines that are more consistent with our growth strategy. During the six months ended June 29, 2008, we paid $0.5 million related to these plans. During the second quarter of fiscal year 2008, we recorded an additional charge of $0.1 million related to higher than expected costs associated with severance of one of these plans. As of June 29, 2008, we had approximately $2.6 million of remaining liabilities associated with restructuring and integration plans from the fiscal years 2001 through the first quarter of 2007, primarily relating to remaining lease obligations related to those closed facilities in the Life and Analytical Sciences segment. The remaining terms of these leases vary in length and will be paid through fiscal year 2011. We anticipate that the remaining severance payments will be completed by the end of fiscal year 2008.

Lease Charges

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

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released from our obligation under the letter of credit on the original securitized loan. As a result of these actions, we recorded a reversal of $1.4 million related to payments for this lease obligation and the release of the letter of credit in the third quarter of 2007. During the second quarter of 2008, the buyer paid all delinquent lease payments and building expenses and as a result, we recorded an additional reversal of $0.4 million. We are still responsible for the remaining accrual of $2.7 million, which relates to the remaining lease and building obligations through March 2011, reduced by estimated sublease rentals reasonably expected to be obtained for the property.

Gains on Settlement of Insurance Claim

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

The building that was damaged by the March 2005 fire is currently not being used for operations and the associated depreciation has ceased. During the second quarter of 2007, we accrued $9.7 million representing our management s estimate of the total cost for decommissioning the building, including environmental matters. We paid $0.7 million during the first six months of fiscal year 2008 and $3.9 million during fiscal year 2007 towards decommissioning the building, and we anticipate that the remaining payments of $5.1 million will be completed by the first quarter of fiscal year 2009.

In-process Research and Development Charge

There was no in-process research and development (IPR&D) charge for each of the three months ended June 29, 2008 and July 1, 2007.

There was no IPR&D charge for the six months ended June 29, 2008. The IPR&D charge for the six months ended July 1, 2007 was $1.5 million, which related to the acquisitions of Evotec Technologies GmbH and Euroscreen Products S.A. in January 2007. We believe that the estimated purchased research and development amounts represent the fair value of each project at the acquisition date, and the amount represents our management s best estimate of the amount a third party would pay for the projects.

Interest and Other Expense, Net

Interest and other expense, net consisted of the following:

	Three Months Ended		Six Months Ended	
	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
	(In thousands)			
Interest income	$ (827)	$ (1,093)	$ (2,185)	$ (2,304)
Interest expense	5,746	3,509	12,064	5,764
Gains on dispositions of investments, net	(269)	(135)	(1,158)	(536)
Other expense, net	298	1,149	1,537	3,272
Total interest and other expense, net	$ 4,948	$ 3,430	$ 10,258	$ 6,196

Interest and other expense, net for the three months ended June 29, 2008 was $4.9 million versus $3.4 million for the three months ended July 1, 2007, an increase of $1.5 million. The increase in interest and other expense, net, in the three months ended June 29, 2008 as compared to the three months ended July 1, 2007 was

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primarily due to higher outstanding debt balances. Interest income decreased $0.3 million due to lower interest rates, and interest expense increased $2.2 million due to higher outstanding debt balances. We also recognized a net gain on dispositions of investments of $0.3 million associated with the dissolution of certain investments. Other expenses for the three months ended June 29, 2008 as compared to the three months ended July 1, 2007 decreased by $0.9 million, and consisted primarily of expenses related to foreign currency translation.

Interest and other expense, net for the six months ended June 29, 2008 was $10.3 million versus $6.2 million for the six months ended July 1, 2007, an increase of $4.1 million. The increase in interest and other expense, net, in the six months ended June 29, 2008 as compared to the six months ended July 1, 2007 was primarily due to higher outstanding debt balances. Interest income decreased $0.1 million due to lower interest rates, and interest expense increased $6.3 million due to higher outstanding debt balances. We also recognized a net gain on dispositions of investments of $1.2 million associated with the dissolution of certain investments. Other expenses for the six months ended June 29, 2008 as compared to the six months ended July 1, 2007 decreased by $1.7 million, and consisted primarily of expenses related to foreign currency translation. A more complete discussion of our liquidity is set forth below under the heading Liquidity and Capital Resources.

Provision for Income Taxes

For the three months ended June 29, 2008, the provision for income taxes from continuing operations was $10.3 million, as compared to a provision of $11.4 million for the three months ended July 1, 2007. The provision for income taxes from continuing operations was $18.0 million for the six months ended June 29, 2008, as compared to a provision of $16.9 million for the six months ended July 1, 2007. The effective tax rate from continuing operations was 24.6% for each of the three and six months ended June 29, 2008, as compared to 25.5% and 26.0% for the three and six months ended July 1, 2007, respectively. The lower effective tax rate in 2008 was primarily due to (i) the non-deductible IPR&D charge of $1.5 million recorded in the six months ended July 1, 2007; and (ii) the accrual of U.S. taxes on the $15.3 million gains on the settlement of an insurance claim in the three and six months ended July 1, 2007.

Discontinued Operations

As part of our continued efforts to focus on higher growth opportunities, we have discontinued certain businesses. We have accounted for these businesses as discontinued operations in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets,* and, accordingly, have presented the results of operations and related cash flows as discontinued operations for all periods presented. The assets and liabilities of these businesses have been presented separately and are reflected within the assets and liabilities from discontinued operations in the accompanying consolidated balance sheets as of June 29, 2008 and December 30, 2007.

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

	Three Months Ended		Six Months Ended	
	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
	(In thousands)			
Net loss on dispositions of ViaCyte^{SM} and Cellular Therapy Technology businesses	$ (8,451)	$	$ (8,451)	$
Net gain on dispositions of other discontinued operations	283	784	46	756
Net (loss) gain on dispositions of discontinued operations before income taxes	(8,168)	784	(8,405)	756
(Benefit from) provision for income taxes	(1,378)	400	(1,246)	499
(Loss) gain on dispositions of discontinued operations, net of income taxes	$ (6,790)	$ 384	$ (7,159)	$ 257

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Following the ViaCell acquisition, our Board approved a plan to sell the ViaCyte[SM] and Cellular Therapy Technology businesses that were acquired with ViaCell. The ViaCyte[SM] business focuses on the development of a proprietary media intended for the cryopreservation of human unfertilized oocytes. The Cellular Therapy Technology business focuses on the development and sale of unrestricted somatic stem cell products that are derived from umbilical cord blood. We determined that both businesses do not strategically fit with the other products offered by the Life and Analytical Sciences segment. We also determined that without investing capital into the operations of both businesses, we could not effectively compete in the marketplace with larger companies which focus on the market for such products. After careful consideration, we decided in the second quarter of 2008 to close the ViaCyte[SM] and Cellular Therapy Technology businesses, recording a pre-tax loss of $8.5 million for severance and facility closure costs. We have classified the results and closure of the ViaCyte[SM] and Cellular Therapy Technology businesses as discontinued operations in the accompanying financial statements.

During each of the first six months of fiscal year 2008 and fiscal year 2007, we settled various commitments related to the divestiture of other discontinued operations and recognized a pre-tax gain of $0.05 million in 2008 and a pre-tax gain of $0.8 million in 2007.

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

	Three Months Ended		Six Months Ended	
	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
	(In thousands)			
Sales	$	$	$	$
Costs and expenses	(1,290)		(4,270)	
Operating loss from discontinued operations	(1,290)		(4,270)	
Other expense, net				
Loss from discontinued operations before income taxes	(1,290)		(4,270)	
Benefit from income taxes	(40)		(104)	
Loss from discontinued operations, net of income taxes	$ (1,250)	$	$ (4,166)	$

Contingencies, Including Tax Matters

We are conducting a number of environmental investigations and remedial actions at our current and former locations and, along with other companies, have been named a potentially responsible party (PRP) for certain waste disposal sites. We accrue for environmental issues in the accounting period that our responsibility is established and when the cost can be reasonably estimated. We have accrued $4.1 million as of June 29, 2008, which represents our management s estimate of the total cost of ultimate disposition of known environmental matters. This amount is not discounted and does not reflect the recovery of any amounts through insurance or indemnification arrangements. These cost estimates are subject to a number of variables, including the stage of the environmental investigations, the magnitude of the possible contamination, the nature of the potential remedies, possible joint and several liability, the time period over which remediation may occur, and the possible effects of changing laws and regulations. For sites where we have been named a PRP, our management does not currently anticipate any additional liability to result from the inability of other significant named parties to contribute. We expect that the majority of such accrued amounts could be paid out over a period of up to ten years. As assessment and remediation activities progress at each individual site, these liabilities are reviewed and adjusted to reflect additional information as it becomes available. There have been no environmental problems to date that have had or are expected to have a material adverse effect on our financial position, results of operations, or cash flows. While it is possible that a loss exceeding the amounts recorded in the consolidated financial statements may be incurred, the potential exposure is not expected to be materially different from those amounts recorded.

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

PharmaStem Therapeutics, Inc. (PharmaStem) filed a complaint dated February 22, 2002 against ViaCell, Inc., which is now our wholly owned subsidiary, and several other defendants in the United States District Court for the District of Delaware, alleging infringement of United States Patents No. 5,004,681 and No. 5,192,553, relating to certain aspects of the collection, cryopreservation and storage of hematopoietic stem cells and progenitor cells from umbilical cord blood (PharmaStem I). After several years of proceedings at the District Court level, the United States Court of Appeals for the Federal Circuit issued a decision in July 2007 that ViaCell did not infringe these two patents and that the two patents are invalid. PharmaStem filed a certiorari petition in January 2008 seeking to have the United States Supreme Court review the appellate court s decision as to the invalidity of the patents, but did not seek any further review of the non-infringement decision. However, the United States Supreme Court denied certiorari in March 2008, so the decision by the United States Court of Appeals for the Federal Circuit in favor of ViaCell is final and non-appealable. PharmaStem had also filed a second complaint against ViaCell and other defendants in July 2004 in the United States District Court for the District of Massachusetts, alleging infringement of United States Patents No. 6,461,645 and 6,569,427, which also relate to certain aspects of the collection, cryopreservation and storage of hematopoietic stem cells and progenitor cells from umbilical cord blood (PharmaStem II). We believe that the issues presented in PharmaStem II, which was subsequently consolidated in the District of Delaware with similar cases brought by PharmaStem against other family cord blood banks, are substantially the same as the issues presented in PharmaStem I, and that ViaCell does not infringe the patents at issue in the second case and that those patents are invalid for the same reasons as cited by the Court of Appeals in PharmaStem I. The Delaware court granted ViaCell s motion in October 2005 to stay the proceedings in PharmaStem II pending the outcome of PharmaStem I and a decision from the United States Patent and Trademark Office (U.S. PTO) on certain patent re-examination issues. Following reexamination of United States Patents No. 5,004,681, 6,461,645 and 6,569,427, the U.S. PTO issued notices stating that all claims of these three United States Patents have been cancelled. Reexamination of United States Patent No. 5,192,553 by the U.S. PTO is ongoing. ViaCell has informed the Delaware Court overseeing PharmaStem II that the Federal Circuit had ruled in its favor in the PharmaStem I case, and that the Federal Circuit s decision in the PharmaStem I case is final and non-appealable given the denial of certiorari by the United States Supreme Court. The Delaware Court has yet to take any action in response to these notices.

We believe we have meritorious defenses to these lawsuits and other proceedings, and we are contesting the actions vigorously in all of the above unresolved matters. We are currently unable, however, to determine whether resolution of any of these matters will have a material adverse impact on our consolidated financial statements.

During 2005, the Internal Revenue Service concluded its audit of our federal income taxes for the years 1999 through 2002. There was a single open issue related to this audit which we favorably resolved during the fourth quarter of 2007. The U.S. federal income tax returns for 2003 through 2005 are currently under examination by the Internal Revenue Service, and are anticipated to be completed during fiscal year 2008. In addition, tax years ranging from 1997 through 2007 remain open to examination by various state and foreign tax jurisdictions (such as China, Indonesia, the Philippines and the United Kingdom) in which we have significant business operations. The tax years under examination vary by jurisdiction. We regularly review our tax positions in each significant taxing jurisdiction in the process of evaluating our unrecognized tax benefits as required by FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN No. 48), which we adopted as of January 1, 2007. Adjustments are made to our unrecognized tax benefits when: (i) facts and circumstances regarding a tax position change, causing a change in management s judgment regarding that tax position; (ii) a tax position is ultimately settled with a tax authority; and/or (iii) the statute of limitations expires regarding a tax position.

We are also subject to various other claims, legal proceedings and investigations covering a wide range of matters that arise in the ordinary course of our business activities. Although we have established accruals for potential losses that we believe are probable and reasonably estimable, in the opinion of our management, based on its review of the information available at this time, the total cost of resolving these other contingencies at June 29, 2008 should not have a material adverse effect on our consolidated financial statements. Each of these matters is subject to uncertainties, and it is possible that some of these matters may be resolved unfavorably to us.

Reporting Segment Results of Continuing Operations

Life and Analytical Sciences

Sales for the three months ended June 29, 2008 were $397.1 million, versus $326.3 million for the three months ended July 1, 2007, an increase of $70.8 million, or 22%, which includes an approximate 6% increase from acquisitions and an approximate 6% increase in sales attributable to favorable changes in foreign exchange rates. The following analysis in the remainder of this paragraph compares selected sales by market and product type for the three months ended June 29, 2008, as compared to the three months ended July 1, 2007, and includes the effect of acquisitions and foreign exchange rate fluctuations. Sales to genetic screening customers increased by $31.4 million, sales to laboratory service customers increased by $16.2 million, sales to analytical sciences customers increased by $13.9 million, and sales to bio-discovery customers increased by $9.3 million.

Sales for the six months ended June 29, 2008 were $753.7 million, versus $625.8 million for the six months ended July 1, 2007, an increase of $127.8 million, or 20%, which includes an approximate 6% increase from acquisitions and an approximate 6% increase in sales attributable to favorable changes in foreign exchange rates. The following analysis in the remainder of this paragraph compares selected sales by market and product type for the six months ended June 29, 2008, as compared to the six months ended July 1, 2007, and includes the effect of acquisitions and foreign exchange rate fluctuations. Sales to genetic screening customers increased by $57.9 million, sales to analytical sciences customers increased by $30.5 million, sales to laboratory service customers increased by $26.5 million, and sales to bio-discovery customers increased by $12.9 million.

Operating income for the three months ended June 29, 2008 was $35.5 million, as compared to $44.6 million for the three months ended July 1, 2007, a decrease of $9.1 million, or 20%. Amortization of intangible assets increased due to the acquisitions completed in 2008 and 2007 and was $13.5 million for the three months ended June 29, 2008, as compared to $10.0 million for the three months ended July 1, 2007. The gains on the settlement of the insurance claim for the fire in our Boston, Massachusetts facility in March 2005 was $15.3 million for the three months ended July 1, 2007. Amortization of purchase accounting adjustments to record inventory and the IPR&D charge from certain acquisitions completed in the three months ended July 1, 2007 was $0.7 million. Stock option expense was $0.7 million for each of the three months ended June 29, 2008 and July 1, 2007. The combined favorable impact of productivity improvements and increased sales volume increased operating income, which was partially offset by inflation, increased freight costs, and increased sales and marketing expenses to support recent acquisitions, particularly the acquisition of ViaCell.

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Operating income for the six months ended June 29, 2008 was $58.9 million, as compared to $59.5 million for the six months ended July 1, 2007, a decrease of $0.6 million, or 1%. Amortization of intangible assets increased due to the acquisitions completed in 2008 and 2007 and was $26.4 million for the six months ended June 29, 2008, as compared to $19.8 million for the six months ended July 1, 2007. The gains on the settlement of the insurance claim for the fire in our Boston, Massachusetts facility in March 2005 was $15.3 million for the three months ended July 1, 2007. Restructuring and lease charges were $4.4 million for the six months ended July 1, 2007 as a result of our restructuring plan from the first quarter of fiscal year 2007. Amortization of purchase accounting adjustments to record inventory and the IPR&D charge from certain acquisitions completed in the six months ended July 1, 2007 was $2.0 million and $1.5 million, respectively. Stock option expense was $1.6 million and $1.5 million for the six months ended June 29, 2008 and July 1, 2007, respectively. The combined favorable impact of productivity improvements and increased sales volume increased operating income, which was partially offset by inflation, increased freight costs, and increased sales and marketing expenses to support recent acquisitions, particularly the acquisition of ViaCell.

