PERKINELMER INC
Form 8-K
December 02, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

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

Date of report (Date of earliest event reported): November 29, 2002

PerkinElmer, Inc.
(Exact Name of Registrant as Specified in Charter)

Delaware	1-5075	04-2052042
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

45 William Street, Wellesley, Massachusetts	02481
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (781) 237-5700

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

ITEM 5. OTHER EVENTS.

PerkinElmer, Inc., a Massachusetts corporation, is filing this current report on Form 8-K for the purpose of filing with the Securities and Exchange Commission its consolidated financial statements as of and for the fiscal years ended December 30, 2001 and December 31, 2000 and our related Management's Discussion and Analysis of Financial Condition and Results of Operations, as well as selected historical financial information.

We are also filing this current report on Form 8-K for the purpose of filing with the SEC our press release dated November 29, 2002 announcing our planned private placement of senior subordinated notes.

On November 26, 2002, we received a report from Deloitte & Touche LLP on our consolidated financial statements without qualification, emphasis of matter or other modification as of and for the fiscal years ended December 30, 2001 and December 31, 2000. These financial statements were prepared solely for the purpose of reflecting, for the periods specified above, our previously announced reclassification of our Fluid Sciences business unit as a continuing operation and our Telecommunications Component and Entertainment Lighting businesses as discontinued operations.

In October 2001, our Board of Directors approved a plan to sell our Fluid Sciences business unit, at which time the business was reflected as a discontinued operation in our consolidated financial statements in accordance with Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations--Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." Due to external market conditions, we did not complete the sale of this business within the one-year time period afforded by APB No. 30. Accordingly, our Fluid Sciences business unit is now included within our consolidated results from continuing operations for our 2001 and 2000 fiscal years.

In June 2002, our Board of Directors approved a plan to shut down our Telecommunications Component business and a plan to sell our Entertainment Lighting business as part of our continued efforts to focus on higher growth opportunities. These businesses are reflected as discontinued operations for our 2001 and 2000 fiscal years.

We previously announced the formation of our Life and Analytical Sciences business unit in October 2002. We combined our Life Sciences and Analytical Instruments businesses to improve operational scale. We expect that, as a result of the combination of our Life Sciences and Analytical Instruments businesses, various restructuring charges may be necessary in the fourth quarter of 2002.

We are targeting annualized cost savings from the combination of our Life Sciences and Analytical Instruments businesses of between $30.0 million and $45.0 million. Because we anticipate that the benefits of the combination of these businesses will not be fully realized until 2004, we are targeting cost savings of between $12.0 million and $25.0 million in 2003. While we believe these cost savings to be reasonable, they are estimates that are inherently

difficult to predict and are necessarily speculative in nature. In addition, we cannot be sure that unforeseen factors will not offset the estimated cost savings or other benefits from the integration. As a result, our actual cost savings, if any, could differ or be delayed, compared to our estimates.

We disclosed in our quarterly report on Form 10-Q for the quarter ended September 29, 2002 that, over the first three quarters of 2002, our operating results were adversely affected by downturns in many of the markets we serve, including the pharmaceutical, biomedical, semiconductor and aerospace markets. Current economic conditions have caused a decrease in capital spending by many of our customers, which in turn has adversely affected our sales and business. These trends have continued in the fourth quarter of 2002 and may continue in 2003.

PRESENTATION OF FINANCIAL INFORMATION

In this current report on Form 8-K, we refer to our audited consolidated financial statements for the fiscal years ended December 30, 2001 and December 31, 2000 and the related notes, together with the independent auditors' reports thereon, as our audited consolidated financial statements. We have prepared our audited consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, or GAAP.

We refer to our adjusted financial information for the fiscal years ended December 30, 2001 and December 31, 2000 as our adjusted financial results. When we refer to our adjusted results, we are referring to our results in accordance with GAAP, excluding the impact of goodwill and intangible asset amortization and the impact of nonrecurring items. Adjusted results are not a measure of performance calculated in accordance with GAAP. We use adjusted financial information for comparative purposes due to the number of changes within our business portfolio in recent years and the resulting impact of the associated charges. We believe this basis is useful to investors because these charges are not part of our ongoing operations.

Except as otherwise noted, our consolidated financial information on a GAAP and adjusted basis are presented for continuing operations. We have classified as discontinued operations for all periods presented in this current report on Form 8-K our Security and Detection Systems business, which we sold in 2002, our Telecommunications Component business, which we shut down during June 2002, and our Entertainment Lighting business, which we put up for sale in June 2002.

In this current report on Form 8-K, we sometimes refer to our organic sales for specific periods. When we refer to our organic sales for any period, we mean our sales from our historical operations for that period and sales from our acquired businesses, assuming we owned them in those periods, in each case as adjusted to eliminate the effects of our exited businesses and the impact of foreign exchange. Organic sales is not a measure of performance calculated in accordance with GAAP. Because organic sales does not have a standardized meaning prescribed by GAAP, it may not be comparable to similar non-GAAP measures presented by other companies. We refer to organic sales to provide an understanding of the performance of our overall business, as presently comprised.

We refer to the term "EBITDA" in various places in this current report on Form 8-K. We calculate EBITDA using net income from continuing operations before the effect of accounting changes, income tax expense, interest expense, other income and expense and amortization and depreciation. EBITDA is not a measure of performance calculated in accordance with GAAP. Because EBITDA does not have a standardized meaning prescribed by GAAP, it may not be comparable to similar non-GAAP measures

presented by other companies. We present EBITDA in this current report on Form 8-K because it is widely used by investors to evaluate a company's ability to service debt.

We also refer to the term "adjusted EBITDA" in various places in this current report on Form 8-K. We calculate adjusted EBITDA using EBITDA before the impact of nonrecurring items. Adjusted EBITDA is not a measure of performance calculated in accordance with GAAP. Because adjusted EBITDA does not have a standardized meaning prescribed by GAAP, it may not be comparable to similar non-GAAP measures presented by other companies. As with our other adjusted financial information, we believe calculating EBITDA on an adjusted basis is useful to investors because these charges are not part of our ongoing operations.

FORWARD-LOOKING STATEMENTS

This current report on Form 8-K contains forward-looking statements that are based on current expectations, estimates, forecasts and projections about our company, the industries in which we operate and other matters, as well as management's beliefs and assumptions and other statements regarding matters that are not historical facts. These statements include, in particular, statements about our plans, strategies and prospects under the headings "Selected Historical Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Audited Consolidated Financial Statements." For example, when we use words such as "projects," "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "should," "would," "could" or "may," variations of such words or other words that convey uncertainty of future events or outcome, we are making forward-looking statements. Our forward-looking statements are subject to risks and uncertainties. You should note that many important factors could affect us in the future and could cause results to differ materially from those expressed in our forward-looking statements. For a discussion of some of these factors, please read carefully the information under the caption "Forward-Looking Information and Factors Affecting Future Performance" in our most recently filed quarterly report on Form 10-Q.

SELECTED HISTORICAL FINANCIAL INFORMATION

The following table sets forth certain selected historical financial information as of the end of and for each of the fiscal years in the five-year period ended December 30, 2001. Except as otherwise noted:

- the selected historical financial information for and as of the end of each of the fiscal years in the two-year period ended December 30, 2001 has been derived from our audited consolidated financial statements, prepared in accordance with GAAP, which are included elsewhere in this report,

- the selected historical financial information for and as of the end of each of the fiscal years in the two-year period ended January 2, 2000 has been derived from our audited consolidated financial statements, prepared in accordance with GAAP, which are not included elsewhere in this report, and has been adjusted, where appropriate, to account for both the discontinuances of our Telecommunications Component and Entertainment Lighting businesses and the reinclusion in continuing operations of our Fluid Sciences business unit, and

- the selected historical financial information for and as of the end of the fiscal year ended December 28, 1997 has been derived from our audited consolidated financial statements as originally filed on March 23, 1998, prepared in accordance with GAAP, which are not included elsewhere in this report, and has not been adjusted to account for the discontinuances of our Telecommunications Component, Entertainment Lighting, Technical Services and Security and Detection Systems businesses.

Our historical financial information may not be indicative of our results of operations or financial position to be expected in the future.

The selected historical financial information should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements, including the related notes, included elsewhere in this report.

