

THERMO FISHER SCIENTIFIC INC.
Form 10-Q
November 04, 2011

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

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Quarter Ended October 1, 2011

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number 1-8002

THERMO FISHER SCIENTIFIC INC.
(Exact name of Registrant as specified in its charter)

Delaware
(State of incorporation or organization)

04-2209186
(I.R.S. Employer Identification No.)

81 Wyman Street
Waltham, Massachusetts
(Address of principal executive offices)

02451
(Zip Code)

Registrant's telephone number, including area code: (781) 622-1000

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 and (2) has been subject to such filing requirements for the past 90 days. Yes 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 during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes 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 Accelerated filer Non-accelerated filer Smaller reporting company

Edgar Filing: THERMO FISHER SCIENTIFIC INC. - Form 10-Q

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

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date.

| Class | Outstanding at October 1, 2011 |
|--------------------------------|--------------------------------|
| Common Stock, \$1.00 par value | 378,279,984 |

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

THERMO FISHER SCIENTIFIC INC.

Consolidated Balance Sheet
(Unaudited)

| (In millions) | October 1, 2011 | December 31, 2010 |
|--|--------------------|-------------------------|
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 890.3 | \$ 917.1 |
| Short-term investments, at quoted market value (cost of \$8.4 and \$9.6) | 8.0 | 8.9 |
| Accounts receivable, less allowances of \$61.1 and \$39.2 | 1,811.0 | 1,473.8 |
| Inventories: | | |
| Raw materials | 363.7 | 309.2 |
| Work in process | 147.1 | 108.4 |
| Finished goods | 895.3 | 755.3 |
| Deferred tax assets | 204.1 | 181.3 |
| Other current assets | 415.1 | 381.0 |
| | 4,734.6 | 4,135.0 |
| Property, Plant and Equipment, at Cost | | |
| Property, Plant and Equipment, at Cost | 2,594.4 | 2,199.2 |
| Less: Accumulated depreciation and amortization | (965.2) | (839.0) |
| | 1,629.2 | 1,360.2 |
| Acquisition-related Intangible Assets, net of Accumulated Amortization of \$2,988.9 and \$2,539.1 | | |
| Acquisition-related Intangible Assets, net of Accumulated Amortization of \$2,988.9 and \$2,539.1 | 8,058.6 | 5,913.7 |
| Other Assets | | |
| Other Assets | 565.3 | 944.8 |
| Goodwill | | |
| Goodwill | 12,003.8 | 8,995.7 |
| | \$ 26,991.5 | \$ 21,349.4 |

THERMO FISHER SCIENTIFIC INC.

Consolidated Balance Sheet (continued)
(Unaudited)

| (In millions except share amounts) | October 1, 2011 | December 31, 2010 |
|---|--------------------|-------------------------|
| Liabilities and Shareholders' Equity | | |
| Current Liabilities: | | |
| Short-term obligations and current maturities of long-term obligations | \$ 1,018.6 | \$ 105.8 |
| Accounts payable | 610.6 | 546.7 |
| Accrued payroll and employee benefits | 326.8 | 304.5 |
| Deferred revenue | 192.6 | 158.2 |
| Other accrued expenses | 643.9 | 594.6 |
| | 2,792.5 | 1,709.8 |
| Deferred Income Taxes | 2,262.4 | 1,626.1 |
| Other Long-term Liabilities | 625.4 | 621.2 |
| Long-term Obligations | 6,115.3 | 2,031.3 |
| Shareholders' Equity: | | |
| Preferred stock, \$100 par value, 50,000 shares authorized; none issued | | |
| Common stock, \$1 par value, 1,200,000,000 shares authorized; 406,272,124 and 401,779,152 shares issued | 406.3 | 401.8 |
| Capital in excess of par value | 10,128.5 | 10,019.7 |
| Retained earnings | 6,427.4 | 5,386.4 |
| Treasury stock at cost, 27,992,140 and 10,409,268 shares | (1,486.9) | (490.5) |
| Accumulated other comprehensive items | (279.4) | 43.6 |
| | 15,195.9 | 15,361.0 |
| | \$ 26,991.5 | \$ 21,349.4 |

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

THERMO FISHER SCIENTIFIC INC.

