PERKINELMER INC
Form 10-Q
August 05, 2014

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

FORM 10-Q

(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 29, 2014
or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ____________ to ____________
Commission File Number 001-5075

PerkinElmer, Inc.
(Exact name of Registrant as specified in its Charter)

Massachusetts	04-2052042
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý 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.

Large accelerated filer ý	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	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 ý
As of July 31, 2014, there were outstanding 112,919,479 shares of common stock, $1 par value per share.

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PART I. FINANCIAL INFORMATION

Item 1. Unaudited Financial Statements

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

	Three Months Ended		Six Months Ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
	(In thousands, except per share data)			
Product revenue	$381,609	$374,024	$747,093	$720,643
Service revenue	174,561	166,649	339,687	322,973
Total revenue	556,170	540,673	1,086,780	1,043,616
Cost of product revenue	201,649	195,748	390,933	376,870
Cost of service revenue	106,537	103,263	212,150	200,642
Total cost of revenue	308,186	299,011	603,083	577,512
Selling, general and administrative expenses	147,253	147,795	299,690	298,235
Research and development expenses	30,352	34,404	59,731	68,402
Restructuring and contract termination charges, net	742	19,247	2,877	22,557
Operating income from continuing operations	69,637	40,216	121,399	76,910
Interest and other expense, net	8,964	12,865	20,253	24,905
Income from continuing operations before income taxes	60,673	27,351	101,146	52,005
Provision for (benefit from) income taxes	8,670	77	14,192	(8,044)
Income from continuing operations	52,003	27,274	86,954	60,049
Loss from discontinued operations before income taxes	(2,084)	(552)	(3,114)	(1,345)
(Loss) gain on disposition of discontinued operations before income taxes	(302)	613	(374)	521
Income tax benefit from discontinued operations and dispositions	(873)	(590)	(1,248)	(916)
(Loss) gain on discontinued operations and dispositions	(1,513)	651	(2,240)	92
Net income	$50,490	$27,925	$84,714	$60,141
Basic earnings per share:				
Income from continuing operations	$0.46	$0.24	$0.77	$0.53
(Loss) gain on discontinued operations and dispositions	(0.01)	0.01	(0.02)	0.00
Net income	$0.45	$0.25	$0.75	$0.53
Diluted earnings per share:				
Income from continuing operations	$0.46	$0.24	$0.76	$0.53
(Loss) gain on discontinued operations and dispositions	(0.01)	0.01	(0.02)	0.00
Net income	$0.44	$0.25	$0.74	$0.53
Weighted average shares of common stock outstanding:				
Basic	112,788	111,575	112,671	112,515
Diluted	113,971	112,718	113,874	113,717

Cash dividends per common share	$0.07	$0.07	$0.14	$0.14

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

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

	Three Months Ended		Six Months Ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
	(In thousands)			
Net income	$50,490	$27,925	$84,714	$60,141
Other comprehensive income:				
Foreign currency translation adjustments	2,706	(1,201)	3,340	(14,704)
Reclassification adjustments for losses on derivatives included in net income, net of tax	—	299	—	598
Unrealized gains (losses) on securities, net of tax	2	(41)	(30)	(30)
Other comprehensive income (loss)	2,708	(943)	3,310	(14,136)
Comprehensive income	$53,198	$26,982	$88,024	$46,005

The accompanying 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, 2014	December 29, 2013
	(In thousands, except share and per share data)	
Current assets:		
Cash and cash equivalents	$205,258	$173,242
Accounts receivable, net	443,722	466,749
Inventories, net	277,991	260,858
Other current assets	151,715	140,342
Current assets of discontinued operations	1,963	3,647
Total current assets	1,080,649	1,044,838
Property, plant and equipment, net:		
At cost	507,700	498,111
Accumulated depreciation	(328,024)	(314,923)
Property, plant and equipment, net	179,676	183,188
Marketable securities and investments	1,327	1,319
Intangible assets, net	417,308	460,430
Goodwill	2,141,819	2,143,120
Other assets, net	113,714	111,633
Long-term assets of discontinued operations	2,075	2,184
Total assets	$3,936,568	$3,946,712
Current liabilities:		
Short-term debt	$1,051	$2,624
Accounts payable	155,415	166,881
Accrued restructuring and contract termination charges	14,676	26,374
Accrued expenses and other current liabilities	404,322	403,678
Current liabilities of discontinued operations	3,135	3,239
Total current liabilities	578,599	602,796
Long-term debt	894,282	932,104
Long-term liabilities	407,696	417,325
Total liabilities	1,880,577	1,952,225
Commitments and contingencies (see Note 19)		
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 112,875,000 shares and 112,626,000 shares at June 29, 2014 and at December 29, 2013, respectively	112,875	112,626
Capital in excess of par value	108,962	119,906
Retained earnings	1,753,253	1,684,364
Accumulated other comprehensive income	80,901	77,591
Total stockholders' equity	2,055,991	1,994,487
Total liabilities and stockholders' equity	$3,936,568	$3,946,712

The accompanying 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, 2014	June 30, 2013
	(In thousands)	
Operating activities:		
Net income	$84,714	$60,141
Less: loss (gain) from discontinued operations and dispositions, net of income taxes	2,240	(92)
Income from continuing operations	86,954	60,049
Adjustments to reconcile income from continuing operations to net cash provided by continuing operations:		
Restructuring and contract termination charges, net	2,877	22,557
Depreciation and amortization	57,907	61,980
Stock-based compensation	9,319	7,642
Amortization of deferred debt issuance costs, interest rate hedges and accretion of discounts	662	1,680
Amortization of acquired inventory revaluation	—	203
Changes in operating assets and liabilities which provided (used) cash, excluding effects from companies purchased and divested:		
Accounts receivable, net	23,434	15,489
Inventories, net	(15,737)	(17,710)
Accounts payable	(11,867)	3,990
Accrued expenses and other	(30,979)	(115,955)
Net cash provided by operating activities of continuing operations	122,570	39,925
Net cash used in operating activities of discontinued operations	(464)	(1,132)
Net cash provided by operating activities	122,106	38,793
Investing activities:		
Capital expenditures	(14,447)	(22,852)
Proceeds from surrender of life insurance policies	425	220
Activity related to acquisitions and investments, net of cash and cash equivalents acquired	(350)	(49)
Net cash used in investing activities of continuing operations	(14,372)	(22,681)
Net cash (used in) provided by investing activities of discontinued operations	(213)	494
Net cash used in investing activities	(14,585)	(22,187)
Financing activities:		
Payments on revolving credit facility	(232,000)	(282,000)
Proceeds from revolving credit facility	193,000	340,000
Payments of debt issuance costs	(1,845)	—
Settlement of cash flow hedges	—	1,363
Net (payments on) proceeds from other credit facilities	(507)	5,264
Proceeds from issuance of common stock under stock plans	19,454	7,289
Purchases of common stock	(38,976)	(126,993)
Dividends paid	(15,809)	(15,892)
Net cash used in financing activities	(76,683)	(70,969)
Effect of exchange rate changes on cash and cash equivalents	1,178	(4,611)
Net increase (decrease) in cash and cash equivalents	32,016	(58,974)
Cash and cash equivalents at beginning of period	173,242	171,444