Optoelectronics

Sales for the three months ended June 29, 2008 were $131.6 million, versus $111.0 million for the three months ended July 1, 2007, an increase of $20.6 million, or 19%, which includes an approximate 4% increase in sales attributable to favorable changes in foreign exchange rates. The analysis in the remainder of this paragraph compares selected sales by product type for the three months ended June 29, 2008, as compared to the three months ended July 1, 2007, and includes the effect of acquisitions and foreign exchange fluctuations. The increase in sales was primarily a result of an increase in sales of our specialty lighting products of $9.9 million, primarily due to the performance of photoflash products, particularly in the mobile phone camera modules, an increase of $8.9 million in sales of our medical imaging products due to the performance of our amorphous silicon business, and an increase in sales of our optical sensors of $1.8 million.

Sales for the six months ended June 29, 2008 were $257.3 million, versus $214.4 million for the six months ended July 1, 2007, an increase of $42.9 million, or 20%, which includes an approximate 4% increase in sales attributable to favorable changes in foreign exchange rates. The analysis in the remainder of this paragraph compares selected sales by product type for the six months ended June 29, 2008, as compared to the six months ended July 1, 2007, and includes the effect of acquisitions and foreign exchange fluctuations. The increase in sales was primarily a result of an increase in sales of our specialty lighting products of $21.0 million, primarily due to the performance of photoflash products, particularly in the mobile phone camera modules, an increase of $18.6 million in sales of our medical imaging products due to the performance of our amorphous silicon business, and an increase in sales of our optical sensors of $3.3 million.

Operating income for the three months ended June 29, 2008 was $23.7 million, versus $13.0 million for the three months ended July 1, 2007, an increase of $10.7 million, or 83%. Restructuring and lease reversals were $0.4 million for the three months ended June 29, 2008 and restructuring and lease charges were $4.5 million for the three months ended July 1, 2007, as a result of lease costs associated with the sale of a business from 2001. Amortization of intangible assets was $0.8 million and $0.7 million for the three months ended June 29, 2008 and July 1, 2007, respectively. Stock option expense was $0.3 million for each of the three months ended June 29, 2008 and July 1, 2007. Increased sales volume and capacity and productivity improvements made within the amorphous silicon business increased operating income, which was partially offset by inflation.

Operating income for the six months ended June 29, 2008 was $47.1 million, versus $29.3 million for the six months ended July 1, 2007, an increase of $17.8 million, or 61%. Restructuring and lease reversals were $0.4 million for the six months ended June 29, 2008 and restructuring and lease charges were $4.5 million for the six months ended July 1, 2007, as a result of lease costs associated with the sale of a business from 2001. Amortization of intangible assets was $1.6 million and $1.3 million for the six months ended June 29, 2008 and July 1, 2007, respectively. Stock option expense was $0.6 million and $0.8 million for the six months ended June 29, 2008 and July 1, 2007, respectively. Increased sales volume and capacity and productivity improvements made within the amorphous silicon business increased operating income, which was partially offset by inflation.

Liquidity and Capital Resources

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

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

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

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

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

On November 6, 2006, we announced that our Board authorized us to repurchase up to 10.0 million shares of our common stock under a stock repurchase program (the Repurchase Program). The Repurchase Program will expire on October 25, 2010 unless this authorization is terminated earlier by our Board, and may be suspended or discontinued at any time. We did not repurchase any shares of our common stock under the Repurchase Program during the first six months of fiscal 2008. A total of 17,549 shares of our common stock was repurchased during the first quarter of 2008 to satisfy minimum statutory tax withholding obligations in connection with the vesting of restricted stock awards and restricted stock unit awards granted pursuant to our equity incentive plans. 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. Approximately 1.9 million shares of our common stock remain available for repurchase from the 10.0 million shares authorized by our Board under the Repurchase Program. Any repurchased shares will be available for use in connection with corporate programs. If we continue to repurchase shares, the repurchase program will be funded using our existing financial resources, including cash and cash equivalents, and our existing amended senior unsecured revolving credit facility.

At June 29, 2008, we had cash and cash equivalents of approximately $193.5 million and an amended senior unsecured revolving credit facility with $265.0 million available for additional borrowing. In addition, we finalized an issuance of 6% senior subordinated notes that closed in May 2008 with proceeds of approximately $150.0 million. The proceeds from this debt issuance were used to repay existing borrowings under our amended senior unsecured revolving credit facility.

In connection with the settlement of an insurance claim resulting from a fire that occurred within our Life and Analytical Sciences facility in Boston, Massachusetts in March 2005, we accrued $9.7 million during the second quarter of 2007, representing our management s estimate of the total cost for decommissioning the building, including environmental matters, that was damaged in the fire. We paid $0.7 million during the first six months of fiscal year 2008 and $3.9 million during fiscal year 2007 towards decommissioning the building, and we anticipate that the remaining payments of $5.1 million will be completed by the first quarter of fiscal year 2009.

Our businesses have not been materially affected by conditions in the global financial markets and economic conditions generally. However, increasing or high interest rates and/or widening credit spreads, especially if such changes are rapid, may create a less favorable environment for certain of our businesses, and may affect the fair value of financial instruments that we issue or hold. For example, beginning in the second half of 2007, difficulties in the mortgage and broader credit markets in the United States and elsewhere resulted in a relatively sudden and substantial decrease in the availability of credit and a corresponding increase in funding costs. Credit spreads widened significantly, affecting volatility and liquidity in the debt and equity markets. These conditions have persisted through the end of the second quarter of 2008, and we cannot predict how long these conditions will exist or how our businesses may be affected. Increases in interest rates or credit spreads, as well as limitations on the availability of credit, can affect our ability to borrow under future potential facilities on a secured or unsecured basis, which may adversely affect our liquidity and results of operations. In difficult credit markets, we may be forced to fund our operations at a higher cost, or we may be unable to raise as much funding as we need to support our business activities.

Cash Flows

Operating Activities. Net cash provided by continuing operations was $97.2 million for the six months ended June 29, 2008, compared to net cash provided by continuing operations of $86.7 million for the six months ended July 1, 2007, an increase of $10.4 million. The increase in cash provided by operating activities for the six months ended June 29, 2008 was driven by income from continuing operations of $55.2 million and depreciation and amortization of $44.7 million. These amounts were partially offset by a net increase in working capital of $2.7 million. Contributing to the net increase in working capital for the six months ended June 29, 2008, excluding the effect of foreign exchange rate fluctuations, was an increase in inventory of $11.4 million, partially offset by a decrease in accounts receivable of $7.8 million and a decrease in accounts payable of $0.9 million. In both the Life and Analytical Sciences and Optoelectronics segments the timing of revenue performance in the second quarter of fiscal year 2008 as compared to the fourth quarter of fiscal year 2007 decreased the accounts receivable balance. The increase in inventory was primarily the result of expanding the amount of inventory held at sales locations within the Life and Analytical Sciences segment to improve timing of sales, which was partially offset by the timing of accounts payable disbursements during the second quarter of fiscal year 2008. There was no incremental use of our accounts receivable securitization facility during fiscal 2007 or the first six months in fiscal 2008, which totaled $45.0 million at both June 29, 2008 and July 1, 2007. Changes in accrued expenses, other assets and liabilities and other items, net, totaled $0.06 million in the six months ended June 29, 2008, and primarily related to timing of payments for tax, restructuring, and salary and benefits.

Investing Activities. Net cash used in continuing operations investing activities was $104.7 million for the six months ended June 29, 2008, compared to $58.8 million of cash used in continuing operations investing activities for the six months ended July 1, 2007. For the six months ended June 29, 2008, we used $74.8 million of net cash for acquisitions and used $11.6 million in related transaction costs, earn-out payments, acquired licenses and other costs in connection with these and other transactions. Capital expenditures for the six months ended June 29, 2008 were $19.4 million, mainly in the areas of tooling and other capital equipment purchases, in addition to improvements in our amorphous silicon facility within our Optoelectronics segment. Also included were payments of $0.1 million related to business development costs. These cash outflows were partially offset by $1.2 million from the sale of investments.

Financing Activities. Net cash used in continuing operations financing activities was $7.5 million for the six months ended June 29, 2008, as compared to $71.1 million of cash used in continuing operations financing activities for the six months ended July 1, 2007. In the six months ended June 29, 2008, we repurchased approximately 17.5 thousand shares of our common stock at a total cost of $0.4 million to satisfy minimum statutory tax withholding obligations in connection with the vesting of restricted stock awards. This compares to repurchases of approximately 6.0 million shares of our common stock in the open market for the six months ended July 1, 2007 for an aggregate of $147.1 million, including commissions. This use of cash was offset by proceeds from common stock option exercises of $18.4 million and the related tax benefit. During the six months

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ended June 29, 2008, debt borrowings from our amended senior unsecured revolving credit facility totaled $365.5 million, proceeds from the issuance of our seven-year senior subordinated notes at a rate of 6% totaled $150.0 million, which was offset by debt reductions to our credit facilities, with aggregate payments of $510.5 million. This compares to debt reductions in the six months ended July 1, 2007 of $49.7 million. We also paid $11.7 million to settle forward interest rate contracts, with notional amounts totaling $150.0 million and a weighted average interest rate of 4.25% and $1.8 million for debt issuance costs during the six months ended June 29, 2008. In addition, we paid $16.5 million in dividends for the six months ended June 29, 2008.

Borrowing Arrangements

Amended Senior Unsecured Revolving Credit Facility. On August 13, 2007, we entered into an amended and restated senior unsecured revolving credit facility providing for a facility through August 13, 2012, which amended and restated in its entirety our previous senior revolving credit agreement dated as of October 31, 2005. During the first quarter of 2008, we exercised our option to increase the amended senior unsecured revolving credit facility to $650.0 million from $500.0 million. Letters of credit in the aggregate amount of approximately $14.0 million were issued under the previous facility, which are treated as issued under the amended facility. We use the amended senior unsecured revolving credit facility for general corporate purposes, which may include working capital, refinancing existing indebtedness, capital expenditures, share repurchases, acquisitions and strategic alliances. The interest rates under the amended senior unsecured revolving credit facility are based on the Eurocurrency rate at the time of borrowing plus a margin or the base rate from time to time. The base rate is the higher of (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. We may allocate all or a portion of our 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 June 29 2008 was 40 basis points. The weighted average Eurocurrency interest rate as of June 29, 2008 was 2.48%, resulting in a weighted average effective Eurocurrency rate, including the margin, of 2.88%. We had drawn down approximately $371.0 million of borrowings in U.S. Dollars under the facility as of June 29, 2008, with interest based on the above described Eurocurrency rate. The agreement for the facility contains affirmative, negative and financial covenants and events of default customary for financings of this type, and which are consistent with those financial covenants contained in our previous senior revolving credit agreement. The financial covenants in our amended and restated senior unsecured revolving credit facility include debt-to-capital ratios and a contingent maximum total leverage ratio, applicable if our credit rating is down-graded below investment grade. We were in compliance with all applicable covenants as of June 29, 2008.

Unsecured Interim Credit Facility. On November 14, 2007, we entered into a $300.0 million unsecured interim credit facility. We entered into this unsecured interim credit facility in order to pay the purchase price and transactional expenses of the ViaCell acquisition. This unsecured interim credit facility matured on March 31, 2008, at which point all amounts outstanding were due in full. On March 28, 2008, we paid in full the outstanding balance on the unsecured interim credit facility of $300.0 million. The source of funds for the repayment was comprised of our cash and cash equivalents, and borrowings under our amended and restated senior unsecured revolving credit facility.

6% Senior Unsecured Subordinated Notes. On May 30, 2008, we issued and sold seven-year senior subordinated 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 subordinated notes is payable semi-annually on May 30th and November 30th. We may redeem some or all of our 6% senior subordinated 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 debt is subordinated to our amended and restated senior unsecured revolving credit facility and other existing and future senior indebtedness. The financial covenants in our 6% senior subordinated notes include debt-to-capital ratios and a contingent maximum total leverage ratio, applicable if our credit rating is down-graded below investment grade. We were in compliance with all applicable covenants as of June 29, 2008.

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During the fourth quarter of 2007, we entered into forward interest rate contracts, with notional amounts totaling $300.0 million and a weighted average interest rate of 4.25%. These contracts are intended to hedge movements in interest rates prior to our forecasted debt issuance in 2008. We had accumulated net derivative losses of $13.5 million, net of taxes of 8.7 million, in other comprehensive income as of June 29, 2008 and $5.3 million, net of taxes of $3.5 million, as of December 30, 2007, related to these cash flow hedges. The net derivative losses will be amortized into interest expense when the hedged exposure affects interest expense. We settled half of the forward interest rate contracts, with notional amounts totaling $150.0 million, upon the issuance of our 6% senior subordinated notes in May 2008, for a loss of $8.4 million, net of taxes of $5.4 million. As of June 29, 2008, $0.2 million of these derivative losses were amortized into interest expense to coincide with the issuance of the 6% senior subordinated notes in May 2008. The remaining forward interest rate contracts, with notional amounts totaling $150.0 million, have a future dated settlement to coincide with our additional forecasted debt issuance in 2008.

Once established, cash flow hedges are generally not removed until maturity unless an anticipated transaction is no longer likely to occur. Discontinued or dedesignated cash flow hedges are immediately settled with counterparties, and the related accumulated derivative gains or losses are recognized into interest expense on the consolidated financial statements. During the six months ended June 29, 2008, there were no cash flow hedges that were discontinued or dedesignated, and we did not recognize any ineffectiveness.

Off-Balance Sheet Arrangements

Receivables Securitization Facility

During 2001, we established a wholly owned consolidated subsidiary to maintain a receivables purchase agreement with a third party financial institution. Under this arrangement, we sold, on a revolving basis, certain of our 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 reduce the balance of sold accounts receivable, new receivables are sold. Our consolidated subsidiary retains the risk of credit loss on the receivables. Accordingly, the full amount of the allowance for doubtful accounts has been provided for on our balance sheet. The amount of receivables sold and outstanding with the third party financial institution may not exceed $65.0 million. Under the terms of this arrangement, our consolidated subsidiary retains collection and administrative responsibilities for the balances. The aggregate amount of receivables sold to the consolidated subsidiary was $71.6 million as of June 29, 2008 and $79.0 million as of December 30, 2007. At each of June 29, 2008 and December 30, 2007, an undivided interest of $45.0 million in the receivables had been sold to the third party financial institution under this arrangement. The remaining interest in receivables of $26.6 million and $34.0 million that were sold to and held by the consolidated subsidiary were included in accounts receivable in the consolidated financial statements at June 29, 2008 and December 30, 2007, respectively.

The agreement requires the third party financial institution to be paid interest during the period from the date the receivable is sold to its maturity date. At June 29, 2008, the effective interest rate was LIBOR plus approximately 65 basis points. The servicing fees received constitute adequate compensation for services performed. No servicing asset or liability is therefore recorded. The agreement also includes conditions that require us to maintain a senior unsecured credit rating of BB or above, as defined by Standard & Poor s Rating Services, and Ba2 or above, as defined by Moody s Investors Service. At June 29, 2008, we had a senior unsecured credit rating of BBB, with a stable outlook from Standard & Poor s Rating Services, and of Baa3, with a stable outlook from Moody s Investors Service. In January 2008, our consolidated subsidiary entered into an agreement to extend the term of the accounts receivable securitization facility to January 23, 2009.

