PERKINELMER INC
Form 10-Q
August 06, 2013

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2013

or

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

For the transition period from ____________ to ____________

Commission File Number 001-5075

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨

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

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

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

As of August 1, 2013, there were outstanding 112,020,960 shares of common stock, $1 par value per share.

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PART I. FINANCIAL INFORMATION

Item 1. Unaudited Financial Statements

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

	Three Months Ended		Six Months Ended	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
	(In thousands, except per share data)			
Product revenue	$374,025	$364,243	$720,644	$721,436
Service revenue	169,272	157,547	328,031	311,244
Total revenue	543,297	521,790	1,048,675	1,032,680
Cost of product revenue	195,756	186,442	376,886	372,899
Cost of service revenue	105,242	96,554	204,605	188,973
Total cost of revenue	300,998	282,996	581,491	561,872
Selling, general and administrative expenses	148,755	149,735	300,252	306,584
Research and development expenses	34,603	34,069	68,780	66,693
Restructuring and contract termination charges, net	19,277	5,203	22,587	11,362
Operating income from continuing operations	39,664	49,787	75,565	86,169
Interest and other expense, net	12,865	11,358	24,905	24,188
Income from continuing operations before income taxes	26,799	38,429	50,660	61,981
(Benefit from) provision for income taxes	(137)	4,861	(8,565)	6,337
Income from continuing operations	26,936	33,568	59,225	55,644
Gain on disposition of discontinued operations before income taxes	613	482	521	1,017
(Benefit from) provision for income taxes on disposition of discontinued operations	(376)	417	(395)	459
Income from discontinued operations and dispositions	989	65	916	558
Net income	$27,925	$33,633	$60,141	$56,202
Basic earnings per share:				
Income from continuing operations	$0.24	$0.30	$0.53	$0.49
Income from discontinued operations and dispositions	0.01	0.00	0.01	0.00
Net income	$0.25	$0.30	$0.53	$0.50
Diluted earnings per share:				
Income from continuing operations	$0.24	$0.29	$0.52	$0.49
Income from discontinued operations and dispositions	0.01	0.00	0.01	0.00
Net income	$0.25	$0.29	$0.53	$0.49
Weighted average shares of common stock outstanding:				
Basic	111,575	113,515	112,515	113,306
Diluted	112,718	114,578	113,717	114,348
Cash dividends per common share	$0.07	$0.07	$0.14	$0.14

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

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

	Three Months Ended		Six Months Ended	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
	(In thousands)			
Net income	$27,925	$33,633	$60,141	$56,202
Other comprehensive (loss) income:				
Foreign currency translation adjustments	(1,201)	(30,344)	(14,704)	(16,578)
Reclassification adjustments for losses on derivatives included in net income, net of tax	299	299	598	598
Unrealized (losses) gains on securities, net of tax	(41)	(13)	(30)	22
Other comprehensive loss	(943)	(30,058)	(14,136)	(15,958)
Comprehensive income	$26,982	$3,575	$46,005	$40,244

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

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PERKINELMER, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2013	December 30, 2012
	(In thousands, except share and per share data)	
Current assets:		
Cash and cash equivalents	$112,470	$171,444
Accounts receivable, net	434,798	457,011
Inventories, net	259,470	247,688
Other current assets	99,767	95,611
Total current assets	906,505	971,754
Property, plant and equipment, net:		
At cost	528,051	513,479
Accumulated depreciation	(313,922)	(302,963)
Property, plant and equipment, net	214,129	210,516
Marketable securities and investments	1,139	1,149
Intangible assets, net	487,312	529,901
Goodwill	2,117,062	2,122,788
Other assets, net	85,137	65,654
Total assets	$3,811,284	$3,901,762
Current liabilities:		
Short-term debt	$2,215	$1,772
Accounts payable	170,122	168,943
Accrued restructuring and contract termination charges	32,641	21,364
Accrued expenses and other current liabilities	357,803	388,026
Current liabilities of discontinued operations	500	995
Total current liabilities	563,281	581,100
Long-term debt	1,001,858	938,824
Long-term liabilities	386,293	442,026
Total liabilities	1,951,432	1,961,950
Commitments and contingencies (see Note 19)		
Stockholders' equity:		
Preferred stock—$1 par value per share, authorized 1,000,000 shares; none issued or outstanding	—	—
Common stock—$1 par value per share, authorized 300,000,000 shares; issued and outstanding 111,999,000 shares and 115,036,000 shares at June 30, 2013 and at December 30, 2012, respectively	111,999	115,036
Capital in excess of par value	102,339	209,610
Retained earnings	1,593,057	1,548,573
Accumulated other comprehensive income	52,457	66,593
Total stockholders' equity	1,859,852	1,939,812
Total liabilities and stockholders' equity	$3,811,284	$3,901,762

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

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

	Six Months Ended	
	June 30, 2013	July 1, 2012
	(In thousands)	
Operating activities:		
Net income	$60,141	$56,202
Less: income from discontinued operations and dispositions, net of income taxes	(916)	(558)
Income from continuing operations	59,225	55,644
Adjustments to reconcile income from continuing operations to net cash provided by continuing operations:		
Restructuring and contract termination charges, net	22,587	11,362
Depreciation and amortization	62,810	64,163
Stock-based compensation	7,642	10,252
Amortization of deferred debt issuance costs, interest rate hedge and accretion of discounts	1,680	1,745
Amortization of acquired inventory revaluation	203	4,774
Changes in operating assets and liabilities which provided (used) cash, excluding effects from companies purchased and divested:		
Accounts receivable, net	14,630	13,473
Inventories, net	(17,550)	(12,652)
Accounts payable	3,478	1,645
Excess tax benefit from exercise of common stock options	—	(1,139)
Accrued expenses and other	(115,978)	(56,594)
Net cash provided by operating activities of continuing operations	38,727	92,673
Net cash provided by (used in) operating activities of discontinued operations	66	(744)
Net cash provided by operating activities	38,793	91,929
Investing activities:		
Capital expenditures	(22,852)	(11,449)
Proceeds from surrender of life insurance policies	220	—
Changes in restricted cash balances	—	200
Activity related to acquisitions and investments, net of cash and cash equivalents acquired	(49)	—
Net cash used in investing activities of continuing operations	(22,681)	(11,249)
Net cash provided by investing activities of discontinued operations	494	988
Net cash used in investing activities	(22,187)	(10,261)
Financing activities:		
Payments on revolving credit facility	(282,000)	(244,000)
Proceeds from revolving credit facility	340,000	210,000
Payments of debt issuance costs	—	(416)
Settlement of cash flow hedges	1,363	—
Net proceeds on other credit facilities	5,264	—
Payments for acquisition-related contingent consideration	—	(9,343)
Excess tax benefit from exercise of commons stock	—	1,139
Proceeds from issuance of common stock under stock plans	7,289	11,746
Purchases of common stock	(126,993)	(2,063)
Dividends paid	(15,892)	(15,891)

Net cash used in financing activities	(70,969)	(48,828)
Effect of exchange rate changes on cash and cash equivalents	(4,611)	(3,779)
Net (decrease) increase in cash and cash equivalents	(58,974)	29,061
Cash and cash equivalents at beginning of period	171,444	142,342
Cash and cash equivalents at end of period	$112,470	$171,403

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

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PERKINELMER, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1: Basis of Presentation

The condensed consolidated financial statements included herein have been prepared by PerkinElmer, Inc. (the "Company"), without audit, in accordance with accounting principles generally accepted in the United States of America (the "U.S." or the "United States") and pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information in the footnote disclosures of the financial statements has been condensed or omitted where it substantially duplicates information provided in the Company's latest audited consolidated financial statements, in accordance with the rules and regulations of the SEC. These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes included in its Annual Report on Form 10-K for the fiscal year ended December 30, 2012, filed with the SEC (the "2012 Form 10-K"). The balance sheet amounts at December 30, 2012 in this report were derived from the Company's audited 2012 consolidated financial statements included in the 2012 Form 10-K. The condensed consolidated financial statements reflect all adjustments that, in the opinion of management, are necessary to present fairly the Company's financial position, results of operations and cash flows for the periods indicated. The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts and classifications of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The results of operations for the three and six months ended June 30, 2013 and July 1, 2012, respectively, are not necessarily indicative of the results for the entire fiscal year or any future period.

The Company has evaluated subsequent events from June 30, 2013 through the date of the issuance of these condensed consolidated financial statements and has determined that no material subsequent events have occurred that would affect the information presented in these condensed consolidated financial statements or would require additional disclosure.

Recently Adopted Accounting Pronouncements: During the first quarter of fiscal year 2013 the Company adopted new guidance on additional disclosure requirements of other comprehensive income. This new guidance requires the presentation of reclassifications out of accumulated other comprehensive income on the face of the financial statements or as a separate disclosure in the notes to the financial statements. The reclassifications out of accumulated other comprehensive income and into net income were not material for the three and six months ended June 30, 2013. See Note 11 for additional details.

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

Note 2: Business Combinations

Acquisition of Haoyuan Biotech Co., Ltd. In November 2012, the Company acquired all outstanding stock of Shanghai Haoyuan Biotech Co., Ltd. ("Haoyuan"). Haoyuan is a provider of nucleic acid-based blood screening solutions for the blood banking and clinical diagnostics markets. The Company expects this acquisition to extend the Company's capabilities into nucleic acid blood screening, as well as deepen its position in the growing molecular clinical diagnostics market in China. The Company paid the shareholders of Haoyuan $38.0 million in cash for the stock of Haoyuan. The Company recorded a receivable of $2.7 million from the shareholders of Haoyuan as a reduction of purchase price for the settlement of certain contingencies. As of the closing date, the Company potentially had to pay the shareholders additional contingent consideration of up to $30.0 million, which at closing had an estimated fair value of $1.9 million. The excess of the purchase price over the fair value of the acquired net assets represents cost and revenue synergies specific to the Company, as well as non-capitalizable intangible assets, such as the employee workforce acquired, and has been allocated to goodwill, none of which is tax deductible. The Company reported the operations for this acquisition within the results of the Company's Human Health segment from the acquisition date.