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	FISCAL YEAR ENDED				
	DECEMBER 28, 1997	JANUARY 3, 1999	JANUARY 2, 2000	DECEMBER 31, 2000	DECEMBER 30, 2001
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
Sales:					
Life Sciences........	$--	$134,635	$158,009	$221,401	$346,110
Analytical Instruments........	--	108,430	443,344	617,699	568,373
Optoelectronics......	261,291	274,507	421,514	447,129	380,227
Fluid Sciences.......	--	232,465	225,311	251,753	230,629
Other................	1,199,514	27,645	--	--	--
Total sales..........	1,460,805	777,682	1,248,178	1,537,982	1,525,339
Operating income (loss)..............	59,589	114,785	59,624	179,858	129,715
Other expense, net.....	5,572	825	15,176	33,113	29,165
Income (loss) from continuing operations before taxes.........	54,026	113,960	44,448	146,745	100,550
Income (loss) from continuing operations, net of income taxes.........	30,645	78,391	26,854	90,370	41,498
Income (loss) from discontinued operations, net of income taxes.........	3,047	23,611	17,182	(4,303)	(9,360)
Gain (loss) on dispositions of discontinued operations, net of income taxes.........	--	--	110,280	4,453	2,367
Net income (loss) before effect of accounting change....	33,692	102,002	154,316	90,520	34,505
Effect of accounting change, net of income tax.................	--	--	--	--	--
Net income (loss)......	$33,692	$102,002	$154,316	$90,520	$34,505
Basic earnings (loss) per share:					
Continuing operations.........	$0.33	$0.86	$0.29	$0.92	$0.40
Discontinued					

operations.........	0.04	0.26	1.40	0.00	(0.07)
Effect of accounting change, net of income tax.........	--	--	--	--	--
Net income (loss)....	$0.37	$1.13	$1.69	$0.92	$0.33
Diluted earnings (loss) per share:					
Continuing operations.........	$0.33	$0.85	$0.29	$0.88	$0.39
Discontinued operations.........	0.04	0.26	1.37	0.00	(0.07)
Effect of accounting change, net of income tax.........	--	--	--	--	--
Net income (loss)....	$0.37	$1.11	$1.66	$0.89	$0.32
Weighted-average common shares outstanding:					
Basic:...............	91,514	90,644	91,044	98,212	103,687
Diluted:.............	91,796	91,768	93,138	102,278	107,259
Cash dividends per common share.........	$0.28	$0.28	$0.28	$0.28	$0.28

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	FISCAL YEAR ENDED				
	DECEMBER 28, 1997	JANUARY 3, 1999	JANUARY 2, 2000	DECEMBER 31, 2000	DECEMBER 30, 2001
	(IN THOUSANDS, EXCEPT RATIOS AND EMPLOYEE DATA)				
CASH FLOW AND LIQUIDITY MEASURES:					
Net cash provided by operating activities..........	$32,142	$69,602	$117,295	$156,930	$145,268
Net cash provided by (used in) investing activities..........	1,920	(43,850)	(306,252)	(407,448)	76,708
Net cash (used in) provided by financing activities..........	(22,625)	14,027	61,983	259,789	(170,838)
Capital expenditures........	42,729	43,881	39,136	59,294	94,382(1)
ADJUSTED EBITDA(2):					
Operating income......	$15,010	$114,785	$59,624	$179,858	$129,715
Depreciation and amortization........	41,583	47,862	64,185	74,253	88,472
Nonrecurring charges(3)..........	--	64,371	45,801	38,664	106,179
(Gain) on dispositions........	--	(70,271)	(11,988)	(37,739)	(33,189)
Adjusted EBITDA.....	$56,593	$156,747	$157,622	$255,036	$291,177

OTHER RATIOS AND DATA:					
Employee count(4).....	15,000	13,000	12,000	12,500	11,400
Sales per employee(5).........	$97,387	$59,822	$104,015	$123,039	$133,802
Ratio of earnings to fixed charges(6)....	1.0x	9.5x	2.4x	4.1x	3.1x

	AS OF				
	DECEMBER 28, 1997	JANUARY 3, 1999	JANUARY 2, 2000	DECEMBER 31, 2000	DECEMBER 30, 2001
	(IN THOUSANDS)				
BALANCE SHEET DATA:					
Total assets............	$740,664	$1,103,351	$1,715,625	$2,260,760	$2,969,938
Short-term debt.........	46,167	157,888	382,162	185,411	125,984
Long-term debt..........	114,863	129,835	114,855	583,337	598,125
Stockholders' equity....	328,388	399,667	550,776	728,389	1,363,557
Common shares outstanding...........	90,666	89,492	92,732	99,548	124,188

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(1) Capital expenditures in 2001 included approximately $30.0 million for leasehold improvements to our Shelton, Connecticut facility.

(2) Represents net income before the effect of accounting change, income tax expense, interest expense, other income and expense, amortization and depreciation and before the impact of nonrecurring items.

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Adjusted EBITDA is not a measure of performance calculated in accordance with GAAP. For a discussion of the presentation of adjusted EBITDA in this report, see "Presentation of Financial Information."

(3) Nonrecurring charges during the fiscal year ended December 30, 2001 are detailed below:

	FISCAL YEAR ENDED DECEMBER 30, 2001
	(IN THOUSANDS)
Acquisition related and other(a)...	$99,179
Restructuring(b)..................	7,000
	$106,179

(a) Includes a $69.0 million charge associated with acquired in-process research and development related to the Packard BioScience acquisition in November 2001.

(b) Includes charges related to headcount reductions, facilities consolidations and the disposal of related assets.

(4) Represents the approximate total number of employees employed by us and our consolidated subsidiaries in continuing operations as of the end of the referenced period. This data is not derived from our consolidated financial statements.

(5) Represents (a) our total sales for the referenced period divided by (b) the approximate total number of employees employed by us and our consolidated subsidiaries in continuing operations as of the end of the referenced period, which total is not derived from our consolidated financial statements.

(6) Computed by dividing pre-tax income from continuing operations before income or loss of equity method investees and fixed charges by fixed charges. Fixed charges means the sum of the following: (a) interest expense, (b) amortized premiums, discounts and capitalized expenses related to indebtedness and (c) an estimate of the interest within rental expense.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

We are a leading provider of scientific instruments, consumables and services to the pharmaceutical, biomedical, environmental testing and general industrial markets. We design, manufacture, market and service products and systems within three business units:

- Life and Analytical Sciences. We are a leading provider of drug discovery, genetic screening and chemical analysis tools and instrumentation. We are the world's fourth largest provider of life and analytical sciences instruments, services and consumables, based on 2001 sales calculated by Strategic Directions International.

- Optoelectronics. We provide a broad range of digital imaging, sensor and specialty lighting components used in the biomedical, consumer products and other specialty end markets.

- Fluid Sciences. We provide critical fluid control and containment solutions for highly demanding environments such as turbine engines and semiconductor fabrication facilities.

Our Life and Analytical Sciences business unit comprises our Life Sciences reporting segment and our Analytical Instruments reporting segment. Our Optoelectronics and Fluid Sciences business units each constitute a single reporting segment.

ACQUISITIONS AND DIVESTITURES

In July 2000, we completed our acquisition of NEN Life Sciences, Inc., a provider of state-of-the-art drug discovery products, services, reagents and technologies to the life sciences industry. We purchased NEN Life Sciences for an aggregate purchase price of approximately $418 million. In connection with the acquisition, we paid approximately $350 million in cash and issued warrants to purchase approximately 600,000 shares of our common stock. In addition, we repaid approximately $50 million of outstanding indebtedness of NEN Life Sciences. We financed the acquisition and repayment of the outstanding indebtedness with $410 million of commercial paper borrowings with a weighted-average interest rate of 7%. These short-term borrowings were repaid in August 2000 with proceeds from the issuance of our zero coupon convertible debentures.

During October 2001, our Board of Directors approved a plan to sell our Fluid Sciences business unit, at which time the business was reflected as a discontinued operation in our consolidated financial

statements in accordance with Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations -- Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." The sale of the business has not been completed due to external market conditions. As APB No. 30 affords one year for the completion of a disposition, we have reflected the Fluid Sciences business unit within our consolidated results from continuing operations. All periods presented have been adjusted to reflect this change.

In November 2001, we completed our acquisition of Packard BioScience Company for a purchase price of approximately $733 million in the form of approximately 22 million shares of our common stock and our assumption of $118 million in debt. The acquisition extended our capabilities in automated liquid handling and sample preparation and strengthened our position as a global provider of comprehensive drug discovery solutions. Packard BioScience, a global developer, manufacturer and marketer of instruments, software and related consumables and services for use in drug discovery and other life sciences research, generated sales of approximately $165 million for its fiscal year ended December 31, 2000.

In June 2001, our Board of Directors approved a plan to sell our Security and Detection Systems business. In June 2002, we completed the sale of our Security and Detection Systems business to L-3 Communications. We received cash proceeds in this transaction of approximately $100 million. These proceeds are subject to a working capital adjustment, which is not yet finalized. The business and the associated impact of the disposition have been reflected as a discontinued operation within our consolidated financial statements in accordance with APB No. 30.

In June 2002, our Board of Directors approved a plan to shut down our Telecommunications Component business and a plan to sell our Entertainment Lighting business as part of our continued efforts to focus on higher growth opportunities. Both businesses have been reflected as discontinued operations in our consolidated financial statements in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment of Long-Lived Assets," which we adopted as of the beginning of fiscal 2002.

CHANGE IN ACCOUNTING PRINCIPLE

In June 2001, The Financial Accounting Standards Board issued SFAS No. 142, "Goodwill and Other Intangible Assets." Under SFAS No. 142, goodwill and indefinite-lived intangible assets are no longer systematically amortized, but instead are subject to periodic impairment testing which, at a minimum, will occur on an annual basis. We adopted SFAS No. 142 as of the beginning of fiscal 2002 and have accordingly ceased the amortization of goodwill and indefinite-lived intangible assets. During the second quarter of 2002, we completed our transitional implementation of the impairment testing provisions of SFAS No. 142, which resulted in a $117.8 million before and after-tax charge for goodwill associated with the lighting reporting unit within the Optoelectronics business unit. In accordance with the provisions of SFAS No.

142, we have taken this charge as the effect of an accounting change as of the beginning of fiscal 2002.