Consolidated Statement of Income
(Unaudited)

| (In millions except per share amounts) | Three Months Ended | | Nine Months Ended | |
|--|--------------------|--------------------|--------------------|--------------------|
| | October 1, 2011 | October 2, 2010 | October 1, 2011 | October 2, 2010 |
| Revenues | | | | |
| Product revenues | \$ 2,555.9 | \$ 2,270.3 | \$ 7,364.6 | \$ 6,801.7 |
| Service revenues | 417.6 | 358.4 | 1,227.7 | 1,049.6 |
| | 2,973.5 | 2,628.7 | 8,592.3 | 7,851.3 |
| Costs and Operating Expenses: | | | | |
| Cost of product revenues | 1,499.9 | 1,343.7 | 4,314.9 | 4,029.6 |
| Cost of service revenues | 249.8 | 223.5 | 767.1 | 644.9 |
| Selling, general and administrative expenses | 809.7 | 677.0 | 2,295.6 | 2,048.5 |
| Research and development expenses | 86.8 | 71.5 | 244.9 | 207.2 |
| Restructuring and other costs, net | 12.3 | 10.3 | 67.5 | 35.9 |
| | 2,658.5 | 2,326.0 | 7,690.0 | 6,966.1 |
| Operating Income | 315.0 | 302.7 | 902.3 | 885.2 |
| Other Expense, Net | (50.3) | (15.4) | (83.0) | (77.1) |
| Income from Continuing Operations Before Provision for Income Taxes | | | | |
| | 264.7 | 287.3 | 819.3 | 808.1 |
| Benefit from (Provision for) Income Taxes | 0.6 | (28.5) | (89.2) | (96.0) |
| Income from Continuing Operations | | | | |
| | 265.3 | 258.8 | 730.1 | 712.1 |
| Income from Discontinued Operations (net of income tax provision of \$0.0, \$6.2, \$3.6 and \$14.9) | | | | |
| | — | 9.7 | 5.5 | 23.5 |
| Gain on Disposal of Discontinued Operations, Net (net of income tax (benefit) provision of \$(0.1), \$0.0, \$190.8 and \$1.5) | | | | |
| | 0.1 | — | 305.4 | 2.5 |
| Net Income | \$ 265.4 | \$ 268.5 | \$ 1,041.0 | \$ 738.1 |
| Earnings per Share from Continuing Operations | | | | |
| Basic | \$.70 | \$.65 | \$ 1.90 | \$ 1.75 |
| Diluted | \$.69 | \$.64 | \$ 1.88 | \$ 1.72 |
| Earnings per Share | | | | |
| Basic | \$.70 | \$.67 | \$ 2.72 | \$ 1.82 |
| Diluted | \$.69 | \$.66 | \$ 2.68 | \$ 1.79 |
| Weighted Average Shares | | | | |

| | | | | |
|---------|-------|-------|-------|-------|
| Basic | 379.5 | 400.7 | 383.3 | 406.5 |
| Diluted | 382.7 | 404.5 | 387.7 | 412.9 |

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

THERMO FISHER SCIENTIFIC INC.