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The total purchase price has been preliminarily allocated to the estimated fair values of assets acquired and liabilities assumed as follows:

	Haoyuan (Preliminary) (In thousands)
Fair value of business combination:	
Cash payments	$38,000
Contingent consideration	1,900
Working capital and other adjustments	(2,729)
Less cash acquired	(175)
Total	$36,996
Identifiable assets acquired and liabilities assumed:	
Current assets	$2,389
Property, plant and equipment	2,906
Identifiable intangible assets:	
Core technology	17,700
Trade names	400
IPR&D	300
Goodwill	19,682
Deferred taxes	(2,656)
Liabilities assumed	(3,725)
Total	$36,996

The weighted average amortization periods of identifiable definite-lived intangible assets for core technology and trade names were 8.0 years.

As of June 30, 2013, the purchase price allocation for the Haoyuan acquisition was preliminary. The preliminary allocation of the purchase price for the Haoyuan acquisition was based upon an initial valuation and the Company's estimates and assumptions underlying the initial valuation are subject to change within the measurement period (up to one year from the acquisition date). The primary areas of the preliminary purchase price allocation that are not yet finalized relate to the fair value of certain tangible and intangible assets acquired and liabilities assumed, assets and liabilities related to income taxes and related valuation allowances, and residual goodwill. The Company expects to continue to obtain information to assist in determining the fair values of the net assets acquired at the acquisition date during the measurement period. During the measurement period, the Company will adjust assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have resulted in the recognition of those assets and liabilities as of that date. Adjustments to the preliminary allocation of the purchase price during the measurement period require the revision of comparative prior period financial information when reissued in subsequent financial statements. The effect of adjustments to the allocation of the purchase price made during the measurement period would be as if the adjustments had been completed on the acquisition date. The effects of any such adjustments, if material, will cause changes in depreciation, amortization, or other income or expense recognized in prior periods. All changes that do not qualify as adjustments made during the measurement period are included in current period earnings.

Allocations of the purchase price for acquisitions are based on estimates of the fair value of the net assets acquired and are subject to adjustment upon finalization of the purchase price allocations. The accounting for business combinations requires estimates and judgments as to expectations for future cash flows of the acquired business, and the allocation of those cash flows to identifiable intangible assets, in determining the estimated fair values for assets acquired and liabilities assumed. The fair values assigned to tangible and intangible assets acquired and liabilities assumed, including contingent consideration, are based on management’s estimates and assumptions, as well as other information compiled by management, including valuations that utilize customary valuation procedures and techniques. Contingent consideration is measured at fair value at the acquisition date, based on the probability that revenue thresholds or product development milestones will be achieved during the earnout period, with changes in the fair value after the acquisition date affecting earnings to the extent it is to be settled in cash. Increases or decreases in the fair value of contingent consideration liabilities primarily result from changes in the estimated probabilities of achieving revenue thresholds or product development milestones during the earnout period. The Company may

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have to pay contingent consideration, related to all acquisitions with open contingency periods, of up to $36.8 million as of June 30, 2013. As of June 30, 2013, the Company has recorded contingent consideration obligations relating to these acquisitions, with an estimated fair value of $3.7 million. The earnout periods for each of these acquisitions do not exceed three years from the acquisition date. If the actual results differ from the estimates and judgments used in these fair values, the amounts recorded in the condensed consolidated financial statements could result in a possible impairment of the intangible assets and goodwill, require acceleration of the amortization expense of definite-lived intangible assets or the recognition of additional consideration which would be expensed.

Total transaction costs related to acquisition activities were $0.1 million for each of the three and six months ended June 30, 2013. Total transaction costs related to acquisition activities for the three and six months ended July 1, 2012 were $0.1 million and $0.3 million, respectively. These transaction costs were expensed as incurred and recorded in selling, general and administrative expenses in the Company's condensed consolidated statements of operations.

Note 3: Discontinued Operations

As part of the Company’s continuing efforts to focus on higher growth opportunities, the Company has discontinued certain businesses. The Company has accounted for these businesses as discontinued operations and, accordingly, has presented the results of operations and related cash flows as discontinued operations for all periods presented. Any remaining assets and liabilities of these businesses have been presented separately, and are reflected within the assets and liabilities from discontinued operations in the accompanying condensed consolidated balance sheets as of June 30, 2013 and December 30, 2012.

The Company recorded the following gains and losses, which have been reported as a gain on disposition of discontinued operations:

	Three Months Ended		Six Months Ended	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
	(In thousands)			
Gain on disposition of Photoflash business	$369	$485	$493	$992
Gain (loss) on disposition of other discontinued operations	244	(3)	28	25
Gain on disposition of discontinued operations before income taxes	$613	$482	$521	$1,017

In June 2010, the Company sold its Photoflash business, which was included in the Company's Environmental Health segment, for $13.5 million, including an adjustment for net working capital, plus potential additional contingent consideration. During the six months ended June 30, 2013, the Company recognized a pre-tax gain of $0.5 million for contingent consideration related to this sale. During the six months ended July 1, 2012, the Company recognized a pre-tax gain of $1.0 million for contingent consideration related to this sale. These gains were recognized as a gain on disposition of discontinued operations.

During the first six months of both fiscal years 2013 and 2012, the Company settled various commitments related to the divestiture of other discontinued operations. The Company recognized pre-tax gains in the first six months of both fiscal year 2013 and fiscal year 2012. These gains were recognized as a gain on disposition of discontinued operations.

The Company recorded tax benefits of $0.4 million on disposition of discontinued operations for both the three and six months ended June 30, 2013. The Company recorded tax provisions of $0.4 million and $0.5 million on disposition of discontinued operations for the three and six months ended July 1, 2012, respectively.

Note 4: Restructuring and Contract Termination Charges, Net

The Company has undertaken a series of restructuring actions related to the impact of acquisitions and divestitures, alignment with the Company’s growth strategy and the integration of its business units. The current portion of restructuring and contract termination charges, is recorded in accrued restructuring and contract termination charges, and the long-term portion of restructuring and contract termination charges, is recorded in long-term liabilities. The activities associated with these plans have been reported as restructuring and contract termination charges, net, and are included as a component of operating expenses from continuing operations.

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A description of the restructuring plans and the activity recorded for the six months ended June 30, 2013 is listed below. Details of the plans initiated in previous years, particularly those listed under "Previous Restructuring and Integration Plans," are discussed more fully in Note 4 to the audited consolidated financial statements in the 2012 Form 10-K.
The restructuring plan for the second quarter of fiscal year 2013 was principally intended to shift certain of the Company's operations into a newly established shared service center as well as realign operations, research and development resources and production resources as a result of previous acquisitions. The restructuring plan for the first quarter of fiscal year 2013 was principally intended to focus resources on higher growth end markets. The restructuring plan for the fourth quarter of fiscal year 2012 was principally intended to shift resources to higher growth geographic regions and end markets. The restructuring plan for the third quarter of fiscal year 2012 was principally intended to shift certain of the Company's operations into a newly established shared service center. The restructuring plans for the first and second quarters of fiscal year 2012 were principally intended to realign operations, research and development resources and production resources as a result of previous acquisitions.

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

Q2 2013 Restructuring Plan
During the second quarter of fiscal year 2013, the Company's management approved a plan to shift certain of the Company's operations into a newly established shared service center as well as realign operations, research and development resources, and production resources as a result of previous acquisitions (the "Q2 2013 Plan"). As a result of the Q2 2013 Plan, the Company recognized a $9.9 million pre-tax restructuring charge in the Human Health segment related to a workforce reduction from reorganization activities and the closure of excess facility space and recognized a $8.8 million pre-tax restructuring charge in the Environmental Health segment related to a workforce reduction from reorganization activities and the closure of excess facility space. The Company expects to recognize an additional $0.6 million of incremental restructuring expense in future periods as services are provided for one-time termination benefits in which the employee is required to render service until termination in order to receive the benefits. This expense will be recognized ratably over the required service period. As part of the Q2 2013 Plan, the Company will reduce headcount by 265 employees. All employees were notified of termination under the Q2 2013 Plan by June 30, 2013.

The following table summarizes the Q2 2013 Plan activity for the six months ended June 30, 2013:

	Severance	Closure of Excess Facility Space	Total
	(In thousands)		
Provision	$18,163	$572	$18,735
Amounts paid and foreign currency translation	(395)	(389)	(784)
Balance at June 30, 2013	$17,768	$183	$17,951

The Company anticipates that the remaining severance payments of $17.8 million for workforce reductions will be substantially completed by the end of the fourth quarter of fiscal year 2014. The Company also anticipates that the remaining payments of $0.2 million for the closure of the facility space will be paid through fiscal year 2013, in accordance with the terms of the applicable leases.