CONSOLIDATED RESULTS OF CONTINUING OPERATIONS

REPORTED INCOME STATEMENT DATA

The table below presents our income from continuing operations before effect of accounting change on a reported basis:

	FISCAL YEAR ENDED	
	DECEMBER 30, 2001	DECEMBER 31, 2000
	(IN THOUSANDS)	
Sales.............................	$1,525,339	$1,537,982
Cost of sales.....................	849,420	892,373
Research and development expenses and in-process research and development charges.............	151,607	100,398
Selling, general and administrative expenses........................	420,786	396,792
Gains on dispositions and restructuring charges, net.......	(26,189)	(31,439)
Operating income..................	129,715	179,858
Other expense, net................	29,165	33,113
Income before income taxes.........	100,550	146,745
Provision for income taxes.........	59,052	56,375
Income from continuing operations before effect of accounting change..........................	$41,498	$90,370

ADJUSTED INCOME STATEMENT DATA

The table below presents our adjusted income, net of income tax, which excludes goodwill and intangible amortization and the impact of nonrecurring items:

	FISCAL YEAR ENDED	
	DECEMBER 30, 2001	DECEMBER 31, 2000
	(IN THOUSANDS)	
Sales.............................	$1,525,339	$1,537,982
Cost of sales.....................	839,500	888,815

Research and development expenses	80,074	76,098
Selling, general and administrative expenses	359,135	359,078
Adjusted operating income	246,630	213,991
Other expense, net	33,438	34,013
Adjusted income before income taxes	213,192	179,978
Provision for income taxes	60,909	53,184
Adjusted income, net of income tax	$152,283	$126,794

RECONCILIATION

The following table reconciles our adjusted income before income taxes set forth above to income from continuing operations before effect of accounting change:

	FISCAL YEAR ENDED	
	DECEMBER 30, 2001	DECEMBER 31, 2000
	(IN THOUSANDS)	
Adjusted income before income taxes	$213,192	$179,978
Nonrecurring items:		
In-process research and development charges	(71,533)	(24,300)
Gains on dispositions, net	33,189	37,739
Restructuring charges	(7,000)	(6,300)
Integration and other charges	(23,372)	(8,064)
Net nonrecurring items	(68,716)	(925)
Goodwill and intangibles amortization	(43,926)	(32,308)
Income before income taxes	100,550	146,745
Provision for income taxes	59,052	56,375
Income from continuing operations before effect of accounting change	$41,498	$90,370

ORGANIC SALES

The following table reconciles our organic sales to our sales in accordance with GAAP. When we refer to our organic sales, we mean our sales for the identified period and sales from our acquired businesses, assuming we owned them in that period, and adjusted to eliminate the effects of our exited businesses and foreign exchange. For a discussion of the presentation of organic sales data, see the discussion in this report under the heading "Presentation of Financial Information."

	FISCAL YEAR ENDED	
	DECEMBER 30, 2001	DECEMBER 31, 2000
	(IN THOUSANDS)	
LIFE SCIENCES		
Sales	$346,110	$221,401
Acquisitions	165,837	248,144
Divestitures	(2,390)	(9,371)
Foreign Exchange	12,410	--
Organic Sales	$521,967	$460,174
ANALYTICAL INSTRUMENTS		
Sales	$568,373	$617,699
Acquisitions	--	--
Divestitures	(47,372)	(77,468)
Foreign Exchange	13,384	--
Organic Sales	$534,385	$540,231

	FISCAL YEAR ENDED	
	DECEMBER 30, 2001	DECEMBER 31, 2000
	(IN THOUSANDS)	
OPTOELECTRONICS		
Sales	$380,227	$447,129
Acquisitions	--	--
Divestitures	(39,399)	(73,012)
Foreign Exchange	3,597	--
Organic Sales	$344,425	$374,117
FLUID SCIENCES		
Sales	$230,629	$251,753
Acquisitions	1,767	8,451
Divestitures	(6,829)	(10,400)
Foreign Exchange	301	--
Organic Sales	$225,868	$249,804
PERKINELMER (TOTAL)		
Sales	$1,525,339	$1,537,982
Acquisitions	167,604	256,595
Divestitures	(95,990)	(170,251)

Foreign Exchange..................	29,692	--
Organic Sales....................	$1,626,645	$1,624,326

SALES

Sales for 2001 were $1,525.3 million versus $1,538.0 million during 2000, representing a decrease of $12.6 million or less than 1%. Incremental sales of approximately $89 million from the acquisitions of Packard BioScience and NEN Life Sciences mostly offset lower sales of $72 million associated with divested businesses and the negative impact of foreign exchange of $30 million. Organic sales were flat from 2000 to 2001 as a result of expansion within certain Life Sciences end-markets and new product introductions, which were offset by declines in electronic-based end-markets.

COST OF SALES

Reported cost of sales of $849.4 million for 2001 versus $892.4 million during 2000 represented a decrease of $43.0 million or 5%. On a percentage-of-sales basis, cost of sales decreased to 56% in 2001 from 58% during 2000. The decrease reflects our continued productivity and cost containment gains in the form of headcount and facility rationalization and further expansion and relocation into lower cost manufacturing geographies as well as strategic moves into higher margin businesses.

Adjusted cost of sales, which excludes the impact of nonrecurring items, was $839.5 million for 2001 versus $888.8 million for 2000, representing a decrease of $49.3 million or 6%. Nonrecurring items for 2001 of $9.9 million related principally to the amortization of the write-up of Packard BioScience inventory included as part of purchase accounting, the cost of movements of manufacturing facilities and charges associated with moves to lower cost geographies. The results from 2000 included $3.6 million in nonrecurring charges associated with reorganization-related activities and the write-up of inventory acquired as part of the NEN Life Sciences acquisition.

RESEARCH AND DEVELOPMENT AND IN-PROCESS RESEARCH AND DEVELOPMENT CHARGES

Reported research and development expenses including in-process research and development charges increased to $151.6 million in 2001 from $100.4 million in 2000, an increase of $51.2 million or 51%, primarily as a result of higher in-process research and development charges in 2001. Research and development efforts during 2001 were mainly directed in the end markets of drug discovery tools, pharmaceutical and biomedical within the Life Sciences reporting segment.

Adjusted research and development costs, which exclude the impact of nonrecurring items, were $80.1 million in 2001 versus $76.1 million in 2000, an increase of $4.0 million or 5%. As a percentage of sales, research and development costs on an adjusted basis represented 5% for both 2001 and 2000, a trend reflective of our continued commitment to new product development. Nonrecurring items in 2001 were $71.5 million associated with the write-off of in-process technology acquired as part of our acquisition of

Packard BioScience. The results from 2000 included a similar charge of $24.3 million related to our acquisition of NEN Life Sciences.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Reported selling, general and administrative expenses for 2001 were $420.8 million versus $396.8 million for 2000, representing an increase of $24.0 million or 6%. The increase primarily reflects the inclusion of expenses associated with Packard BioScience's operations of $9 million assumed during the fourth quarter of 2001, increased amortization expenses associated with the NEN Life Sciences and Packard BioScience acquisitions of $11.3 million and the restructuring and reorganization related charges noted below.

Adjusted selling, general and administrative expenses, which exclude goodwill and intangibles amortization and the impact of nonrecurring items, remained constant at $359.1 million for 2001 and 2000. As a percentage of sales, adjusted selling, general and administrative expenses were 24% in 2001 versus 23% in 2000. Goodwill and intangibles amortization increased to $43.9 million in 2001 from $32.3 million in 2000 as a result of the NEN Life Sciences acquisition completed in 2000 and the Packard BioScience acquisition completed during the fourth quarter of 2001. Nonrecurring charges of $17.7 million in 2001 included: incentive payments associated with portfolio changes, charges associated with the integration of general and administrative functions for the Life Sciences and Analytical Instruments reporting segments and moves of certain manufacturing operations to lower cost geographies and acquisition-related charges borne by PerkinElmer. Nonrecurring charges during 2000 were $5.4 million, including integration-related charges associated with the Packard BioScience acquisition.

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DISPOSITIONS AND RESTRUCTURING CHARGES

Dispositions resulted in a net gain of $33.2 million for 2001 versus a net gain of $37.7 million in 2000. The gain in 2001 resulted principally from the $32.3 million gain on the sale of our Instruments for Research and Applied Sciences business, previously part of our Analytical Instruments reporting segment, and approximately $7.2 million in net gains, primarily resulting from dispositions in our Optoelectronics and Analytical Instruments reporting segments, offset in part by the $6.3 million loss resulting from the sale of our Voltarc Technologies business, previously part of our Optoelectronics reporting segment. The gain in 2000 included a gain of approximately $18 million on the sale of buildings, a gain of approximately $10 million on the disposition of our Berthold business, $7.2 million in gains from other dispositions, primarily within the Optoelectronics reporting segment, and $2.5 million in gains previously deferred from prior dispositions recognized as a result of the resolution of uncertainties. The resulting impact for both years is considered nonrecurring in our presentation of Adjusted Net Income. Net restructuring charges were $7.0 million for 2001 versus $6.3 million in 2000. Charges for the 2001 year represented a $33.0 million integration charge associated with the Packard BioScience acquisition, as well as additional funding for amendments to existing plans for integration activities previously identified. Resultant charges for both years are considered nonrecurring in our presentation of adjusted net income. Note 3 to our consolidated financial statements, which are included elsewhere in this report, further details our restructuring activities in 2000 and 2001.

OTHER EXPENSE, NET

Other expense, net for 2001 was $29.2 million versus $33.1 million in 2000, representing a decrease of $3.9 million or 12%. Other expense, net consisted principally of interest from debt associated with prior acquisitions. The decrease was caused primarily by the impact of nonrecurring gains, which consisted of gains realized on the sale of investments of $4.3 million in 2001 compared to $0.9 million in 2000.

Other expense, net excluding nonrecurring items was $33.4 million versus $34.0 million for 2000. Decreased interest rates offset the impact of higher average debt levels resulting from the acquisition of NEN Life Sciences in 2000.

