PerkinElmer, Inc. and Subsidiaries
ADJUSTED EARNINGS PER SHARE AND COMBINED ADJUSTED EARNINGS PER SHARE (1) (2)

Additional Supplemental Information (1):

(per share, continuing operations)

	Three Months Ended		Twelve Months Ended	
	January 1, 2023	January 2, 2022	January 1, 2023	January 2, 2022
GAAP EPS from continuing operations	$ 0.77	$ 1.45	$ 4.06	$ 7.62
Amortization of intangible assets	0.71	0.77	2.93	2.20
Debt extinguishment costs	(0.02)	-	(0.02)	-
Purchase accounting adjustments	0.00	0.18	0.36	0.35
Acquisition and divestiture-related costs	0.11	0.07	0.32	0.69
Change in fair value of financial securities	0.01	(0.02)	0.12	(0.09)
Asset impairment	-	-	-	0.03
Significant litigation matters and settlements	0.00	0.00	(0.00)	0.00
Disposition of businesses and assets, net	(0.02)	-	(0.02)	(0.02)
Mark to market on postretirement benefits	(0.18)	(0.18)	(0.18)	(0.20)
Restructuring and other, net	(0.01)	0.03	0.11	0.12
Tax on above items	(0.07)	(0.17)	(0.84)	(0.66)
Significant tax items	0.12	0.29	0.10	0.44
Adjusted EPS from Continuing Operations	**1.41**	**2.42**	**6.92**	**10.49**
GAAP EPS from discontinued operations	$ 0.24	$ 0.05	$ 0.45	$ 0.46
Amortization of intangible assets included in discontinued operations	-	0.06	0.13	0.29
Purchase accounting adjustments	-	0.00	0.00	0.00
Acquisition and divestiture-related costs included in discontinued operations	0.24	0.07	0.61	0.20
Significant litigation matters and settlements	-	0.00	-	0.00
Mark to market on postretirement benefits	(0.05)	(0.01)	(0.05)	(0.01)
Restructuring and other, net included in discontinued operations	(0.00)	(0.00)	0.10	0.02
Pro Forma depreciation expense on assets held for sale	(0.03)	-	(0.05)	-
Tax on above items	(0.12)	(0.03)	(0.17)	(0.09)
Less non-AES income tax items in discontinued operations	0.00	0.00	0.00	0.00
Significant tax items	-	-	-	-
Adjusted EPS from AES	**$ 0.28**	**$ 0.14**	**$ 1.03**	**$ 0.87**
Combined Adjusted EPS including the results of AES	**$ 1.70**	**$ 2.56**	**$ 7.95**	**$ 11.36**

(1) amounts may not sum due to rounding

(2) This page of this document has been updated from the version published on February 14, 2023, for amounts in the PerkinElmer, Inc. 10-K for the year ended January 1, 2023, which was filed on March 1, 2023.

PerkinElmer, Inc. and Subsidiaries
ADJUSTED REVENUE AND OPERATING INCOME & COMBINED ADJUSTED REVENUE AND OPERATING INCOME (1)