Dividends

Our Board declared regular quarterly cash dividends of seven cents per share in the first two quarters of 2008 and in each quarter of 2007.

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Contractual Obligations

The following table summarizes our contractual obligations as of June 29, 2008, including the addition of our 6% senior unsecured subordinated notes:

	Operating Leases	Amended Sr. Unsecured Revolving Credit Facility Maturing 2012[1]	6.0% Sr. Subordinated Notes Maturing 2015[2]	Other Revolving Debt Facilities[1]	Employee Benefit Plans	FIN No. 48 Liability[3]	Total
			(In thousands)				
2008	$ 23,369	$	$	$ 43	$ 12,768	$ 26,592	$ 62,772
2009	34,813				26,390		61,203
2010	26,135			59	26,601		52,795
2011	20,168				27,081		47,249
2012	18,696	371,000			27,747		417,443
Thereafter	120,034		150,000		152,875		422,909
Total	$ 243,215	$ 371,000	$ 150,000	$ 102	$ 273,462	$ 26,592	$ 1,064,371

(1) The credit facility borrowings carry variable interest rates; the amounts do not contemplate interest obligations.
(2) For the purposes of this table, the obligation has been calculated without interest obligations.
(3) The FIN No. 48 amount includes accrued interest, net of tax benefits, and penalties. We have excluded $35.1 million, including accrued interest, net of tax benefits, and penalties, from the amount related to our uncertain tax positions as we cannot make a reasonably reliable estimate of the amount and period of related future payments.

Effects of Recently Adopted Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS No. 157), which clarifies the principle that fair value should be based on the assumptions market participants would use when pricing an asset or liability, establishes a fair value hierarchy that prioritizes the information used to develop those assumptions, and expands the related disclosure requirements. Under the standard, fair value measurements are to be separately disclosed by level within the fair value hierarchy. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements. SFAS No. 157 defines fair value based upon an exit price model. The FASB also issued FASB Staff Position (FSP) No. 157-2 in February 2008 (FSP No. 157-2). FSP No. 157-2 delays the effective date of the application of SFAS No. 157 to fiscal years beginning after November 15, 2008 for all nonfinancial assets and nonfinancial liabilities that are recognized at fair value in the financial statements on a nonrecurring basis. We adopted SFAS No. 157 as of December 31, 2007, with the exception of the application of the statement to non-recurring nonfinancial assets and nonfinancial liabilities. See Note 17 to our financial statements included in this quarterly report for additional details.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159). SFAS No. 159 provides entities with an option to report selected financial assets and liabilities at fair value, with the objective to reduce both the complexity in accounting for financial instruments, and the volatility in earnings caused by measuring related financial assets and liabilities differently. Unrealized gains and losses on items for which the fair value option is elected would be reported in earnings. We adopted SFAS No. 159 as of December 31, 2007, and have elected not to measure any additional financial instruments and other items at fair value. Therefore, material financial assets and liabilities not carried at fair value, such as our short-term and long-term debt obligations and trade accounts receivable and accounts payable, are still reported at their carrying values. Any future transacted financial asset or liability will be evaluated for the fair value election as prescribed by SFAS No. 159.

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In March 2007, the FASB ratified EITF Issue No. 06-10, *Accounting for Collateral Assignment Split-Dollar Life Insurance Agreements* (EITF No. 06-10). EITF No. 06-10 provides guidance for determining a liability for the post-retirement benefit obligation as well as recognition and measurement of the associated asset on the basis of the terms of the collateral assignment agreement. We adopted EITF No. 06-10 as of December 31, 2007 and the adoption did not have an impact on our consolidated financial statements.

In June 2007, the FASB ratified EITF Issue No. 07-3, *Accounting for Nonrefundable Advance Payments for Goods or Services Received for Use in Future Research and Development Activities* (EITF No. 07-3). EITF No. 07-3 requires that nonrefundable advance payments for goods or services that will be used or rendered for future research and development activities be deferred, capitalized and recognized as an expense as the goods are delivered or the related services are performed. We adopted EITF No. 07-3, on a prospective basis, as of December 31, 2007 and the adoption did not have an impact on our consolidated financial statements.

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (SFAS No. 162). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in accordance with GAAP. With the issuance of this statement, the FASB concluded that the U.S. Generally Accepted Accounting Principles (GAAP) hierarchy should be directed toward the entity and not its auditor, and reside in the accounting literature established by the FASB as opposed to the American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards No. 69, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles.* SFAS No. 162 is effective 60 days following the SEC s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles.* We have evaluated the requirements of SFAS No. 162 and have determined that it will not have a significant impact on our determination or reporting of financial results.

Effects of Recently Issued Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* (SFAS No. 141(R)). SFAS No. 141(R) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements significant aspects of a business combination. Under SFAS No. 141(R), acquisition costs will generally be expensed as incurred; noncontrolling interests will be valued at fair value at the acquisition date; IPR&D will be recorded at fair value as an indefinite-lived intangible asset at the acquisition date; restructuring costs associated with a business combination will generally be expensed subsequent to the acquisition date; and changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense. SFAS No. 141(R) amends SFAS No. 109, *Accounting for Income Taxes,* such that adjustments made to valuation allowances on deferred taxes and acquired tax contingencies associated with acquisitions that closed prior to the effective date of SFAS No. 141(R) would also apply the provisions of SFAS No. 141(R). SFAS No. 141(R) also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. Early adoption is not permitted. SFAS No. 141(R) is effective on a prospective basis for all business combinations for which the acquisition date is on or after the beginning of the first annual period subsequent to December 15, 2008, with the exception of the accounting for valuation allowances on deferred taxes and acquired tax contingencies. We will be required to adopt SFAS No. 141(R) in the first quarter of fiscal year 2009. We are currently evaluating the requirements of SFAS No. 141(R) and have not yet determined the impact of its adoption on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of Accounting Research Bulletin No. 51* (SFAS No. 160). SFAS No. 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent s ownership interest, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS No. 160 also establishes disclosure requirements that clearly identify and

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distinguish between the interests of the parent and the interests of the noncontrolling owners. We will be required to adopt SFAS No. 160 in the first quarter of fiscal year 2009. We are currently evaluating the requirements of SFAS No. 160 and have not yet determined the impact, if any, of its adoption on our consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133* (SFAS No. 161). SFAS No. 161 is intended to improve transparency in financial reporting by requiring enhanced disclosures of an entity s derivative instruments and hedging activities and their effects on the entity s financial position, financial performance, and cash flows. SFAS No. 161 applies to all derivative instruments within the scope of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* as well as related hedged items, bifurcated derivatives, and nonderivative instruments that are designated and qualify as hedging instruments. SFAS No. 161 establishes principles and requirements for how an entity identifies derivative instruments and related hedged items that affect its financial position, financial performance, and cash flows. SFAS No. 161 also establishes disclosure requirements that the fair values of derivative instruments and their gains and losses are disclosed in a tabular format, that derivative features which are credit-risk related be disclosed to provide clarification to an entity s liquidity and cross-referencing within footnotes. We will be required to adopt SFAS No. 161 in the first quarter of fiscal year 2009. We are currently evaluating the requirements of SFAS No. 161 and have not yet determined the impact of its adoption on our consolidated financial statements.

In April 2008, the FASB issued FSP No. 142-3, *Determination of the Useful Life of Intangible Assets* (FSP No. 142-3). FSP No. 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets* (SFAS No. 142). The objective of FSP No. 142-3 is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141(R), and other accounting principles. FSP No. 142-3 applies to all intangible assets, whether acquired in a business combination or otherwise, and early adoption is prohibited. We will be required to adopt FSP No. 142-3 in the first quarter of fiscal year 2009. We are currently evaluating the requirements of FSP No. 142-3 and have not yet determined the impact of its adoption on our consolidated financial statements.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

Market Risk

Market Risk. We are exposed to market risk, including changes in interest rates and currency exchange rates. To manage the volatility relating to these exposures, we enter into various derivative transactions pursuant to our policies to hedge against known or forecasted market exposures. We briefly describe several of the market risks we face below. The following disclosure is not materially different from the disclosure provided under the heading, Item 7A. Quantitative and Qualitative Disclosure About Market Risk, in our 2007 Form 10-K.

Foreign Exchange Risk. The potential change in foreign currency exchange rates poses a substantial risk to us, as approximately 63% of our business is conducted outside of the United States, generally in foreign currencies. Our risk management strategy currently uses forward contracts to mitigate certain balance sheet foreign currency transaction exposures. The intent is to offset gains and losses that occur on the underlying exposures, with gains and losses resulting from the forward contracts that hedge these exposures. In addition, we are able to partially mitigate the impact that fluctuations in currencies have on our net income as a result of our manufacturing facilities located in countries outside the United States, material sourcing and other spending which occur in countries outside the United States, resulting in a natural hedge.

Principal hedged currencies include the British Pound (GBP), Canadian Dollar (CAD), Euro (EUR), Japanese Yen (JPY), and Singapore Dollar (SGD). We held forward foreign exchange contracts with U.S. equivalent notional amounts totaling $115.6 million and $183.4 million as of June 29, 2008 and July 1, 2007,

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respectively. 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 and the duration of these contracts was generally 30 days during both 2008 and 2007.

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

Foreign Currency Risk Value-at-Risk Disclosure. We continue to measure foreign currency risk using the Value-at-Risk model described in Item 7A. Quantitative and Qualitative Disclosure About Market Risk, of our 2007 Form 10-K. The measures for our Value-at-Risk analysis have not changed materially.

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

During the fourth quarter of 2007, we entered into forward interest rate contracts, with notional amounts totaling $300.0 million, and a weighted average interest rate of 4.25%. These contracts are intended to hedge movements in interest rates prior to our forecasted debt issuance in 2008. We had accumulated net derivative losses of $13.5 million, net of taxes of $8.7 million, in other comprehensive income as of June 29, 2008 and $5.3 million, net of taxes of $3.5 million, as of December 30, 2007, related to these cash flow hedges. The net derivative losses will be amortized into interest expense when the hedged exposure affects interest expense. We settled half of the forward interest rate contracts, with notional amounts totaling $150.0 million, upon the issuance of our 6% senior subordinated notes in May 2008, for a loss of $8.4 million, net of taxes of $5.4 million. As of June 29, 2008, $0.2 million of these derivative losses were amortized into interest expense to coincide with the issuance of our 6% senior subordinated notes in May 2008. The remaining forward interest rate contracts, with notional amounts totaling $150.0 million, have a future dated settlement to coincide with our additional forecasted debt issuance in 2008.

Once established, cash flow hedges are generally not removed until maturity unless an anticipated transaction is no longer likely to occur. Discontinued or dedesignated cash flow hedges are immediately settled with counterparties, and the related accumulated derivative gains or losses are recognized into interest expense on the consolidated financial statements. During the six months ended June 29, 2008, there were no cash flow hedges that were discontinued or dedesignated, and no ineffectiveness was recognized.

Interest Rate Risk Sensitivity. Our 2007 Form 10-K presents sensitivity measures for our interest rate risk. The measures for our sensitivity analysis have not changed materially. We refer to Item 7A. Quantitative and Qualitative Disclosure About Market Risk, in our 2007 Form 10-K for our sensitivity disclosure.

Item 4. ***Controls and Procedures***

Our management, with the participation of our Chief Executive Officer and our Acting Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of our quarter ended June 29, 2008. The term disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and

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communicated to the company s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Our 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 their evaluation of our disclosure controls and procedures as of the end of our quarter ended June 29, 2008, our Chief Executive Officer and our Acting Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

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 June 29, 2008 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. ***Legal Proceedings***

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

PharmaStem Therapeutics, Inc. (PharmaStem) filed a complaint dated February 22, 2002 against ViaCell, Inc., which is now our wholly owned subsidiary, and several other defendants in the United States District Court for the District of Delaware, alleging infringement of United States Patents No. 5,004,681 and No. 5,192,553, relating to certain aspects of the collection, cryopreservation and storage of hematopoietic stem cells and progenitor cells from umbilical cord blood (PharmaStem I). After several years of proceedings at the District Court level, the United States Court of Appeals for the Federal Circuit issued a decision in July 2007 that ViaCell did not infringe these two patents and that the two patents are invalid. PharmaStem filed a certiorari petition in January 2008 seeking to have the United States Supreme Court review the appellate court s decision as to the invalidity of the patents, but did not seek any further review of the non-infringement decision. However, the United States Supreme Court denied certiorari in March 2008, so the decision by the United States Court of Appeals for the Federal Circuit in favor of ViaCell is final and non-appealable. PharmaStem had also filed a second complaint against ViaCell and other defendants in July 2004 in the United States District Court for the District of Massachusetts, alleging infringement of United States Patents No. 6,461,645 and 6,569,427, which also relate to certain aspects of the collection, cryopreservation and storage of hematopoietic stem cells and progenitor cells from umbilical cord blood (PharmaStem II). We believe that the issues presented in PharmaStem II, which was subsequently consolidated in the District of Delaware with similar cases brought by PharmaStem against other family cord blood banks, are substantially the same as the issues presented in PharmaStem I, and that ViaCell does not infringe the patents at issue in the second case and that those patents are invalid for the same reasons as cited by the Court of Appeals in PharmaStem I. The Delaware court granted ViaCell s motion in October 2005 to stay the proceedings in PharmaStem II pending the outcome of PharmaStem I and a decision from the United States Patent and Trademark Office (U.S. PTO) on certain patent re-examination issues. Following reexamination of United States Patents No. 5,004,681, 6,461,645 and 6,569,427, the U.S. PTO issued notices stating that all claims of these three United States Patents have been cancelled. Reexamination of United States Patent No. 5,192,553 by the U.S. PTO is ongoing. ViaCell has informed the Delaware Court overseeing PharmaStem II that the Federal Circuit had ruled in its favor in the PharmaStem I case, and that the Federal Circuit s decision in the PharmaStem I case is final and non-appealable given the denial of certiorari by the United States Supreme Court. The Delaware Court has yet to take any action in response to these notices.

We believe we have meritorious defenses to these lawsuits and other proceedings, and we are contesting the actions vigorously in all of the above unresolved matters. We are currently unable, however, to determine whether resolution of any of these matters will have a material adverse impact on our consolidated financial statements.

We are also subject to various other claims, legal proceedings and investigations covering a wide range of matters that arise in the ordinary course of our business activities. Although we have established accruals for potential losses that we believe are probable and reasonably estimable, in the opinion of our management, based on its review of the information available at this time, the total cost of resolving these other contingencies at June 29, 2008 should not have a material adverse effect on our consolidated financial statements. Each of these matters is subject to uncertainties, and it is possible that some of these matters may be resolved unfavorably to us.

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

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

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

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

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

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

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

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

We have in the past, and may in the future, supplement our internal growth by acquiring businesses and licensing technologies that complement or augment our existing product lines, such as ViaCell, Inc., acquired in November 2007, the Newborn Metabolic Screening Business from Pediatrix Medical Group, Inc., acquired in

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February 2008, LabMetrix Technologies S.A., acquired in March 2008, and VaConics Lighting, Inc., acquired in May 2008. However, we may be unable to identify or complete promising acquisitions or license transactions for many reasons, including:

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

Some of the businesses we may seek to acquire may be unprofitable or marginally profitable. Accordingly, the earnings or losses of acquired businesses may dilute our earnings. For these acquired businesses to achieve acceptable levels of profitability, we would have to improve their management, operations, products and market penetration. We may not be successful in this regard and may encounter other difficulties in integrating acquired businesses into our existing operations, such as incompatible management, information or other systems, cultural differences or difficulties in predicting financial results. As a result, our financial results may differ from our forecasts or the expectations of the investment community in a given quarter or over the long term.