Q1 2013 Restructuring Plan
During the first quarter of fiscal year 2013, the Company's management approved a plan to focus resources on higher growth end markets (the "Q1 2013 Plan"). As a result of the Q1 2013 Plan, the Company recognized a $2.3 million pre-tax restructuring charge in the Human Health segment related to a workforce reduction from reorganization activities and recognized a $0.2 million pre-tax restructuring charge in the Environmental Health segment related to a

workforce reduction from reorganization activities. As part of the Q1 2013 Plan, the Company reduced headcount by 62 employees. All employees were notified of termination under the Q1 2013 Plan by March 31, 2013.

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The following table summarizes the Q1 2013 Plan activity for the six months ended June 30, 2013:

	Severance (In thousands)
Provision	$2,585
Amounts paid and foreign currency translation	(1,841)
Balance at June 30, 2013	$744

The Company anticipates that the remaining severance payments of $0.7 million for workforce reductions will be substantially completed by the end of the fourth quarter of fiscal year 2014.

Q4 2012 Restructuring Plan

During the fourth quarter of fiscal year 2012, the Company's management approved a plan to shift resources to higher growth geographic regions and end markets (the "Q4 2012 Plan"). As a result of the Q4 2012 Plan, and during fiscal year 2012, the Company recognized a $0.6 million pre-tax restructuring charge in the Human Health segment related to a workforce reduction from reorganization activities and recognized a $2.4 million pre-tax restructuring charge in the Environmental Health segment related to a workforce reduction from reorganization activities. As part of the Q4 2012 Plan, the Company reduced headcount by 54 employees. All employees were notified of termination under the Q4 2012 Plan by December 30, 2012.

The following table summarizes the Q4 2012 Plan activity for the six months ended June 30, 2013:

	Severance (In thousands)
Balance at December 30, 2012	$2,682
Amounts paid and foreign currency translation	(1,670)
Balance at June 30, 2013	$1,012

The Company anticipates that the remaining severance payments of $1.0 million for workforce reductions will be substantially completed by the end of the second quarter of fiscal year 2014.

Q3 2012 Restructuring Plan

During the third quarter of fiscal year 2012, the Company's management approved a plan to shift certain of the Company's operations into a newly established shared service center (the "Q3 2012 Plan"). As a result of the Q3 2012 Plan, and during fiscal year 2012, the Company recognized $3.9 million pre-tax restructuring charges in each of the Human Health and Environmental Health segments related to a workforce reduction from reorganization activities. During the six months ended June 30, 2013, the Company recorded a pre-tax restructuring reversal of $0.2 million in each of the Human Health and Environmental Health segments due to lower than expected costs associated with remaining severance payments. As part of the Q3 2012 Plan, the Company reduced headcount by 66 employees. All employees were notified of termination under the Q3 2012 Plan by September 30, 2012.

The following table summarizes the Q3 2012 Plan activity for the six months ended June 30, 2013:

	Severance (In thousands)
Balance at December 30, 2012	$7,553
Change in estimates	(446)
Amounts paid and foreign currency translation	(2,466)
Balance at June 30, 2013	$4,641

The Company anticipates that the remaining severance payments of $4.6 million for workforce reductions will be substantially completed by the end of the fourth quarter of fiscal year 2014.

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Q2 2012 Restructuring Plan

During the second quarter of fiscal year 2012, the Company's management approved a plan to realign operations, research and development resources, and production resources as a result of previous acquisitions (the "Q2 2012 Plan"). As a result of the Q2 2012 Plan, and during fiscal year 2012, the Company recognized a $7.2 million pre-tax restructuring charge in the Human Health segment related to a workforce reduction from reorganization activities and recognized a $0.2 million pre-tax restructuring charge in the Environmental Health segment related to a workforce reduction from reorganization activities. During the six months ended June 30, 2013, the Company recognized a $1.9 million pre-tax restructuring charge in the Human Health segment related to a workforce reduction from reorganization activities and a $0.1 million pre-tax restructuring reversal in the Environmental Health segment due to lower than expected costs associated with remaining severance payments. The Company expects to recognize an additional $0.4 million of incremental restructuring expense in future periods as services are provided for one-time termination benefits in which the employee is required to render service until termination in order to receive the benefits. This expense will be recognized ratably over the required service period. As part of the Q2 2012 Plan, the Company will reduce headcount by 203 employees. All employees were notified of termination under the Q2 2012 Plan by July 1, 2012.

The following table summarizes the Q2 2012 Plan activity for the six months ended June 30, 2013:

	Severance (In thousands)
Balance at December 30, 2012	$4,586
Provision	1,805
Amounts paid and foreign currency translation	(3,366)
Balance at June 30, 2013	$3,025

The Company anticipates that the remaining severance payments of $3.0 million for workforce reductions will be substantially completed by the end of the fourth quarter of fiscal year 2013.

Q1 2012 Restructuring Plan

During the first quarter of fiscal year 2012, the Company's management approved a plan to realign operations and production resources as a result of previous acquisitions (the "Q1 2012 Plan"). As a result of the Q1 2012 Plan, and during fiscal year 2012, the Company recognized a $5.4 million pre-tax restructuring charge in the Human Health segment related to a workforce reduction from reorganization activities and the closure of excess facility space and recognized a $1.0 million pre-tax restructuring charge in the Environmental Health segment related to a workforce reduction from reorganization activities. The Company expects to recognize no additional incremental restructuring expense in future periods as all services were provided for one-time termination benefits in which the employee was required to render service until termination in order to receive the benefits. As part of the Q1 2012 Plan, the Company reduced headcount by 112 employees. All employees were notified of termination and the Company completed all actions related to the closure of excess facility space under the Q1 2012 Plan by April 1, 2012.

The following table summarizes the Q1 2012 Plan activity for the six months ended June 30, 2013:

	Severance (In thousands)
Balance at December 30, 2012	$1,281
Change in estimates	30
Amounts paid and foreign currency translation	(513)
Balance at June 30, 2013	$798

The Company anticipates that the remaining severance payments of $0.8 million for workforce reductions will be substantially completed by the end of the fourth quarter of fiscal year 2013. The closure of the excess facility space will not require any additional payments.

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Previous Restructuring and Integration Plans

The principal actions of the restructuring and integration plans from fiscal years 2001 through 2011 were workforce reductions related to the integration of the Company's businesses in order to reduce costs and achieve operational efficiencies as well as workforce reductions in both the Human Health and Environmental Health segments by shifting resources into geographic regions and end markets that are more consistent with the Company's growth strategy. During the six months ended June 30, 2013, the Company paid $1.4 million related to these plans and recorded a reversal of $0.3 million primarily related to lower than expected costs associated with workforce reductions within the Environmental Health segment. As of June 30, 2013, the Company had $9.3 million of remaining liabilities associated with these restructuring and integration plans, primarily for residual lease obligations related to closed facilities and remaining severance payments for workforce reductions in both the Human Health and Environmental Health segments. The Company expects to make payments for these leases, the terms of which vary in length, through fiscal year 2022.

Contract Termination Charges

The Company has terminated various contractual commitments in connection with certain disposal activities and has recorded charges, to the extent applicable, for the costs of terminating these contracts before the end of their terms and the costs that will continue to be incurred for the remaining terms without economic benefit to the Company. The Company recorded an additional pre-tax charge of $0.2 million and made payments for these obligations of $0.7 million in the first six months of fiscal year 2013. The remaining balance of these accruals as of June 30, 2013 was $0.1 million.

Note 5: Interest and Other Expense, Net

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

	Three Months Ended		Six Months Ended	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
	(In thousands)			
Interest income	$(64)	$(150)	$(169)	$(360)
Interest expense	11,913	11,339	23,606	22,776
Other expense, net	1,016	169	1,468	1,772
Total interest and other expense, net	$12,865	$11,358	$24,905	$24,188

Note 6: Inventories, Net

Inventories as of June 30, 2013 and December 30, 2012 consisted of the following:

	June 30, 2013	December 30, 2012
	(In thousands)	
Raw materials	$93,114	$74,924
Work in progress	15,754	12,768
Finished goods	150,602	159,996
Total inventories, net	$259,470	$247,688

Note 7: Income Taxes

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

At June 30, 2013, the Company had gross tax effected unrecognized tax benefits of $50.9 million, of which $44.3 million, if recognized, would affect the continuing operations effective tax rate. The remaining amount, if recognized, would affect discontinued operations.

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The Company believes that it is reasonably possible that $3.8 million of its uncertain tax positions at June 30, 2013, including accrued interest and penalties, and net of tax benefits, may be recognized over the next twelve months as a result of an aggregate $1.4 million lapse in applicable statutes of limitations and settlements of $2.4 million. Various tax years after 2005 remain open to examination by certain jurisdictions in which the Company has significant business operations, such as China, Finland, Germany, Italy, Netherlands, Singapore, the United Kingdom and the United States. The tax years under examination vary by jurisdiction.

During the first six months of fiscal year 2013, the Company recorded net discrete income tax benefits of $15.4 million primarily for reversals of uncertain tax position reserves and resolution of other tax matters, which includes $9.4 million of reversals as a result of lapses in statutes of limitations during the first quarter of fiscal year 2013.

As a result of the Caliper acquisition, the Company concluded in fiscal year 2011 that certain foreign operations did not require the same level of capital as previously expected, and therefore the Company planned to repatriate approximately $350.0 million of previously unremitted earnings and has provided for the estimated taxes on the repatriation of those earnings. As a result of the planned repatriation, the Company recorded an increase to the Company’s tax provision of $79.7 million in continuing operations in fiscal year 2011. The Company expects to utilize tax attributes, primarily those acquired in the Caliper acquisition, to minimize the cash taxes paid on the repatriation. As of June 30, 2013, the Company had completed the repatriation of the $350.0 million of foreign earnings. The Company continues to maintain its indefinite reinvestment assertion with regards to the remaining unremitted earnings of its foreign subsidiaries, and therefore does not accrue U.S. tax for the repatriation of its remaining unremitted foreign earnings.