PROVISION/BENEFIT FOR INCOME TAXES

Provision for income taxes was $59.1 million in 2001 versus $56.4 million in 2000. The 2001 tax rate was increased by the tax treatment of in-process research and development charges associated with the Packard BioScience acquisition. The $71.5 million purchased intellectual property research and development charge is not deductible for tax purposes. The 2000 rate was impacted to a lesser extent by similar in-process research and development charges.

Provision for income taxes on adjusted net income was $60.9 million in 2001 and $53.2 million in 2000. The effective rate on an adjusted basis was 28.6% for 2001 versus 29.6% for 2000. The decrease in effective rate was primarily the result of our continued expansion of manufacturing operations to lower tax jurisdictions.

CONTINGENCIES

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 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 $12.1 million as of December 30, 2001, representing management's estimate of the total cost of ultimate disposition of known environmental matters. This amount is not discounted and does not reflect any 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 timeframe over which remediation may occur and the possible effects of changing laws and regulations. For sites where we have been named a potentially responsible party, management does not currently anticipate any additional liability to result from the inability of other significant named parties to contribute. We expect that such accrued amounts could be paid out over a period of up to five 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 effect on our financial position or results of operations. While it is possible that a material loss exceeding the amounts recorded may be incurred, the preliminary stages of the investigations make it impossible for us to estimate the range of potential exposure.

We and certain of our officers have been named as defendants in a class action lawsuit in which the plaintiffs have alleged various statements made by us were misleading with respect to our prospects and future operating results. We believe we have meritorious defenses to the lawsuits and we intend to contest the actions vigorously. We are currently unable, however, to reasonably estimate the amount of the loss, if any, that may result from the resolution of these matters.

REPORTING SEGMENT RESULTS OF CONTINUING OPERATIONS

Our continuing operations are reported as four reporting segments, reflecting our management methodology and structure. Our Security and Detection Systems business, previously reported as part of our Analytical Instruments reporting segment, has been classified as a discontinued operation for all periods referenced in this report in accordance with Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations -- Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." In June 2002, our Board of Directors approved a plan to shut down our Telecommunications Component business and a plan to sell our Entertainment Lighting business as part of our continued efforts to focus on higher growth opportunities. Both businesses have been reflected as discontinued operations in our consolidated financial statements in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment of Long-Lived Assets," which we adopted as of the beginning of fiscal 2002. The accounting policies of our reporting segments are the same as those described in the footnotes to the accompanying consolidated financial statements. We evaluate performance based on operating profit of the respective reporting segments. The discussion that follows is a summary analysis of the primary changes in operating results by reporting segment for 2001 versus 2000.

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LIFE SCIENCES

Sales for 2001 were $346.1 million versus $221.4 million in 2000, an increase of $124.7 million or 56%. This increase reflects approximately $82 million from the combined impact of the inclusion of the results of operations of NEN Life Sciences for a full year and ten months of results associated with Packard BioScience as well as strong growth in the drug discovery and genetic screening businesses and growth in related consumables resulting from new product introductions and geographic expansions leading to organic growth in excess of 13%.

The reported operating loss for 2001 was $46.4 million versus a loss of $3.6 million in 2000 due to the inclusion of purchase accounting and restructuring charges associated with the acquisition of Packard BioScience during 2001, partially offset by similar charges during 2000 from the NEN Life Sciences acquisition.

Adjusted operating profit excluding goodwill and intangibles amortization and nonrecurring items was $63.5 million for 2001, which represented a $24.3 million or 62% increase over that of 2000. As a percentage of sales, adjusted operating profit rose to 18.4% from 17.7% as a result of sales of higher margin products and the impact of productivity and cost containment associated with the consolidation of manufacturing and administrative sites. Goodwill and intangibles amortization was $23.7 million for 2001 versus $9.3 million for 2000 as a result of the acquisitions discussed above. Nonrecurring charges during 2001 totaled $86.1 million, consisting of a $69.0 million charge associated with acquired in-process research and development, $6.0 million in integration-related charges outside the scope of purchase accounting, $3.4 million of net restructuring charges, a $3.3 million integration incentive associated with the Packard BioScience acquisition, a net $2.9 million in other charges which include the settlement of certain preacquisition contingencies from a prior acquisition and a $1.5 million charge for the revaluation of acquired inventory. The 2000 reported operating profit included $33.5 million in nonrecurring charges.

ANALYTICAL INSTRUMENTS

Sales for 2001 were $568.4 million, a decrease of $49.3 million or 8% versus the $617.7 million recognized during 2000. The decline in sales was driven principally by the disposition of our Berthold business in late 2000, which had sales of $30 million in the year 2000, as well as the impact of unfavorable foreign exchange of approximately $14 million in 2001. Organically, the business contracted 1%.

Reported operating profit for 2001 was $77.8 million versus $56.1 million in 2000, an increase of $21.7 million or 39%. The increase during 2001 reflects the impact of nonrecurring gains associated with the sale of our Instruments for Research and Applied Sciences business, net of nonrecurring charges and the benefits of productivity and cost containment actions. Results from 2000 included a net nonrecurring gain of approximately $10.0 million resulting from the Berthold sale.

Adjusted operating profit before goodwill and intangibles amortization and nonrecurring items was $72.2 million for 2001 versus $64.4 million for 2000, an increase of $7.7 million or 12%. As a percentage of sales, adjusted operating profit rose from 10% to 13% driven principally by reductions in headcount of over 350 people as a result of transitioning European manufacturing to lower cost Asian facilities as well as consolidating European sales and back office operations. Adjusted operating profit for 2001 excludes goodwill and intangibles amortization of $10.5 million and net nonrecurring gains of $16.1 million. Nonrecurring items included: $32.1 million in gains realized on the disposal of businesses, a restructuring charge of $5.3 million, a $2.3 million incentive payment associated with the successful completion of the divestitures and $8.4 million in reorganization-related charges associated with the business' move to lower cost geographies, consolidation of European finance functions and the move to a new United States headquarters. Reported operating profit for 2000 included goodwill and intangibles amortization of $13.5 million and nonrecurring gains of $5.2 million. During the nine months ended September 30, 2001, nonrecurring charges totaled $0.6 million and related to $0.4 million for reorganization related charges, offset by a $1.0 million gain previously deferred from a prior acquisition.

OPTOELECTRONICS

Sales for 2001 were $380.2 million, down $66.9 million or 15% from the $447.1 million in sales for 2000. The lower sales were a result of an organic sales decline of 8% as well as the impact of divested businesses and product lines. This decline in organic sales reflects continued weakness in the photography, semiconductor and telecommunications component markets which more than offset strong growth in the digital imaging, sensors and biomedical markets.

Reported operating profit for 2001 was $51.3 million, down $44.9 million or 47% from operating profit of $96.1 million for 2000. The decline was driven principally by the decreases in sales discussed above and the costs associated with moving to lower cost production locations and streamlining operations.

Adjusted operating profit for 2001 was $67.4 million, representing a $14.3

million or 17% decrease from $81.7 million for 2000. As a percentage of sales, adjusted operating profit was 18% for both 2001 and 2000, with the impact of the reduction in sales partially offset by cost savings and productivity enhancements associated with reduced headcount and facility costs as well as moves to lower cost geographies. The 2001 reported operating profit includes goodwill and intangibles amortization of $7.0 million as well as nonrecurring items of $5.8 million. Nonrecurring items were primarily comprised of a $5.5 million net loss realized on the disposal of certain businesses, a $1.8 million retention incentive, reorganization-related charges of $4.9 million associated with our further expansion and relocation into lower cost manufacturing locations, restructuring and other charges of $0.6 million as well as a $3.6 million nonrecurring credit related to accruals no longer deemed necessary. The 2000 reported operating profit included goodwill and intangibles amortization of $7.0 million and net nonrecurring gains of $21.4 million.

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FLUID SCIENCES

Sales for 2001 were $230.6 versus $251.8 million for 2000, a decrease of $21.1 million or 8%. On an organic basis, sales decreased 10%. The decrease in reported sales was due principally to a decline in sales to the semiconductor assembly markets partially offset by an increase in sales to the aerospace market.

Reported operating profit for 2001 was $57.3 million versus $45.1 million in 2000, an increase of $12.2 million or 27%. The increase was due to gains of $6.6 million associated with the sale of two businesses disposed of during 2001, other net nonrecurring gains and decreases in general and administrative costs.

Adjusted operating profit before goodwill and intangible amortization and nonrecurring items for 2001 was $53.1 million versus $47.7 million, an increase of $5.4 million or 11%. The 2001 reported operating profit included goodwill and intangible amortization of $2.7 million and net nonrecurring items of $7.0 million. The net nonrecurring items, all of which occurred during the first two quarters of the year, included $6.6 million in gains from the sale of two businesses during the first half of 2001, $2.5 million in reversals of previously announced restructuring charges, and $2.1 in restructuring-related charges. The 2000 reported operating profit included goodwill and intangible amortization of $2.5 million and net nonrecurring items of $0.2 million. The net nonrecurring items included $2.4 million in restructuring charges and $0.4 million in restructuring-related charges offset by $2.8 million in gains from dispositions.

CERTAIN QUARTERLY FINANCIAL DATA

The following income statement summary for the seven fiscal quarters ended September 29, 2002 presents our results on both a GAAP and an adjusted basis. The adjusted income statement gives effect, where appropriate, to our reclassification of our Fluid Sciences business unit as a continuing operation and the reclassification of our Telecommunications Component and Entertainment Lighting businesses as discontinued operations. The reconciliation provides a comparison of this adjusted basis to GAAP.