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

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

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

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

Patent and trade secret protection is important to us because developing new products, processes and technologies gives us a competitive advantage, although it is time-consuming and expensive. We own many United States and foreign patents and intend to apply for additional patents. Patent applications we file, however, may not result in issued patents or, if they do, the claims allowed in the patents may be narrower than what is needed to protect fully our products, processes and technologies. Similarly, applications to register our trademarks may not be granted in all countries in which they are filed. For our intellectual property that is protected by keeping it secret, such as trade secrets and know-how, we may not use adequate measures to protect this intellectual property.

Third parties may also challenge the validity of our issued patents, may circumvent or design around our patents and patent applications, or may claim that our products, processes or technologies infringe their patents. In addition, third parties may assert that our product names infringe their trademarks. We may incur significant

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expense in legal proceedings to protect our intellectual property against infringement by third parties or to defend against claims of infringement by third parties. Claims by third parties in pending or future lawsuits could result in awards of substantial damages against us or court orders that could effectively prevent us from manufacturing, using, importing or selling our products in the United States or other countries.

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

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

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

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

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

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

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

- demand for and market acceptance of our products,
- competitive pressures resulting in lower selling prices,
- adverse changes in the level of economic activity in regions in which we do business,
- decline in general economic conditions or government funding,
- adverse income tax audit settlements,
- differing tax laws and changes in those laws, or changes in the countries in which we are subject to tax,

adverse changes in industries, such as pharmaceutical and biomedical,

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

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delays or problems in the introduction of new products,

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

increased costs of raw materials, energy or supplies, and

changes in the volume or timing of product orders.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Because we sell our products worldwide, our businesses are subject to risks associated with doing business internationally. Our sales originating outside the United States represented the majority of our total sales in the fiscal quarter ended June 29, 2008. We anticipate that sales from international operations will continue to represent a substantial portion of our total sales. In addition, many of our manufacturing facilities, employees and suppliers are located outside the United States. Accordingly, our future results of operations could be harmed by a variety of factors, including:

- changes in foreign currency exchange rates,
- changes in a country s or region s political or economic conditions, particularly in developing or emerging markets,
- longer payment cycles of foreign customers and timing of collections in foreign jurisdictions,
- trade protection measures and import or export licensing requirements,
- differing tax laws and changes in those laws, or changes in the countries in which we are subject to tax,

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- adverse income tax audit settlements,
- differing business practices associated with foreign operations,
- difficulty in staffing and managing widespread operations,
- differing labor laws and changes in those laws,
- differing protection of intellectual property and changes in that protection, and
- differing regulatory requirements and changes in those requirements.

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

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

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

Restrictions in our credit facility may limit our activities.

Our amended senior unsecured revolving credit facility and 6% senior unsecured subordinated notes contain, and future debt instruments to which we may become subject may contain, restrictive covenants that limit our ability to engage in activities that could otherwise benefit our company. These debt instruments include restrictions on our ability and the ability of our subsidiaries to:

- pay dividends on, redeem or repurchase our capital stock,
- sell assets,
- incur obligations that restrict their ability to make dividend or other payments to us,
- guarantee or secure indebtedness,
- enter into transactions with affiliates, and
- consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries on a consolidated basis.

We are also required to meet specified financial ratios under the terms of our debt instruments. Our ability to comply with these financial restrictions and covenants is dependent on our future performance, which is subject to prevailing economic conditions and other factors, including factors that are beyond our control such as foreign exchange rates, interest rates, changes in technology and changes in the level of competition.

Our failure to comply with any of these restrictions in our amended senior unsecured revolving credit facility and 6% senior unsecured subordinated notes may result in an event of default under either or both of these debt instruments, which could permit acceleration of the debt under either or both debt instruments, and require us to prepay that debt before its scheduled due date.

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

As of June 29, 2008, our total assets included $1.9 billion of net intangible assets. Net intangible assets consist principally of goodwill associated with acquisitions and costs associated with securing patent rights, trademark rights and technology licenses, net of accumulated amortization. We test certain of these items specifically all of those that are considered non-amortizing at least on an annual basis for potential impairment by comparing the carrying value to the fair market value of the reporting unit to which they are assigned. All of our amortizing intangible assets are evaluated for impairment should discrete events occur that call into question the recoverability of the intangible assets.

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

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

Stock Repurchase Program

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

	Issuer Repurchases of Equity Securities			
Period	**Total Number of Shares Purchased(1)**	**Average Price Paid Per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs**	**Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs**
March 31, 2008 April 27, 2008	0	$ 0.00	0	1,949,208
April 28, 2008 May 25, 2008	0	$ 0.00	0	1,949,208
May 26, 2008 June 29, 2008	0	$ 0.00	0	1,949,208
Activity for quarter ended June 29, 2008	0	$ 0.00	0	1,949,208

(1) On November 6, 2006, we announced that our Board authorized us to repurchase up to 10.0 million shares of our common stock under a stock repurchase program (the Repurchase Program). The Repurchase Program will expire on October 25, 2010 unless this authorization is terminated earlier by our Board and may be suspended or discontinued at any time. We did not repurchase any shares of our common stock under the Repurchase Program during the first six months of fiscal 2008. Approximately 1.9 million shares of our common stock remain available for repurchase from the 10.0 million shares authorized by our Board under the Repurchase Program.

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

Information regarding matters submitted to a vote of security holders during the quarter ended June 29, 2008 at our annual meeting of shareholders held April 22, 2008 is set forth under the heading Item 4. Submission of Matters to a Vote of Security Holders in our quarterly report on Form 10-Q for the quarter ended March 30, 2008.

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Item 6. ***Exhibits***

10.1	Employment Agreement by and between Joel S. Goldberg and PerkinElmer, Inc. dated as of July 21, 2008 is attached hereto as Exhibit 10.1.
10.2	The First Amendment to the Credit Agreement, dated as of May 30, 2008, 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, is attached hereto as Exhibit 10.2.
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 was filed with the Commission on June 4, 2008 as Exhibit 10.1 to our current report on Form 8-K and is herein incorporated by reference.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Acting Chief Financial Officer pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer and Acting Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURE

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

PerkinElmer, Inc.

By: /s/ Michael L. Battles

Michael L. Battles

Acting Chief Financial Officer

(Principal Financial Officer)

Vice President, Corporate Controller and

Chief Accounting Officer

(Principal Accounting Officer)

August 8, 2008

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EXHIBIT INDEX

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LIGN="bottom"> **October 6, 2012 October 8, 2011 October 6, 2012 October 8, 2011 (In thousands)**

Unrealized gain (loss) recorded in other income (expense), net

$(1,739) $2,561 $(8,020) $8,562

Unrealized gain (loss) recorded in OCI

(228) 2,195 (1,866) 2,195

$(1,967)	$4,756	$(9,886)	$10,757

The fair value of goodwill and the intangible assets recorded in connection with the acquisition of Mrs. May s was determined using discounted cash flow models based on an internal estimate of future cash flows based on unobservable inputs, and as such, are considered to be Level 3 non-recurring fair values within the fair value hierarchy.

During the second quarter of 2012, $1 million of long-term trade receivables were written down to their estimated fair values based on Level 3 inputs.

The goodwill and indefinite-lived intangible asset impairment analysis was performed in the second quarter of 2012 using a combination of discounted cash flow models and market multiples. The discounted cash flow models used estimates and assumptions including pricing and volume data, anticipated growth rates, profitability levels, tax rates and discount rates.

Credit Risk

The counterparties to the foreign currency and bunker fuel forward contracts and the interest rate and cross currency swaps consist of a number of major international financial institutions. Dole has established counterparty guidelines and regularly monitors its positions and the financial strength of these institutions. While counterparties to hedging contracts expose Dole to credit-related losses in the event of a counterparty s non-performance, the risk would be limited to the unrealized gains on such affected contracts. Dole does not anticipate any such losses.

NOTE 16 CONTINGENCIES

Dole is a guarantor of indebtedness of some of its key fruit suppliers and other entities integral to Dole s operations. At October 6, 2012, guarantees of $10.7 million consisted primarily of amounts advanced under third-party bank agreements to independent growers that supply Dole with product. Dole has not historically experienced significant losses associated with these guarantees.

Dole issues letters of credit and bank guarantees through its ABL revolver and, in addition, separately through major banking institutions. Dole also provides bonds issued by insurance companies. These letters of credit, bank guarantees and insurance company bonds are required by certain regulatory authorities, suppliers and other operating agreements. As of October 6, 2012, total letters of credit, bank guarantees and bonds outstanding under these arrangements were $190.5 million.

DOLE FOOD COMPANY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Dole also provides various guarantees, mostly to foreign banks, in the course of its normal business operations to support the borrowings, leases and other obligations of its subsidiaries. Dole guaranteed $116.8 million of its subsidiaries obligations to their suppliers and other third parties as of October 6, 2012.

Dole has change of control agreements with certain key executives, under which severance payments and benefits would become payable in the event of specified terminations of employment in connection with a change of control (as defined) of Dole.

Dole is involved from time to time in claims and legal actions incidental to its operations, both as plaintiff and defendant. Dole has established what management currently believes to be adequate reserves for pending legal matters. These reserves are established as part of an ongoing worldwide assessment of claims and legal actions that takes into consideration such items as changes in the pending case load (including resolved and new matters), opinions of legal counsel, individual developments in court proceedings, changes in the law, changes in business focus, changes in the litigation environment, changes in opponent strategy and tactics, new developments as a result of ongoing discovery, and past experience in defending and settling similar claims. In the opinion of management, after consultation with outside counsel, the claims or actions to which Dole is a party are not expected to have a material adverse effect, individually or in the aggregate, on Dole s financial position or results of operations.

DBCP Cases: A significant portion of Dole s legal exposure relates to lawsuits pending in the United States and in several foreign countries, alleging injury as a result of exposure to the agricultural chemical DBCP (1,2-dibromo-3-chloropropane). DBCP was manufactured by several chemical companies including entities of The Dow Chemical Company and Royal Dutch Shell plc and registered by the U.S. government for use on food crops. Dole and other growers applied DBCP on banana farms in Latin America and the Philippines and on pineapple farms in Hawaii. Specific periods of use varied among the different locations. Dole halted all purchases of DBCP, including for use in foreign countries, when the U.S. EPA cancelled the registration of DBCP for use in the United States in 1979. That cancellation was based in part on a 1977 study by a manufacturer which indicated an apparent link between male sterility and exposure to DBCP among factory workers producing the product, as well as early product testing done by the manufacturers showing testicular effects on animals exposed to DBCP. To date, there is no reliable evidence demonstrating that field application of DBCP led to sterility among farm workers, although that claim is made in the pending lawsuits. Nor is there any reliable scientific evidence that DBCP causes any other injuries in humans, although plaintiffs in the various actions assert claims based on cancer, birth defects and other general illnesses.

Currently there are 195 lawsuits, in various stages of proceedings, alleging injury as a result of exposure to DBCP or seeking enforcement of Nicaragua judgments. In addition, there are 66 labor cases pending in Costa Rica under that country s national insurance program.

On October 3, 2011, Dole signed a definitive settlement agreement with the plaintiff group represented by the Provost & Umphrey Law Firm, L.L.P. On September 5, 2012, that settlement agreement was completed, terminating Provost s 33 Nicaragua lawsuits representing approximately $9 billion in claimed damages and, in seven of those cases, judgments totaling $907.5 million, and four U.S. lawsuits (90% of the plaintiffs have been dismissed, the Court has scheduled a dismissal hearing for the remaining plaintiffs in November 2012). This settlement is consistent with the position Dole has taken in the past, that it is willing to seek reasonable resolution of pending DBCP litigation. The settlement will not have a material effect on Dole s financial position, results of operations or cash flows.

DOLE FOOD COMPANY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Of the 195 lawsuits not included in the Provost & Umphrey settlement, 18 are currently pending in various jurisdictions in the United States. One case in Los Angeles Superior Court, the last remaining lawsuit brought in the United States by Nicaraguan plaintiffs, was dismissed after the Court found that the plaintiffs and their representatives engaged in blatant fraud, witness tampering and active manipulation. On March 11, 2011, the Court issued a final Statement of Decision, followed on March 31, 2011 by a Judgment, that vacates the prior judgment and dismisses all plaintiffs claims with prejudice. Plaintiffs filed a notice of appeal of that judgment on May 6, 2011, and briefing is expected to be completed in the fourth quarter of 2012. Six cases that were recently filed in Delaware Federal court by the same plaintiffs that had filed identical cases in Louisiana Federal Court in 2011, were dismissed with prejudice on August 21, 2012 under the first-filed rule. On September 17, 2012, the Louisiana counterparts to those six cases, together with one additional case, were dismissed with prejudice by the Louisiana Federal Court under Louisiana prescription law. Plaintiffs have filed an appeal of the Louisiana dismissals. The remaining lawsuits are pending in Latin America and the Philippines. Claimed damages in DBCP cases worldwide total approximately $36 billion, with lawsuits in Nicaragua representing approximately 85% of this amount. Typically in these cases, Dole is a joint defendant with the major DBCP manufacturers. Except as described below, none of these lawsuits has resulted in a verdict or judgment against Dole.

In Nicaragua, 163 cases are currently filed (of which 13 are active) in various courts throughout the country, all but three of which were brought pursuant to Law 364 (including one new case that was served on November 21, 2011), an October 2000 Nicaraguan statute that contains substantive and procedural provisions that Nicaragua s Attorney General formally opined are unconstitutional. In October 2003, the Supreme Court of Nicaragua issued an advisory opinion, not connected with any litigation, that Law 364 is constitutional. Twenty-five cases have resulted in judgments in Nicaragua: $489.4 million (nine cases consolidated with 465 claimants) on December 11, 2002; $82.9 million (one case with 58 claimants) on February 25, 2004; $15.7 million (one case with 20 claimants) on May 25, 2004; $4 million (one case with four claimants) on May 25, 2004; $56.5 million (one case with 72 claimants) on June 14, 2004; $64.8 million (one case with 85 claimants) on June 15, 2004; $27.7 million (one case with 36 claimants) on March 17, 2005; $46.4 million (one case with 62 claimants) on August 20, 2005; $38.4 million (one case with 192 claimants) on November 14, 2007; and $357.7 million (eight cases with 417 claimants) on January 12, 2009, which Dole learned of unofficially. Except for the latest one, Dole has appealed all judgments. Dole will appeal the $357.7 million judgment once it has been served.

In all but one of the active cases where the proceeding has reached the appropriate stage, Dole has sought to have the cases returned to the United States. In all of the cases where Dole s request to return the case to the United States has been ruled upon, the courts have denied Dole s request and Dole has appealed those decisions.

Dole believes that none of the Nicaraguan judgments will be enforceable against any Dole entity in the U.S. or in any other country, because Nicaragua s Law 364 is unconstitutional and violates international principles of due process. Among other things, Law 364 is an improper special law directed at particular parties; it requires defendants to pay large, non-refundable deposits in order to even participate in the litigation; it provides a severely truncated procedural process; it establishes an irrebuttable presumption of causation that is contrary to the evidence and scientific data; and it sets unreasonable minimum damages that must be awarded in every case.

DOLE FOOD COMPANY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

On October 23, 2006, Dole announced that its subsidiary, Standard Fruit de Honduras, S.A., reached an agreement with the Government of Honduras and representatives of Honduran banana workers. This agreement establishes a Worker Program that is intended by the parties to resolve in a fair and equitable manner the claims of male banana workers alleging sterility as a result of exposure to DBCP. The Honduran Worker Program will not have a material effect on Dole s financial position or results of operations. The official start of the Honduran Worker Program was announced on January 8, 2007. On August 15, 2007, Shell Oil Company was included in the Worker Program.

As to all the DBCP matters, Dole has denied liability and asserted substantial defenses. Although no assurance can be given concerning the outcome of the DBCP cases, in the opinion of management, after consultation with legal counsel and based on past experience defending and settling DBCP claims, the pending lawsuits are not expected to have a material adverse effect on Dole s financial position or results of operations.

European Union Antitrust Inquiry: On October 15, 2008, the European Commission (EC) adopted a Decision against Dole Food Company, Inc. and Dole Fresh Fruit Europe OHG and against other unrelated banana companies, finding violations of the European competition (antitrust) laws. The Decision imposes 45.6 million in fines on Dole.