	Three Months Ended		Twelve Months Ended	
(In thousands, except percentages)	January 1, 2023	January 2, 2022	January 1, 2023	January 2, 2022
Adjusted Revenue and Operating Income Combined with AES				
Reported revenue	$ 741,214	$ 1,027,910	$ 3,311,822	$ 3,827,808
Revenue purchase accounting adjustments	205	202	814	2,648
Adjusted revenue	741,419	1,028,112	3,312,636	3,830,456
Reported operating income from continued operations	137,469	299,847	742,699	1,258,457
OP%	*18.5%*	*29.2%*	*22.4%*	*32.9%*
Amortization of intangible assets	90,169	97,923	370,638	256,569
Purchase accounting adjustments	87	22,186	45,681	40,993
Acquisition and divestiture-related costs	13,961	8,429	39,826	62,760
Asset impairment	-	-	-	3,868
Significant litigation matters and settlements	5	2	(627)	2
Restructuring and other, net	(1,863)	3,841	13,580	14,358
Adjusted operating income	239,828	432,228	1,211,797	1,637,007
OP%	*32.3%*	*42.0%*	*36.6%*	*42.7%*
AES reported revenue	347,554	336,415	1,298,376	1,239,361
AES reported operating income from continued operations	31,771	10,297	68,413	73,921
OP%	*9.1%*	*3.1%*	*5.3%*	*6.0%*
Amortization of intangible assets	-	7,638	16,984	33,664
Purchase accounting adjustments	-	295	6	295
Acquisition and divestiture-related costs	30,176	8,581	77,212	23,647
AES depreciation addback	(3,545)	-	(5,908)	-
Significant litigation matters and settlements	-	101	-	101
Restructuring and other, net	(425)	(427)	12,706	2,074
AES Adjusted operating income	57,977	26,485	169,413	133,702
OP%	*16.7%*	*7.9%*	*13.0%*	*10.8%*
Combined reported revenue	1,088,768	1,364,325	4,610,198	5,067,169
Revenue purchase accounting adjustments	205	202	814	2,648
Combined adjusted revenue	1,088,973	1,364,527	4,611,012	5,069,817
Combined operating income from continued operations	169,240	310,144	811,112	1,332,378
OP%	*15.5%*	*22.7%*	*17.6%*	*26.3%*
Amortization of intangible assets	90,169	105,561	387,622	290,233
Purchase accounting adjustments	87	22,481	45,687	41,288
Acquisition and divestiture-related costs	44,137	17,010	117,038	86,407
AES depreciation addback	(3,545)	-	(5,908)	-
Asset impairment	-	-	-	3,868
Significant litigation matters and settlements	5	103	(627)	103
Restructuring and other, net	(2,288)	3,414	26,286	16,432
Combined adjusted operating income	$ 297,805	$ 458,713	$ 1,381,210	$ 1,770,709
OP%	*27.3%*	*33.6%*	*30.0%*	*34.9%*
Combined DAS Revenue and Segment Operating Income				
Combined DAS	694,979	654,913	2,591,285	2,137,079
Diagnostics	393,994	709,614	2,019,727	2,932,738
Revenue purchase accounting adjustments	(205)	(202)	(814)	(2,648)
Combined revenue	1,088,768	1,364,325	4,610,198	5,067,169
Combined DAS	203,559	143,873	672,656	415,304
	29.3%	*22.0%*	*26.0%*	*19.4%*
Diagnostics	113,004	334,540	781,985	1,432,769
	28.7%	*47.1%*	*38.7%*	*48.9%*
Corporate	(18,758)	(19,700)	(73,431)	(77,364)
Subtotal reportable segments combined with AES	297,805	458,713	1,381,210	1,770,709
Amortization of intangible assets	(90,169)	(105,561)	(387,622)	(290,233)
Purchase accounting adjustments	(87)	(22,481)	(45,687)	(41,288)
Acquisition and divestiture-related costs	(44,137)	(17,010)	(117,038)	(86,407)
AES depreciation addback	3,545	-	5,908	-
Asset impairment	-	-	-	(3,868)
Significant litigation matters and settlements	(5)	(103)	627	(103)
Restructuring and other, net	2,288	(3,414)	(26,286)	(16,432)
Combined operating income from continued operations	$ 169,240	$ 310,144	$ 811,112	$ 1,332,378

REPORTED REVENUE AND REPORTED OPERATING INCOME (LOSS) PREPARED IN ACCORDANCE WITH GAAP

PerkinElmer, Inc. and Subsidiaries

Q4 2022 ORGANIC GROWTH [1]

	Continuing Operations Three Months Ended January 1, 2023
Organic revenue growth:	
Reported revenue growth from continuing operations	-28%
Less: effect of foreign exchange rates	-5%
Less: effect of acquisitions including purchase accounting adjustments and impact of divested businesses	0%
Organic revenue growth from continuing operations	-23%
Less: effect of COVID products	-31%
Non-COVID organic revenue growth from continuing operations	8%

	Combined PKI Three Months Ended January 1, 2023
Combined organic revenue growth:	
Reported revenue growth from continuing operations	-28%
Plus: effect of discontinued operations	8%
Less: effect of foreign exchange rates	-5%
Less: effect of acquisitions including purchase accounting adjustments and impact of divested businesses	0%
Combined organic revenue growth	-15%
Less: effect of COVID products	-23%
Combined non-COVID organic revenue growth	8%

	DAS Three Months Ended January 1, 2023
Organic revenue growth:	
Reported revenue growth continuing operations	9%
Less: effect of foreign exchange rates	-4%
Less: effect of acquisitions including purchase accounting adjustments and impact of divested businesses	0%
Organic revenue growth from continuing operations	13%

	Combined DAS Three Months Ended January 1, 2023
Combined organic revenue growth:	
Reported revenue growth from DAS continuing operations	9%
Plus: effect of discontinued operations	-3%
Less: effect of foreign exchange rates	-5%
Less: effect of acquisitions including purchase accounting adjustments and impact of divested businesses	0%
Combined organic revenue growth	11%