Note 8: Debt

Senior Unsecured Revolving Credit Facility. The Company's senior unsecured revolving credit facility provides for $700.0 million of revolving loans and has an initial maturity of December 16, 2016. As of June 30, 2013, undrawn letters of credit in the aggregate amount of $12.3 million were treated as issued and outstanding under the senior unsecured revolving credit facility. As of June 30, 2013, the Company had $371.7 million available for additional borrowing under the facility. The Company uses the senior unsecured revolving credit facility for general corporate purposes, which may include working capital, refinancing existing indebtedness, capital expenditures, share repurchases, acquisitions and strategic alliances. The interest rates under the senior unsecured revolving credit facility are based on the Eurocurrency rate at the time of borrowing plus a margin, or the base rate from time to time. The base rate is the higher of (i) the rate of interest in effect for such day as publicly announced from time to time by Bank of America, N.A. as its "prime rate," (ii) the Federal Funds rate plus 50 basis points or (iii) one-month Libor plus 1.00%. The Eurocurrency margin as of June 30, 2013 was 130 basis points. The weighted average Eurocurrency interest rate as of June 30, 2013 was 0.19%, resulting in a weighted average effective Eurocurrency rate, including the margin, of 1.49%, which is the interest applicable to borrowings outstanding under the Eurocurrency rate as of June 30, 2013. At June 30, 2013 and December 30, 2012, the Company had $316.0 million and $258.0 million, respectively, of borrowings in U.S. Dollars outstanding under the senior unsecured revolving credit facility with interest based primarily on the above described Eurocurrency rate. The credit agreement for the facility contains affirmative, negative and financial covenants and events of default customary for financings of this type and similar to those contained in the Company's credit agreement for its previous facility. The financial covenants in the Company's senior unsecured revolving credit facility include a debt-to-capital ratio, two contingent covenants, a maximum consolidated leverage ratio and a minimum consolidated interest coverage ratio, applicable if the Company's credit rating is downgraded below investment grade.

6% Senior Unsecured Notes due 2015. On May 30, 2008, the Company issued $150.0 million aggregate principal amount of senior unsecured notes due 2015 (the “2015 Notes”) in a private placement and received $150.0 million of proceeds from the issuance. The 2015 Notes mature in May 2015 and bear interest at an annual rate of 6%. Interest on the 2015 Notes is payable semi-annually on May 30th and November 30th each year. The Company may redeem some or all of the 2015 Notes at any time, at its option, at a make-whole redemption price plus accrued and unpaid interest. The indenture governing the 2015 Notes includes financial covenants of debt-to-capital ratios and a contingent multiple of total debt to earnings ratio, applicable only if the Company's credit rating is downgraded below investment grade.

5% Senior Unsecured Notes due 2021. On October 25, 2011, the Company issued $500.0 million aggregate principal amount of senior unsecured notes due 2021 (the “2021 Notes”) in a registered public offering and received approximately $496.9 million of net proceeds from the issuance. The 2021 Notes were issued at 99.372% of the principal amount, which resulted in a discount of $3.1 million. The 2021 Notes mature in November 2021 and bear interest at an annual rate of 5%. Interest on the 2021 Notes is payable semi-annually on May 15th and November 15th each year. Prior to August 15, 2021 (three months prior to their maturity date), the Company may redeem the 2021 Notes in whole or in part, at its option, at a redemption price equal to the greater of (i) 100% of the principal amount of the 2021 Notes to be redeemed, plus accrued and unpaid interest, or (ii) the sum of the present values of the remaining scheduled payments of principal and interest in respect to the 2021 Notes being redeemed, discounted on a semi-annual basis, at the Treasury Rate plus 45 basis points, plus accrued and

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unpaid interest. At any time on or after August 15, 2021 (three months prior to their maturity date), the Company may redeem the 2021 Notes, at its option, at a redemption price equal to 100% of the principal amount of the 2021 Notes to be redeemed plus accrued and unpaid interest. Upon a change of control (as defined in the indenture governing the 2021 Notes) and a contemporaneous downgrade of the 2021 Notes below investment grade, each holder of 2021 Notes will have the right to require the Company to repurchase such holder's 2021 Notes for 101% of their principal amount, plus accrued and unpaid interest.

Financing Lease Obligations. In September 2012, the Company entered into agreements with the lessors of buildings that the Company is currently occupying and leasing to expand those buildings. The Company provided a portion of the funds needed for the construction of the additions to the buildings, which resulted in the Company being considered the owner of the buildings during the construction period. At the end of the construction period, the Company will not be reimbursed by the lessors for all of the construction costs. The Company is therefore deemed to have continuing involvement and the leases will qualify as financing leases under sale-leaseback accounting guidance, representing debt obligations for the Company and non-cash investing and financing activities. As a result, the Company capitalized $29.3 million in property and equipment, net, representing the fair value of the buildings with a corresponding increase to debt. The Company has capitalized $11.8 million of the expected $15.0 million in additional construction costs to complete the renovations to the buildings, which were partially funded by the lessors. At June 30, 2013, the Company had $40.8 million recorded for these financing lease obligations, of which $2.2 million was recorded as short-term debt and $38.6 million was recorded as long-term debt. At December 30, 2012, the Company had $34.6 million recorded for these financing lease obligations, of which $1.7 million was recorded as short-term debt and $32.9 million was recorded as long-term debt. The buildings are being depreciated on a straight-line basis over the terms of the leases to their estimated residual values, which will equal the remaining financing obligation at the end of the lease term. At the end of the lease term, the remaining balances in property, plant and equipment, net and debt will be reversed against each other.

Note 9: Earnings Per Share

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

	Three Months Ended		Six Months Ended	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
	(In thousands)			
Number of common shares—basic	111,575	113,515	112,515	113,306
Effect of dilutive securities:				
Stock options	913	824	981	825
Restricted stock awards	230	239	221	217
Number of common shares—diluted	112,718	114,578	113,717	114,348
Number of potentially dilutive securities excluded from calculation due to antidilutive impact	535	1,457	507	1,482

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

Note 10: Industry Segment Information

The Company discloses information about its operating segments based on the way that management organizes the segments within the Company for making operating decisions and assessing financial performance. The Company evaluates the performance of its operating segments based on revenue and operating income. Intersegment revenue and transfers are not significant. The Company's management reviews the results of the Company's operations by the Human Health and Environmental Health operating segments. The accounting policies of the operating segments are the same as those described in Note 1 to the audited consolidated financial statements in the 2012 Form 10-K.

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The Company realigned its organization at the beginning of fiscal year 2013. The Company's field service for products previously sold by its former Bio-discovery business, as well as its Informatics business, was moved from the Environmental Health segment into the Human Health segment. The results reported for the three and six months ended June 30, 2013 reflect this new alignment of the Company's operating segments. Financial information in this report relating to the three and six months ended July 1, 2012 has been retrospectively adjusted to reflect the changes to the operating segments. The principal products and services of these two operating segments are:

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

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

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

	Three Months Ended		Six Months Ended	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
	(In thousands)			
Human Health				
Product revenue	$235,924	$226,764	$454,997	$446,546
Service revenue	64,019	60,989	126,275	121,985
Total revenue	299,943	287,753	581,272	568,531
Operating income from continuing operations	30,076	30,353	55,096	48,564
Environmental Health				
Product revenue	138,101	137,479	265,647	274,890
Service revenue	105,253	96,558	201,756	189,259
Total revenue	243,354	234,037	467,403	464,149
Operating income from continuing operations	19,298	29,344	40,026	59,473
Corporate				
Operating loss from continuing operations[1]	(9,710)	(9,910)	(19,557)	(21,868)
Continuing Operations				
Product revenue	$374,025	$364,243	$720,644	$721,436
Service revenue	169,272	157,547	328,031	311,244
Total revenue	543,297	521,790	1,048,675	1,032,680
Operating income from continuing operations	39,664	49,787	75,565	86,169
Interest and other expense, net (see Note 5)	12,865	11,358	24,905	24,188
Income from continuing operations before income taxes	$26,799	$38,429	$50,660	$61,981

[1] The expenses related to the mark-to-market adjustment on postretirement benefit plans have been included in the Corporate operating loss from continuing operations, and together constituted a pre-tax gain of $0.05 million and a

pre-tax loss of $1.2 million for the six months ended June 30, 2013 and July 1, 2012, respectively. There were no expenses related to the mark-to-market adjustment on postretirement benefit plans for either the three months ended June 30, 2013 or July 1, 2012.

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Note 11: Stockholders’ Equity

Comprehensive Income:

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

	June 30, 2013	December 30, 2012
	(In thousands)	
Foreign currency translation adjustments	$52,823	$67,527
Unrecognized prior service costs, net of income taxes	2,087	2,087
Unrealized and realized losses on derivatives, net of income taxes	(2,294)	(2,892)
Unrealized net losses on securities, net of income taxes	(159)	(129)
Accumulated other comprehensive income	$52,457	$66,593

During the six months ended June 30, 2013, pre-tax losses of $1.0 million were reclassified from accumulated other comprehensive income into interest and other expense, net related to previously settled cash flow hedges. The Company recognized a tax provision of $0.4 million related to these amounts reclassified out of accumulated other comprehensive income for the six months ended June 30, 2013.