Cash and cash equivalents at end of period	$205,258	$112,470

The accompanying 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 accounting principles generally accepted in the United States of America (the “U.S.” or the "United States") and pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Certain information in the footnote disclosures of the financial statements has been condensed or omitted where it substantially duplicates information provided in the Company’s latest audited consolidated financial statements, in accordance with the rules and regulations of the SEC. These condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and notes included in its Annual Report on Form 10-K for the fiscal year ended December 29, 2013, filed with the SEC (the “2013 Form 10-K”). The balance sheet amounts at December 29, 2013 in this report were derived from the Company’s audited 2013 consolidated financial statements included in the 2013 Form 10-K. The condensed consolidated financial statements reflect all adjustments that, in the opinion of management, are necessary to present fairly the Company’s financial position, results of operations and cash flows for the periods indicated. The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts and classifications of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The results of operations for the three and six months ended June 29, 2014 and June 30, 2013, respectively, are not necessarily indicative of the results for the entire fiscal year or any future period. The Company has evaluated subsequent events from June 29, 2014 through the date of the issuance of these condensed consolidated financial statements and has determined that no material subsequent events have occurred that would affect the information presented in these condensed consolidated financial statements or would require additional disclosure.

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

In April 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. Under this new guidance, only disposals of components of an entity that represent strategic shifts that have, or will have, a major effect on an entity's operations and financial results will be presented as discontinued operations. The standard also requires new disclosures related to individually significant disposals that do not meet the definition of a discontinued operation. The provisions of this guidance are effective for interim and annual periods beginning after December 15, 2014. The Company is currently evaluating the requirements of this guidance and has not yet determined the impact of its adoption on the Company’s condensed consolidated financial position, results of operations and cash flows.

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers. Under this new guidance, an entity should use a five-step process to recognize revenue, which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also requires new disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The provisions of this guidance are effective for interim and annual periods beginning after

December 15, 2016. The Company is currently evaluating the requirements of this guidance and has not yet determined the impact of its adoption on the Company’s condensed consolidated financial position, results of operations and cash flows.

Note 2: Business Combinations

During fiscal year 2013, the Company completed the acquisition of four businesses for total consideration of $11.4 million, in cash. During the first six months of fiscal year 2014, the Company paid $0.4 million in additional deferred consideration for one of these acquisitions. As of the closing date of that acquisition, the Company potentially had to pay additional contingent consideration for the business of up to $2.2 million, which at closing had an estimated fair value of $1.1 million. The excess of the purchase prices over the fair values of each of the acquired businesses' net assets represents cost and revenue synergies specific to the Company, as well as non-capitalizable intangible assets, such as the employee workforce acquired, and have been allocated to goodwill, none of which is tax deductible. The Company reported the operations for these acquisitions within the results of the Company's operations from the acquisition dates. As of June 29, 2014, the purchase

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accounting allocations related to these acquisitions were preliminary, with the exception of those acquisitions completed during the first six months of fiscal year 2013.

The preliminary allocations of the purchase prices for these acquisitions were based upon initial valuations. The Company's estimates and assumptions underlying the initial valuations are subject to the collection of information necessary to complete the Company's valuations within the measurement periods, which are up to one year from the acquisition dates. The primary areas of the preliminary purchase price allocations that are not yet finalized relate to the fair value of certain tangible and intangible assets acquired and liabilities assumed, assets and liabilities related to income taxes and related valuation allowances, and residual goodwill. The Company expects to continue to obtain information to assist in determining the fair values of the net assets acquired at the acquisition dates during the measurement periods. During the measurement periods, the Company will adjust assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition dates that, if known, would have resulted in the recognition of those assets and liabilities as of those dates. Adjustments to the preliminary allocations of the purchase prices during the measurement periods require the revision of comparative prior period financial information when reissued in subsequent financial statements. The effect of adjustments to the allocations of the purchase prices made during the measurement periods would be as if the adjustments had been completed on the acquisition dates. The effects of any such adjustments, if material, may cause changes in depreciation, amortization, or other income or expense recognized in prior periods. All changes that do not qualify as adjustments made during the measurement periods are included in current period earnings.
Allocations of the purchase price for acquisitions are based on estimates of the fair value of the net assets acquired and are subject to adjustment upon finalization of the purchase price allocations. The accounting for business combinations requires estimates and judgments as to expectations for future cash flows of the acquired business, and the allocation of those cash flows to identifiable intangible assets, in determining the estimated fair values for assets acquired and liabilities assumed. The fair values assigned to tangible and intangible assets acquired and liabilities assumed, including contingent consideration, are based on management’s estimates and assumptions, as well as other information compiled by management, including valuations that utilize customary valuation procedures and techniques. Contingent consideration is measured at fair value at the acquisition date, based on the probability that revenue thresholds or product development milestones will be achieved during the earnout period, with changes in the fair value after the acquisition date affecting earnings to the extent it is to be settled in cash. Increases or decreases in the fair value of contingent consideration liabilities primarily result from changes in the estimated probabilities of achieving revenue thresholds or product development milestones during the earnout period. The Company may have to pay contingent consideration, related to all acquisitions with open contingency periods, of up to $28.6 million as of June 29, 2014. As of June 29, 2014, the Company has recorded contingent consideration obligations relating to its acquisitions of Dexela Limited, Haoyuan Biotech Co. and Tetra Teknolojik Sistemler Limited Sirketi, with an estimated fair value of $3.4 million. The earnout period for each of these acquisitions does not exceed three years from the respective acquisition date. If the actual results differ from the estimates and judgments used in these fair values, the amounts recorded in the condensed consolidated financial statements could result in a possible impairment of the intangible assets and goodwill, require acceleration of the amortization expense of definite-lived intangible assets or the recognition of additional consideration which would be expensed.
Total transaction costs related to acquisition activities for each of the three and six months ended June 29, 2014 were $0.1 million and $0.2 million, respectively. Total transaction costs related to acquisition activities were $0.1 million for each of the three and six months ended June 30, 2013. These transaction costs were expensed as incurred and recorded in selling, general and administrative expenses in the Company's condensed consolidated statements of operations.

Note 3: Discontinued Operations

As part of the Company’s continuing efforts to focus on higher growth opportunities, the Company has discontinued certain businesses. The Company has accounted for these businesses as discontinued operations and, accordingly, has presented the results of operations and related cash flows as discontinued operations for all periods presented. Any remaining assets and liabilities of these businesses have been presented separately, and are reflected within the assets and liabilities from discontinued operations in the accompanying condensed consolidated balance sheets as of June 29, 2014 and December 29, 2013.