	Diagnostics Three Months Ended January 1, 2023
Organic revenue growth:	
Reported revenue growth continuing operations	-44%
Less: effect of foreign exchange rates	-5%
Less: effect of acquisitions including purchase accounting adjustments and impact of divested businesses	0%
Organic revenue growth from continuing operations	-39%
Less: effect of COVID products	-43%
Non-COVID organic revenue growth from continuing operations	4%

(1) amounts may not sum due to rounding

PerkinElmer, Inc. and Subsidiaries

FY 2022 ORGANIC GROWTH [1]

	Continuing Operations Twelve Months Ended January 1, 2023
Organic revenue growth:	
Reported revenue growth from continuing operations	-13%
Less: effect of foreign exchange rates	-4%
Less: effect of acquisitions including purchase accounting adjustments and impact of divested businesses	9%
Organic revenue growth from continuing operations	-18%
Less: effect of COVID products	-27%
Non-COVID organic revenue growth from continuing operations	9%

	Combined PKI Twelve Months Ended January 1, 2023
Combined organic revenue growth:	
Reported revenue growth from continuing operations	-13%
Plus: effect of discontinued operations	4%
Less: effect of foreign exchange rates	-4%
Less: effect of acquisitions including purchase accounting adjustments and impact of divested businesses	7%
Combined organic revenue growth	-11%
Less: effect of COVID products	-21%
Combined non-COVID organic revenue growth	9%

	DAS Twelve Months Ended January 1, 2023
Organic revenue growth:	
Reported revenue growth continuing operations	44%
Less: effect of foreign exchange rates	-4%
Less: effect of acquisitions including purchase accounting adjustments and impact of divested businesses	32%
Organic revenue growth from continuing operations	15%

	Combined DAS Twelve Months Ended January 1, 2023
Combined organic revenue growth:	
Reported revenue growth from DAS continuing operations	44%
Plus: effect of discontinued operations	-23%
Less: effect of foreign exchange rates	-4%
Less: effect of acquisitions including purchase accounting adjustments and impact of divested businesses	14%
Combined organic revenue growth	12%

	Diagnostics Twelve Months Ended January 1, 2023
Organic revenue growth:	
Reported revenue growth continuing operations	-31%
Less: effect of foreign exchange rates	-4%
Less: effect of acquisitions including purchase accounting adjustments and impact of divested businesses	2%
Organic revenue growth from continuing operations	-29%
Less: effect of COVID products	-33%
Non-COVID organic revenue growth from continuing operations	5%

(1) amounts may not sum due to rounding

PerkinElmer, Inc. and Subsidiaries

FY 2023 ORGANIC REVENUE GROWTH FORECAST [1]

	Continuing Operations Twelve Months Ended December 31, 2023 *Projected*
Organic revenue growth:	
Reported revenue growth from continuing operations	-11%
Less: effect of foreign exchange rates	0%
Less: effect of acquisitions including purchase accounting adjustments and impact of divested businesses	0%
Organic revenue growth from continuing operations	-11%
Less: revenue growth from COVID products	-20%
Non-COVID organic revenue growth	9%

(1) amounts may not sum due to rounding

PerkinElmer, Inc. and Subsidiaries

FY22 ORGANIC GROWTH SUMMARY [1]

PerkinElmer, Inc. FY22 Revenue Growth Summary Continuing Operations YoY Revenue Growth					
	Three Months Ended				Year Ended
	Apr. 3 '22	Jul. 3 '22	Oct. 2 '22	Jan. 1 '23	Jan. 1 '23
Reported					
DAS	74%	67%	51%	9%	44%
DX	(23%)	(20%)	(39%)	(44%)	(31%)
Total	**(6%)**	**(2%)**	**(17%)**	**(28%)**	**(13%)**
FX Impact					
DAS	(2%)	(4%)	(5%)	(4%)	(4%)
DX	(2%)	(4%)	(6%)	(5%)	(4%)
Total	**(2%)**	**(4%)**	**(6%)**	**(5%)**	**(4%)**
M&A Impact					
DAS	58%	53%	42%	0%	32%
DX	3%	2%	1%	0%	2%
Total	**12%**	**13%**	**11%**	**0%**	**9%**
Organic					
DAS	19%	18%	14%	13%	15%
DX	(24%)	(19%)	(33%)	(39%)	(29%)
Total	**(17%)**	**(11%)**	**(23%)**	**(23%)**	**(18%)**
COVID Impact					
DAS	0%	0%	0%	0%	0%
DX	(34%)	(19%)	(38%)	(43%)	(33%)
Total	**(30%)**	**(17%)**	**(31%)**	**(31%)**	**(27%)**
Non-COVID Organic					
DAS	19%	18%	14%	13%	15%
DX	10%	0%	5%	4%	5%
Total	**13%**	**7%**	**8%**	**8%**	**9%**