Stock Repurchase Program:

On October 24, 2012, the Board authorized the Company to repurchase up to 6.0 million shares of common stock under a stock repurchase program (the "Repurchase Program"). The Repurchase Program will expire on October 24, 2014 unless terminated earlier by the Board, and may be suspended or discontinued at any time. During the first six months of fiscal year 2013, the Company repurchased 3.6 million shares of common stock in the open market at an aggregate cost of $123.0 million, including commissions, under the Repurchase Program. As of June 30, 2013, 2.4 million shares of the Company’s common stock remained available for repurchase from the 6.0 million shares authorized by the Board under the Repurchase Program.

The Board has authorized the Company to repurchase shares of common stock to satisfy minimum statutory tax withholding obligations in connection with the vesting of restricted stock awards and restricted stock unit awards granted pursuant to the Company’s equity incentive plans. During the first six months of fiscal year 2013, the Company repurchased 116,346 shares of common stock for this purpose at an aggregate cost of $4.0 million. The repurchased shares have been reflected as additional authorized but unissued shares, with the payments reflected in common stock and capital in excess of par value.

Dividends:

The Board declared a regular quarterly cash dividend of $0.07 per share for each of the first two quarters of fiscal year 2013 and for each quarter of fiscal year 2012. At June 30, 2013, the Company had accrued $7.8 million for dividends declared on June 13, 2013 for the second quarter of fiscal year 2013, payable in August 2013. On July 26, 2013, the Company announced that the Board had declared a quarterly dividend of $0.07 per share for the third quarter of fiscal year 2013 that will be payable in November 2013. In the future, the Board may determine to reduce or eliminate the Company’s common stock dividend in order to fund investments for growth, repurchase shares or conserve capital resources.

Note 12: Stock Plans

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

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The following table summarizes total pre-tax compensation expense recognized related to the Company's stock options, restricted stock, restricted stock units, performance units and stock grants, net of estimated forfeitures, included in the Company's condensed consolidated statements of operations for the three and six months ended June 30, 2013 and July 1, 2012:

	Three Months Ended		Six Months Ended	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
	(In thousands)			
Cost of product and service revenue	$307	$304	$620	$580
Research and development expenses	211	185	426	361
Selling, general and administrative expenses	2,708	4,287	6,596	9,311
Total stock-based compensation expense	$3,226	$4,776	$7,642	$10,252

The total income tax benefit recognized in the condensed consolidated statements of operations for stock-based compensation was $1.0 million and $2.4 million for the three and six months ended June 30, 2013, respectively. The total income tax benefit recognized in the condensed consolidated statements of operations for stock-based compensation was $1.5 million and $3.4 million for the three and six months ended July 1, 2012, respectively. Stock-based compensation costs capitalized as part of inventory were $0.3 million as of both June 30, 2013 and July 1, 2012. The excess tax benefit recognized from stock awards, classified as a financing cash activity, was zero and $1.1 million for the six months ended June 30, 2013 and July 1, 2012, respectively.

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

	Three and Six Months Ended	
	June 30, 2013	July 1, 2012
Risk-free interest rate	0.9%	0.6%
Expected dividend yield	0.8%	1.2%
Expected lives	5 years	4 years
Expected stock volatility	38.5%	38.7%

The following table summarizes stock option activity for the six months ended June 30, 2013:

	Number of Shares (In thousands)	Weighted-Average Price	Weighted-Average Remaining Contractual Term (In years)	Total Intrinsic Value (In millions)
Outstanding at December 30, 2012	4,266	$21.64		
Granted	518	33.62		
Exercised	(336)	21.68		
Canceled	(7)	22.63		
Forfeited	(299)	22.39		
Outstanding at June 30, 2013	4,142	$23.08	3.7	$40.4
Exercisable at June 30, 2013	2,960	$20.81	2.8	$35.3
Vested and expected to vest in the future	4,091	$23.02	3.7	$40.2

The weighted-average per-share grant-date fair value of options granted for the three and six months ended June 30, 2013 was $9.82 and $10.82, respectively. The weighted-average per-share grant-date fair value of options granted for the three and six months ended July 1, 2012 was $7.73 and $7.35, respectively. The total intrinsic value of options exercised for the three and six months ended June 30, 2013 was $1.0 million and $4.1 million, respectively. The total intrinsic value of options exercised for the three and six months ended July 1, 2012 was $0.9 million and $5.2 million, respectively. Cash received from option exercises for the six months ended June 30, 2013 and July 1, 2012 was $7.3 million and $11.7 million, respectively.

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The total compensation expense recognized related to the Company's outstanding options was $0.8 million and $2.1 million for the three and six months ended June 30, 2013, respectively, and $1.3 million and $2.5 million for the three and six months ended July 1, 2012, respectively.
There was $8.0 million of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested stock options granted as of June 30, 2013. This cost is expected to be recognized over a weighted-average period of 2.1 years and will be adjusted for any future changes in estimated forfeitures.
Restricted Stock Awards: The following table summarizes restricted stock award activity for the six months ended June 30, 2013:

	Number of Shares	Weighted-Average Grant-Date Fair Value
	(In thousands)	
Nonvested at December 30, 2012	781	$24.71
Granted	272	33.70
Vested	(310)	23.20
Forfeited	(50)	28.92
Nonvested at June 30, 2013	693	$28.61

The weighted-average per-share grant-date fair value of restricted stock awards granted during the three and six months ended June 30, 2013 was $32.34 and $33.70, respectively. The weighted-average per-share grant-date fair value of restricted stock awards granted during the three and six months ended July 1, 2012 was $25.55 and $25.83, respectively. The fair value of restricted stock awards vested for the three and six months ended June 30, 2013 was $0.3 million and $7.2 million, respectively. The fair value of restricted stock awards vested for the three and six months ended July 1, 2012 was $1.3 million and $4.2 million, respectively. The total compensation expense recognized related to the Company's outstanding restricted stock awards was $1.7 million and $3.9 million for the three and six months ended June 30, 2013, respectively, and $2.2 million and $4.1 million for the three and six months ended July 1, 2012, respectively.
As of June 30, 2013, there was $12.9 million of total unrecognized compensation cost, net of forfeitures, related to nonvested restricted stock awards. That cost is expected to be recognized over a weighted-average period of 1.6 years.
Performance Units: The Company granted 98,056 and 122,675 performance units during the six months ended June 30, 2013 and July 1, 2012, respectively, as part of the Company's executive incentive program. The weighted-average per-share grant-date fair value of performance units granted during the six months ended June 30, 2013 and July 1, 2012 was $34.06 and $26.18, respectively. The total compensation expense recognized related to these performance units was zero and $0.9 million for the three and six months ended June 30, 2013, respectively, and $0.6 million and $2.8 million for the three and six months ended July 1, 2012, respectively. As of June 30, 2013, there were 282,044 performance units outstanding and subject to forfeiture, with a corresponding liability of $4.5 million recorded in accrued expenses and other current liabilities.
Stock Awards: The Company generally grants stock awards only to non-employee members of the Board. The Company granted 3,263 shares and 3,580 shares to each non-employee member of the Board during the six months ended June 30, 2013 and July 1, 2012, respectively. The Company also granted 955 shares to a new non-employee member of the Board during the six months ended July 1, 2012. The weighted-average per-share grant-date fair value of the stock award granted during the six months ended June 30, 2013 and July 1, 2012 was $30.65 and $27.87, respectively. The total compensation expense recognized related to these stock awards was $0.7 million for each of the three and six months ended June 30, 2013 and July 1, 2012.
Employee Stock Purchase Plan: During the six months ended June 30, 2013, the Company issued 89,521 shares of common stock under the Company's Employee Stock Purchase Plan at a weighted-average price of $30.51 per share. At June 30, 2013, an aggregate of 1.1 million shares of the Company's common stock remained available for sale to

employees out of the 5.0 million shares authorized by shareholders for issuance under this plan.

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Note 13: Goodwill and Intangible Assets, Net

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

As discussed in Note 10, the Company realigned its organization at the beginning of fiscal year 2013, which resulted in a change in the composition of the Company's reporting units and reportable segments. The Company's field service for products previously sold by its former Bio-discovery business, as well as its Informatics business, was moved from the Environmental Health segment into the Human Health segment. The results reported for this quarter reflect this new alignment of the Company's operating segments. Financial information in this report relating to fiscal year 2012 has been retrospectively adjusted to reflect the changes to the operating segments. As a result of the realignment, the Company reallocated goodwill from the Environmental Health segment to the Human Health segment based on the relative fair value, determined using the income approach, of the businesses within the historical Environmental Health segment. The change resulted in $215.7 million of goodwill being allocated from the Environmental Health segment to the Human Health segment as of December 30, 2012.

The process of testing goodwill for impairment involves the determination of the fair value of the applicable reporting units. The test consists of a two-step process. The first step is the comparison of the fair value to the carrying value of the reporting unit to determine if the carrying value exceeds the fair value. The second step measures the amount of an impairment loss, and is only performed if the carrying value exceeds the fair value of the reporting unit. The Company performed its annual impairment testing for its reporting units as of January 1, 2013, its annual impairment date for fiscal year 2013, and concluded based on the first step of the process that there was no goodwill impairment. The fair values of each of the Company's reporting units were substantially in excess of their carrying values.