The Decision follows a Statement of Objections, issued by the EC on July 25, 2007, and searches carried out by the EC in June 2005 at certain banana importers and distributors, including two of Dole s offices.

Dole received the Decision on October 21, 2008 and appealed the Decision to the European General Court in Luxembourg on December 24, 2008. Oral argument on the appeal was held on January 25, 2012.

Dole made an initial $10 million (7.6 million) provisional payment towards the 45.6 million fine on January 22, 2009, which is classified as other assets, net in the accompanying condensed consolidated balance sheets. As agreed with the European Commission (DG Budget), Dole provided the required bank guaranty for the remaining balance of the fine plus interest to the EC by the deadline of April 30, 2009. The bank guaranty renews annually during the appeals process (which may take several years) and carries interest of 6.15% (accrued from January 23, 2009). If the European General Court fully agrees with Dole s arguments presented in its appeal, Dole will be entitled to the return of all monies paid, plus interest.

Although no assurances can be given, and although there could be a material adverse effect on Dole, Dole believes that it has not violated the European competition laws. No accrual for the Decision has been made in the accompanying condensed consolidated financial statements, since Dole cannot determine at this time the amount of probable loss, if any, incurred as a result of the Decision.

Honduran Tax Case: In 2005, Dole received a tax assessment from Honduras of approximately $137 million (including the claimed tax, penalty, and interest through the date of assessment) relating to the disposition of all of Dole s interest in Cervecería Hondureña, S.A in 2001. Dole believes the assessment is without merit and filed an appeal with the Honduran tax authorities, which was denied. As a result of the denial in the administrative process, in order to negate the tax assessment, on August 5, 2005, Dole proceeded to the next stage of the appellate process by filing a lawsuit against the Honduran government in the Honduran Administrative Tax Trial Court. The Honduran government sought dismissal of the lawsuit and attachment of assets, which Dole challenged. The Honduran Supreme Court affirmed the decision of the Honduran intermediate appellate court that a statutory prerequisite to challenging the tax assessment on the merits is the payment of the

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DOLE FOOD COMPANY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

tax assessment or the filing of a payment plan with the Honduran courts; Dole has challenged the constitutionality of the statute requiring such payment or payment plan. Dole and the Honduran government have had discussions regarding possible ways to resolve pending lawsuits and tax-related matters. Although no assurance can be given concerning the outcome of this case, in the opinion of management, after consultation with legal counsel, the pending lawsuits and tax-related matters are not expected to have a material adverse effect on Dole s financial position or results of operations.

Former Shell Site: Shell Oil Company and Dole were sued in several cases filed in Los Angeles Superior Court, beginning in 2009, alleging property damage and personal injury by persons claiming to be current or former residents in the area of a housing development built in the 1960s by a predecessor of what is now a Dole subsidiary, on land that had been owned and used by Shell as a crude oil storage facility for 40 years prior to the housing development. On April 20, 2011, the Court dismissed the case with prejudice, including all claims against Dole. On August 11, 2011, the Court overturned its dismissal in response to plaintiffs motion for reconsideration and permitted the filing of a second amended complaint by plaintiffs. The defendants filed motions to dismiss plaintiffs second amended complaint, which have been denied, except that Shell s motions were granted to dismiss certain property damage claims and certain claims based on the allegation that Shell had engaged in ultrahazardous activity. The California Regional Water Quality Control Board is supervising the cleanup on the former Shell site. On March 11, 2011, the Water Board issued a Cleanup and Abatement Order naming Shell as the Discharger and a Responsible Party, and ordering Shell to assess, monitor, and cleanup and abate the effects of contaminants discharged to soil and groundwater at the site. On April 22, 2011, the Water Board sent Dole a letter requiring Dole to supply information concerning ownership, development and activities of the former Shell site, which Dole did on September 15, 2011.

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DOLE FOOD COMPANY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

NOTE 17 EARNINGS PER SHARE

	Quarter Ended		Three Quarters Ended	
	October 6, 2012	October 8, 2011	October 6, 2012	October 8, 2011
	(In thousands, except per share data)			
Income (loss) from continuing operations	$ (13,630)	$ (46,961)	$ 69,085	$ 37,547
Income (loss) from discontinued operations, net of income taxes	(234)	(43)	(266)	188
Gain on disposal of discontinued operations, net of income taxes				339
Less: Net income attributable to noncontrolling interests	(1,456)	(1,634)	(3,643)	(3,906)
Net income (loss) attributable to shareholders of Dole Food Company, Inc.	$ (15,320)	$ (48,638)	$ 65,176	$ 34,168
Weighted average common shares outstanding Basic	87,762	87,600	87,761	87,588
Dilutive effects of stock incentive plan			722	503
Weighted average common shares outstanding Diluted	87,762	87,600	88,483	88,091
Earnings Per Share Basic				
Income (loss) from continuing operations	$ (0.16)	$ (0.54)	$ 0.79	$ 0.43
Income from discontinued operations, net of income taxes				
Gain on disposal of discontinued operations, net of income taxes				
Less: Net income attributable to noncontrolling interests	(0.01)	(0.02)	(0.05)	(0.04)
Net income (loss) attributable to shareholders of Dole Food Company, Inc.	$ (0.17)	$ (0.56)	$ 0.74	$ 0.39
Earnings Per Share Diluted				
Income (loss) from continuing operations	$ (0.16)	$ (0.54)	$ 0.78	$ 0.43
Income from discontinued operations, net of income taxes				
Gain on disposal of discontinued operations, net of income taxes				
Less: Net income attributable to noncontrolling interests	(0.01)	(0.02)	(0.04)	(0.04)
Net income (loss) attributable to shareholders of Dole Food Company, Inc.	$ (0.17)	$ (0.56)	$ 0.74	$ 0.39

Anti-dilutive shares of 1 million and 525 thousand were excluded from the calculation of diluted weighted average shares for the quarters ended October 6, 2012 and October 8, 2011, respectively.

NOTE 18 GUARANTOR FINANCIAL INFORMATION

Dole s 100% owned domestic subsidiaries (Guarantors) have fully and unconditionally guaranteed, on a joint and several basis, Dole s obligations under the indentures related to the 2013 Debentures, the 2014 Notes and the 2016 Notes. Each guarantee is subordinated in right of payment to the Guarantors existing and future senior debt, including obligations under the senior secured credit facilities, and will rank pari passu with all senior subordinated indebtedness of the applicable Guarantor.

The accompanying Guarantor consolidating financial information is presented on the equity method of accounting for all periods presented. Under this method, investments in subsidiaries are recorded at cost and adjusted for Dole s share in the subsidiaries cumulative results of operations, capital contributions and

DOLE FOOD COMPANY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

distributions and other changes in equity. Elimination entries relate to the elimination of investments in subsidiaries and associated intercompany balances and transactions as well as cash overdraft and income tax reclassifications.

The following are condensed consolidating statements of operations of Dole for the quarters and three quarters ended October 6, 2012 and October 8, 2011; condensed consolidating statements of comprehensive income (loss) for the quarters and three quarters ended October 6, 2012 and October 8, 2011; condensed consolidating statements of comprehensive income (loss) for the quarters and three quarters ended October 6, 2012 and October 8, 2011; condensed consolidating balance sheets as of October 6, 2012 and December 31, 2011 and condensed consolidating statements of cash flows for the three quarters ended October 6, 2012 and October 8, 2011.

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DOLE FOOD COMPANY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

For the Quarter Ended October 6, 2012

	Dole Food Company, Inc.	Guarantors	Non Guarantors (In thousands)	Eliminations	Total
Revenues, net	$ 28,913	$ 926,979	$ 1,428,698	$ (427,479)	$ 1,957,111
Cost of products sold	(24,900)	(817,220)	(1,362,383)	423,244	(1,781,259)
Gross margin	4,013	109,759	66,315	(4,235)	175,852
Selling, marketing and general and administrative expenses	(23,281)	(70,330)	(73,269)	4,235	(162,645)
Charges for restructuring and long-term receivables			(793)		(793)
Gain on sale of assets			5,759		5,759
Operating income (loss)	(19,268)	39,429	(1,988)		18,173
Equity in subsidiary income	27,232	(11,412)		(15,820)	
Other income (expense), net			(4,840)		(4,840)
Interest income	20	67	1,444		1,531
Interest expense	(29,210)	524	(11,267)		(39,953)
Income (loss) from continuing operations before income taxes and equity earnings	(21,226)	28,608	(16,651)	(15,820)	(25,089)
Income taxes	5,600	(1,702)	4,157		8,055
Earnings from equity method investments	306	(105)	3,203		3,404
Income from continuing operations, net of income taxes	(15,320)	26,801	(9,291)	(15,820)	(13,630)
Income from discontinued operations, net of income taxes			(234)		(234)
Net income (loss)	(15,320)	26,801	(9,525)	(15,820)	(13,864)
Less: Net income attributable to noncontrolling interests			(1,456)		(1,456)
Net income attributable to shareholders of Dole Food Company, Inc.	$ (15,320)	$ 26,801	$ (10,981)	$ (15,820)	$ (15,320)

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DOLE FOOD COMPANY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

For the Quarter Ended October 8, 2011

	Dole Food Company, Inc.	Guarantors	Non Guarantors	Eliminations	Total
			(In thousands)		
Revenues, net	$ 26,993	$ 921,485	$ 1,561,454	$ (423,900)	$ 2,086,032
Cost of products sold	(23,403)	(829,110)	(1,476,402)	418,601	(1,910,314)
Gross margin	3,590	92,375	85,052	(5,299)	175,718
Selling, marketing and general and administrative expenses	(19,408)	(70,406)	(76,387)	5,299	(160,902)
Charges for restructuring			(7,877)		(7,877)
Gain on asset sales	3,326				3,326
Operating income (loss)	(12,492)	21,969	788		10,265
Equity in subsidiary income	4,494	(14,493)		9,999	
Other income (expense), net	(18,052)		(904)		(18,956)
Interest income	323	54	941		1,318
Interest expense	(28,993)	(85)	(12,324)		(41,402)
Income (loss) from continuing operations before income taxes and equity earnings	(54,720)	7,445	(11,499)	9,999	(48,775)
Income taxes	6,082	(2,878)	(3,327)		(123)
Earnings from equity method investments		(90)	2,027		1,937
Income (loss) from continuing operations, net of income taxes	(48,638)	4,477	(12,799)	9,999	(46,961)
Loss from discontinued operations, net of income taxes			(43)		(43)
Net income (loss)	(48,638)	4,477	(12,842)	9,999	(47,004)
Less: Net income attributable to noncontrolling interests			(1,634)		(1,634)
Net income (loss) attributable to shareholders of Dole Food Company, Inc.	$ (48,638)	$ 4,477	$ (14,476)	$ 9,999	$ (48,638)

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DOLE FOOD COMPANY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

For the Three Quarters Ended October 6, 2012

	Dole Food Company, Inc.	Guarantors	Non Guarantors	Eliminations	Total
			(In thousands)		
Revenues, net	$ 72,759	$ 2,427,148	$ 3,894,028	$ (1,091,759)	$ 5,302,176
Cost of products sold	(59,741)	(2,146,940)	(3,596,825)	1,081,166	(4,722,340)
Gross margin	13,018	280,208	297,203	(10,593)	579,836
Selling, marketing and general and administrative expenses	(53,758)	(191,400)	(190,474)	10,593	(425,039)
Charges for restructuring and long-term receivables			(4,062)		(4,062)
Gain on sale of assets	962		10,954		11,916
Operating income (loss)	(39,778)	88,808	113,621		162,651
Equity in subsidiary income	150,268	66,996		(217,264)	
Other income (expense), net			(3,324)		(3,324)
Interest income	653	430	3,062		4,145
Interest expense	(73,699)	475	(28,322)		(101,546)
Income from continuing operations before income taxes and equity earnings	37,444	156,709	85,037	(217,264)	61,926
Income taxes	27,426	(7,833)	(19,363)		230
Earnings from equity method investments	306	155	6,468		6,929
Income from continuing operations, net of income taxes	65,176	149,031	72,142	(217,264)	69,085
Loss from discontinued operations, net of income taxes			(266)		(266)
Net income	65,176	149,031	71,876	(217,264)	68,819
Less: Net income attributable to noncontrolling interests			(3,643)		(3,643)
Net income attributable to shareholders of Dole Food Company, Inc.	$ 65,176	$ 149,031	$ 68,233	$ (217,264)	$ 65,176

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DOLE FOOD COMPANY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

For the Three Quarters Ended October 8, 2011

	Dole Food Company, Inc.	Guarantors	Non Guarantors	Eliminations	Total
			(In thousands)		
Revenues, net	$ 73,462	$ 2,472,424	$ 4,340,002	$ (1,198,027)	$ 5,687,861
Cost of products sold	(60,027)	(2,204,867)	(3,968,686)	1,186,404	(5,047,176)
Gross margin	13,435	267,557	371,316	(11,623)	640,685
Selling, marketing and general and administrative expenses	(46,079)	(188,111)	(193,298)	11,623	(415,865)
Charges for restructuring			(16,579)		(16,579)
Gain on asset sales	3,337				3,337
Operating income (loss)	(29,307)	79,446	161,439		211,578
Equity in subsidiary income	138,272	69,820		(208,092)	
Other income (expense), net	(18,058)		(35,912)		(53,970)
Interest income	803	457	2,542		3,802
Interest expense	(74,491)	(126)	(37,092)		(111,709)
Income from continuing operations before income taxes and equity earnings	17,219	149,597	90,977	(208,092)	49,701
Income taxes	16,949	(11,989)	(23,741)		(18,781)
Earnings from equity method investments		202	6,425		6,627
Income from continuing operations, net of income taxes	34,168	137,810	73,661	(208,092)	37,547
Income from discontinued operations, net of income taxes			188		188
Gain on disposal of discontinued operations, net of income taxes			339		339
Net income	34,168	137,810	74,188	(208,092)	38,074
Less: Net income attributable to noncontrolling interests			(3,906)		(3,906)
Net income attributable to shareholders of Dole Food Company, Inc.	$ 34,168	$ 137,810	$ 70,282	$ (208,092)	$ 34,168

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DOLE FOOD COMPANY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)

For the Quarter Ended October 6, 2012

	Dole Food Company, Inc.	Guarantors	Non Guarantors (In thousands)	Eliminations	Total
Net income (loss)	$ (15,320)	$ 26,801	$ (9,525)	$ (15,820)	$ (13,864)
Net foreign currency translation adjustment	(704)	14	11,224		10,534
Unrealized hedging gains (losses), net of income taxes			1,055		1,055
Reclassification of realized (gains) losses to net income, net of income taxes			(1,089)		(1,089)
Comprehensive income (loss)	(16,024)	26,815	1,665	(15,820)	(3,364)
Less: Net income attributable to noncontrolling interests			(1,456)		(1,456)
Comprehensive income (loss) attributable to shareholders of Dole Food Company, Inc.	$ (16,024)	$ 26,815	$ 209	$ (15,820)	$ (4,820)

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)

For the Quarter Ended October 8, 2011

	Dole Food Company, Inc.	Guarantors	Non Guarantors (In thousands)	Eliminations	Total
Net income (loss)	$ (48,638)	$ 4,477	$ (12,842)	$ 9,999	$ (47,004)
Net foreign currency translation adjustment		(400)	(11,509)		(11,909)
Unrealized hedging gains (losses), net of income taxes			(35,026)		(35,026)
Reclassification of realized (gains) losses to net income, net of income taxes			11,557		11,557
Comprehensive income (loss)	(48,638)	4,077	(47,820)	9,999	(82,382)
Less: Net income attributable to noncontrolling interests			(1,610)		(1,610)
Comprehensive income (loss) attributable to shareholders of Dole Food Company, Inc.	$ (48,638)	$ 4,077	$ (49,430)	$ 9,999	$ (83,992)