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The Company recorded the following pre-tax gains and losses, which have been reported as a net gain or loss on disposition of discontinued operations:

	Three Months Ended		Six Months Ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
	(In thousands)			
Loss on disposition of microarray-based diagnostic testing laboratory	$(257)	$—	$(257)	$—
Gain on disposition of Photoflash business	—	369	—	493
(Loss) gain on disposition of other discontinued operations	(45)	244	(117)	28
(Loss) gain on disposition of discontinued operations before income taxes	$(302)	$613	$(374)	$521

In May 2014, the Company's management approved the shutdown of its microarray-based diagnostic testing laboratory in the United States, which has been reported within the Human Health segment. The Company determined that, with the lack of adequate reimbursement from health care payers, the microarray-based diagnostic testing laboratory in the United States would need significant investment in its operations to reduce costs in order to effectively compete in the market. The shutdown of the microarray-based diagnostic testing laboratory in the United States resulted in a $0.3 million pre-tax loss related to the disposal of fixed assets and inventory during the three months ended June 29, 2014.

In June 2010, the Company sold its Photoflash business, which was included in the Company's Environmental Health segment, for $13.5 million, including an adjustment for net working capital, plus potential additional contingent consideration. During the six months ended June 30, 2013, the Company recognized a pre-tax gain of $0.5 million for contingent consideration related to this sale. This gain was recognized as a gain on disposition of discontinued operations.

During the first six months of both fiscal years 2014 and 2013, the Company settled various commitments related to the divestiture of other discontinued operations. The Company recognized pre-tax gains and losses in the first six months of both fiscal years 2014 and 2013. These gains and losses were recognized as a (loss) gain on disposition of discontinued operations.

Summary pre-tax operating results of the discontinued operations for the periods prior to disposition, which included a $1.0 million pre-tax charge related to workforce reductions in the microarray-based diagnostic testing laboratory in the United States during the second quarter of fiscal year 2014, were as follows:

	Three Months Ended		Six Months Ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
	(In thousands)			
Sales	$426	$2,624	$1,720	$5,059
Costs and expenses	2,510	3,176	4,834	6,404
Loss from discontinued operations before income taxes	$(2,084)	$(552)	$(3,114)	$(1,345)

The Company recorded a tax benefit of $0.9 million and a tax benefit of $1.2 million on discontinued operations and dispositions for the three and six months ended June 29, 2014, respectively. The Company recorded a tax benefit of $0.6 million and a tax benefit of $0.9 million on discontinued operations and dispositions for the three and six months ended June 30, 2013, respectively.

Note 4: Restructuring and Contract Termination Charges, Net

The Company has undertaken a series of restructuring actions related to the impact of acquisitions and divestitures, alignment with the Company's growth strategy, the integration of its business units and productivity initiatives. The current portion of restructuring and contract termination charges is recorded in accrued restructuring and contract termination charges and the long-term portion of restructuring and contract termination charges is recorded in

long-term liabilities. The activities associated with these plans have been reported as restructuring and contract termination charges, net, and are included as a component of operating expenses from continuing operations.
A description of the restructuring plans and the activity recorded for the six months ended June 29, 2014 is listed below. Details of the plans initiated in previous years, particularly those listed under "Previous Restructuring and Integration Plans," are discussed more fully in Note 4 to the audited consolidated financial statements in the 2013 Form 10-K.

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The restructuring plans for the first and second quarters of fiscal year 2014 and the first quarter of fiscal year 2013 were principally intended to focus resources on higher growth end markets. The restructuring plans for the fourth and third quarters of fiscal year 2013 were principally intended to shift certain of the Company's research and development resources into a newly opened Center for Innovation. The restructuring plan for the second quarter of fiscal year 2013 was principally intended to shift certain of the Company's operations into a newly established shared service center as well as realign operations, research and development resources and production resources as a result of previous acquisitions.

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

Q2 2014 Restructuring Plan

During the second quarter of fiscal year 2014, the Company's management approved a plan to focus resources on higher growth end markets (the "Q2 2014 Plan"). As a result of the Q2 2014 Plan, the Company recognized a $0.5 million pre-tax restructuring charge in the Human Health segment related to a workforce reduction from reorganization activities and recognized a $0.3 million pre-tax restructuring charge in the Environmental Health segment related to a workforce reduction from reorganization activities. As part of the Q2 2014 Plan, the Company reduced headcount by 22 employees. All employees were notified of termination under the Q2 2014 Plan by June 29, 2014.

The following table summarizes the Q2 2014 Plan activity for the six months ended June 29, 2014:

	Severance (In thousands)	
Provision	$735	
Amounts paid and foreign currency translation	(228	)
Balance at June 29, 2014	$507	

The Company anticipates that the remaining severance payments of $0.5 million for workforce reductions will be substantially completed by the end of the second quarter of fiscal year 2015.

Q1 2014 Restructuring Plan

During the first quarter of fiscal year 2014, the Company's management approved a plan principally intended to focus resources on higher growth end markets (the "Q1 2014 Plan"). As a result of the Q1 2014 Plan, the Company recognized a $0.4 million pre-tax restructuring charge in the Human Health segment related to a workforce reduction from reorganization activities and recognized a $0.2 million pre-tax restructuring charge in the Environmental Health segment related to a workforce reduction from reorganization activities. As part of the Q1 2014 Plan, the Company reduced headcount by 17 employees. All employees were notified of termination under the Q1 2014 Plan by March 30, 2014.

The following table summarizes the Q1 2014 Plan activity for the six months ended June 29, 2014:

	Severance (In thousands)	
Provision	$567	
Amounts paid and foreign currency translation	(345	)
Balance at June 29, 2014	$222	

The Company anticipates that the remaining severance payments of $0.2 million for workforce reductions will be substantially completed by the end of the fourth quarter of fiscal year 2014.

Q4 2013 Restructuring Plan

During the fourth quarter of fiscal year 2013, the Company's management approved a plan principally intended to shift certain of the Company's research and development resources into a newly opened Center for Innovation (the "Q4 2013

Plan”). As a result of the Q4 2013 Plan, the Company recognized an $8.2 million pre-tax restructuring charge in the Human Health segment related to a workforce reduction from reorganization activities and the closure of excess facility space and recognized a $3.0 million pre-tax restructuring charge in the Environmental Health segment related to a workforce reduction from reorganization activities. As part of the Q4 2013 Plan, the Company reduced headcount by 73 employees. All employees were notified of termination under the Q4 2013 Plan by December 29, 2013.

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The following table summarizes the Q4 2013 Plan activity for the six months ended June 29, 2014:

	Severance	Closure of Excess Facility Space	Total
	(In thousands)		
Balance at December 29, 2013	$1,987	$6,854	$8,841
Amounts paid and foreign currency translation	(1,456)	(900)	(2,356)
Balance at June 29, 2014	$531	$5,954	$6,485

The Company anticipates that the remaining severance payments of $0.5 million for workforce reductions will be substantially completed by the end of the fourth quarter of fiscal year 2014. The Company also anticipates that the remaining payments of $6.0 million, net of estimated sublease income, for the closure of the excess facility space will be paid through fiscal year 2019, in accordance with the terms of the applicable leases.

Q3 2013 Restructuring Plan

During the third quarter of fiscal year 2013, the Company’s management approved a plan principally intended to shift certain of the Company's research and development resources into a newly opened Center for Innovation (the “Q3 2013 Plan”). As a result of the Q3 2013 Plan, the Company recognized a $0.5 million pre-tax restructuring charge in the Human Health segment related to a workforce reduction from reorganization activities and the closure of excess facility space. As part of the Q3 2013 Plan, the Company reduced headcount by 29 employees. All employees were notified of termination under the Q3 2013 Plan by September 29, 2013.