The Company has consistently employed the income approach to estimate the current fair value when testing for impairment of goodwill. A number of significant assumptions and estimates are involved in the application of the income approach to forecast operating cash flows, including markets and market share, sales volumes and prices, costs to produce, tax rates, capital spending, discount rate and working capital changes. Cash flow forecasts are based on approved business unit operating plans for the early years’ cash flows and historical relationships in later years. The income approach is sensitive to changes in long-term terminal growth rates and the discount rates. The long-term terminal growth rates are consistent with the Company’s historical long-term terminal growth rates, as the current economic trends are not expected to affect the long-term terminal growth rates of the Company. The long-term terminal growth rates for the Company’s reporting units ranged from 4.5% to 6.0% for the fiscal year 2013 impairment analysis. The range for the discount rates for the reporting units was 10.5% to 12.0%. Keeping all other variables constant, a 10.0% change in any one of the input assumptions for the various reporting units would still allow the Company to conclude, based on the first step of the process, that there was no impairment of goodwill.

The Company has consistently employed the relief from royalty model to estimate the current fair value when testing for impairment of non-amortizing intangible assets. The impairment test consists of a comparison of the fair value of the non-amortizing intangible asset with its carrying amount. If the carrying amount of a non-amortizing intangible asset exceeds its fair value, an impairment loss in an amount equal to that excess is recognized. In addition, the Company currently evaluates the remaining useful life of its non-amortizing intangible assets at least annually to determine whether events or circumstances continue to support an indefinite useful life. If events or circumstances indicate that the useful lives of non-amortizing intangible assets are no longer indefinite, the assets will be tested for impairment. These intangible assets will then be amortized prospectively over their estimated remaining useful lives and accounted for in the same manner as other intangible assets that are subject to amortization. The Company performed its annual impairment testing as of January 1, 2013, and concluded that there was no impairment of non-amortizing intangible assets. An assessment of the recoverability of amortizing intangible assets takes place when events have occurred that may give rise to an impairment. No such events occurred during the first six months of fiscal year 2013.

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The changes in the carrying amount of goodwill for the period ended June 30, 2013 from December 30, 2012 were as follows:

	Human Health	Environmental Health	Consolidated
	(In thousands)		
Balance at December 30, 2012	$1,632,487	$490,301	$2,122,788
Foreign currency translation	(3,694)	(2,670)	(6,364)
Acquisitions and other	—	638	638
Balance at June 30, 2013	$1,628,793	$488,269	$2,117,062

Identifiable intangible asset balances at June 30, 2013 and December 30, 2012 by category were as follows:

	June 30, 2013	December 30, 2012
	(In thousands)	
Patents	$107,647	$107,969
Less: Accumulated amortization	(90,947)	(89,954)
Net patents	16,700	18,015
Trade names and trademarks	36,769	37,694
Less: Accumulated amortization	(14,480)	(13,886)
Net trade names and trademarks	22,289	23,808
Licenses	76,512	80,607
Less: Accumulated amortization	(48,022)	(47,368)
Net licenses	28,490	33,239
Core technology	403,462	407,545
Less: Accumulated amortization	(262,246)	(248,510)
Net core technology	141,216	159,035
Customer relationships	330,290	327,637
Less: Accumulated amortization	(127,860)	(108,384)
Net customer relationships	202,430	219,253
IPR&D	7,421	7,463
Less: Accumulated amortization	(1,818)	(1,496)
Net IPR&D	5,603	5,967
Net amortizable intangible assets	416,728	459,317
Non-amortizing intangible assets:		
Trade names and trademarks	70,584	70,584
Total	$487,312	$529,901

Total amortization expense related to definite-lived intangible assets was $22.3 million and $44.8 million for the three and six months ended June 30, 2013, respectively, and $23.3 million and $46.7 million for the three and six months July 1, 2012, respectively. Estimated amortization expense related to definite-lived intangible assets for each of the next five years is $44.5 million for the remainder of fiscal year 2013, $79.3 million for fiscal year 2014, $65.9 million for fiscal year 2015, $57.0 million for fiscal year 2016, and $45.9 million for fiscal year 2017.

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The Company entered into a strategic agreement in fiscal year 2012 under which it acquired certain intangible assets and received a license to certain core technology for an analytics and data discovery platform, as well as the exclusive right to distribute the platform in certain scientific research and development markets. During fiscal year 2012, the Company paid $6.8 million for net intangible assets and $25.0 million for prepaid royalties. During the six months of fiscal year 2013, the Company paid $12.9 million for prepaid royalties. In July 2013, the Company extended the existing agreement, expanded the distribution rights to the clinical market and acquired additional intangible assets. The Company expects to pay $30.0 million for intangible assets and prepaid royalties within the next twelve months. Royalties are expected to be expensed as revenue is recognized. These intangible assets are being amortized over their estimated useful lives. The Company has reported the amortization of these intangible assets within the results of the Company's Human Health segment from the execution date.

Note 14: Warranty Reserves

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

Warranty reserve activity for the three and six months ended June 30, 2013 and July 1, 2012 is summarized below:

	Three Months Ended		Six Months Ended	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
	(In thousands)			
Balance beginning of period	$10,827	$10,749	$11,003	$10,412
Provision charged to income	4,173	4,271	8,513	8,897
Payments	(3,843)	(4,193)	(8,667)	(9,040)
Adjustments to previously provided warranties, net	(688)	30	(323)	487
Foreign currency translation and acquisitions	(18)	(232)	(75)	(131)
Balance end of period	$10,451	$10,625	$10,451	$10,625

Note 15: Employee Postretirement Benefit Plans

The following table summarizes the components of net periodic benefit (credit) cost for the Company's various defined benefit employee pension and postretirement plans for the three and six months ended June 30, 2013 and July 1, 2012:

	Defined Benefit Pension Benefits		Postretirement Medical Benefits	
	Three Months Ended			
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
	(In thousands)			
Service cost	$916	$977	$28	$28
Interest cost	5,298	5,792	36	37
Expected return on plan assets	(6,253)	(5,140)	(241)	(219)
Amortization of prior service costs	(67)	(60)	—	—
Net periodic benefit (credit) cost	$(106)	$1,569	$(177)	$(154)

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	Defined Benefit Pension Benefits		Postretirement Medical Benefits	
	Six Months Ended			
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
	(In thousands)			
Service cost	$1,841	$1,957	$56	$56
Interest cost	10,613	11,607	72	74
Expected return on plan assets	(12,517)	(10,282)	(482)	(438)
Amortization of prior service	(134)	(120)	—	—
Net periodic benefit (credit) cost	$(197)	$3,162	$(354)	$(308)

During the first six months of fiscal year 2013, the Company made contributions of $37.0 million for the 2012 plan year to its defined benefit pension plan in the United States. The Company contributed $15.7 million, in the aggregate, to plans outside of the United States during the first six months of fiscal year 2013, including an additional contribution of $10.0 million to its defined benefit pension plan in the United Kingdom.

Note 16: Derivatives and Hedging Activities

The Company uses derivative instruments as part of its risk management strategy only, and includes derivatives utilized as economic hedges that are not designated as hedging instruments. By nature, all financial instruments involve market and credit risks. The Company enters into derivative instruments with major investment grade financial institutions and has policies to monitor the credit risk of those counterparties. The Company does not enter into derivative contracts for trading or other speculative purposes, nor does the Company use leveraged financial instruments. Approximately 60% of the Company's business is conducted outside of the United States, generally in foreign currencies. The fluctuations in foreign currency can increase the costs of financing, investing and operating the business. The intent of these economic hedges is to offset gains and losses that occur on the underlying exposures from these currencies, with gains and losses resulting from the forward currency contracts that hedge these exposures.

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

Principal hedged currencies include the British Pound, Canadian Dollar, Euro, Japanese Yen and Singapore Dollar. The Company held forward foreign exchange contracts, designated as fair value hedges, with U.S. equivalent notional amounts totaling $69.0 million, $64.3 million and $61.7 million at June 30, 2013, December 30, 2012 and July 1, 2012, respectively, and the approximate fair value of these foreign currency derivative contracts was insignificant. The gains and losses realized on foreign currency derivative contracts are not material. The duration of these contracts was generally 30 days or less during both fiscal years 2013 and 2012.

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

In May 2008, the Company settled forward interest rate contracts with notional amounts totaling $150.0 million upon the issuance of its 2015 Notes, and recognized $8.4 million, net of taxes of $5.4 million, of accumulated derivative losses in other comprehensive (loss) income. As of June 30, 2013, the balance remaining in accumulated other comprehensive income related to the effective cash flow hedges was a loss of $2.3 million, net of taxes of $1.5 million. The Company amortized a pre-tax loss of $1.0 million into interest and other expense, net during each of the six months ended June 30, 2013 and July 1, 2012, respectively. The derivative losses are being amortized into interest and other expense, net when the hedged exposure affects interest and other expense, net.

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Assuming current market conditions continue, a $2.0 million pre-tax loss is expected to be reclassified from accumulated other comprehensive income into interest and other expense, net within the next 12 months.

Note 17: Fair Value Measurements

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments, marketable securities and accounts receivable. The Company believes it had no significant concentrations of credit risk as of June 30, 2013.

The Company uses the market approach technique to value its financial instruments and there were no changes in valuation techniques during the six months ended June 30, 2013. The Company's financial assets and liabilities carried at fair value are primarily comprised of marketable securities, derivative contracts used to hedge the Company's currency risk, and acquisition-related contingent consideration. The Company has not elected to measure any additional financial instruments or other items at fair value.