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QUARTERLY GAAP INCOME STATEMENT

The following table sets forth our reported operating results for the seven quarters ended September 29, 2002.

	FISCAL 2001					
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	FULL YEAR	FIRST QUARTER
					(IN THOUSANDS)	
Sales.....................	$390,607	$380,429	$348,322	$405,981	$1,525,339	$346,293
Cost of sales.............	222,182	207,722	192,649	226,867	849,420	220,563
Research and development expenses................	23,267	19,331	18,488	90,521	151,607	21,807
Selling, general and administrative expenses................	96,078	99,405	84,498	114,616	394,597	118,819
Operating income from continuing operations....	49,080	53,971	52,687	(26,023)	129,715	(14,896)
Interest expense..........	10,217	9,053	8,334	10,126	37,730	8,078
Other expense (income), net.....................	1,945	(2,339)	(3,848)	(4,323)	(8,565)	5,551
Income from continuing operations before income tax.....................	36,918	47,257	48,201	(31,826)	100,550	(28,525)
Provision (benefit) for income taxes............	13,794	15,222	14,215	15,821	59,052	(7,867)
Net income (loss) from continuing operations before effect of accounting change........	23,124	32,035	33,986	(47,647)	41,498	(20,658)
Income (loss) from discontinued operations, net of income taxes......	371	(2,624)	(2,767)	(4,340)	(9,360)	(8,902)
Gain (loss) on disposition of discontinued operations, net of income tax.....................	--	--	--	2,367	2,367	--
Net income (loss) before effect of accounting change..................	23,495	29,411	31,219	(49,620)	34,505	(29,560)
Effect of accounting change, net of income taxes...................	--	--	--	--	--	(117,800)
Net income (loss).........	$23,495	$29,411	$31,219	$(49,620)	$34,505	$(147,360)

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QUARTERLY ADJUSTED INCOME STATEMENT

The following adjusted income statement excludes goodwill and intangibles amortization, gains on dispositions, restructuring charges and unusual items.

	FISCAL 2001					
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	FULL YEAR	FIRST QUARTER
					(IN THOUSANDS)	
Sales	$390,607	$380,429	$348,322	$405,981	$1,525,339	$346,293
Cost of sales	222,268	205,536	189,174	222,522	839,500	201,830
Research and development expenses	20,774	19,331	18,488	21,481	80,074	21,807
Selling, general and administrative expenses	90,002	93,275	75,025	100,833	359,135	104,477
Adjusted operating income from continuing operations	57,563	62,287	65,635	61,145	246,630	18,179
Interest expense	10,217	9,053	8,334	10,126	37,730	8,078
Other expense (income), net	1,945	(2,339)	(459)	(3,439)	(4,292)	5,551
Adjusted income from continuing operations before income taxes	45,401	55,573	57,760	54,458	213,192	4,550
Provision for income taxes	14,069	15,921	16,105	14,814	60,909	1,666
Adjusted net income from continuing operations before effect of accounting change	31,332	39,652	41,655	39,644	152,283	2,884
Income (loss) from discontinued operations, net of income tax	371	(2,624)	(2,767)	(4,340)	(9,360)	(8,902)
Gain (loss) on disposition of discontinued operation, net of income tax	--	--	--	2,367	2,367	--
Adjusted net income (loss) before effect of accounting change	31,703	37,028	38,888	37,671	145,290	(6,018)
Effect of accounting change, net of income taxes	--	--	--	--	--	(117,800)
Adjusted net income (loss)	$31,703	$37,028	$38,888	$37,671	$145,290	$(123,818)

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RECONCILIATION

The following reconciliation reconciles adjusted income from continuing operations before income taxes to net income from continuing operations before effect of accounting change.

	FISCAL 2001					FIS	
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	FULL YEAR	FIRST QUARTER	SECOND QUARTER
					(IN THOUSANDS)		
Adjusted income from continuing operations before income taxes................	$45,401	$55,573	$57,760	$54,458	$213,192	$4,550	$16,044
Restructuring, integration and other nonrecurring items...	3,834	1,514	583	(3,114)	2,817	(8,750)	--
In-process research and development charge...	(2,493)	--	--	(69,040)	(71,533)	--	--
Inventory adjustment...	--	--	--	--	--	(17,233)	--
Goodwill and intangibles amortization.........	(9,824)	(9,830)	(10,142)	(14,130)	(43,926)	(7,092)	(7,057
Income (loss) from continuing operations before income taxes................	36,918	47,257	48,201	(31,826)	100,550	(28,525)	8,987
Provision (benefit) for income taxes.........	13,794	15,222	14,215	15,821	59,052	(7,867)	2,912
Net income (loss) from continuing operations before effect of accounting change....	$23,124	$32,035	$33,986	$(47,647)	$41,498	$(20,658)	$6,075

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LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS

Net cash provided by operating activities was $145.3 million in 2001 compared to $156.9 million in 2000. For 2001, this was comprised of net income before depreciation, amortization and other non-cash items of $237.0 million partially offset by gains on disposition of assets, net of $40.7 million and $51.0 million net change in certain assets and liabilities and other items during 2001. The 2000 operating cash flow was comprised of net income before depreciation, amortization and other non-cash items of $218.9 million partially offset by gains on dispositions of assets, net of $38.2 million and $23.7 million of net change in certain assets, liabilities and other items during the period.

Included in the change in assets and liabilities for 2001 was a $35.5 million increase in inventory due to lower than planned sales in a number of the reporting segments, primarily in the Optoelectronics reporting segment and inventory safety stock for production moves, $35.5 million in restructuring payments, partially offset by a $18.2 million reduction in accounts receivable which is net of $37 million from the receivable securitization program discussed below.

Capital expenditures were $94.4 million in 2001 versus $59.3 million in 2000. This increase was due to leasehold improvements at certain facilities, particularly at our Shelton, Connecticut facility.

Cash flow from the sale of businesses, primarily Instruments for Research and Applied Science and Voltarc, was $73.5 million and from the monetization of assets was $61.2 million for 2001. Monetization of assets consisted of the sale of, and the sale-leaseback of, facilities and equipment. Costs of acquisitions, net of cash acquired, generated $34.1 million of cash in 2001, principally from the Packard BioScience acquisition, versus a usage of $411.0 million in 2000. During 2000, cash flow from the sale of businesses was $39.1 million and from the monetization of assets was $42.3 million. Monetization of assets during 2000 included the sale of assets, nonstrategic investments and the sale-leaseback of facilities.

Cash flows generated through operating and investing activities, along with proceeds of $39.5 million from the exercise of stock options, were used in part to reduce short-term commercial paper borrowings by $177.0 million during 2001. In 2000, we issued convertible debt with net proceeds totaling $448.0 million. These proceeds along with net borrowings under commercial paper of approximately $37.0 million and proceeds from the exercise of stock options of $46.9 million were used in part to reduce other debt balances by approximately $234.0 million. Cash utilized in the payment of dividends to common stockholders totaled $28.3 million during 2001 and $27.5 million in 2000.

As of December 30, 2001, we had the following obligations under operating leases: $22.2 million in 2002, $19.2 million in 2003, $16.8 million in 2004, $13.4 million in 2005 and $146.8 million in 2006 and thereafter.

We require cash to pay our operating expenses, make capital expenditures and acquisitions and service our debt, including principal and interest. 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 and interest payments on our debt. Depending on the size of the transaction, we may require funds from external sources for acquisitions that we effect for cash. We may also require funds from external sources to refinance the principal of our debt as it matures, particularly the zero coupon convertible debentures that holders will have the option to put in August 2003 and the $115.0 million of principal that becomes due on our 6.8% unsecured notes in 2005.

Principal factors that could affect our internally generated funds include:

- increased working capital requirements, and

- deterioration of sales due to continued weakness in certain end-markets into which we sell.

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

- borrowing requirements stemming from potential obligations noted above that would reduce our overall borrowing capacity, and

- existence of a ratings downgrade that would impact our ability to borrow under our receivable securitization program.

BORROWING ARRANGEMENTS

We maintain two unsecured revolving credit facilities. Both facilities were amended in September 2002. Prior to their amendment, the facilities consisted of a $270 million 364-day revolving credit facility, which will expire in March 2003, and a $100 million five-year revolving credit facility, which will expire in March 2006. At maturity, we may convert borrowings outstanding under the 364-day facility into a one-year term note due in March 2004, subject to our compliance with the facility's financial covenants.

During September 2002, we significantly amended both facilities as follows:

- the borrowing capacity under the 364-day facility was reduced from $270 million to $200 million;

- provisions were added that would further reduce the borrowing capacity under the 364-day facility in amounts equal to:

  - 100% of any amounts used by us to repurchase zero coupon convertible debentures, and

  - 50% of the net proceeds received by us from future asset sales and capital market transactions, up to a maximum reduction of $100 million (which maximum will be increased, on a dollar-for-dollar basis, for every dollar of zero coupon convertible debentures we repurchase) pursuant to this provision;

- the interest rate spread over LIBOR on borrowings under the facilities increased by 37.5 basis points;

- the definition of EBITDA was revised to clarify certain non-operating charges; and

- a new consolidated indebtedness leverage ratio was added.