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DOLE FOOD COMPANY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)

For the Three Quarters Ended October 6, 2012

	Dole Food Company, Inc.	Guarantors	Non Guarantors (In thousands)	Eliminations	Total
Net income	$ 65,176	$ 149,031	$ 71,876	$ (217,264)	$ 68,819
Net foreign currency translation adjustment	2,114	2	5,289		7,405
Unrealized hedging gains (losses), net of income taxes			26,116		26,116
Reclassification of realized (gains) losses to net income, net of income taxes			45		45
Comprehensive income	67,290	149,033	103,326	(217,264)	102,385
Less: Net income attributable to noncontrolling interests			(3,646)		(3,646)
Comprehensive income attributable to shareholders of Dole Food Company, Inc.	$ 67,290	$ 149,033	$ 99,680	$ (217,264)	$ 98,739

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)

For the Three Quarters Ended October 8, 2011

	Dole Food Company, Inc.	Guarantors	Non Guarantors (In thousands)	Eliminations	Total
Net income	$ 34,168	$ 137,810	$ 74,188	$ (208,092)	$ 38,074
Net foreign currency translation adjustment		(367)	(4,016)		(4,383)
Unrealized hedging gains (losses), net of income taxes			(49,223)		(49,223)
Reclassification of realized (gains) losses to net income, net of income taxes			25,280		25,280
Comprehensive income	34,168	137,443	46,229	(208,092)	9,748
Less: Net income attributable to noncontrolling interests			(3,905)		(3,905)
Comprehensive income attributable to shareholders of Dole Food Company, Inc.	$ 34,168	$ 137,443	$ 42,324	$ (208,092)	$ 5,843

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DOLE FOOD COMPANY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

CONDENSED CONSOLIDATING BALANCE SHEET

As of October 6, 2012

	Dole Food Company, Inc.	Guarantors	Non Guarantors (In thousands)	Eliminations	Total
ASSETS					
Cash and cash equivalents	$ 16,268	$ 2,498	$ 63,278	$	$ 82,044
Receivables, net of allowances	94,760	133,706	477,856		706,322
Inventories	7,899	325,618	511,278		844,795
Prepaid expenses and other assets	4,905	14,938	52,229		72,072
Deferred income tax assets		22,335	10,867	(4,515)	28,687
Assets held-for-sale	12,479	3,813	5,196		21,488
Total current assets	136,311	502,908	1,120,704	(4,515)	1,755,408
Investments	2,684,040	1,942,062	106,849	(4,626,801)	106,150
Actively marketed land	74,814				74,814
Property, plant and equipment, net	134,748	265,923	497,139		897,810
Goodwill		131,818	282,148		413,966
Intangible assets, net	689,615	4,987	40,624		735,226
Other assets, net	50,392	17,967	191,529	(8,023)	251,865
Total assets	$ 3,769,920	$ 2,865,665	$ 2,238,993	$ (4,639,339)	$ 4,235,239
LIABILITIES AND EQUITY					
Accounts payable	$ 5,132	$ 151,590	$ 271,514	$	$ 428,236
Accrued liabilities	55,656	166,201	306,824	(4,515)	524,166
Current portion of long-term debt, net	153,832	324	8,695		162,851
Notes payable			55,161		55,161
Total current liabilities	214,620	318,115	642,194	(4,515)	1,170,414
Intercompany payables (receivables)	1,376,935	(156,889)	(1,220,046)		
Long-term debt, net	867,407	2,396	602,242		1,472,045
Deferred income tax liabilities	156,883		44,448	(8,023)	193,308
Other long-term liabilities	253,237	23,180	194,835		471,252
Equity attributable to shareholders of Dole Food Company, Inc.	900,838	2,678,863	1,947,938	(4,626,801)	900,838
Equity attributable to noncontrolling interests			27,382		27,382
Total equity	900,838	2,678,863	1,975,320	(4,626,801)	928,220
Total liabilities and equity	$ 3,769,920	$ 2,865,665	$ 2,238,993	$ (4,639,339)	$ 4,235,239

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DOLE FOOD COMPANY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

CONDENSED CONSOLIDATING BALANCE SHEET

As of December 31, 2011

	Dole Food Company, Inc.	Guarantors	Non Guarantors (In thousands)	Eliminations	Total
ASSETS					
Cash and cash equivalents	$ 13,558	$ 1,813	$ 106,977	$	$ 122,348
Restricted cash			6,230		6,230
Receivables, net of allowances	106,855	122,450	455,789		685,094
Inventories	8,970	309,391	511,156		829,517
Prepaid expenses and other assets	6,647	8,934	49,750		65,331
Deferred income tax assets		21,442	9,257	(4,515)	26,184
Assets held-for-sale	13,370	3,813	58,458		75,641
Total current assets	149,400	467,843	1,197,617	(4,515)	1,810,345
Investments	2,485,133	1,834,271	100,629	(4,320,564)	99,469
Actively marketed land	74,814				74,814
Property, plant and equipment, net	135,050	268,548	507,131		910,729
Goodwill		131,818	286,295		418,113
Intangible assets, net	689,615	7,331	35,067		732,013
Other assets, net	67,299	12,982	149,658	(4,100)	225,839
Total assets	$ 3,601,311	$ 2,722,793	$ 2,276,397	$ (4,329,179)	$ 4,271,322
LIABILITIES AND EQUITY					
Accounts payable	$ 10,428	$ 140,638	$ 300,983	$	$ 452,049
Liabilities related to assets held-for-sale			49,117		49,117
Accrued liabilities	68,906	166,166	306,658		541,730
Current portion of long-term debt, net	(1,060)	711	11,105		10,756
Notes payable			27,969		27,969
Total current liabilities	78,274	307,515	695,832		1,081,621
Intercompany payables (receivables)	1,260,604	(88,549)	(1,167,540)	(4,515)	
Long-term debt, net	1,014,113	2,608	624,391		1,641,112
Deferred income tax liabilities	154,011		31,766	(4,100)	181,677
Other long-term liabilities	301,805	22,885	223,801		548,491
Equity attributable to shareholders of Dole Food Company, Inc.	792,504	2,478,334	1,842,230	(4,320,564)	792,504
Equity attributable to noncontrolling interests			25,917		25,917
Total equity	792,504	2,478,334	1,868,147	(4,320,564)	818,421
Total liabilities and equity	$ 3,601,311	$ 2,722,793	$ 2,276,397	$ (4,329,179)	$ 4,271,322

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DOLE FOOD COMPANY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the Three Quarters Ended October 6, 2012

	Dole Food Company, Inc.	Guarantors	Non Guarantors	Eliminations	Total
			(In thousands)		
OPERATING ACTIVITIES					
Intercompany dividend income	$ 3,000	$	$	$ (3,000)	$
Operating activities	(12,437)	40,241	16,109		43,913
Cash flow provided by (used in) operating activities	(9,437)	40,241	16,109	(3,000)	43,913
INVESTING ACTIVITIES					
Cash received from sales of assets and businesses, net of cash disposed	8,743	103	28,075		36,921
Business acquisitions, net of cash acquired		(15,816)			(15,816)
Capital expenditures	(523)	(22,775)	(38,038)		(61,336)
Restricted cash			6,230		6,230
Other	(919)				(919)
Cash flow provided by (used in) investing activities	7,301	(38,488)	(3,733)		(34,920)
FINANCING ACTIVITIES					
Short-term debt borrowings (repayments), net	(238)	266	19,336		19,364
Long-term debt borrowings	768,300	270	2,526		771,096
Long-term debt repayments	(763,363)	(1,604)	(30,202)		(795,169)
Net proceeds of exercise stock options	147				147
Dividends paid to noncontrolling interests			(1,467)		(1,467)
Intercompany dividends			(3,000)	3,000	
Settlement on long-term Japanese yen hedge forwards			(42,843)		(42,843)
Cash flow provided by (used in) financing activities	4,846	(1,068)	(55,650)	3,000	(48,872)
Effect of foreign currency exchange rate changes on cash			(425)		(425)
Increase (decrease) in cash and cash equivalents	2,710	685	(43,699)		(40,304)
Cash and cash equivalents at beginning of period	13,558	1,813	106,977		122,348
Cash and cash equivalents at end of period	$ 16,268	$ 2,498	$ 63,278	$	$ 82,044

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DOLE FOOD COMPANY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the Three Quarters Ended October 8, 2011

	Dole Food Company, Inc.	Guarantors	Non Guarantors (In thousands)	Eliminations	Total
OPERATING ACTIVITIES					
Cash flow provided by (used in) operating activities	$ (27,019)	$ 15,285	$ 51,016	$	$ 39,282
INVESTING ACTIVITIES					
Cash received from sales of assets	10,369	886	12,110		23,365
Cash received from sales of investments			1,051		1,051
Capital expenditures	(257)	(25,643)	(29,901)		(55,801)
Restricted cash and deposits			45,425		45,425
Investment in non-consolidated subsidiary			(2,038)		(2,038)
Other	(579)				(579)
Cash flow provided by (used in) investing activities	9,533	(24,757)	26,647		11,423
FINANCING ACTIVITIES					
Short-term debt borrowings (repayments), net	436	9,045	(16,677)		(7,196)
Long-term debt borrowings	475,638		580,712		1,056,350
Long-term debt repayments	(454,521)	(216)	(596,391)		(1,051,128)
Payment of debt issuance costs	(6,281)		(6,726)		(13,007)
Premium on early retirement of notes	(10,238)				(10,238)
Proceeds from stock option exercises	312				312
Dividends paid to noncontrolling interests			(2,800)		(2,800)
Settlement of long-term Japanese yen hedge forwards			(3,290)		(3,290)
Cash flow provided by (used in) financing activities	5,346	8,829	(45,172)		(30,997)
Effect of foreign currency exchange rate changes on cash			731		731
Increase (decrease) in cash and cash equivalents	(12,140)	(643)	33,222		20,439
Cash and cash equivalents at beginning of period	39,080	2,714	128,353		170,147
Cash and cash equivalents at end of period	$ 26,940	$ 2,071	$ 161,575	$	$ 190,586

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Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management s Discussion and Analysis contains forward-looking statements that involve a number of risks and uncertainties. Forward-looking statements, which are based on management s assumptions and describe Dole s future plans, strategies and expectations, are generally identifiable by the use of terms such as anticipate, will, expect, believe, should or similar expressions. The potential risks and uncertainties that could cause Dole s actual results to differ materially from those expressed or implied herein are set forth in Item 1A and Item 7A of Dole s Annual Report on Form 10-K for the year ended December 31, 2011 and include: weather-related phenomena; market responses to industry volume pressures; product and raw materials supplies and pricing; changes in interest and currency exchange rates; economic crises; quotas, tariffs and other governmental actions; and international conflict.

Overview

Significant highlights for Dole Food Company, Inc. and its consolidated subsidiaries (Dole) for the quarter and three quarters ended October 6, 2012 were as follows:

On September 17, 2012, Dole signed a definitive agreement (the Agreement) with ITOCHU Corporation for the sale of Dole s worldwide packaged foods and Asia fresh produce businesses (collectively, Dole Asia) for $1.685 billion in cash. Additional consideration of $29 million may be received if the acquirer chooses to exercise its option not to assume certain U.S. pension liabilities of Dole Asia. In the event of a termination of the Agreement, under certain very limited circumstances, Dole would be obligated to pay ITOCHU a termination fee of $50.4 million as provided in the Agreement. The transaction is subject to Dole stockholder approval and customary regulatory approvals in multiple countries. Dole will use substantially all the proceeds from the transaction and Dole s intended new capital structure to pay down its existing indebtedness and to provide funding for transaction-related taxes, costs and expenses. In connection with the transaction, Dole will realign and streamline its global operating structure to conform to the specific needs of the remaining fresh produce businesses. The operations of Dole Asia consist of Dole s Packaged Foods reportable operating segment and Asia Fresh, which is a component of Dole s Fresh Fruit reportable operating segment. Following the consummation of the transaction, Dole will have two lines of business fresh fruit and fresh vegetables and will remain a leading producer, marketer and distributor of fresh fruit and fresh vegetables, including Dole s expanding line of value-added products. As a result of the transaction, Dole s fresh fruit business line will be smaller than at present, with an approximate 30% reduction in revenue; Dole s fresh vegetables business line will not be impacted by the transaction. Dole will continue to be one of the world s largest producers of bananas and pineapples, and an industry leader in packaged salads, fresh-packed vegetables and fresh berries. Dole also will maintain its fully-integrated operating platform in the Americas and Europe, as well as its refrigerated supply chain, which features the largest dedicated refrigerated containerized fleet in the world, as well as a network of packaging, ripening and distribution centers, to deliver fresh Dole products to market.

Net revenues for the third quarter of 2012 were $2 billion, a decrease of 6% from the third quarter of 2011. Excluding the sales from both our German ripening and distribution subsidiary, which was sold during the first quarter of 2012 and our Dole Spain ripening and distribution subsidiary, which was sold in the fourth quarter of 2011 (European divested businesses), as well as sales from SunnyRidge Farms, which was acquired in the fourth quarter of 2011 (berry acquisition), sales increased 2% and were higher in all three of our reporting segments.

Operating income for the third quarter of 2012 was $18.2 million compared to $10.3 million in the third quarter of 2011. Earnings increased in our fresh fruit and packaged foods segments, partially offset by lower earnings in our fresh vegetables segment.

Fresh fruit operating income increased primarily as a result of higher banana earnings in our European banana operations as well as higher earnings in our fresh pineapple operation and Chilean deciduous fruit business. These improvements were partially offset by lower pricing in North America and Asia bananas.

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Fresh vegetables operating income decreased primarily due to lower earnings in fresh berries and packaged salads, partially offset by improved pricing in fresh-packed vegetables. Fresh berries earnings were impacted by higher growing costs. Packaged salads earnings decreased primarily due to costs related to the precautionary recall of a limited number of packaged salad products.

Packaged foods operating income increased due to lower product costs for packaged fruit products in North America and improved pricing for frozen fruit products.

Dole s 2011 restructuring plan in the fresh fruit segment in Europe, Latin America and Asia remains on track and is expected to be completed during the fourth quarter of 2012. Full year net cash savings for fiscal 2012 are estimated at $24 million, of which $18 million has already been realized in the first three quarters of 2012. The 2011 restructuring initiatives did not significantly impact fiscal 2012 revenues. Although cost of products sold for the first three quarters of 2012 benefitted from our shipping and farming restructuring initiatives, higher purchased fruit costs from Latin America growers more than offset these benefits. The remaining $6 million of estimated net cash savings are expected to be realized in the fourth quarter of fiscal 2012 and are expected to reduce cost of products sold.