PerkinElmer, Inc. and Subsidiaries

HISTORICAL REVENUE BY QUARTER OF CONTINUING OPERATIONS (1)

(In thousands, except percentages)	3 Months Ended January 2, 2022	3 Months Ended April 3, 2022	3 Months Ended July 3, 2022	3 Months Ended October 2, 2022	3 Months Ended January 1, 2023
Reported revenue	$ 1,027,910	$ 963,163	$ 895,642	$ 711,803	$ 741,214
Revenue purchase accounting adjustments	202	203	203	203	205
Adjusted revenue	1,028,112	963,366	895,845	712,006	741,419
DAS	318,498	306,087	326,614	312,783	347,425
Diagnostics	709,614	657,279	569,231	399,223	393,994
Revenue purchase accounting adjustments	(202)	(203)	(203)	(203)	(205)
Reported revenue	$ 1,027,910	$ 963,163	$ 895,642	$ 711,803	$ 741,214

REPORTED REVENUE PREPARED IN ACCORDANCE WITH GAAP

PerkinElmer, Inc. and Subsidiaries
RECONCILIATION OF GAAP TAX RATE TO COMBINED ADJUSTED TAX RATE (1) (2)

(In millions, except tax rates)

	Combined Three Months Ended January 1, 2023				
	Continuing Operations	**Continued Operations Non-GAAP Adjusting Items**	**AES Discontinued Operations**	**AES Adjusting Items**	**Combined Adjusted Continuing Operations**
Income before income taxes	$ 138.4	75.1	37.6	20.4	$ 271.5
Provision for income taxes	41.0	(6.2)	7.4	14.8	57.0
Net income	$ 97.5	81.3	30.2	5.5	$ 214.5
Tax rate	**30%**				**21%**

	Combined Twelve Months Ended January 1, 2023				
	Continuing Operations	**Continued Operations Non-GAAP Adjusting Items**	**AES Discontinued Operations**	**AES Adjusting Items**	**Combined Adjusted Continuing Operations**
Income before income taxes	$ 651.8	456.0	73.6	95.2	$ 1,276.7
Provision for income taxes	139.2	94.4	17.1	21.7	272.4
Net income	$ 512.7	361.6	56.5	73.5	$ 1,004.3
Tax rate	**21%**				**21%**

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PerkinElmer, Inc. and Subsidiaries

COMBINED NET DEBT TO ADJUSTED EBITDA RATIO INCLUDING AES DISCONTINUED OPERATIONS [(1) (2)]

(In millions, except ratio)	Continued Operations Twelve Months Trailing January 1, 2023	AES Twelve Months Trailing January 1, 2023	Combined Twelve Months Trailing January 1, 2023
Net income from continuing operations	$ 512.7	$ 56.5	$ 569.2
Income taxes	139.2	17.1	156.3
Purchase accounting adjustments	44.7	0.0	44.7
Acquisition and divestiture-related costs	13.3	77.2	90.5
Change in fair value of financial securities	15.8	-	15.8
Mark to market on post-retirement benefits	(23.0)	(5.8)	(28.9)
Restructuring and other, net	13.6	12.7	26.3
Significant litigation matters and settlements	(0.6)	-	(0.6)
Disposition of businesses	(2.9)	-	(2.9)
Stock-based compensation	54.9	-	54.9
Interest expense, net	100.4	-	100.4
Depreciation	64.4	-	64.4
Amortization of intangible assets	370.6	17.0	387.6
Adjusted EBITDA	$ 1,303.0	$ 174.7	$ 1,477.6
Cash and cash equivalents as of January 1, 2023			$ 454.4
Gross debt as of January 1, 2023			4,394.3
Net debt as of January 1, 2023			$ 3,939.9
Net Debt to adjusted EBITDA Ratio			*2.7 times*

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PerkinElmer, Inc. and Subsidiaries
ADJUSTED NET INTEREST AND OTHER EXPENSE

(In millions)