The following table summarizes the Q3 2013 Plan activity for the six months ended June 29, 2014:

	Severance
	(In thousands)
Balance at December 29, 2013	$137
Amounts paid and foreign currency translation	(133)
Balance at June 29, 2014	$4

The severance payments for workforce reductions were substantially completed by the end of the second quarter of fiscal year 2014.

Q2 2013 Restructuring Plan

During the second quarter of fiscal year 2013, the Company’s management approved a plan principally intended to shift certain of the Company's operations into a newly established shared service center as well as realign operations, research and development resources, and production resources as a result of previous acquisitions (the “Q2 2013 Plan”). As a result of the Q2 2013 Plan, the Company initially recognized a $9.9 million pre-tax restructuring charge in the Human Health segment related to a workforce reduction from reorganization activities and the closure of excess facility space, and recognized a $8.8 million pre-tax restructuring charge in the Environmental Health segment related to a workforce reduction from reorganization activities and the closure of excess facility space. Subsequent to the initial charge, during fiscal year 2013, the Company recorded an additional $0.6 million pre-tax restructuring charge in the Human Health segment for services that were provided for one-time benefits in which the employee was required to render service beyond the legal notification period. During the six months ended June 29, 2014, the Company recorded additional pre-tax restructuring charges of $0.1 million in each of the Human Health and Environmental Health segments due to higher than expected costs associated with the closure of the excess facility space. As part of the Q2 2013 Plan, the Company reduced headcount by 264 employees. All employees were notified of termination under the Q2 2013 Plan by June 30, 2013.

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The following table summarizes the Q2 2013 Plan activity for the six months ended June 29, 2014:

	Severance	Closure of Excess Facility Space	Total
	(In thousands)		
Balance at December 29, 2013	$12,750	$—	$12,750
Change in estimates	—	184	184
Amounts paid and foreign currency translation	(7,798)	(137)	(7,935)
Balance at June 29, 2014	$4,952	$47	$4,999

The Company anticipates that the remaining severance payments of $5.0 million for workforce reductions will be substantially completed by the end of the fourth quarter of fiscal year 2014, as local law requires some severance to be paid in monthly installments through the fourth quarter of fiscal year 2014. The Company also anticipates that the remaining payments of $0.05 million for the closure of the excess facility space will be paid through the third quarter of 2014, in accordance with the terms of the applicable lease.

Q1 2013 Restructuring Plan

During the first quarter of fiscal year 2013, the Company's management approved a plan to focus resources on higher growth end markets (the "Q1 2013 Plan"). As a result of the Q1 2013 Plan, the Company recognized a $2.3 million pre-tax restructuring charge in the Human Health segment related to a workforce reduction from reorganization activities and recognized a $0.2 million pre-tax restructuring charge in the Environmental Health segment related to a workforce reduction from reorganization activities. During the six months ended June 29, 2014, the Company recorded a pre-tax restructuring reversal of $0.2 million in the Human Health segment due to lower than expected costs associated with the remaining severance payments. As part of the Q1 2013 Plan, the Company reduced headcount by 62 employees. All employees were notified of termination under the Q1 2013 Plan by March 31, 2013.

The following table summarizes the Q1 2013 Plan activity for the six months ended June 29, 2014:

	Severance
	(In thousands)
Balance at December 29, 2013	$208
Change in estimates	(208)
Balance at June 29, 2014	$—

No remaining severance payments exist under the Q1 2013 Plan.

Previous Restructuring and Integration Plans

The principal actions of the restructuring and integration plans from fiscal year 2001 through fiscal year 2012 were workforce reductions and the closure of excess facility space related to the integration of the Company's businesses in order to realign operations, reduce costs, achieve operational efficiencies and shift resources into geographic regions and end markets that are more consistent with the Company's growth strategy. During the six months ended June 29, 2014, the Company paid $3.6 million related to these plans and recorded an additional charge of $0.1 million related to higher than expected costs associated with workforce reductions within the Human Health Segment. As of June 29, 2014, the Company had $9.7 million of remaining liabilities associated with these restructuring and integration plans, primarily for residual lease obligations related to closed facilities and remaining severance payments for workforce reductions in both the Human Health and Environmental Health segments. The Company expects to make payments for these leases, the terms of which vary in length, through fiscal year 2022. The Company anticipates the remaining severance payments for workforce reductions will be substantially completed by the end of the fourth quarter of fiscal year 2014, as local law requires some severance to be paid in monthly installments through the fourth quarter of fiscal year 2014.

Contract Termination Charges

The Company has terminated various contractual commitments in connection with certain disposal activities and has recorded charges, to the extent applicable, for the costs of terminating these contracts before the end of their terms and the costs that will continue to be incurred for the remaining terms without economic benefit to the Company. The Company recorded an additional pre-tax charge of $1.5 million, primarily as a result of terminating various contractual commitments in the

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Environmental Health segment, and the Company made payments for these obligations of $1.2 million in the first six months of fiscal year 2014. The remaining balance of these accruals as of June 29, 2014 was $0.6 million.

Note 5: Interest and Other Expense, Net

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

	Three Months Ended		Six Months Ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
	(In thousands)			
Interest income	$(151)	$(64)	$(245)	$(169)
Interest expense	9,079	11,913	18,298	23,606
Other expense, net	36	1,016	2,200	1,468
Total interest and other expense, net	$8,964	$12,865	$20,253	$24,905

Note 6: Inventories, Net

Inventories as of June 29, 2014 and December 29, 2013 consisted of the following:

	June 29, 2014	December 29, 2013
	(In thousands)	
Raw materials	$97,293	$92,713
Work in progress	17,356	15,505
Finished goods	163,342	152,640
Total inventories, net	$277,991	$260,858

Note 7: Income Taxes

The Company regularly reviews its tax positions in each significant taxing jurisdiction in the process of evaluating its unrecognized tax benefits. The Company makes adjustments to its unrecognized tax benefits when: (i) facts and circumstances regarding a tax position change, causing a change in management’s judgment regarding that tax position; (ii) a tax position is effectively settled with a tax authority at a differing amount; and/or (iii) the statute of limitations expires regarding a tax position.
At June 29, 2014, the Company had gross tax effected unrecognized tax benefits of $33.9 million, of which $28.6 million, if recognized, would affect the continuing operations effective tax rate. The remaining amount, if recognized, would affect discontinued operations.
The Company believes that it is reasonably possible that approximately $2.4 million of its uncertain tax positions at June 29, 2014, including accrued interest and penalties, and net of tax benefits, may be resolved over the next twelve months as a result of lapses in applicable statutes of limitations and potential settlements. Various tax years after 2006 remain open to examination by certain jurisdictions in which the Company has significant business operations, such as China, Finland, Germany, Italy, Netherlands, Singapore, the United Kingdom and the United States. The tax years under examination vary by jurisdiction.
During the first six months of fiscal years 2014 and 2013, the Company recorded net discrete income tax benefits of $4.0 million and $15.4 million, respectively, primarily for reversals of uncertain tax position reserves and resolution of other tax matters. The $15.4 million discrete income tax benefits for the six months ended June 30, 2013 included $9.4 million of reversals as a result of lapses in statutes of limitation during the first quarter of fiscal year 2013.