Valuation Hierarchy: The following summarizes the three levels of inputs required to measure fair value. For Level 1 inputs, the Company utilizes quoted market prices as these instruments have active markets. For Level 2 inputs, the Company utilizes quoted market prices in markets that are not active, broker or dealer quotations, or utilizes alternative pricing sources with reasonable levels of price transparency. For Level 3 inputs, the Company utilizes unobservable inputs based on the best information available, including estimates by management primarily based on information provided by third-party fund managers, independent brokerage firms and insurance companies. A financial asset's or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

The following tables show the assets and liabilities carried at fair value measured on a recurring basis as of June 30, 2013 and December 30, 2012 classified in one of the three classifications described above:

	Fair Value Measurements at June 30, 2013 Using:			
	Total Carrying Value at June 30, 2013	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)			
Marketable securities	$1,139	$ 1,139	$ —	$—
Foreign exchange derivative assets	483	—	483	—
Foreign exchange derivative liabilities	(84)	—	(84)	—
Contingent consideration	(3,715)	—	—	(3,715)

	Fair Value Measurements at December 30, 2012 Using:			
	Total Carrying Value at December 30, 2012	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)			
Marketable securities	$1,149	$ 1,149	$ —	$—
Foreign exchange derivative assets	274	—	274	—
Foreign exchange derivative liabilities	(294)	—	(294)	—
Contingent consideration	(3,017)	—	—	(3,017)

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

Level 1 and Level 2 financial assets and liabilities.
Marketable securities: Include equity and fixed-income securities measured at fair value using the quoted market prices at the reporting date.

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Foreign exchange derivative assets and liabilities: Include foreign exchange derivative contracts that are valued using quoted forward foreign exchange prices at the reporting date.

The Company has classified its net liabilities for contingent consideration relating to its acquisitions of ID Biological Systems, Inc., Dexela Limited, Haoyuan and Tetra Teknolojik Sistemler Limited Sirketi within Level 3 of the fair value hierarchy because the fair value is determined using significant unobservable inputs, which included probability weighted cash flows. A description of the significant acquisitions is included within Note 2 to the Company's audited consolidated financial statements filed with the 2012 Form 10-K. Contingent consideration is measured at fair value at the acquisition date, based on the probability that revenue thresholds or product development milestones will be achieved during the earnout period. Increases or decreases in the fair value of contingent consideration liabilities primarily result from changes in the estimated probabilities of achieving revenue thresholds or product development milestones during the earnout period. The Company may have to pay contingent consideration, related to all acquisitions with open contingency periods, of up to $36.8 million as of June 30, 2013. As of June 30, 2013, the Company has recorded contingent consideration obligations relating to these acquisitions, with an estimated fair value of $3.7 million at June 30, 2013. The earnout periods for each of these acquisitions do not exceed three years from the acquisition date.

A reconciliation of the beginning and ending Level 3 net liabilities is as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2013	July 1, 2012	June 30, 2013	July 1, 2012
	(In thousands)			
Balance beginning of period	$(2,727)	$(20,636)	$(3,017)	$(20,298)
Additions	(1,100)	—	(1,100)	—
Amounts paid and foreign currency translation	—	13,646	64	13,646
Change in fair value (included within selling, general and administrative expenses)	112	(325)	338	(663)
Balance end of period	$(3,715)	$(7,315)	$(3,715)	$(7,315)

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value due to the short-term maturities of these assets and liabilities. If measured at fair value, cash and cash equivalents would be classified as Level 1.

The Company’s senior unsecured revolving credit facility, with a $700.0 million available limit, had amounts outstanding of $316.0 million and $258.0 million as of June 30, 2013 and December 30, 2012, respectively. The interest rate on the Company’s senior unsecured revolving credit facility is reset at least monthly to correspond to variable rates that reflect currently available terms and conditions for similar debt. The Company had no change in credit standing during the first six months of fiscal year 2013. Consequently, the carrying value of the current year and prior year credit facilities approximate fair value and would be classified as Level 2.

The Company’s 2015 Notes, with a face value of $150.0 million, had an aggregate carrying value of $150.0 million and a fair value of $160.9 million as of June 30, 2013. The 2015 Notes had an aggregate carrying value of $150.0 million and a fair value of $165.4 million as of December 30, 2012. The Company's 2021 Notes, with a face value of $500.0 million, had an aggregate carrying value of $497.3 million, net of $2.7 million of unamortized original issue discount, and a fair value of $533.1 million as of June 30, 2013. The 2021 Notes had an aggregate carrying value of $497.2 million, net of $2.8 million of unamortized original issue discount, and a fair value of $558.3 million as of December 30, 2012. The fair values of the 2015 Notes and the 2021 Notes are estimated using market quotes from brokers, or are based on current rates offered for similar debt. The Company's financing lease obligations had an aggregate carrying value of $40.8 million as of June 30, 2013 and approximated the fair value given the timing of the recognition of these obligations to the balance sheet date. As of June 30, 2013, the 2015 Notes, 2021 Notes and financing lease obligations were classified as Level 2.

As of June 30, 2013, there has not been any significant impact to the fair value of the Company’s derivative liabilities due to credit risk. Similarly, there has not been any significant adverse impact to the Company’s derivative assets based on the evaluation of its counterparties’ credit risks.

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Note 18: Leases

On July 18, 2013, the Company entered into a purchase and sale agreement for the sale of one of its facilities located in Boston, Massachusetts for $49.5 million. Under the terms of this agreement, simultaneously with the closing of the sale of the property, the Company will enter into a lease agreement to lease back the property for its continued use. The lease has an initial term of 15 years commencing upon the execution of the lease and the Company has the right to extend the term of the lease for two additional periods of ten years each. The Company expects the lease to be accounted for as an operating lease and that the excess of the net proceeds over the net carrying amount of the property will be amortized on a straight-line basis over the initial lease term of 15 years. These transactions are subject to customary closing conditions, including satisfactory completion of a due diligence period, and are expected to close in the third quarter of fiscal year 2013.

Note 19: Contingencies

The Company is conducting a number of environmental investigations and remedial actions at current and former locations of the Company and, along with other companies, has been named a potentially responsible party ("PRP") for certain waste disposal sites. The Company accrues for environmental issues in the accounting period that the Company's responsibility is established and when the cost can be reasonably estimated. The Company has accrued $6.2 million as of June 30, 2013, which represents management's estimate of the total cost of the ultimate remediation of known environmental matters, and does not include any potential liability for related personal injury or property damage claims. This amount is not discounted and does not reflect the recovery of any amounts through insurance or indemnification arrangements. These cost estimates are subject to a number of variables, including the stage of the environmental investigations, the magnitude of the possible contamination, the nature of the potential remedies, possible joint and several liability, the time period over which remediation may occur, and the possible effects of changing laws and regulations. For sites where the Company has been named a PRP, management does not currently anticipate any additional liability to result from the inability of other significant named parties to contribute. The Company expects that the majority of such accrued amounts could be paid out over a period of up to ten years. As assessment and remediation activities progress at each individual site, these liabilities are reviewed and adjusted to reflect additional information as it becomes available. There have been no environmental problems to date that have had, or are expected to have, a material adverse effect on the Company's condensed consolidated financial statements. While it is possible that a loss exceeding the amounts recorded in the condensed consolidated financial statements may be incurred, the potential exposure is not expected to be materially different from those amounts recorded.

Enzo Biochem, Inc. and Enzo Life Sciences, Inc. (collectively, "Enzo") filed a complaint dated October 23, 2002 in the United States District Court for the Southern District of New York, Civil Action No. 02-8448, seeking injunctive and monetary relief against Amersham plc, Amersham BioSciences, PerkinElmer, Inc., PerkinElmer Life Sciences, Inc., Sigma-Aldrich Corporation, Sigma Chemical Company, Inc., Molecular Probes, Inc., and Orchid BioSciences, Inc. The complaint alleges that the Company breached its distributorship and settlement agreements with Enzo, infringed Enzo's patents, engaged in unfair competition and fraud, and committed torts against Enzo by, among other things, engaging in commercial development and exploitation of Enzo's patented products and technology, separately and together with the other defendants. The Company filed an answer and a counterclaim alleging that Enzo's patents are invalid. In 2007, after the court issued a decision in 2006 regarding the construction of the claims in Enzo's patents that effectively limited the coverage of certain of those claims and, the Company believes, excluded certain of the Company's products from the coverage of Enzo's patents, summary judgment motions were filed by the defendants. The case was assigned to a new district court judge in January 2009 and in March 2009, the new judge denied the pending summary judgment motions without prejudice and ordered a stay of the case until the federal appellate court decided Enzo's appeal of the judgment of the United States District Court for the District of Connecticut in Enzo Biochem vs. Applera Corp. and Tropix, Inc. (the "Connecticut Case"), which involved a number of the same patents and which could materially affect the scope of Enzo's case against the Company. In March 2010, the United States Court of Appeals for the Federal Circuit affirmed-in-part and reversed-in-part the judgment in the Connecticut Case. The district court permitted the Company and the other defendants to jointly file a motion for summary judgment on certain patent and other issues common to all of the defendants. On September 12, 2012, the court granted in part and denied in part the Company's motion for summary judgment of non-infringement. On December 21, 2012, the Company filed a second motion for summary judgment on claims that were not addressed in the first motion. The second motion is pending.

The Company believes it has meritorious defenses to the matter described above, and it is contesting the action vigorously. While this matter is subject to uncertainty, in the opinion of the Company’s management, based on its review of the information available at this time, the resolution of this matter will not have a material adverse effect on the Company’s condensed consolidated financial statements.

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The Company is also subject to various other claims, legal proceedings and investigations covering a wide range of matters that arise in the ordinary course of its business activities. Although the Company has established accruals for potential losses that it believes are probable and reasonably estimable, in the opinion of the Company’s management, based on its review of the information available at this time, the total cost of resolving these other contingencies at June 30, 2013 should not have a material adverse effect on the Company’s condensed consolidated financial statements. However, each of these matters is subject to uncertainties, and it is possible that some of these matters may be resolved unfavorably to the Company.