	PKI Three Months Ended January 1, 2023
Adjusted net interest and other expense:	
Net interest and other expense	$ (1.0)
Less debt extinguishment costs	(2.8)
Less disposition of businesses	(2.9)
Less pension mark to market	(23.0)
Less change in fair value of financial securities	1.4
Plus AES net interest and other expense	0.0
Adjusted net interest and other expense	$ 26.3

	PKI Twelve Months Ended January 1, 2023
Adjusted net interest and other expense:	
Net interest and other expense	$ 90.9
Less acquisition-related interest expense	(2.9)
Less disposition of businesses	(2.9)
Less pension mark to market	(23.0)
Less change in fair value of financial securities	15.8
Plus AES net interest and other expense	(0.6)
Adjusted net interest and other expense	$ 104.5

(1) amounts may not sum due to rounding

PerkinElmer, Inc. and Subsidiaries

RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES (1)

(In millions, except per share data and percentages)

	PKI					
	Three Months Ended					
	January 1, 2023			January 2, 2022		
Combined adjusted revenue:						
Revenue	$	741.2		$	1,027.9	
Purchase accounting adjustments		0.2			0.2	
AES revenue		347.6			336.4	
Combined adjusted revenue	$	1,089.0		$	1,364.5	
Combined adjusted gross margin:						
Gross margin	$	436.3	58.9%	$	643.8	62.6%
Amortization of intangible assets		34.5	4.7%		36.4	3.5%
Purchase accounting adjustments		0.6	0.1%		20.9	2.0%
Acquisition and divestiture-related costs		0.9	0.1%		1.6	0.2%
AES gross margin		128.2	17.3%		105.3	10.2%
AES intangibles amortization		-	0.0%		3.6	0.4%
AES depreciation addback		(1.5)	-0.2%		-	0.0%
Combined adjusted gross margin	$	599.1	55.0%	$	811.6	59.5%

(In millions, except per share data and percentages)

	PKI					
	Twelve Months Ended					
	January 1, 2023			January 2, 2022		
Combined adjusted revenue:						
Revenue	$	3,311.8		$	3,827.8	
Purchase accounting adjustments		0.8			2.6	
AES revenue		1,298.4			1,239.4	
Combined adjusted revenue	$	4,611.0		$	5,069.8	
Combined adjusted gross margin:						
Gross margin	$	1,989.8	60.1%	$	2,434.0	63.6%
Amortization of intangible assets		141.6	4.3%		100.7	2.6%
Purchase accounting adjustments		46.7	1.4%		38.0	1.0%
Acquisition and divestiture-related costs		5.6	0.2%		1.6	0.0%
AES gross margin		439.0	13.3%		417.3	10.9%
AES intangibles amortization		8.8	0.3%		14.4	0.4%
AES depreciation addback		(2.5)	-0.1%		-	0.0%
Combined adjusted gross margin	$	2,629.0	57.0%	$	3,006.0	59.3%

(1) amounts may not sum due to rounding

Explanation of Non-GAAP Financial Measures

We report our financial results in accordance with GAAP. However, management believes that, in order to more fully understand our short-term and long-term financial and operational trends, investors may wish to consider the impact of certain non-cash, non-recurring or other items, which result from facts and circumstances that vary in frequency and impact on continuing operations. Accordingly, we present non-GAAP financial measures as a supplement to the financial measures we present in accordance with GAAP. These non-GAAP financial measures provide management with additional means to understand and evaluate the operating results and trends in our ongoing business by adjusting for certain non-cash expenses and other items that management believes might otherwise make comparisons of our ongoing business with prior periods more difficult, obscure trends in ongoing operations, or reduce management's ability to make useful forecasts. Management believes these non-GAAP financial measures provide additional means of evaluating period-over-period operating performance. In addition, management understands that some investors and financial analysts find this information helpful in analyzing our financial and operational performance and comparing this performance to our peers and competitors.

We use the term “adjusted revenue” to refer to GAAP revenue, including purchase accounting adjustments for revenue from contracts acquired in acquisitions that will not be fully recognized due to accounting rules. We use the related term “adjusted revenue growth” to refer to the measure of comparing current period adjusted revenue with the corresponding period of the prior year.

We use the term “combined adjusted revenue” to refer to GAAP revenue, including purchase accounting adjustments for revenue from contracts acquired in acquisitions that will not be fully recognized due to accounting rules and including revenue from the AES business reported in discontinued operations. We use the related term “combined adjusted revenue growth” to refer to the measure of comparing current period combined adjusted revenue with the corresponding period of the prior year.