Note 8: Debt

Senior Unsecured Revolving Credit Facility. On January 8, 2014, the Company refinanced its debt held under a previous senior unsecured revolving credit facility and entered into a new senior unsecured revolving credit facility. The new senior unsecured revolving credit facility provides for $700.0 million of revolving loans and has an initial maturity of January 8, 2019. As of June 29, 2014, undrawn letters of credit in the aggregate amount of $12.2 million were treated as issued and outstanding under the new senior unsecured revolving credit facility. As of June 29, 2014, the Company had $329.8 million available for

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additional borrowing under the new facility. The Company uses the senior unsecured revolving credit facility for general corporate purposes, which may include working capital, refinancing existing indebtedness, capital expenditures, share repurchases, acquisitions and strategic alliances. The interest rates under the senior unsecured revolving credit facility are based on the Eurocurrency rate or the base rate at the time of borrowing, plus a margin. The base rate is the higher of (i) the rate of interest in effect for such day as publicly announced from time to time by JP Morgan Chase Bank, N.A. as its "prime rate," (ii) the Federal Funds rate plus 50 basis points or (iii) one-month Libor plus 1.00%. At June 29, 2014, borrowings under the senior unsecured revolving credit facility were accruing interest based on the Eurocurrency rate. The Eurocurrency margin as of June 29, 2014 was 108 basis points. The weighted average Eurocurrency interest rate as of June 29, 2014 was 0.18%, resulting in a weighted average effective Eurocurrency rate, including the margin, of 1.26%. At June 29, 2014, the Company had $358.0 million of borrowings in U.S. Dollars outstanding under the senior unsecured revolving credit facility. The credit agreement for the facility contains affirmative, negative and financial covenants and events of default similar to those contained in the Company's credit agreement for its previous facility. The financial covenants in the Company's senior unsecured revolving credit facility include a debt-to-capital ratio, and two contingent covenants, a maximum consolidated leverage ratio and a minimum consolidated interest coverage ratio, applicable if the Company's credit rating is downgraded below investment grade. During the six months ended June 29, 2014, the Company capitalized $1.8 million of debt issuance costs for the refinancing of debt held under its previous senior unsecured revolving credit facility. These debt issuance costs are being amortized into interest and other expense, net, on a straight-line basis, over the term of the new senior unsecured revolving credit facility.

The Company's previous senior unsecured revolving credit facility provided for $700.0 million of revolving loans and had an initial maturity of December 16, 2016. At December 29, 2013, the Company had $397.0 million of borrowings in U.S. Dollars outstanding under the previous senior unsecured revolving credit facility. The credit agreement for the previous facility contained affirmative, negative and financial covenants and events of default similar to those contained in the Company's new credit facility.

5% Senior Unsecured Notes due in 2021. On October 25, 2011, the Company issued $500.0 million aggregate principal amount of senior unsecured notes due in 2021 (the “2021 Notes”) in a registered public offering and received $496.9 million of net proceeds from the issuance. The 2021 Notes were issued at 99.372% of the principal amount, which resulted in a discount of $3.1 million. As of June 29, 2014, the 2021 Notes had an aggregate carrying value of $497.5 million, net of $2.5 million of unamortized original issue discount. As of December 29, 2013, the 2021 Notes had an aggregate carrying value of $497.4 million, net of $2.6 million of unamortized original issue discount. The 2021 Notes mature in November 2021 and bear interest at an annual rate of 5%. Interest on the 2021 Notes is payable semi-annually on May 15th and November 15th each year. Prior to August 15, 2021 (three months prior to their maturity date), the Company may redeem the 2021 Notes in whole or in part, at its option, at a redemption price equal to the greater of (i) 100% of the principal amount of the 2021 Notes to be redeemed, plus accrued and unpaid interest, or (ii) the sum of the present values of the remaining scheduled payments of principal and interest in respect to the 2021 Notes being redeemed, discounted on a semi-annual basis, at the Treasury Rate plus 45 basis points, plus accrued and unpaid interest. At any time on or after August 15, 2021 (three months prior to their maturity date), the Company may redeem the 2021 Notes, at its option, at a redemption price equal to 100% of the principal amount of the 2021 Notes to be redeemed plus accrued and unpaid interest. Upon a change of control (as defined in the indenture governing the 2021 Notes) and a contemporaneous downgrade of the 2021 Notes below investment grade, each holder of 2021 Notes will have the right to require the Company to repurchase such holder's 2021 Notes for 101% of their principal amount, plus accrued and unpaid interest.

Financing Lease Obligations. In September 2012, the Company entered into agreements with the lessors of certain buildings that the Company is currently occupying and leasing to expand those buildings. The Company provided a portion of the funds needed for the construction of the additions to the buildings, which resulted in the Company being considered the owner of the buildings during the construction period. At the end of the construction period, the Company was not reimbursed by the lessors for all of the construction costs. The Company is therefore deemed to have continuing involvement and the leases qualify as financing leases under sale-leaseback accounting guidance, representing debt obligations for the Company and non-cash investing and financing activities. As a result, the Company capitalized $29.3 million in property and equipment, net, representing the fair value of the buildings with a corresponding increase to debt. The Company has also capitalized $11.5 million in additional construction costs necessary to complete the renovations to the buildings, which were funded by the lessors, with a corresponding increase to debt. At June 29, 2014, the Company had $39.8 million recorded for these financing lease obligations, of which $1.1 million was recorded as short-term debt and $38.7 million was recorded as long-term debt. At December 29, 2013, the Company had $40.3 million recorded for these financing lease obligations, of which $2.6 million was recorded as short-term debt and $37.7 million was recorded as long-term debt. The buildings are being depreciated on a straight-line basis over the terms of the leases to their estimated residual values, which will equal the remaining financing obligation at the end of the lease term. At the end of the lease term, the remaining balances in property, plant and equipment, net and debt will be reversed against each other.

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Note 9: Earnings Per Share

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

	Three Months Ended		Six Months Ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
	(In thousands)			
Number of common shares—basic	112,788	111,575	112,671	112,515
Effect of dilutive securities:				
Stock options	970	913	1,010	981
Restricted stock awards	213	230	193	221
Number of common shares—diluted	113,971	112,718	113,874	113,717
Number of potentially dilutive securities excluded from calculation due to antidilutive impact	499	535	479	507

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

Note 10: Industry Segment Information

The Company discloses information about its operating segments based on the way that management organizes the segments within the Company for making operating decisions and assessing financial performance. The Company evaluates the performance of its operating segments based on revenue and operating income. Intersegment revenue and transfers are not significant. The Company’s management reviews the results of the Company’s operations by the Human Health and Environmental Health operating segments. The accounting policies of the operating segments are the same as those described in Note 1 to the audited consolidated financial statements in the 2013 Form 10-K. The principal products and services of the Company's two operating segments are:

- Human Health. Develops diagnostics, tools and applications to help detect diseases earlier and more accurately and to accelerate the discovery and development of critical new therapies. The Human Health segment serves both the diagnostics and research markets.
- Environmental Health. Provides products, services and solutions to facilitate the creation of safer food and consumer products, more secure surroundings and efficient energy resources. The Environmental Health segment serves the environmental, industrial and laboratory services markets.