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

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

Overview

We are a leading provider of products, services and solutions to the diagnostics, research, environmental, industrial and laboratory services markets. Through our advanced technologies, solutions, and services, we address critical issues that help to improve the health and safety of people and their environment.

We realigned our organization at the beginning of fiscal year 2013. Our field service for products previously sold by our former Bio-discovery business, as well as our Informatics business, were moved from our Environmental Health segment into our Human Health segment. The results reported for the three and six months ended June 30, 2013 reflect this new alignment of our operating segments. Financial information in this report relating to the three and six months ended July 1, 2012 has been retrospectively adjusted to reflect the changes in our operating segments. The principal products and services of our two operating segments are:

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

As a result of the realignment, we reallocated goodwill from the Environmental Health segment to the Human Health segment based on the relative fair value, determined using the income approach, of the businesses within the historical Environmental Health segment. The change resulted in $215.7 million of goodwill being allocated from the Environmental Health segment to the Human Health segment as of December 30, 2012.

Overview of the Second Quarter of Fiscal Year 2013

Our fiscal year ends on the Sunday nearest December 31. We report fiscal years under a 52/53 week format, and as a result certain fiscal years will contain 53 weeks. Both our 2013 and 2012 fiscal years include 52 weeks.

Our overall revenue in the second quarter of fiscal year 2013 was $543.3 million and increased $21.5 million, or 4%, as compared to the second quarter of fiscal year 2012, reflecting an increase of $12.2 million, or 4%, in our Human Health segment revenue and an increase of $9.3 million, or 4%, in our Environmental Health segment revenue. The increase in our Human Health segment revenue during the three months ended June 30, 2013 was due to growth generated from our informatics offerings and in-vivo business in the research market, as well as our screening business within the diagnostics market. The increase in our Environmental Health segment revenue during the three months ended June 30, 2013 was primarily due to an increase in our OneSource multivendor service offerings within our lab services market.

In our Human Health segment during the second quarter of fiscal year 2013 as compared to the second quarter of fiscal year 2012, we experienced growth in the research market as demand increased for our informatics offerings and our in-vivo imaging systems. In the diagnostics market we experienced growth from continued expansion of our prenatal, newborn and infectious disease screening solutions in key regions outside the United States, particularly in emerging markets such as the Middle East and Africa, and in Korea. This growth was partially offset by slight declines in our medical imaging business, despite the continued growth for our complementary metal-oxide-semiconductor imaging technology for industrial non-destructive testing applications. As the rising cost of healthcare continues to be one of the critical issues facing our customers, we anticipate that the benefits of providing earlier detection of disease, which can result in savings of long-term health care costs as well as create better outcomes for patients, are increasingly valued and we expect to see continued growth in these markets.

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In our Environmental Health segment, our laboratory services business offers services designed to enable our customers to increase efficiencies and production time, while reducing maintenance costs, all of which continue to be critical for our customers. During the second quarter of fiscal year 2013, we continued to grow our laboratory services business by the addition of new customers to our OneSource multivendor service offering. In the second quarter of fiscal year 2013, as compared to the second quarter of fiscal year 2012, we had a slight increase in demand across most of our products in the environmental and safety and industrial markets, partially offset by declines in our inorganic analysis solutions, such as our NexION® mass spectrometer. We anticipate that the continued development of contaminant regulations and corresponding testing protocols will result in increased demand for efficient, analytically sensitive and information rich testing solutions.

Our consolidated gross margins decreased 117 basis points in the second quarter of fiscal year 2013, as compared to the second quarter of fiscal year 2012, due to pricing pressure, unfavorable changes in product mix, with an increase in sales of lower gross margin product offerings, and inflation, which were partially offset by cost containment and productivity improvements. Our consolidated operating margins decreased 224 basis points in the second quarter of fiscal year 2013, as compared to the second quarter of fiscal year 2012, primarily as a result of lower gross margins and restructuring activities, partially offset by cost containment and productivity initiatives.

We believe we are well positioned to continue to take advantage of the spending trends in our end markets and to promote our efficiencies in markets where current conditions may increase demand for certain services. Overall, we believe that our strategic focus on Human Health and Environmental Health coupled with our breadth of end markets, deep portfolio of technologies and applications, leading market positions, global scale and financial strength will provide us with a foundation for growth.

Critical Accounting Policies and Estimates

The preparation of condensed 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 revenue recognition, warranty costs, bad debts, inventories, accounting for business combinations and dispositions, long-lived assets, income taxes, restructuring, pensions and other postretirement benefits, contingencies and litigation. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are those policies that affect our more significant judgments and estimates used in the preparation of our condensed consolidated financial statements. We believe our critical accounting policies include our policies regarding revenue recognition, warranty costs, allowances for doubtful accounts, inventory valuation, business combinations, value of long-lived assets, including goodwill and other intangibles, employee compensation and benefits, restructuring activities, gains or losses on dispositions and income taxes.

For a more detailed discussion of our critical accounting policies and estimates, please refer to the Notes to our Audited Consolidated Financial Statements and Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in our Annual Report on Form 10-K for the fiscal year ended December 30, 2012 (our “2012 Form 10-K”), as filed with the Securities and Exchange Commission (the "SEC"). There have been no significant changes in our critical accounting policies and estimates during the six months ended June 30, 2013.

Consolidated Results of Continuing Operations

Revenue

Revenue for the three months ended June 30, 2013 was $543.3 million, as compared to $521.8 million for the three months ended July 1, 2012, an increase of $21.5 million, or 4%, which includes an approximate 0.03% decrease in revenue attributable to unfavorable changes in foreign exchange rates and an approximate 2% increase from acquisitions. The analysis in the remainder of this paragraph compares segment revenue for the three months ended June 30, 2013 as compared to the three months ended July 1, 2012 and includes the effect of foreign exchange rate fluctuations and acquisitions. Our Human Health segment revenue increased $12.2 million, or 4%, due to an increase in research market revenue of $9.1 million and an increase in diagnostics market revenue of $3.1 million. Our Environmental Health segment revenue increased $9.3 million, or 4%, due to an increase in laboratory services market revenue of $8.8 million and increases in environmental and safety and industrial markets revenue of $0.5 million. As a result of adjustments to deferred revenue related to certain acquisitions required by business combination rules, we did not recognize $3.8 million of revenue for the three months ended June 30, 2013 and $10.5 million for the three months ended July 1, 2012 that otherwise would have been recorded by the acquired businesses during each of the respective periods.

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Revenue for the six months ended June 30, 2013 was $1,048.7 million, as compared to $1,032.7 million for the six months ended July 1, 2012, an increase of $16.0 million, or 2%, which includes an approximate 1% decrease in revenue attributable to unfavorable changes in foreign exchange rates and an approximate 1% increase from acquisitions. The analysis in the remainder of this paragraph compares segment revenue for the six months ended June 30, 2013 as compared to the six months ended July 1, 2012 and includes the effect of foreign exchange rate fluctuations and acquisitions. Our Human Health segment revenue increased $12.7 million, or 2%, due to an increase in diagnostics market revenue of $10.3 million and an increase in research market revenue of $2.4 million. Our Environmental Health segment revenue increased $3.3 million, or 1%, due to an increase in laboratory services market revenue of $12.8 million, partially offset by decreases in environmental and safety and industrial markets revenue of $9.5 million. As a result of adjustments to deferred revenue related to certain acquisitions required by business combination rules, we did not recognize $5.7 million of revenue for the six months ended June 30, 2013 and $16.9 million for the six months ended July 1, 2012 that otherwise would have been recorded by the acquired businesses during each of the respective periods.

Cost of Revenue

Cost of revenue for the three months ended June 30, 2013 was $301.0 million, as compared to $283.0 million for the three months ended July 1, 2012, an increase of $18.0 million, or 6%. As a percentage of revenue, cost of revenue increased to 55.4% for the three months ended June 30, 2013, from 54.2% for the three months ended July 1, 2012, resulting in a decrease in gross margin of 117 basis points to 44.6% for the three months ended June 30, 2013, from 45.8% for the three months ended July 1, 2012. Amortization of intangible assets decreased and was $12.7 million for the three months ended June 30, 2013, as compared to $12.9 million for the three months ended July 1, 2012. Stock-based compensation expense was $0.3 million for each of the three months ended June 30, 2013 and July 1, 2012. The amortization of purchase accounting adjustments to record the inventory from certain acquisitions was $0.1 million for the three months ended June 30, 2013, as compared to $0.3 million for the three months ended July 1, 2012. In addition to the above, the overall decrease in gross margin was primarily the result of pricing pressure and unfavorable changes in product mix with an increase in sales of lower gross margin product offerings, partially offset by cost containment and productivity improvements.

Cost of revenue for the six months ended June 30, 2013 was $581.5 million, as compared to $561.9 million for the six months ended July 1, 2012, an increase of $19.6 million, or 3%. As a percentage of revenue, cost of revenue increased to 55.5% for the six months ended June 30, 2013, from 54.4% for the six months ended July 1, 2012, resulting in a decrease in gross margin of 104 basis points to 44.5% for the six months ended June 30, 2013, from 45.6% for the six months ended July 1, 2012. Amortization of intangible assets decreased and was $25.6 million for the six months ended June 30, 2013, as compared to $25.9 million for the six months ended July 1, 2012. Stock-based compensation expense was $0.6 million for each of the six months ended June 30, 2013 and July 1, 2012. The amortization of purchase accounting adjustments to record the inventory from certain acquisitions was $0.2 million for the six months ended