We use the term “organic revenue” to refer to GAAP revenue, excluding the effect of foreign currency changes and revenue from recent acquisitions and divestitures and including purchase accounting adjustments for revenue from contracts acquired in acquisitions that will not be fully recognized due to accounting rules. We use the related term “organic revenue growth” to refer to the measure of comparing current period organic revenue with the corresponding period of the prior year. We use the related term “non-COVID organic revenue growth” to refer to the measure of comparing current period organic revenue excluding revenue from COVID related products and services with the corresponding period of the prior year excluding revenue from COVID related products and services.

We use the term “combined organic revenue” to refer to GAAP revenue, excluding the effect of foreign currency changes and revenue from recent acquisitions and divestitures and including purchase accounting adjustments for revenue from contracts acquired in acquisitions that will not be fully recognized due to accounting rules and including revenue from the AES business reported in discontinued operations. We use the related term “organic revenue growth” to refer to the measure of comparing current period organic revenue with the corresponding period of the prior year. We use the related term “combined non-COVID organic revenue growth” to refer to the measure of comparing current period organic revenue excluding revenue from COVID related products and services with the corresponding period of the prior year excluding revenue from COVID related products and services.

We use the term “adjusted gross margin” to refer to GAAP gross margin, excluding amortization of intangible assets and inventory fair value adjustments related to business acquisitions, asset impairments, and including purchase accounting adjustments for revenue from contracts acquired in acquisitions that will not be fully recognized due to business combination accounting rules. We use the related term “adjusted gross margin percentage” to refer to adjusted gross margin as a percentage of adjusted revenue.

We use the term "combined adjusted gross margin" to refer to GAAP gross margin, adjusted for the inclusion of the AES business reported in discontinued operations and including the depreciation of long-lived assets that is ceased upon reporting the business as held for sale. Additional adjustments include: excluding amortization of intangible assets and inventory fair value adjustments related to business acquisitions, asset impairments, and including purchase accounting adjustments for revenue from contracts acquired in acquisitions that will not be fully recognized due to business combination accounting rules. We use the related term "combined adjusted gross margin percentage" to refer to combined adjusted gross margin as a percentage of combined adjusted revenue.

We use the term "adjusted SG&A expense" to refer to GAAP SG&A expense, excluding amortization of intangible assets, purchase accounting adjustments, acquisition and divestiture-related expenses, acceleration of executive compensation, significant litigation matters and settlements, asset impairments, and significant environmental charges. We use the related term "adjusted SG&A percentage" to refer to adjusted SG&A expense as a percentage of adjusted revenue.

We use the term "combined adjusted SG&A expense" to refer to GAAP SG&A expense, adjusted for the inclusion of the AES business reported in discontinued operations and including the depreciation of long-lived assets that is ceased upon reporting the business as held for sale. Additional adjustments include: excluding amortization of intangible assets, purchase accounting adjustments, acquisition and divestiture-related expenses, acceleration of executive compensation, significant litigation matters and settlements, asset impairments, and significant environmental charges. We use the related term "combined adjusted SG&A percentage" to refer to combined adjusted SG&A expense as a percentage of combined adjusted revenue.

We use the term "adjusted R&D expense" to refer to GAAP R&D expense, excluding amortization of intangible assets and purchase accounting adjustments. We use the related term "adjusted R&D percentage" to refer to adjusted R&D expense as a percentage of adjusted revenue.

We use the term "combined adjusted R&D expense" to refer to GAAP R&D expense, adjusted for the inclusion of the AES business reported in discontinued operations and including the depreciation of long-lived assets that is ceased upon reporting the business as held for sale. Additional adjustments include: excluding amortization of intangible assets and purchase accounting adjustments. We use the related term "combined adjusted R&D percentage" to refer to combined adjusted R&D expense as a percentage of combined adjusted revenue.

We use the term "adjusted net interest and other expense" to refer to GAAP net interest and other expense, excluding adjustments for mark-to-market accounting on post-retirement benefits, changes in the value of financial securities and debt extinguishment costs.

We use the term "adjusted operating income," to refer to GAAP operating income, including revenue from contracts acquired in acquisitions that will not be fully recognized due to accounting rules, and excluding amortization of intangible assets, other purchase accounting adjustments, acquisition and divestiture-related expenses, acceleration of executive compensation, significant litigation matters and settlements, significant environmental charges, asset impairments, and restructuring and other charges. We use the related terms "adjusted operating profit percentage," "adjusted operating profit margin," or "adjusted operating margin" to refer to adjusted operating income as a percentage of adjusted revenue.