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

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Revenue and operating income (loss) by operating segment, excluding discontinued operations, are shown in the table below:

	Three Months Ended		Six Months Ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
	(In thousands)			
Human Health				
Product revenue	$245,108	$235,923	$484,137	$454,996
Service revenue	62,397	61,396	121,557	121,217
Total revenue	307,505	297,319	605,694	576,213
Operating income from continuing operations	52,614	30,628	96,704	56,441
Environmental Health				
Product revenue	136,501	138,101	262,956	265,647
Service revenue	112,164	105,253	218,130	201,756
Total revenue	248,665	243,354	481,086	467,403
Operating income from continuing operations	30,872	19,298	52,371	40,026
Corporate				
Operating loss from continuing operations[1]	(13,849)	(9,710)	(27,676)	(19,557)
Continuing Operations				
Product revenue	381,609	374,024	747,093	720,643
Service revenue	174,561	166,649	339,687	322,973
Total revenue	556,170	540,673	1,086,780	1,043,616
Operating income from continuing operations	69,637	40,216	121,399	76,910
Interest and other expense, net (see Note 5)	8,964	12,865	20,253	24,905
Income from continuing operations before income taxes	$60,673	$27,351	$101,146	$52,005

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(1) Activity related to the mark-to-market adjustment on postretirement benefit plans has been included in the Corporate operating loss from continuing operations, and in the aggregate constituted a pre-tax gain of $0.1 million for both the six months ended June 29, 2014 and June 30, 2013. There were no expenses related to the mark-to-market adjustment on postretirement benefit plans for either the three months ended June 29, 2014 or June 30, 2013.

Note 11: Stockholders’ Equity

Comprehensive Income:

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

	June 29, 2014	December 29, 2013
	(In thousands)	
Foreign currency translation adjustments	$79,623	$76,283
Unrecognized prior service costs, net of income taxes	1,429	1,429
Unrealized net losses on securities, net of income taxes	(151)	(121)
Accumulated other comprehensive income	$80,901	$77,591

In December 2013, the Company redeemed all of its 6% senior unsecured notes due in 2015 and wrote-off the remaining unamortized derivative losses for previously settled cash flow hedges. During the six months ended June 30, 2013, pre-tax losses of $1.0 million were reclassified from accumulated other comprehensive income into interest and other expense, net related to previously settled cash flow hedges. The Company recognized a tax benefit of $0.4 million related to these amounts reclassified out of accumulated other comprehensive income for the six months ended June 30, 2013.

Stock Repurchase Program:
On October 24, 2012, the Board of Directors ("the Board") authorized the Company to repurchase up to 6.0 million shares of common stock under a stock repurchase program (the "Repurchase Program"). The Repurchase Program will expire on October 24, 2014 unless terminated earlier by the Board, and may be suspended or discontinued at any time. During the six

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months ended June 29, 2014, the Company repurchased 0.8 million shares of common stock in the open market at an aggregate cost of $34.8 million, including commissions, under the Repurchase Program. As of June 29, 2014, 1.7 million shares of the Company's common stock remained available for repurchase from the 6.0 million shares authorized by the Board under the Repurchase Program.

The Board has authorized the Company to repurchase shares of common stock to satisfy minimum statutory tax withholding obligations in connection with the vesting of restricted stock awards and restricted stock unit awards granted pursuant to the Company's equity incentive plans and to satisfy obligations related to the exercise of stock options made pursuant to the Company's equity incentive plans. During the six months ended June 29, 2014, the Company repurchased 97,174 shares of common stock for this purpose at an aggregate cost of $4.2 million. The repurchased shares have been reflected as additional authorized but unissued shares, with the payments reflected in common stock and capital in excess of par value.

Dividends:

The Board declared a regular quarterly cash dividend of $0.07 per share for each of the first two quarters of fiscal year 2014 and in each quarter of fiscal year 2013. At June 29, 2014, the Company has accrued $7.9 million for dividends declared on April 22, 2014 for the second quarter of fiscal year 2014, payable in August 2014. On July 24, 2014, the Company announced that the Board had declared a quarterly dividend of $0.07 per share for the third quarter of fiscal year 2014 that will be payable in November 2014. In the future, the Board may determine to reduce or eliminate the Company's common stock dividend in order to fund investments for growth, repurchase shares or conserve capital resources.

Note 12: Stock Plans

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

The following table summarizes total pre-tax compensation expense recognized related to the Company's stock options, restricted stock, restricted stock units, performance units and stock grants, net of estimated forfeitures, included in the Company's condensed consolidated statements of operations for the three and six months ended June 29, 2014 and June 30, 2013:

	Three Months Ended		Six Months Ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
	(In thousands)			
Cost of product and service revenue	$337	$307	$671	$620
Research and development expenses	220	211	360	426
Selling, general and administrative expenses	4,246	2,708	8,288	6,596
Total stock-based compensation expense	$4,803	$3,226	$9,319	$7,642

The total income tax benefit recognized in the condensed consolidated statements of operations for stock-based compensation was $1.8 million and $3.5 million for the three and six months ended June 29, 2014, respectively. The total income tax benefit recognized in the condensed consolidated statements of operations for stock-based compensation was $1.0 million and $2.4 million for the three and six months ended June 30, 2013, respectively. Stock-based compensation costs capitalized as part of inventory were $0.4 million and $0.3 million as of June 29, 2014 and June 30, 2013, respectively. The excess tax benefit recognized from stock compensation, classified as a financing cash activity, was zero for both the six months ended June 29, 2014 and June 30, 2013.

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

	Three and Six Months Ended	
	June 29, 2014	June 30, 2013
Risk-free interest rate	1.5 %	0.9 %
Expected dividend yield	0.7 %	0.8 %
Expected lives	5 years	5 years
Expected stock volatility	30.9 %	38.5 %

The following table summarizes stock option activity for the six months ended June 29, 2014:

	Number of Shares (In thousands)	Weighted-Average Price	Weighted-Average Remaining Contractual Term (In years)	Total Intrinsic Value (In millions)
Outstanding at December 29, 2013	3,494	$23.34		
Granted	511	43.06		
Exercised	(814)	23.89		
Canceled	(4)	20.97		
Forfeited	(44)	33.70		
Outstanding at June 29, 2014	3,143	$26.26	3.9	$58.5
Exercisable at June 29, 2014	2,108	$21.40	2.9	$49.5
Vested and expected to vest in the future	3,099	$26.15	3.9	$58.0

The weighted-average per-share grant-date fair value of options granted during the three and six months ended June 29, 2014 was $11.80 and $11.84, respectively The weighted-average per-share grant-date fair value of options granted during the three and six months ended June 30, 2013 was $9.82 and $10.82, respectively. The total intrinsic value of options exercised during the three and six months ended June 29, 2014 was $11.1 million and $17.6 million, respectively. The total intrinsic value of options exercised during the three and six months ended June 30, 2013 was $1.0 million and $4.1 million, respectively. Cash received from option exercises for the six months ended June 29, 2014 and June 30, 2013 was $19.5 million and $7.3 million, respectively.