As of September 29, 2002, there were no borrowings outstanding under the 364-day facility. Accordingly, as of September 29, 2002, borrowing availability under the 364-day facility was approximately $115.6 million due to our repurchases of zero coupon convertible debentures described above. As of September 29, 2002, we had $73 million in borrowings outstanding under the five-year facility and

$27 million of borrowing availability. Because of the long-term nature of the five-year facility, these borrowings have been classified in long-term debt at the end of the period.

At September 29, 2002, we had $438.8 million of long-term debt and at December 30, 2001 we had $598.1 million of long-term debt. Included in these amounts are $115.0 million of our 6.8% notes, which carry an interest rate of 6.8% and mature in 2005. During the fourth quarter of 2001, this fixed rate was swapped to a floating rate. This interest rate swap instrument resets semi-annually in arrears based upon six-month USD LIBOR. The fair value of this instrument as of December 30, 2001 was $(2.3) million which is offset by a corresponding gain on the underlying bond. Other long-term debt includes zero coupon convertible debentures described below which had a $403.8 million accreted value at September 29, 2002, net of repurchases, and a $483 million accreted value at December 30, 2001. The carrying amount of the senior subordinated ten-year notes issued by Packard BioScience and assumed by us approximated the estimated fair value at December 30, 2001, based on a quoted market price. The carrying amount of the unsecured ten year notes approximated the estimated fair value at December 30, 2001, based on a quoted market price. The estimated fair value of the zero coupon convertible debentures approximated $512 million at December 30, 2001, also based on a quoted market price.

In August 2000, we sold zero coupon convertible debentures with an aggregate purchase price of $460 million. We used the offering's net proceeds of approximately $448 million to repay a portion of our commercial paper borrowings, which had been increased temporarily to finance the NEN Life Sciences acquisition. Deferred issuance costs of $12 million were recorded as a non-current asset and are being amortized over three years. The zero coupon convertible debentures are due August 2020 and were priced with a yield to maturity of 3.5%. Net of repurchases through September 29, 2002, we would be required to repay $749.7 million at maturity, comprised of $374.6 million of original purchase price plus accrued original issue discount. We may redeem some or all of the zero coupon convertible debentures at any time on or after August 7, 2003 at a redemption price equal to the issue price plus the accrued original issue discount through the redemption date. Holders of the debentures may require us to repurchase some or all of the zero coupon convertible debentures on August 7, 2003 or on August 7, 2010, or at any time upon certain changes of control, at a repurchase price equal to the initial issue price to the public plus the accrued original issue discount through the date of the repurchase. As of September 29, 2002, our obligation to repurchase the zero coupon convertible debentures is considered short-term in nature. However, as of September 29, 2002, we had the ability to use existing borrowing available under the 364-day facility and the five-year facility to refinance a portion of the aggregate repurchase price on a long-term basis as well as the ability to issue treasury shares to satisfy a portion of this potential repurchase obligation. Accordingly, $250.5 million of the $403.8 million obligation has been classified as long-term in nature. The remainder was included in short-term debt. We have the right to repay some or all of the zero coupon convertible debentures with shares of our common stock based on the then current market price, subject to satisfying conditions within the trust indenture, including that the shares of common stock must be issued either pursuant to an effective registration statement or an exemption therefrom under applicable securities laws. We may only exercise this right in connection with a repurchase at the option of the holders or a repurchase in connection with certain changes in control. As of September 29, 2002, the zero coupon convertible debentures were convertible into 8.8 million shares of our common stock at $44.00 per share.

In November 2001, we completed our acquisition of Packard BioScience and assumed $118 million of senior subordinated ten-year notes issued in March 1997. We redeemed the notes on March 1, 2002 at a rate of 104.688% in accordance with the indenture dated as of March 4, 1997. As such, this amount was reclassified to short-term on our December 30, 2001 balance sheet for presentation purposes.

In December 2001, we established a wholly owned consolidated subsidiary to purchase, on a revolving basis, certain of our accounts receivable balances and simultaneously sell an undivided interest in this pool of receivables to a financial institution. As collections reduce the accounts receivable balances, new receivables are sold. Our consolidated subsidiary retains the risk of credit loss on the receivables. Under

the terms of this arrangement, we retain collection and administrative responsibilities for the balances. The accounts receivable securitization facility provides for up to $51.0 million in accounts receivable funding. The facility is renewable by mutual agreement of the parties on an annual basis and has an effective interest rate of approximately LIBOR plus 30 basis points. Amounts funded by the counterparty under this facility were $38.0 million at September 29, 2002 and $37.0 million at December 30, 2001. The facility 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 November 22, 2002, we had a senior unsecured credit rating of BBB- from Standard & Poor's Rating Services, which is currently under review, and of Ba2 with a stable outlook from Moody's Investors Service.

We are a party to an operating lease for our property located in Fremont, California which was amended in September 2002. Prior to its amendment, the lease had allowed us to lease a $30 million facility in our Optoelectronics segment over a six-year term. The amendment increased the monthly amount payable under the lease and shortened the term of the lease from December 2006 to the earlier of the sale of our Fluid Sciences business unit or February 2003. At the end of the lease term, we must purchase the property at a price equal to the lessor's original cost of approximately $30 million, or otherwise obtain alternative financing.

In the near term, we anticipate that our cash on hand and cash generated from operations will be sufficient to fund our operating expenses, capital expenditures and interest payments on our debt. However, during the next twelve months we will require funds from external sources to refinance the principal of our debt as it matures, particularly the zero coupon convertible debentures that holders will have the option to put to us in August 2003 and any amounts outstanding under the 2003 credit facility upon its expiration in March 2003. As of September 29, 2002, we were in compliance with all covenants and other requirements set forth in our credit agreements and indentures.

On October 28, 2002, we received a letter of commitment from Merrill Lynch Capital Corporation to provide a new senior credit facility of up to $445.0 million, including a revolving credit facility of $100.0 million. The commitment for the new senior credit facility is contingent upon completion of confirmatory due diligence, final documentation and other customary conditions, as well as our issuance of $225.0 million of unsecured senior subordinated notes. Proceeds under the new borrowing arrangements will be used to repay existing indebtedness.

Dividends

Our Board of Directors declared regular quarterly cash dividends of seven cents per share in each quarter of 2001 and 2002, resulting in an annual dividend rate of 28 cents per share.

Stock Split

At our 2001 Annual Meeting of Stockholders, our stockholders approved an increase in the number of authorized shares of our common stock from 100,000,000 shares to 300,000,000 shares. On April 24, 2001, our Board of Directors approved a two-for-one stock split. The stock split is retroactively reflected in this offering memorandum.

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, investments, intangible assets, income taxes, restructuring, pensions and other post-retirement benefits, and 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.

We believe the following critical accounting policies affect our more significant judgments and estimates used in preparation of our consolidated financial statements.

Revenue recognition. Our product sales are recorded at the time when persuasive evidence of an arrangement exists, delivery has occurred, the price to the buyer is fixed or determinable and collectibility is reasonably assured. A provision is made at the time the related sales are recognized for the cost of any installation obligations and the estimated cost of product warranties. When other significant obligations remain after products are delivered, including certain customer acceptance provisions, sales are recognized only after such obligations are fulfilled. If a loss is anticipated on any contract, a provision for the entire loss is made immediately. Sales related to the sale of maintenance contracts are deferred and amortized on a straight-line basis over the service period.

Inventory valuation. We value inventory at the lower of the actual cost to purchase and/or manufacture the inventory or the current estimated market value of the inventory. Inventory quantities on hand are regularly reviewed, and where necessary, provisions for excess and obsolete inventory are recorded based primarily on either our estimated forecast of product demand and production requirements for the next twelve months or historical trailing twelve month usage. A significant increase in the demand for our products could result in a short-term increase in the cost of inventory purchases while a significant decrease in demand could result in an increase in the amount of excess inventory quantities on hand requiring additional inventory write-downs.

Allowances for doubtful accounts. We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Value of long-lived assets. We periodically review the carrying value of our long-lived assets and investments for continued appropriateness. This review is based upon our projections of anticipated future cash flows, market conditions, legal factors and operational performance. While we believe that our future estimates are reasonable, different assumptions regarding items such as future cash flows and the volatility inherent in markets which we serve could materially affect our evaluations and result in impairment charges against the carrying value of those assets.

Restructuring activities. Because of the diverse nature of our businesses and our acquisition and divestiture activities, we periodically engage in formal restructuring actions. These restructuring actions result in either direct charges to our income statement or, if they meet certain criteria, are capitalized as part of our acquisition of a specified entity. Our financial statements detail the charges relative to such actions as well as the actual spending that has occurred against the resulting accruals. Because these accruals are estimates, they are subject to change as a result of deviations from initial restructuring plans or subsequent information that may come to our attention. When changes in estimates occur, they are reflected in our financial statements either on the income statement line entitled "restructuring charges, net" or, in certain limited circumstances when accruals have been made as part of an acquisition and have been found not to be necessary, credited to goodwill.

NEW ACCOUNTING PRONOUNCEMENT

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which nullifies EITF Issue No. 94-3. SFAS No. 146 requires that a liability for a

cost associated with an exit or disposal activity be recognized when the liability is incurred, whereas EITF No. 94-3 had recognized the liability at the commitment date to an exit plan. We are required to adopt the provisions of SFAS No. 146 effective for exit or disposal activities initiated after December 31, 2002.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

FINANCIAL INSTRUMENTS

Financial instruments that potentially subject us to concentrations of credit risk consist principally of temporary cash investments and accounts receivable. We believe we had no significant concentrations of credit risk as of September 29, 2002 or December 30, 2001.