Non-GAAP Financial Measures

The following is a reconciliation of earnings before interest expense, income taxes and discontinued operations (EBIT before discontinued operations) and adjusted earnings before interest expense, income taxes and depreciation and amortization (Adjusted EBITDA) to the most directly comparable U.S. Generally Accepted Accounting Principles (U.S. GAAP) financial measure:

	Quarter Ended		Three Quarters Ended	
	October 6, 2012	October 8, 2011	October 6, 2012	October 8, 2011
	(In thousands)			
Net income	$ (13,864)	$ (47,004)	$ 68,819	$ 38,074
(Income) loss from discontinued operations, net of income taxes	234	43	266	(188)
Gain on disposal of discontinued operations, net of income taxes				(339)
Interest expense	39,953	41,402	101,546	111,709
Income taxes	(8,055)	123	(230)	18,781
EBIT before discontinued operations	18,268	(5,436)	170,401	168,037
Depreciation and amortization from continuing operations	31,694	31,666	80,225	79,064
Net unrealized loss on derivative instruments	(116)	2,487	711	8,381
(Gain) loss on long-term Japanese yen hedges	855	(2,298)	1,793	20,141
Foreign currency exchange (gain) loss on vessel obligations	2,177	(2,590)	2,680	(51)
Net unrealized (gain) loss on foreign denominated instruments	3,409	(1,645)	538	5,802
Share-based compensation	3,794	2,894	9,448	6,891
Charges for restructuring and long-term receivables	793	13,171	4,062	21,873
Strategic review transaction costs	7,194		8,282	
Refinancing charges and loss on early retirement of debt		26,192	433	26,212
Gain on asset sales	(5,759)	(3,326)	(11,916)	(3,337)
Adjusted EBITDA	$ 62,309	$ 61,115	$ 266,657	$ 333,013

EBIT before discontinued operations and Adjusted EBITDA are measures commonly used by financial analysts in evaluating the performance of companies. EBIT before discontinued operations is calculated from net income by adding interest expense and income tax expense, and adding the loss or subtracting the income from discontinued operations, net of income taxes. Adjusted EBITDA is calculated from EBIT before discontinued

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operations by: (1) adding depreciation and amortization from continuing operations; (2) adding the net unrealized loss or subtracting the net unrealized gain on foreign currency and bunker fuel hedges and the cross currency swap which do not have a more than insignificant financing element present at contract inception; (3) adding the net loss or subtracting the net gain on the long-term Japanese yen hedges; (4) adding the foreign currency loss or subtracting the foreign currency gain on the vessel obligations; (5) adding the net unrealized loss or subtracting the net unrealized gain on foreign denominated instruments; (6) adding share-based compensation expense; (7) adding charges for restructuring and long-term receivables; (8) adding strategic review transaction costs; (9) adding refinancing charges and loss on early retirement of debt; and (10) subtracting the gain on asset sales. Due to the fact that the long-term Japanese yen hedges had more than an insignificant financing element at inception (as discussed in Note 14 to the condensed consolidated financial statements), the liability is treated similar to a debt instrument and the associated cash flows are classified as a financing activity. As a result, both the realized and unrealized gains and losses related to the long-term Japanese yen hedges are subtracted from or added back to EBIT before discontinued operations when calculating Adjusted EBITDA. These adjustments have been made because management excludes these amounts when evaluating the performance of Dole.

EBIT before discontinued operations and Adjusted EBITDA are not calculated or presented in accordance with U.S. GAAP, and EBIT before discontinued operations and Adjusted EBITDA are not a substitute for net income attributable to shareholders of Dole Food Company, Inc., net income, income from continuing operations, cash flows from operating activities or any other measure prescribed by U.S. GAAP. Further, EBIT before discontinued operations and Adjusted EBITDA as used herein are not necessarily comparable to similarly titled measures of other companies. However, Dole has included EBIT before discontinued operations and Adjusted EBITDA herein because management believes that EBIT before discontinued operations and Adjusted EBITDA are useful performance measures for Dole. In addition, EBIT before discontinued operations and Adjusted EBITDA are presented because management believes that these measures are frequently used by securities analysts, investors and others in the evaluation of Dole.

EBIT before discontinued operations and Adjusted EBITDA have limitations as analytical tools and should not be considered in isolation from, or as an alternative to, operating income, cash flow or other combined income or cash flow data prepared in accordance with U.S. GAAP. Because of their limitations, EBIT before discontinued operations and Adjusted EBITDA and the related ratios presented throughout this Item 2 should not be considered as measures of discretionary cash available to invest in business growth or reduce indebtedness. Dole compensates for these limitations by relying primarily on its U.S. GAAP results and using EBIT before discontinued operations and Adjusted EBITDA only supplementally.

Results of Operations

Selected results of operations for the quarters and three quarters ended October 6, 2012 and October 8, 2011 were as follows:

	Quarter Ended		Three Quarters Ended	
	October 6, 2012	**October 8, 2011**	**October 6, 2012**	**October 8, 2011**
	(In thousands)			
Revenues, net	$ 1,957,111	$ 2,086,032	$ 5,302,176	$ 5,687,681
Operating income	18,173	10,265	162,651	211,578
Other income (expense), net	(4,840)	(18,956)	(3,324)	(53,970)
Interest expense	(39,953)	(41,402)	(101,546)	(111,709)
Income taxes	8,055	(123)	230	(18,781)
Net income (loss)	(13,864)	(47,004)	68,819	38,074
Less: Net income attributable to noncontrolling interests	(1,456)	(1,634)	(3,644)	(3,906)
Net income (loss) attributable to shareholders of Dole Food Company, Inc.	(15,320)	(48,638)	65,176	34,168

Revenues

Revenues in the quarter ended October 6, 2012 decreased 6% to $2 billion from $2.1 billion for the quarter ended October 8, 2011. Excluding third quarter 2011 sales from Dole s European divested businesses of $186 million as well as third quarter 2012 sales from the berry acquisition of $13 million, sales increased 2%. Fresh fruit sales decreased $168 million. Excluding sales from divested businesses, fresh fruit sales increased $17 million. The increase is primarily related to higher sales in Europe, improved pricing in Dole s Chilean deciduous fruit business and other fresh fruit sold in Asia and higher volumes of North America fresh pineapple. These factors were partially offset by lower pricing in North America and Asia bananas. Fresh vegetables sales increased $29 million. Excluding sales from the berry acquisition, fresh vegetables sales increased $17 million due to improved pricing for fresh-packed vegetables and packaged salads. Packaged foods sales increased $10 million primarily due to higher sales in the North America frozen fruit and healthy snack businesses. The increase was partially offset by lower volumes of packaged fruit products sold in North America and Asia. Net unfavorable foreign currency exchange movements in Dole s selling locations resulted in lower revenues of approximately $32 million.

Revenues in the three quarters ended October 6, 2012 decreased 7% to $5.3 billion from $5.7 billion for the three quarters ended October 8, 2011. Excluding sales from Dole s European divested businesses of $421 million, as well as the first three quarters 2012 sales from the berry acquisition of $53 million, sales were comparable. Fresh fruit revenues decreased $481 million. Excluding sales from divested businesses, fresh fruit sales decreased $60 million primarily due to lower pricing in North America and lower volumes of fresh fruit sold in Europe as well as unfavorable euro and Swedish krona foreign currency exchange movements. These factors were partially offset by higher volumes of fresh pineapples sold worldwide and bananas sold in Asia. Fresh vegetables sales increased $65 million. Excluding sales from the berry acquisition, fresh vegetables sales increased $11 million. The increase was primarily due to higher pricing of packaged salads and improved volumes of strawberries, partially offset by lower pricing of fresh-packed vegetables. Packaged foods sales increased $31 million due primarily to the same factors that impacted sales during the third quarter, except for higher pricing in North America and Asia. Net unfavorable foreign currency exchange movements in Dole s selling locations resulted in lower revenues of approximately $77 million.

Operating Income

For the quarter ended October 6, 2012, operating income increased to $18.2 million compared with $10.3 million for the quarter ended October 8, 2011. Fresh fruit operating income increased primarily due to higher earnings in Dole Europe s banana operations, fresh pineapple operations worldwide and the Chilean deciduous fruit business, partially offset by lower earnings in the banana operations of North America and Asia. Packaged foods operating income increased primarily due to lower product costs in North America for packaged fruit products and improved pricing for frozen fruit. Fresh vegetables operating income decreased due to lower earnings in the fresh berries and packaged salads businesses, partially offset by improved pricing for iceberg lettuce and celery in the fresh-packed vegetable operations. If foreign currency exchange rates in Dole s significant foreign operations during the quarter ended October 6, 2012 had remained unchanged from those experienced during the quarter ended October 8, 2011, Dole estimates that its operating income would have been higher by approximately $7 million.

For the three quarters ended October 6, 2012, operating income decreased to $162.7 million compared with $211.6 million for the three quarters ended October 8, 2011. Fresh fruit operating income decreased primarily due to lower earnings in Dole s banana operations in North America and Asia, partially offset by higher earnings in Dole Europe s banana operations, North America fresh pineapple operations, and Chilean deciduous fruit business. Packaged foods operating income increased primarily due to improved pricing in North America and Asia and lower levels of marketing expenditures in North America as prior year first quarter results included additional spending for the introduction of FRUIT BOWLS® in 100% juice and fruit in jars in 100% juice. Fresh vegetables operating income decreased due to lower pricing in all major fresh-packed vegetable product lines, partially offset by higher earnings of packaged salads and fresh berries. If foreign currency exchange rates in Dole s significant foreign operations during the three quarters ended October 6, 2012 had remained unchanged from those experienced during the three quarters ended October 8, 2011, Dole estimates that its operating income would have been higher by approximately $12 million.

Other Income (Expense), Net

For the quarter ended October 6, 2012, other income (expense), net was expense of $4.8 million compared to expense of $19 million in the prior year. The improvement was primarily due to the absence of $26.2 million of charges recorded in connection with Dole s third quarter 2011 refinancing and early retirement of debt. The refinancing of Dole s term loan and asset-based revolving facility resulted in $12.7 million of charges related to the write-off of debt issuance costs and debt discounts. In addition, $13.5 million of charges were recorded related to the premiums paid as well as the write-off of debt issuance costs and debt discounts associated with the early retirement of debt. These improvements were partially offset by unrealized losses of $3.7 million recorded during the third quarter of 2012 on Dole s foreign denominated borrowings compared to unrealized gains of $2.2 million recorded in the third quarter of 2011. In addition, Dole s British pound sterling vessel obligation generated unrealized losses of $2.2 million during the third quarter of 2012 compared to unrealized gains of $2.6 million during the third quarter of 2011. There was also a $1.5 million decrease in unrealized gains generated on Dole s long-term Japanese yen hedges.

For the three quarters ended October 6, 2012, other income (expense), net was an expense of $3.3 million compared to an expense of $54 million in the prior year. The improvement was primarily due to the absence of $27.4 million of unrealized losses incurred in connection with the March 2011 unwinding of the cross currency swap and entering into a series of long-term Japanese yen hedges. In addition, other income (expense) benefited from the absence of $26.2 million of charges recorded in connection with Dole s third quarter 2011 refinancing and early extinguishment of debt.

The cross currency swap was scheduled to mature in June 2011. During the first quarter of 2011, Dole entered into a transaction to effectively unwind the cross currency swap by refinancing its obligation under the cross currency swap and entered into a series of long-term Japanese yen hedges that mature through December 2014. The value of these contracts will continue to fluctuate based on changes in the exchange rate over the life of the individual forward contracts. Refer to Note 14 Derivative Financial Instruments for additional information.

Interest Expense

Interest expense for the quarter ended October 6, 2012 was $40 million compared to $41.4 million for the quarter ended October 8, 2011. Interest expense for the three quarters ended October 6, 2012 was $101.5 million compared to $111.7 million for the three quarters ended October 8, 2011. Interest expense decreased in both periods primarily as a result of lower effective borrowing rates due in part to the maturity of Dole s interest rate swap in the second quarter of 2011 as well as Dole s repurchase and retirement of $52.5 million of its 13.875% senior secured notes due 2014 during the third quarter of 2011.

Income Taxes

Dole recorded a tax benefit of $0.2 million on $61.9 million of pretax income from continuing operations for the three quarters ended October 6, 2012. Income taxes included an interest benefit of $3.4 million related to Dole s unrecognized tax benefits. Income tax benefit of $18.8 million on $49.7 million of pretax income from continuing operations was recorded for the three quarters ended October 8, 2011 which included an interest benefit of $2.9 million related to Dole s unrecognized tax benefits. Dole s effective tax rate varies significantly from period to period due to the level, mix and seasonality of earnings generated in its various U.S. and foreign jurisdictions. For the three quarters ended October 6, 2012, Dole s income tax expense differs from the U.S.

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federal statutory rate applied to Dole s pretax income primarily due to a decrease in Dole s total amount of unrecognized tax benefits which included $17 million as a result of the expiration of the statute of limitations in the second quarter of 2012 concerning certain transfer pricing items. Including interest, net of tax benefits, the total amount recorded for this item was $18.7 million which was partially offset by an increase in Dole s U.S. federal valuation allowance. For the three quarters ended October 8, 2011, Dole s income tax expense differed from the U.S. federal statutory rate applied to Dole s pretax income primarily due to losses in certain jurisdictions for which it is more likely than not that a tax benefit will not be realized.

Income tax expense/(benefit) for the quarters ended October 6, 2012 and October 8, 2011 were ($8.1) million and $0.1 million, respectively. During the quarter ended October 6, 2012, income taxes benefited from lower expense associated with Dole s banana operations in Asia.

Dole is required to adjust its effective tax rate for each quarter to be consistent with the estimated annual effective tax rate. Jurisdictions with a projected loss where no tax benefit can be recognized are excluded from the calculation of the estimated annual effective tax rate. These factors could result in a higher or lower effective tax rate during a particular quarter based upon the mix and timing of actual earnings versus annual projections.

Segment Results of Operations

Dole has three reportable operating segments: fresh fruit, fresh vegetables and packaged foods. These reportable segments are managed separately due to differences in geography, products, production processes, distribution channels and customer bases.

The fresh fruit reportable operating segment (fresh fruit) primarily sells bananas, fresh pineapple and deciduous fruit, which are sourced from local growers or Dole-owned or leased farms located in Latin America and Asia, with significant selling locations in North America, Western Europe and Japan. The Asia component of fresh fruit not only sells fruit, but also sources and grows vegetables for sale primarily in Japan.

The fresh vegetables reportable operating segment (fresh vegetables) sells packaged salads and has a line of fresh-packed products that includes iceberg and romaine lettuce, celery, and fresh berries including strawberries and blueberries. Substantially all of the sales for fresh vegetables are generated in North America.

During the fourth quarter of 2011, Dole changed the segment classification of its Asia fresh vegetables operations from the fresh vegetables operating segment to the fresh fruit operating segment, due to a change in operational reporting. The segment reporting change has been reflected for all periods presented.

The packaged foods reportable operating segment (packaged foods) sells and distributes packaged fruit and frozen fruit products in North America, Europe and Asia, with North America as the primary market. The largest component of packaged foods sales are FRUIT BOWLS, canned pineapple and pineapple juice.

Management evaluates and monitors segment performance primarily through, among other measures, EBIT. EBIT before discontinued operations is calculated from net income by adding interest expense and income tax expense, and adding the loss or subtracting the income from discontinued operations, net of income taxes. Management believes that segment EBIT provides useful information for analyzing the underlying business results as well as allowing investors a means to evaluate the financial results of each segment in relation to Dole as a whole. EBIT is not defined under U.S. GAAP and should not be considered in isolation or as a substitute for net income or cash flow measures prepared in accordance with U.S. GAAP or as a measure of Dole s profitability. Additionally, Dole s computation of EBIT may not be comparable to other similarly titled measures computed by other companies, because not all companies calculate EBIT in the same manner.