The total compensation expense recognized related to the Company's outstanding options was $1.4 million and $2.9 million for the three and six months ended June 29, 2014, respectively, and $0.8 million and $2.1 million for the three and six months ended June 30, 2013, respectively.

There was $8.7 million of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested stock options granted as of June 29, 2014. This cost is expected to be recognized over a weighted-average period of 2.1 years and will be adjusted for any future changes in estimated forfeitures.

Restricted Stock Awards: The following table summarizes restricted stock award activity for the six months ended June 29, 2014:

	Number of Shares (In thousands)	Weighted-Average Grant-Date Fair Value
Nonvested at December 29, 2013	649	$29.24
Granted	235	42.61
Vested	(254)	27.65
Forfeited	(38)	33.12
Nonvested at June 29, 2014	592	$34.98

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The weighted-average per-share grant-date fair value of restricted stock awards granted during the three and six months ended June 29, 2014 was $43.19 and $42.61, respectively. The weighted-average per-share grant-date fair value of restricted stock awards granted during the three and six months ended June 30, 2013 was $32.34 and $33.70, respectively. The fair value of restricted stock awards vested during the three and six months ended June 29, 2014 was $0.2 million and $7.0 million, respectively. The fair value of restricted stock awards vested during the three and six months ended June 30, 2013 was $0.3 million and $7.2 million, respectively. The total compensation expense recognized related to the Company's outstanding restricted stock awards was $1.9 million and $3.9 million for the three and six months ended June 29, 2014, respectively, and $1.7 million and $3.9 million for the three and six months ended June 30, 2013, respectively.

As of June 29, 2014, there was $14.0 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 years.

Performance Units: The Company granted 79,463 and 98,056 performance units during the six months ended June 29, 2014 and June 30, 2013, respectively, as part of the Company's executive incentive program. The weighted-average per-share grant-date fair value of performance units granted during the six months ended June 29, 2014 and June 30, 2013 was $42.84 and $34.06, respectively. The total compensation expense recognized related to these performance units was $0.7 million and $1.7 million for the three and six months ended June 29, 2014, respectively, and zero and $0.9 million for the three and six months ended June 30, 2013, respectively. As of June 29, 2014, there were 271,679 performance units outstanding and subject to forfeiture, with a corresponding liability of $4.4 million recorded in accrued expenses and other current liabilities.

Stock Awards: The Company generally grants stock awards only to non-employee members of the Board. The Company granted 2,373 shares and 3,263 shares to each non-employee member of the Board during the six months ended June 29, 2014 and June 30, 2013, respectively. The weighted-average per-share grant-date fair value of the stock awards granted during the six months ended June 29, 2014 and June 30, 2013 was $42.14 and $30.65, respectively. The total compensation expense recognized related to these stock awards was $0.7 million for each of the six months ended June 29, 2014 and June 30, 2013.

Employee Stock Purchase Plan: During the six months ended June 29, 2014, the Company issued 31,854 shares of common stock under the Company's Employee Stock Purchase Plan at a weighted-average price of $39.17 per share. During the six months ended June 30, 2013, the Company issued 89,521 shares of common stock under the Company's Employee Stock Purchase Plan at a weighted-average price of $30.51 per share. At June 29, 2014, an aggregate of 1.1 million shares of the Company's common stock remained available for sale to employees out of the 5.0 million shares authorized by shareholders for issuance under this plan.

Note 13: Goodwill and Intangible Assets, Net

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

The process of testing goodwill for impairment involves the determination of the fair value of the applicable reporting units. The test consists of a two-step process. The first step is the comparison of the fair value to the carrying value of the reporting unit to determine if the carrying value exceeds the fair value. The second step measures the amount of an impairment loss, and is only performed if the carrying value exceeds the fair value of the reporting unit. The Company performed its annual impairment testing for its reporting units as of January 1, 2014, its annual impairment date for fiscal year 2014. The Company concluded based on the first step of the process that there was no goodwill impairment, and the fair value exceeded the carrying value by more than 90.0% for each reporting unit, with the exception of the life sciences and technology reporting unit where the fair value exceeded the carrying value by approximately 11.0%. The carrying value of the goodwill for the life sciences and technology reporting unit was $796.3 million, at the annual impairment date for fiscal year 2014.

The Company has consistently employed the income approach to estimate the current fair value when testing for impairment of goodwill. A number of significant assumptions and estimates are involved in the application of the income approach to forecast operating cash flows, including markets and market share, sales volumes and prices, costs to produce, tax rates, capital spending, discount rate and working capital changes. Cash flow forecasts are based on approved business unit operating plans for the early years' cash flows and historical relationships in later years. The income approach is sensitive to changes in long-term terminal growth rates and the discount rates. The long-term terminal growth rates are consistent with the Company's historical long-term terminal growth rates, as the current economic trends are not expected to affect the long-term terminal growth rates of the Company. The long-term terminal growth rates for the Company's reporting units ranged from 3.0% to 6.0% for the fiscal year 2014 impairment analysis. The range for the discount rates for the reporting units was approximately 10.0% to 11.5%. Keeping all other variables constant, a 10.0% change in any one of the input assumptions for

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the various reporting units would still allow the Company to conclude, based on the first step of the process, that there was no impairment of goodwill.

During the second quarter of 2014, the Company realigned its organization which resulted in a change in the composition of the Company's reporting units within the Human Health segment. The Company's informatics business was moved from the life sciences and technology reporting unit to its own reporting unit. As a result of the new alignment, the Company reallocated goodwill based on the relative fair value, determined using the income approach, of each of these businesses. The change resulted in $192.6 million of goodwill being reallocated from the life sciences and technology reporting unit to the informatics reporting unit as of June 29, 2014. As of June 29, 2014, the Company concluded based on the first step of the process that there was no goodwill impairment for either the life sciences and technology reporting unit or the informatics reporting unit, and the fair value exceeded the carrying value by more than 20.0% for each of these reporting units.

The Company has consistently employed the relief from royalty model to estimate the current fair value when testing for impairment of non-amortizing intangible assets. The impairment test consists of a comparison of the fair value of the non-amortizing intangible asset with its carrying amount. If the carrying amount of a non-amortizing intangible asset exceeds its fair value, an impairment loss in an amount equal to that excess is recognized. In addition, the Company currently evaluates the remaining useful life of its non-amortizing intangible assets at least annually to determine whether events or circumstances continue to support an indefinite useful life. If events or circumstances indicate that the useful lives of non-amortizing intangible assets are no longer indefinite, the assets will be tested for impairment. These intangible assets will then be amortized prospectively over their estimated remaining useful lives and accounted for in the same manner as other intangible assets that are subject to amortization. The Company performed its annual impairment testing as of January 1, 2014, and concluded that there was no impairment of non-amortizing intangible assets. An assessment of the recoverability of amortizing intangible assets takes place when events have occurred that may give rise to an impairment. No such events occurred during the first six months of fiscal year 2014.