We use the term "combined adjusted operating income," to refer to GAAP operating income, adjusted for the inclusion of the AES business reported in discontinued operations and including the depreciation of long-lived assets that is ceased upon reporting the business as held for sale. Additional adjustments include: including revenue from contracts acquired in acquisitions that will not be fully recognized due to accounting rules, and excluding amortization of intangible assets, other purchase accounting adjustments, acquisition and divestiture-related expenses, acceleration of executive compensation, significant litigation matters and settlements, significant environmental charges, asset impairments, and restructuring and other charges. We use the related terms "combined adjusted operating profit percentage," "combined adjusted operating profit margin," or "combined adjusted operating margin" to refer to combined adjusted operating income as a percentage of combined adjusted revenue.

We use the term "adjusted earnings per share," or "adjusted EPS," to refer to GAAP earnings per share, including revenue from contracts acquired in acquisitions that will not be fully recognized due to accounting rules, and excluding discontinued operations, amortization of intangible assets, debt extinguishment costs, other purchase accounting adjustments, acquisition and divestiture-related expenses, acceleration of executive compensation, significant litigation matters and settlements, significant environmental charges, changes in the value of financial securities, disposition of businesses and assets, net, asset impairments and restructuring and other charges. We also exclude adjustments for mark-to-market accounting on post-retirement benefits, therefore only our projected costs have been used to calculate this non-GAAP measure. We also adjust for any tax impact related to the above items and exclude the impact of significant tax events.

We use the term "combined adjusted earnings per share," or "combined adjusted EPS," to refer to GAAP earnings per share, adjusted for the inclusion of the AES business reported in discontinued operations and including the depreciation of long-lived assets that is ceased upon reporting the business as held for sale. Additional adjustments include: including revenue from contracts acquired in acquisitions that will not be fully recognized due to accounting rules, and excluding discontinued operations, amortization of intangible assets, debt extinguishment costs, other purchase accounting adjustments, acquisition and divestiture-related expenses, acceleration of executive compensation, significant litigation matters and settlements, significant environmental charges, changes in the value of financial securities, disposition of businesses and assets, net, asset impairments and restructuring and other charges. We also exclude adjustments for mark-to-market accounting on post-retirement benefits, therefore only our projected costs have been used to calculate this non-GAAP measure. We also adjust for any tax impact related to the above items and exclude the impact of significant tax events.

Management includes or excludes the effect of each of the items identified below in the applicable non-GAAP financial measure referenced above for the reasons set forth below with respect to that item:

- *Amortization of intangible assets*— purchased intangible assets are amortized over their estimated useful lives and generally cannot be changed or influenced by management after the acquisition. Accordingly, this item is not considered by management in making operating decisions. Management does not believe such charges accurately reflect the performance of our ongoing operations for the period in which such charges are incurred.

- *Debt extinguishment costs*—we incur costs and income related to the extinguishment of debt; including make-whole payments to debt holders, accelerated amortization of debt fees and discounts, and expense or income from hedges to lock in make-whole payments. We exclude the impact of these items from our non-GAAP measures because we believe they do not reflect the performance of our ongoing operations.

- *Revenue from contracts acquired in acquisitions that will not be fully recognized due to accounting rules*—accounting rules require us to account for the fair value of revenue from contracts assumed in connection with our acquisitions. As a result, our GAAP results reflect the fair value of those revenues, which is not the same as the revenue that otherwise would have been recorded by the acquired entity. We include such revenue in our non-GAAP measures because we believe the fair value of such revenue does not accurately reflect the performance of our ongoing operations for the period in which such revenue is recorded.

- *Other purchase accounting adjustments*—accounting rules require us to adjust various balance sheet accounts, including inventory, fixed assets and deferred rent balances to fair value at the time of the acquisition. As a result, the expenses for these items in our GAAP results are not the same as what would have been recorded by the acquired entity. Accounting rules also require us to estimate the fair value of contingent consideration at the time of the acquisition, and any subsequent changes to the estimate or payment of the contingent consideration and purchase accounting adjustments are charged to expense or income. We exclude the impact of any changes to contingent consideration from our non-GAAP measures because we believe these expenses or benefits do not accurately reflect the performance of our ongoing operations for the period in which such expenses or benefits are recorded.

- *Acquisition and divestiture-related expenses*—we incur legal, due diligence, stay bonuses, incentive awards, stock-based compensation, interest expense, foreign exchange gains and losses, integration expenses and other costs related to acquisitions and divestitures. We exclude these expenses from our non-GAAP measures because we believe they do not reflect the performance of our ongoing operations.