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Revenues from external customers for the reportable operating segments and corporate were as follows:

	Quarter Ended		Three Quarters Ended	
	October 6, 2012	October 8, 2011	October 6, 2012	October 8, 2011
	(In thousands)			
Fresh fruit	$ 1,254,472	$ 1,422,823	$ 3,516,673	$ 3,998,106
Fresh vegetables	326,570	297,422	851,054	786,522
Packaged foods	375,928	365,601	934,113	902,722
Corporate	141	186	336	511
	$ 1,957,111	$ 2,086,032	$ 5,302,176	$ 5,687,861

EBIT for the reportable operating segments and corporate were as follows:

	Quarter Ended		Three Quarters Ended	
	October 6, 2012	October 8, 2011	October 6, 2012	October 8, 2011
	(In thousands)			
Fresh fruit EBIT	$ 10,069	$ 4,856	$ 136,514	$ 178,323
Fresh vegetables EBIT	3,220	6,145	20,506	24,008
Packaged foods EBIT	29,305	24,054	63,110	62,115
Total operating segments EBIT	42,594	35,055	220,130	264,446
Corporate:				
Unrealized loss on cross currency swap				(3,787)
Unrealized gain (loss) on long-term Japanese yen hedges	870	2,413	271	(20,167)
Net unrealized gain (loss) on foreign denominated instruments	(2,886)	1,854	212	(4,580)
Share-based compensation	(2,295)	(1,816)	(5,737)	(4,392)
Write-off of debt issuance costs and refinancing fees		(12,739)	(433)	(12,759)
Loss on early retirement of notes		(13,453)		(13,453)
Strategic review transaction costs	(7,194)		(8,282)	
Operating and other expenses	(12,821)	(16,750)	(35,760)	(37,271)
Corporate	(24,326)	(40,491)	(49,729)	(96,409)
Interest expense	(39,953)	(41,402)	(101,546)	(111,709)
Income taxes	8,055	(123)	230	(18,781)
Income (loss) from continuing operations	(13,630)	(46,961)	69,085	37,547
Income (loss) from discontinued operations, net of income taxes	(234)	(43)	(266)	188
Gain from disposal of discontinued operations, net of income taxes				339
Net income (loss)	$ (13,864)	$ (47,004)	$ 68,819	$ 38,074

Fresh Fruit

Fresh fruit revenues for the quarter ended October 6, 2012 decreased 12% to $1.3 billion from $1.4 billion for the quarter ended October 8, 2011. Excluding third quarter 2011 sales from Dole s European divested businesses of $186 million, fresh fruit revenues increased slightly. Excluding sales from divestitures, European sales increased as a result of improved local pricing and higher volumes, partially offset by unfavorable euro and Swedish krona foreign currency exchange movements. Banana sales decreased slightly due to lower sales in North America and Asia.

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Fresh pineapple sales increased primarily due to higher volumes in North America. Sales in Asia of other fresh fruit increased due to higher pricing. Sales of Chilean deciduous fruit increased as a result of higher pricing for apples and grapes and higher volumes of kiwi. Net unfavorable foreign currency exchange movements in Dole s foreign selling locations resulted in lower revenues of approximately $31 million during the third quarter ended October 6, 2012.

Fresh fruit revenues for the three quarters ended October 6, 2012 decreased 12% to $3.5 billion from $4 billion for the three quarters ended October 8, 2011. Excluding the first three quarters 2011 sales from Dole Spain and second and third quarter 2011 sales from the divested German subsidiary, totaling $421 million, fresh fruit revenues decreased 2%. The decrease in revenues was primarily due to lower pricing in North America bananas and lower fresh fruit volumes sold in Europe as well as unfavorable euro and Swedish krona foreign currency exchange movements. These factors were partially offset by higher volumes of fresh pineapples sold worldwide and bananas sold in Asia. Net unfavorable foreign currency exchange movements in Dole s foreign selling locations resulted in lower revenues of approximately $74 million during the three quarters ended October 6, 2012.

Dole s fresh fruit segment EBIT is impacted by certain items, which are included in the table below:

	Quarter Ended		Three Quarters Ended	
	October 6, 2012	October 8, 2011	October 6, 2012	October 8, 2011
		(In thousands)		
Charges for restructuring and long-term receivables	$ (793)	$ (13,171)	$ (4,062)	$ (21,873)
Unrealized gain (loss) on foreign currency and fuel hedges	237	(1,437)	(1,308)	(2,066)
Net gain (loss) on long-term Japanese yen hedges	(1,725)	(115)	(2,064)	26
Foreign currency exchange gain (loss) on vessel obligations	(2,177)	2,590	(2,680)	51
Net unrealized gain (loss) on foreign denominated instruments	(213)	(213)	(411)	(194)
Share-based compensation	(919)	(660)	(2,260)	(1,495)
Gain on asset sales	5,759	3,326	11,916	3,337
Total	$ 169	$ (9,680)	$ (869)	$ (22,214)

Fresh fruit EBIT for the quarter ended October 6, 2012 increased $5.2 million to $10.1 million from $4.9 million for the quarter ended October 8, 2011. Fresh pineapples EBIT increased primarily due to lower fruit and shipping costs. EBIT in the Chilean deciduous fruit operations increased primarily as a result of higher pricing. Banana EBIT decreased as a result of lower pricing in North America and Asia as well as higher fruit and distribution costs in Asia, partially offset by lower shipping costs and fruit costs in Europe. Disruptions from delays related to China quarantine regulations contributed to lower pricing and higher costs in the Asia market. The decrease in shipping costs was due primarily to Dole s 2011 restructuring initiatives which further reduced vessel charters, improved vessel utilization and made better use of available outside freight offerings. EBIT in Europe was comparable as higher local pricing and lower marketing expenditures were offset by unfavorable euro currency exchange movements. If foreign currency exchange rates in Dole s significant fresh fruit foreign operations during the quarter ended October 6, 2012 had remained unchanged from those experienced during the quarter ended October 8, 2011, Dole estimates that fresh fruit EBIT would have been higher by approximately $9 million.

Fresh fruit EBIT for the three quarters ended October 6, 2012 decreased to $136.5 million from $178.3 million for the three quarters ended October 8, 2011. Banana EBIT decreased as a result of lower pricing and higher fruit costs in North America and Asia, partially offset by lower shipping costs in Europe. EBIT in other

European activities decreased as a result of unfavorable euro currency exchange movements, lower earnings in fresh pineapples and lower equity earnings, partially offset by lower selling, marketing and general and administrative expenses. EBIT in Dole s Chilean deciduous fruit and North America fresh pineapples operations increased mainly due to the same factors that impacted EBIT during the third quarter. If foreign currency exchange rates in Dole s significant fresh fruit foreign operations during the three quarters ended October 6, 2012 had remained unchanged from those experienced during the three quarters ended October 8, 2011, Dole estimates that fresh fruit EBIT would have been higher by approximately $15 million.

Fresh Vegetables

Fresh vegetables revenues for the quarter ended October 6, 2012 increased 10% to $326.6 million from $297.4 million for the quarter ended October 8, 2011. Fresh-packed vegetables revenues increased due to higher sales of iceberg lettuce and improved pricing for celery. Fresh berries revenues increased as a result of sales associated with the berry acquisition. Packaged salads revenues increased as a result of improved pricing. Fresh vegetables revenues for the three quarters ended October 6, 2012 increased 8% to $851.1 million from $786.5 million for the three quarters ended October 8, 2011. The increase in revenues was mainly due to higher pricing of packaged salads and improved volumes of fresh-packed vegetables and strawberries, partially offset by lower pricing of fresh-packed vegetables across all major product lines. Revenues from the berry acquisition were $12.5 million and $53.4 million for the quarter and three quarters ended October 6, 2012, respectively. In addition, the year over year comparison for fresh-packed vegetables was impacted by abnormally strong pricing during the first quarter of 2011 associated with product shortages from challenging weather conditions.

Fresh vegetables EBIT for the quarter ended October 6, 2012 decreased to $3.2 million from $6.1 million for the quarter ended October 8, 2011. EBIT decreased as a result of lower earnings in the fresh berries business due primarily to higher growing costs, partially offset by improved pricing for strawberries. Packaged salads earnings decreased slightly as a result of costs of approximately $4.6 million related to the precautionary recall of a limited number of packaged salad products and higher selling, marketing and general and administrative expenses, partially offset by improved pricing. Fresh-packed vegetables earnings were higher due to improved pricing for iceberg lettuce and celery. Fresh vegetables EBIT for the three quarters ended October 6, 2012 decreased to $20.5 million from $24 million for the three quarters ended October 8, 2011. EBIT decreased due to lower pricing across all major fresh-packed vegetable product lines during the first half of 2012. Packaged salads earnings increased as a result of improved pricing and lower product costs due in part to production efficiencies, partially offset by higher selling, marketing and general and administrative expenses. Fresh berries earnings improved due to earnings from the berry acquisition, partially offset by higher growing costs.

Packaged Foods

Packaged foods revenues for the quarter ended October 6, 2012 increased 3% to $375.9 million from $365.6 million for the quarter ended October 8, 2011. Revenues increased primarily due to higher sales in the frozen fruit and healthy snacks businesses. These improvements were partially offset by lower volumes of packaged fruit products sold in North America and Asia. Packaged foods revenues for the three quarters ended October 6, 2012 increased 3% to $934.1 million from $902.7 million for the three quarters ended October 8, 2011. The increase in revenues was mainly due to the same factors that impacted sales during the third quarter, except for higher pricing of FRUIT BOWLS and canned pineapple juice in North America and other packaged fruit products sold in Asia.

EBIT in the packaged foods segment for the quarter ended October 6, 2012 increased to $29.3 million from $24.1 million for the quarter ended October 8, 2011. The increase in EBIT was due primarily to lower product and distribution costs in North America for packaged fruit products and higher pricing for frozen fruit products, partially offset by higher product costs in Asia. EBIT in the packaged foods segment for the three quarters ended October 6, 2012 increased to $63.1 million from $62.1 million for the three quarters ended October 6, 2012. The increase in EBIT was primarily due to improved pricing of FRUIT BOWLS and canned pineapple juice in North America and other packaged fruit products sold in Asia, partially offset by higher purchased fruit and tinplate costs experienced during the first half of 2012. In addition, marketing expenditures increased as a result of the introduction of new frozen fruit products.

Corporate

Corporate EBIT was a loss of $24.3 million for the quarter ended October 6, 2012 compared to a loss of $40.5 million for the quarter ended October 8, 2011. The improvement in EBIT was primarily due to the absence of $26.2 million of charges related to Dole s third quarter 2011 refinancing and early retirement of debt as well as lower incentive compensation accruals. These improvements were partially offset by strategic review transaction costs of $7.2 million and unrealized losses of $2.9 million recorded during the third quarter of 2012 on Dole s foreign denominated instruments, compared with unrealized gains of $1.9 million recorded during the third quarter of 2011. Corporate EBIT was a loss of $49.7 million for the three quarters ended October 6, 2012 compared to a loss of $96.4 million for the three quarters ended October 8, 2011. The improvement in EBIT was primarily due to the absence of unrealized losses of $27.4 million incurred in connection with the March 2011 unwinding of the cross currency swap and entering into a series of long-term Japanese yen hedges as well as the absence of $26.2 million of charges associated with the third quarter 2011 refinancing and early retirement of debt. In addition, unrealized gains of $0.2 million on foreign denominated instruments were recorded during the first three quarters of 2012 compared to unrealized losses of $4.6 million recorded during the first three quarters of 2011. These factors were partially offset by strategic review transaction costs of $8.3 million incurred during the first three quarters of 2012.

Liquidity and Capital Resources

Cash flows provided by operating activities were $43.9 million for the three quarters ended October 6, 2012, compared to $39.3 million for the three quarters ended October 8, 2011. The change was primarily related to lower inventory spending as prior year reflected increased inventory levels to support new products, partially offset by lower levels of accounts payable and higher levels of receivables due to timing.

Cash flows used in investing activities were $34.9 million for the three quarters ended October 6, 2012, compared to cash flows provided by investing activities of $11.4 million for the three quarters ended October 8, 2011. The change was primarily due to lower restricted deposits of $39.2 million due to the elimination of the collateral requirement for the cross currency swap during the second quarter of 2011 as well as reductions in cash on deposit related to bank guarantees. In addition, cash used to fund the first quarter 2012 acquisition of Mrs. May s and higher levels of capital expenditures were partially offset by cash proceeds received from the first quarter 2012 sale of a German subsidiary and other asset sales.

Cash flows used in financing activities was $48.9 million for the three quarters ended October 6, 2012, compared to $31 million for the three quarters ended October 8, 2011. The change was primarily due to higher settlements related to the long-term Japanese yen hedges of $39.6 million. Cash flows during the three quarters ended October 8, 2011 were impacted by the payment of debt issuance costs and premiums paid associated with Dole s third quarter 2011 refinancing and early retirement of debt.

As of October 6, 2012, Dole had a cash balance of $82 million and an ABL revolver borrowing base of $333.1 million. There was a $76.6 million outstanding balance under the ABL revolver at October 6, 2012. After taking into account approximately $158 million of outstanding letters of credit issued under the ABL revolver, Dole had approximately $98.5 million available for borrowings as of October 6, 2012. The ABL revolver matures in 2016.

Dole believes that available borrowing capacity under the revolving credit facility and subsidiaries uncommitted lines of credit, together with its existing cash balances, future cash flow from operations, planned asset sales and access to capital markets will enable it to meet its working capital, capital expenditure, debt

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maturity and other commitments and funding requirements over the next 12 months. Management s plan is dependent upon the occurrence of future events which will be impacted by a number of factors including the general economic environment in which Dole operates, Dole s ability to generate cash flow from its operations, and its ability to attract buyers for assets being marketed for sale. Factors impacting Dole s cash flow from operations include, but are not limited to, product pricing, commodity prices, interest rates and foreign currency exchange rates.

Other Matters

Recently Issued and Adopted Accounting Pronouncements: See Note 3 to the condensed consolidated financial statements for information related to recently issued accounting pronouncements. During the quarter and three quarters ended October 6, 2012, Dole did not adopt any new accounting pronouncements.

European Union (EU) Banana Import Regime: Effective March 7, 2011, a new EU tariff only import regime for bananas went into force on all banana imports to the EU market from Latin America. Under terms of the agreement, there will be a gradual tariff reduction from 148 euros per metric ton in 2010 to a final tariff of 114 euros per metric ton on January 1, 2017 or January 1, 2019 (the 2019 date applies if no further trade agreements are reached in the ongoing Doha Development Agenda global trade discussions). Bananas from African, Caribbean, and Pacific countries may be imported to the EU duty-free.

In addition, the EU has negotiated several free trade areas agreements (FTA) that will allow for an even lower import tariff on specified volumes of banana exports from certain countries. An EU-Colombia-Peru FTA was signed on June 26, 2012 and an EU-Central America (i.e., Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama) FTA was signed on June 29, 2012. Both of these FTAs must still be ratified by the European Parliament before they can come into effect, which is expected by early 2013. Ecuador has not yet negotiated an FTA with the EU on bananas and may not benefit, like the other Latin American countries party to an FTA, unless a similar FTA can be negotiated with the EU. Dole continues to monitor these developments but cannot yet anticipate when the necessary approvals will be obtained and when, or if, these FTAs will come into force.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For the three quarters ended October 6, 2012, there have been no material changes in the market risk disclosure presented in Dole s Annual Report on Form 10-K for the fiscal year ended December 31, 2011. For information regarding Dole s derivative instruments and hedging activities, refer to Note 14 to the condensed consolidated financial statements contained in this Quarterly Report.

Item 4. CONTROLS AND PROCEDURES

An evaluation was carried out as of October 6, 2012 under the supervision and with the participation of Dole s management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act. Based upon this evaluation, Dole s Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of October 6, 2012. No change in our internal control over financial reporting identified in connection with this evaluation that occurred during our third quarter of 2012 has materially affected, or is reasonably likely to materially affect, Dole s internal control over financial reporting.

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PART II.

OTHER INFORMATION

DOLE FOOD COMPANY, INC.

Item 1. ***Legal Proceedings***

For information regarding legal matters, refer to Note 16 to the condensed consolidated financial statements contained in this Quarterly Report.

Item 6. ***Exhibits***

Exhibit Number	
31.1*	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act
31.2*	Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act
32.1	Certification by the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act
32.2	Certification by the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act
101	The following financial information from Dole Food Inc. s Quarterly Report on Form 10-Q for the quarter ended October 6, 2012, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Statements of Operations, (ii) Condensed Consolidated Statement of Comprehensive Income, (iii) Condensed Consolidated Balance Sheets, (iv) Condensed Consolidated Statements of Cash Flows, (v) Condensed Consolidated Statement of Stockholders Equity and (vi) the Notes to Condensed Consolidated Financial Statements.

* Filed herewith

Furnished herewith

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SIGNATURES

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

DOLE FOOD COMPANY, INC.

REGISTRANT

By: /s/ Joseph S. Tesoriero
Joseph S. Tesoriero
Executive Vice President and

Chief Financial Officer

By: /s/ Yoon J. Hugh
Yoon J. Hugh
Vice President, Controller and

Chief Accounting Officer

(Principal Accounting Officer)

November 15, 2012

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Furnished herewith