The changes in the carrying amount of goodwill for the period ended June 29, 2014 from December 29, 2013 were as follows:

	Human Health	Environmental Health	Consolidated
	(In thousands)		
Balance at December 29, 2013	$1,648,332	$494,788	$2,143,120
Foreign currency translation	(1,006)	(295)	(1,301)
Balance at June 29, 2014	$1,647,326	$494,493	$2,141,819

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Identifiable intangible asset balances at June 29, 2014 and December 29, 2013 by category were as follows:

	June 29, 2014	December 29, 2013
	(In thousands)	
Patents	$39,591	$39,591
Less: Accumulated amortization	(25,522)	(24,207)
Net patents	14,069	15,384
Trade names and trademarks	35,021	35,809
Less: Accumulated amortization	(17,119)	(16,208)
Net trade names and trademarks	17,902	19,601
Licenses	79,173	79,180
Less: Accumulated amortization	(57,415)	(52,930)
Net licenses	21,758	26,250
Core technology	302,530	302,070
Less: Accumulated amortization	(187,315)	(169,326)
Net core technology	115,215	132,744
Customer relationships	321,701	321,395
Less: Accumulated amortization	(150,734)	(132,833)
Net customer relationships	170,967	188,562
IPR&D	9,492	9,483
Less: Accumulated amortization	(2,679)	(2,178)
Net IPR&D	6,813	7,305
Net amortizable intangible assets	346,724	389,846
Non-amortizing intangible assets:		
Trade names and trademarks	70,584	70,584
Total	$417,308	$460,430

Total amortization expense related to definite-lived intangible assets was $20.6 million and $41.3 million for the three and six months ended June 29, 2014, respectively, and $22.0 million and $44.2 million for the three and six months June 30, 2013, respectively. Estimated amortization expense related to definite-lived intangible assets for each of the next five years is $41.9 million for the remainder of fiscal year 2014, $69.2 million in fiscal year 2015, $60.2 million in fiscal year 2016, $50.7 million in fiscal year 2017, and $39.1 million in fiscal year 2018.

Note 14: Warranty Reserves

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

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A summary of warranty reserve activity for the three and six months ended June 29, 2014 and June 30, 2013 is as follows:

	Three Months Ended		Six Months Ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
	(In thousands)			
Balance beginning of period	$10,357	$10,827	$10,534	$11,003
Provision charged to income	4,332	4,173	8,409	8,513
Payments	(4,388)	(3,843)	(8,355)	(8,667)
Adjustments to previously provided warranties, net	471	(688)	174	(323)
Foreign currency translation and acquisitions	14	(18)	24	(75)
Balance end of period	$10,786	$10,451	$10,786	$10,451

Note 15: Employee Postretirement Benefit Plans

The following table summarizes the components of net periodic benefit cost (credit) for the Company’s various defined benefit employee pension and postretirement plans for the three and six months ended June 29, 2014 and June 30, 2013:

	Defined Benefit Pension Benefits		Postretirement Medical Benefits	
	Three Months Ended			
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
	(In thousands)			
Service cost	$1,034	$916	$24	$28
Interest cost	5,931	5,298	39	36
Expected return on plan assets	(6,280)	(6,253)	(241)	(241)
Amortization of prior service costs	(71)	(67)	—	—
Net periodic benefit cost (credit)	$614	$(106)	$(178)	$(177)

	Defined Benefit Pension Benefits		Postretirement Medical Benefits	
	Six Months Ended			
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
	(In thousands)			
Service cost	$2,064	$1,841	$48	$56
Interest cost	11,847	10,613	77	72
Expected return on plan assets	(12,543)	(12,517)	(482)	(482)
Amortization of prior service	(142)	(134)	—	—
Net periodic benefit cost (credit)	$1,226	$(197)	$(357)	$(354)

During the first six months of fiscal year 2014, the Company contributed $1.9 million, in the aggregate, to plans outside of the United States.

If required, a mark-to-market adjustment will be recorded in the fourth quarter of fiscal year 2014 in accordance with the Company's accounting method for defined benefit pension plans and other postretirement benefits as described in Note 1 of the Company's audited consolidated financial statements and notes included in its 2013 Form 10-K.

Note 16: Derivatives and Hedging Activities

The Company uses derivative instruments as part of its risk management strategy only, and includes derivatives utilized as economic hedges that are not designated as hedging instruments. By nature, all financial instruments involve market and credit risks. The Company enters into derivative instruments with major investment grade financial institutions and has policies to monitor the credit risk of those counterparties. The Company does not enter into derivative contracts for trading or other

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speculative purposes, nor does the Company use leveraged financial instruments. Approximately 60% of the Company’s business is conducted outside of the United States, generally in foreign currencies. The fluctuations in foreign currency can increase the costs of financing, investing and operating the business. The intent of these economic hedges is to offset gains and losses that occur on the underlying exposures from these currencies, with gains and losses resulting from the forward currency contracts that hedge these exposures.

In the ordinary course of business, the Company enters into foreign exchange contracts for periods consistent with its committed exposures to mitigate the effect of foreign currency movements on transactions denominated in foreign currencies. Transactions covered by hedge contracts include intercompany and third-party receivables and payables. The contracts are primarily in European and Asian currencies, have maturities that do not exceed 12 months, have no cash requirements until maturity, and are recorded at fair value on the Company’s condensed consolidated balance sheets. Unrealized gains and losses on the Company’s foreign currency contracts are recognized immediately in earnings for hedges designated as fair value and, for hedges designated as cash flow, the related unrealized gains or losses are deferred as a component of other comprehensive income in the accompanying condensed consolidated balance sheets. Deferred gains and losses are recognized in income in the period in which the underlying anticipated transaction occurs and impacts earnings.

Principal hedged currencies include the British Pound, Euro, Japanese Yen and Singapore Dollar. The Company held forward foreign exchange contracts, designated as fair value hedges, with U.S. equivalent notional amounts totaling $109.7 million, $138.4 million and $69.0 million at June 29, 2014, December 29, 2013 and June 30, 2013, respectively, and the fair value of these foreign currency derivative contracts was insignificant. The gains and losses realized on foreign currency derivative contracts are not material. The duration of these contracts was generally 30 days or less during both fiscal years 2014 and 2013.

In December 2012, the Company entered into forward foreign exchange contracts with settlement dates in fiscal year 2013 and combined Euro denominated notional amounts of €50.0 million, designated as cash flow hedges. During the first two quarters of fiscal year 2013, the Company settled these Euro denominated forward foreign exchange contracts. The derivative gains were amortized into interest and other expense, net, when the hedged exposures affected interest and other expense, net. Such amounts were not material for the three and six months ended June 30, 2013.

Note 17: Fair Value Measurements

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents, derivatives, marketable securities and accounts receivable. The Company believes it had no significant concentrations of credit risk as of June 29, 2014.

The Company uses the market approach technique to value its financial instruments and there were no changes in valuation techniques during the six months ended June 29, 2014. The Company’s financial assets and liabilities carried at fair value are primarily comprised of marketable securities, derivative contracts used to hedge the Company’s currency risk, and acquisition-related contingent consideration. The Company has not elected to measure any additional financial instruments or other items at fair value.

Valuation Hierarchy: The following summarizes the three levels of inputs required to measure fair value. For Level 1 inputs, the Company utilizes quoted market price