In the ordinary course of business, we enter into foreign exchange contracts for periods consistent with our committed exposures to mitigate the effect of foreign currency movements on transactions denominated in foreign currencies. Transactions covered by hedge contracts include inter-company 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 consolidated balance sheet. Credit risk and market risk are minimal as the foreign exchange instruments are contracted with major banking institutions. Unrealized gains and losses on our 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 consolidated balance sheet. These deferred gains and losses are recognized in income in the period in which the underlying anticipated transaction occurs. Effectiveness of these cash flow hedges is measured utilizing the cumulative dollar offset method and is reviewed quarterly. For the year ended December 30, 2001, net losses from hedges reclassified from other comprehensive income to sales and expense totaled $36,000. The notional amount of the outstanding foreign currency contracts was approximately $280 million as of December 30, 2001 and $190 million at December 31, 2000. At December 30, 2001, the approximate fair value for foreign currency derivative instruments designated as fair value hedges was $560,000 and at December 31, 2000 was not significant. The approximate fair value for foreign currency derivative instruments designated as cash flow hedges was $380,000 and is recorded in other current assets with the offset to other comprehensive income. This gain will be recognized in earnings over the next 12 months.

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 entered into various derivative transactions pursuant to our policies to hedge against known or forecasted market exposures.

Foreign Exchange Risk. As a multinational corporation, we are exposed to changes in foreign exchange rates. As our international sales grow, exposure to volatility in exchange rates could have a materially adverse impact on our financial results. Our risk from exchange rates is primarily related to nondollar denominated sales in Europe and Asia. We use foreign currency forward and option contracts to manage the risk of exchange rate fluctuations. The derivative instruments held by us are not leveraged and are not held for trading purposes. We use forward contracts to hedge our net asset position and use a combination of forward and option contracts to hedge anticipated cash flows. Our hedging activity is intended to offset the impact of currency fluctuations on assets, liabilities and cash flows denominated in foreign currencies. The success of the hedging program depends on forecasts of transaction activity in various currencies. To the extent that these forecasts are overstated or understated during periods of currency volatility, we could experience unanticipated currency gains or losses. The principal currencies hedged are the British Pound, Canadian Dollar, Euro, Japanese Yen, and Singapore Dollar. In those currencies where there is a liquid, cost-effective forward market, we maintain hedge coverage between minimum and maximum percentages of our anticipated transaction exposure for periods not to exceed one year. The gains and losses on these contracts offset changes in the value of the related exposure.

Interest Rate Risk. We maintain an investment portfolio consisting of securities of various issuers, types and maturities. The investments are classified as available for sale. These securities are recorded on the balance sheet at market value, with any unrealized gain or loss recorded in comprehensive income. These instruments are not leveraged, and are not held for trading purposes.

Value-at-Risk. We utilize a Value-at-Risk ("VaR") model to determine the potential loss in fair value of our interest rate and foreign exchange sensitive derivative financial instruments within a 95% confidence interval. Our computation was based on the interrelationships between movements in interest rates and foreign currencies. These interrelationships were determined by observing historical interest rate and foreign currency market changes over corresponding periods. The assets, liabilities, firm commitments and anticipated transactions, which are hedged by derivative financial instruments, were excluded from the model. Our computations are based on the Monte Carlo simulation, utilizing a 95% confidence interval and a holding period of 30 days. The VaR model is a risk analysis tool and does not purport to represent actual gains or losses in fair value that will be incurred by us. The VaR model estimated that there is a 5% chance that the market value of the derivative instruments held as of December 30, 2001 will deteriorate due to foreign currency and interest rate fluctuations by more than $1.8 million. During the four quarters ended December 30, 2001, the VaR ranged between $0.25 million and $1.8 million, and averaged approximately $0.8 million.

Management periodically reviews its interest rate and foreign currency exposures and evaluates strategies to manage such exposures in the near future. We implement changes, when deemed necessary, in the management of hedging instruments which mitigate our exposure.

Since we utilize interest rate and foreign currency sensitive derivative instruments for hedging, a loss in fair value for those instruments is generally offset by increases in the value of the underlying transaction.

It is our policy to enter into foreign currency and interest rate transactions only to the extent considered necessary to meet our objectives as stated above. We do not enter into foreign currency or interest rate transactions for speculative purposes.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of PerkinElmer, Inc. and subsidiaries (the "Company") as of December 30, 2001 and December 31, 2000, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of PerkinElmer, Inc. and subsidiaries as of December 30, 2001 and December 31, 2000, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Boston, Massachusetts
November 26, 2002

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CONSOLIDATED INCOME STATEMENTS
FOR THE TWO YEARS ENDED DECEMBER 30, 2001

	2001	2000
	(IN THOUSANDS, EXCEPT PER SHARE DATA)	
Sales:		
Products	$1,327,473	$1,348,797
Services	197,866	189,185
Total sales	1,525,339	1,537,982
Cost of sales:		
Products	739,234	782,489
Services	110,186	109,884
Total cost of sales	849,420	892,373

Selling, general and administrative expenses	420,786	396,792
Research and development expenses	80,074	76,098
In-process research and development charges	71,533	24,300
Restructuring charges, net	7,000	6,300
Gains on dispositions, net	(33,189)	(37,739)
Operating income from continuing operations	129,715	179,858
Other expense, net	29,165	33,113
Income from continuing operations before income taxes	100,550	146,745
Provision for income taxes	59,052	56,375
Income from continuing operations	41,498	90,370
Loss from discontinued operations, net of income taxes	(9,360)	(4,303)
Gain on disposition of discontinued operations, net of income taxes	2,367	4,453
Net income	$ 34,505	$ 90,520
Basic earnings (loss) per share		
Continuing operations	$ 0.40	$ 0.92
Discontinued operations	(0.07)	0.00
Net income	$ 0.33	$ 0.92
Diluted earnings (loss) per share		
Continued operations	$ 0.39	$ 0.88
Discontinued operations	(0.07)	0.00
Net income	$ 0.32	$ 0.89

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

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 30, 2001 AND DECEMBER 31, 2000

	2001	2000
	(IN THOUSANDS EXCEPT SHARE AND PER SHARE DATA)	
Current assets:		
Cash and cash equivalents	$ 138,250	$ 125,551
Accounts receivable	319,063	318,139
Inventories	244,841	196,825
Other current assets	150,686	171,076
Current assets of discontinued operations	90,518	81,950
Total current assets	943,358	893,541
Property, plant and equipment:		
At cost	530,327	533,721
Accumulated depreciation	(247,703)	(271,279)

Net property, plant and equipment	282,624	262,442
Investments	18,197	26,226
Intangible assets	1,530,053	877,846
Other assets	102,055	103,088
Long-term assets of discontinued operations	93,651	97,617
Total assets	$2,969,938	$2,260,760
Current liabilities:		
Short-term debt	$ 125,984	$ 185,411
Accounts payable	128,952	114,078
Accrued restructuring costs	51,735	53,344
Accrued expenses	427,550	329,671
Current liabilities of discontinued operations	20,814	35,578
Total current liabilities	755,035	718,082
Long-term debt	598,125	583,337
Long-term liabilities	253,164	230,941
Long-term liabilities of discontinued operations	57	11
Commitments and contingencies		
Stockholders' equity:		
Preferred stock -- $1 par value, authorized 1,000,000 shares; none issued or outstanding	--	--
Common stock -- $1 par value, authorized 300,000,000 shares; issued 145,101,000 and 122,908,000 in 2001 and 2000, respectively	145,101	122,908
Capital in excess of par value	641,164	37,060
Retained earnings	842,004	835,917
Accumulated other comprehensive loss	(60,940)	(39,042)
Cost of shares held in treasury -- 20,913,000 shares in 2001 and 23,360,000 shares in 2000	(203,772)	(228,454)
Total stockholders' equity	1,363,557	728,389
Total liabilities and stockholders' equity	$2,969,938	$2,260,760

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

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CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE TWO YEARS ENDED DECEMBER 30, 2001

	COMPREHENSIVE INCOME	COMMON STOCK	CAPITAL IN EXCESS OF PAR	RETAINED EARNINGS	ACCUMULATE OTHER COMPREHENSI INCOME (LOS
(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)					
BALANCE, JANUARY 3, 2000		$120,204	$ --	$701,907	$(14,040)
Comprehensive income					
Net income	$ 90,520	--	--	90,520	--
Other comprehensive income (loss), net of tax Foreign					

currency translation adjustments..................	(25,484)	--	--	--	(25,484)
Unrealized gains on securities arising during the period.................	481				
Reclassification adjustment.................	1				
Net unrealized gains.........	482	--	--	--	482
Other comprehensive loss.......	(25,002)				
Comprehensive income............	$ 65,518				
Cash dividends ($.28 per share).........................		--	--	(27,533)	--
Exercise of employee stock options and related income tax benefits.......................		--	17,230	16,000	--
Issuance of common stock for employee benefit plans.........		--	5,228	(155)	--
Purchase of common stock for treasury.......................		--	(102)	--	--
Mergers, acquisitions and other.........................		2,704	14,704	55,178	--
BALANCE, DECEMBER 31, 2000.......		122,908	37,060	835,917	(39,042)
Comprehensive income					
Net income....................	$ 34,505	--	--	34,505	--
Other comprehensive income (loss), net of tax Foreign currency translation adjustments..................	(20,976)	--	--	--	(20,976)
Unrealized gains on derivative instruments.....	1,407	--	--	--	1,407
Unrealized losses on securities arising during the period.................	(2,438)				
Reclassification adjustment.................	109				
Net unrealized losses........	(2,329)	--	--	--	(2,329)
Other comprehensive loss.......	(21,898)				
Comprehensive income............	$ 12,607				
Cash dividends ($.28 per share).........................		--	--	(28,294)	--
Exercise of employee stock options and related income tax benefits.......................		--	20,723	--	--
Issuance of common stock for employee benefit plans.........		--	7,042	(124)	--
Purchase of common stock for treasury.......................		--	--	--	--
Acquisition of AAS...............		--	3,252	--	--
Acquisition of Packard...........		22,193	573,087	--	--
BALANCE, DECEMBER 30, 2001.......		$145,101	$641,164	$842,004	$(60,940)