- *Asset impairments*—we incur expense related to asset impairments. Management does not believe such charges accurately reflect the performance of our ongoing operations for the periods in which such charges were incurred.

- *Acceleration of executive compensation*—the announced retirement of a senior executive resulted in an acceleration of compensation expense. We exclude these expenses from our non-GAAP measures because we believe they do not reflect the performance of our ongoing operations.

- *Restructuring and other charges*—restructuring and other charges consist of employee severance, other exit costs as well as the cost of terminating certain lease agreements or contracts as well as costs associated with relocating facilities. Management does not believe such costs accurately reflect the performance of our ongoing operations for the period in which such costs are reported.

- *Adjustments for mark-to-market accounting on post-retirement benefits*—we exclude adjustments for mark-to-market accounting on post-retirement benefits, and therefore only our projected costs are used to calculate our non-GAAP measures. We exclude these adjustments because they do not represent what we believe our investors consider to be costs of producing our products, investments in technology and production, and costs to support our internal operating structure.

- *Significant litigation matters and settlements*—we incur expenses related to significant litigation matters, including the costs to settle or resolve various claims and legal proceedings. Management does not believe such charges accurately reflect the performance of our ongoing operations for the periods in which such charges were incurred.

- *Significant environmental charges*—we incur expenses related to significant environmental charges. Management does not believe such charges accurately reflect the performance of our ongoing operations for the periods in which such charges were incurred.

- *Disposition of businesses and assets, net*—we exclude the impact of gains or losses from the disposition of businesses and assets from our adjusted earnings per share. Management does not believe such gains or losses accurately reflect the performance of our ongoing operations for the period in which such gains or losses are reported.

- *Impact of foreign currency changes on the current period*— we exclude the impact of foreign currency from these measures by using the prior period’s foreign currency exchange rates for the current period because foreign currency exchange rates are subject to volatility and can obscure underlying trends.

- *Impact of significant tax events*—we exclude the impact of significant tax events, such as the Tax Cuts and Jobs Act of 2017. Management does not believe the impact of significant tax events accurately reflects the performance of our ongoing operations for the periods in which the impact of such events was recorded.

- *Changes in value of financial securities*—we exclude the impact of changes in the value of financial securities. Management does not believe such gains or losses accurately reflect the performance of our ongoing operations for the period in which such gains or losses are reported.

- *Inclusion of the AES business in combined information*—we report the results of the AES business in discontinued operations and include those results as a component of combined information. Management believes that including the results of the AES business in discontinued operations as a component of combined information increases the comparability of the financial results with historically presented results as well as recent forecasts.

- *Depreciation of fixed assets ceased upon reporting the business as held for sale*—we exclude the impact of ceasing depreciation of fixed assets that are held for sale. Management does not believe such charges accurately reflect the performance of our ongoing operations for the periods in which such expenses were ceased.

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The tax effect for discontinued operations is calculated based on the authoritative guidance in the Financial Accounting Standards Board's Accounting Standards Codification 740, Income Taxes. The tax effect for amortization of intangible assets, inventory fair value adjustments related to business acquisitions, changes to the fair values assigned to contingent consideration, debt extinguishment costs, other costs related to business acquisitions and divestitures, acceleration of executive compensation, significant litigation matters and settlements, significant environmental charges, changes in the fair value of financial securities, adjustments for mark-to-market accounting on post-retirement benefits, disposition of businesses and assets, net, restructuring and other charges, and the revenue from contracts acquired with various acquisitions is calculated based on operational results and applicable jurisdictional law, which contemplates tax rates currently in effect to determine our tax provision. The tax effect for the impact from foreign currency exchange rates on the current period is calculated based on the average rate currently in effect to determine our tax provision.

The non-GAAP financial measures described above are not meant to be considered superior to, or a substitute for, our financial statements prepared in accordance with GAAP. There are material limitations associated with non-GAAP financial measures because they exclude charges that have an effect on our reported results and, therefore, should not be relied upon as the sole financial measures by which to evaluate our financial results. Management compensates and believes that investors should compensate for these limitations by viewing the non-GAAP financial measures in conjunction with the GAAP financial measures. In addition, the non-GAAP financial measures included in this earnings announcement may be different from, and therefore may not be comparable to, similar measures used by other companies.

Each of the non-GAAP financial measures listed above is also used by our management to evaluate our operating performance, communicate our financial results to our Board of Directors, benchmark our results against our historical performance and the performance of our peers, evaluate investment opportunities including acquisitions and discontinued operations, and determine the bonus payments for senior management and employees.

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