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE TWO YEARS ENDED DECEMBER 30, 2001

	2001	2000
	(IN THOUSANDS)	
Operating activities:		
Net income	$ 34,505	$ 90,520
Add net loss from discontinued operations	9,360	4,303
Deduct net gain on disposition of discontinued operations	(2,367)	(4,453)
Income from continuing operations	41,498	90,370
Adjustments to reconcile income from continuing operations to net cash provided by continuing operations:		
In-process research and development charges	71,533	24,300
Non-cash portion of restructuring charges	5,624	2,900
Depreciation and amortization	88,472	74,253
Stock-based compensation	3,529	4,143
Deferred taxes	5,628	14,318
Amortization of deferred debt issuance cost and accretion of discounts	20,753	8,567
Gains on dispositions and sales of investments, net	(40,738)	(38,248)
Changes in assets and liabilities which provided (used) cash, excluding effects from companies purchased and divested:		
Accounts receivable	18,219	439
Inventories	(35,518)	(12,033)
Accounts payable	487	9,796
Tax benefit from exercise of common stock options	15,043	30,843
Accrued restructuring costs	(35,452)	(31,174)
Accrued expenses and other	(13,810)	(21,544)
Net cash provided by continuing operations operating activities	145,268	156,930
Net cash used by discontinued operations operating activities	(21,969)	(11,382)
Net cash provided by operating activities	123,299	145,548
Investing activities:		
Capital expenditures	(94,382)	(59,294)
Proceeds from dispositions of businesses, net	73,505	39,148
Proceeds from dispositions of property, plant and equipment	61,243	42,276
Cost of acquisitions and investments, net of cash and cash equivalents acquired	34,149	(411,040)
Proceeds from sale (use from purchase) of investments, net	2,951	(20,457)
Other	(758)	1,919

Net cash provided by (used in) continuing operations investing activities	76,708	(407,448)
Net cash (used in) provided by discontinued operations investing activities	(10,947)	6,018
Net cash provided by (used in) investing activities	65,761	(401,430)
Financing activities:		
Proceeds from issuance of convertible debt	--	448,000
(Decrease) increase in commercial paper borrowings	(177,000)	37,000
Other debt decreases	(3,235)	(233,991)
Proceeds from issuance of common stock	39,475	46,902

CONSOLIDATED STATEMENTS OF CASH FLOWS -- (CONTINUED)

	2001	2000
	(IN THOUSANDS)	
Purchases of common stock for treasury	(1,784)	(10,589)
Cash dividends	(28,294)	(27,533)
Net cash (used in) provided by continuing operations financing activities	(170,838)	259,789
Effect of exchange rate changes on cash and cash equivalents	(5,523)	(5,006)
Net increase (decrease) in cash and cash equivalents	12,699	(1,099)
Cash and cash equivalents at beginning of year	125,551	126,650
Cash and cash equivalents at end of year	$ 138,250	$ 125,551
Supplemental disclosures of cash flow information for continuing and discontinued operations (see also Note 2):		
Cash paid during the year for		
Interest	$ 17,971	$ 45,236
Income taxes	18,211	21,819
Noncash investing and financing activities:		
Stock issued to Packard shareholders	595,280	--
Packard debt assumed	118,432	--
NEN debt assumed	--	48,262
Fair value of warrants issued in NEN acquisition	--	6,940

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: NATURE OF OPERATIONS AND ACCOUNTING POLICIES

Nature of Operations: PerkinElmer, Inc. is a global high technology company which designs, manufactures, markets and supports products, systems and service offerings within four major business segments: Life Sciences, Analytical

Instruments, Optoelectronics and Fluid Sciences. In July 2001, PerkinElmer, Inc. approved a plan to sell its Security and Detection Systems business, which is presented as discontinued operations in accordance with Accounting Principles Board (APB) Opinion No. 30, Reporting the Results of Operations -- Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions ("APB No. 30") (see Note 6).

In June 2002, the Company approved separate plans to dispose of its Telecom Components and Entertainment Lighting businesses. The Company has accounted for these businesses as discontinued operations in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, ("SFAS No. 144"); which the Company adopted as of the beginning of fiscal 2002.

The consolidated financial statements include the accounts of PerkinElmer, Inc. and its subsidiaries (the Company). All material intercompany balances and transactions have been eliminated in consolidation.

Accounting Policies and Estimates: The preparation of consolidated financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, the Company evaluates its estimates, including those related to bad debts, inventories, investments, intangible assets, income taxes, restructuring activities, pensions and other post-retirement benefits, and contingencies and litigation. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Sales: The majority of the Company's product sales are recorded at the time of shipment, when title and risk of ownership passes to the buyer and when persuasive evidence of an arrangement exists, the seller's price to the buyer is fixed or determinable and collectibility is reasonably assured. A provision is made at the time the related revenue is recognized for the cost of any installation obligations and the estimated cost of product warranties. When other significant obligations remain after products are delivered, including certain customer acceptance provisions, revenue is recognized only after such obligations are fulfilled. If a loss is anticipated on any contract, a provision for the entire loss is made immediately. Revenue related to the sale of maintenance contracts is deferred and amortized on a straight-line basis over the service period. Shipping and handling costs are reflected in both revenue and cost of goods sold to the extent they are billed to customers. In all other instances they are reflected as a component of cost of goods sold.

Inventories: Inventories, which include material, labor and manufacturing overhead, are valued at the lower of cost or market. Substantially all inventories are accounted for using the first-in, first-out (FIFO) method of determining inventory costs. Inventory quantities on-hand are regularly reviewed, and where necessary, provisions for excess and obsolete inventory are recorded based primarily on either the Company's estimated forecast of product demand and production requirements for the next twelve months or historical trailing twelve month usage. A significant increase in the demand for the Company's products could result in a short-term increase in the cost of inventory purchases while a significant decrease in demand could result in an increase in the amount of excess inventory quantities on hand requiring additional inventory write-downs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Allowance for Doubtful Accounts: The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

Property, Plant and Equipment: For financial statement purposes, the Company depreciates plant and equipment using the straight-line method over their estimated useful lives, which generally fall within the following ranges: buildings -- 10 to 25 years; leasehold improvements -- estimated useful life or remaining term of lease, whichever is shorter; machinery and equipment -- 3 to 7 years. Certain tooling costs are capitalized and amortized over a 3 year life, while diminimus costs are expensed. For income tax purposes, the Company depreciates plant and equipment over their estimated useful lives using accelerated methods.

Pension Plans: The Company's funding policy provides that payments to the U.S. pension trusts shall at least be equal to the minimum funding requirements of the Employee Retirement Income Security Act of 1974. Non-U.S. plans are accrued for, but generally not fully funded, and benefits are paid from operating funds.

Translation of Foreign Currencies: For foreign operations with functional currencies other than the U.S. dollar, asset and liability accounts are translated at current exchange rates; income and expenses are translated using weighted average exchange rates. Resulting translation adjustments, as well as gains and losses from certain intercompany transactions, are reported in a separate component of stockholders' equity. Translation adjustments for operations in highly inflationary economies and exchange gains and losses on transactions are included in earnings.

Intangible Assets: In accordance with Statement of Financial Accounting Standards (SFAS) No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, and APB Opinion No. 17, Intangible Assets, the Company reviews long-lived assets and all intangible assets, including goodwill, for impairment whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows of the operation to which the assets relate, to the carrying amount including associated intangible assets of such operation. If the operation is determined to be unable to recover the carrying amount of its assets, then intangible assets are written down first, followed by the other long-lived assets of the operation, to fair value. Fair value is determined based on discounted cash flows or appraised values, depending upon the nature of the assets. The Company adopted SFAS No. 144 in 2002. This standard is the successor to SFAS No. 121. The adoption has no impact on the Company.

Stock-Based Compensation: As allowed by SFAS No. 123, Accounting for Stock-Based Compensation, the Company has elected to account for stock-based compensation at intrinsic value with disclosure of the effects of fair value accounting on net income and earnings per share on a pro forma basis.

Investments and Marketable Securities: Investments where the Company does not have the ability to exercise significant influence, generally where ownership is less than 20%, are accounted for either in accordance with SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities or under the cost method. For public companies that have readily determinable fair values, the Company classifies its equity investments as either available-for-sale or trading. Should securities be classified as available for sale, the Company records these investments at their fair values with unrealized gains and losses included in "accumulated other comprehensive income loss." If investments are classified as trading, any unrealized gain or loss is recorded directly to the income statement. Under the cost method of accounting, investments in private companies are carried at cost and are adjusted only for other-than-temporary declines in fair value, distributions of earnings and additional investments.

Investments in business entities in which the Company does not have control, but has the ability to exercise significant influence over operating and financial policies, generally 20-50 percent ownership, are accounted for by the equity method. If the Company has disproportionate capital at risk and the equity method investee is recognizing losses, the Company re