Consolidated Statement of Cash Flows
(Unaudited)

| (In millions) | Nine Months Ended | |
|--|--------------------|--------------------|
| | October 1, 2011 | October 2, 2010 |
| Operating Activities | | |
| Net Income | \$ 1,041.0 | \$ 738.1 |
| Income from discontinued operations | (5.5) | (23.5) |
| Gain on disposal of discontinued operations | (305.4) | (2.5) |
| Income from continuing operations | 730.1 | 712.1 |
| Adjustments to reconcile income from continuing operations to net cash provided by operating activities: | | |
| Depreciation and amortization | 616.6 | 561.3 |
| Change in deferred income taxes | (182.2) | (194.4) |
| Non-cash stock-based compensation | 60.7 | 61.7 |
| Non-cash interest expense on convertible debt | 1.4 | 7.2 |
| Non-cash charges for sale of inventories revalued at the date of acquisition | 40.5 | 7.4 |
| Tax benefits from stock-based compensation awards | (16.6) | (7.9) |
| Other non-cash expenses, net | 35.6 | 35.3 |
| Changes in assets and liabilities, excluding the effects of acquisitions and dispositions: | | |
| Accounts receivable | (81.1) | (129.9) |
| Inventories | (64.2) | (62.0) |
| Other assets | (52.6) | (37.4) |
| Accounts payable | 25.4 | 47.5 |
| Other liabilities | (55.4) | 40.6 |
| Contributions to retirement plans | (16.8) | (14.9) |
| Net cash provided by continuing operations | 1,041.4 | 1,026.6 |
| Net cash provided by discontinued operations | 12.6 | 33.0 |
| Net cash provided by operating activities | 1,054.0 | 1,059.6 |
| Investing Activities | | |
| Acquisitions, net of cash acquired | (5,699.4) | (545.4) |
| Purchase of property, plant and equipment | (185.5) | (168.7) |
| Proceeds from sale of property, plant and equipment | 6.2 | 4.2 |
| Proceeds from sale of business, net of cash divested | 13.8 | — |
| Other investing activities, net | (2.2) | 4.1 |
| Net cash used in continuing operations | (5,867.1) | (705.8) |
| Net cash provided by (used in) discontinued operations | 797.7 | (0.8) |

| | | |
|---------------------------------------|--------------|-------------|
| Net cash used in investing activities | \$ (5,069.4) | \$ (706.6) |
|---------------------------------------|--------------|-------------|

5

THERMO FISHER SCIENTIFIC INC.

Consolidated Statement of Cash Flows (continued)
(Unaudited)

| (In millions) | Nine Months Ended | |
|--|--------------------|--------------------|
| | October 1, 2011 | October 2, 2010 |
| Financing Activities | | |
| Net proceeds from issuance of debt | \$ 4,254.4 | \$ 741.3 |
| Increase in commercial paper, net | 999.3 | — |
| Settlement of convertible debt | (452.0) | (600.8) |
| Redemption and repayment of long-term obligations | (0.9) | (502.9) |
| Purchases of company common stock | (987.5) | (662.5) |
| Net proceeds from issuance of company common stock | 153.7 | 52.6 |
| Tax benefits from stock-based compensation awards | 16.6 | 7.9 |
| Increase (decrease) in short-term notes payable | 9.3 | (8.7) |
| Other financing activities, net | 4.1 | — |
| Net cash provided by (used in) financing activities | 3,997.0 | (973.1) |
| Exchange Rate Effect on Cash | (8.4) | (13.8) |
| Decrease in Cash and Cash Equivalents | (26.8) | (633.9) |
| Cash and Cash Equivalents at Beginning of Period | 917.1 | 1,564.1 |
| Cash and Cash Equivalents at End of Period | \$ 890.3 | \$ 930.2 |
| Supplemental Cash Flow Information | | |
| Fair value of assets of acquired businesses | \$ 7,055.1 | \$ 726.6 |
| Cash paid for acquired businesses | (5,902.7) | (584.2) |
| Fair value of liabilities assumed of acquired businesses | \$ 1,152.4 | \$ 142.4 |
| Issuance of restricted stock | \$ — | \$ 1.4 |
| Issuance of stock upon vesting of restricted stock units | \$ 22.1 | \$ 15.6 |

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

THERMO FISHER SCIENTIFIC INC.

Notes to Consolidated Financial Statements
(Unaudited)

1. General

The interim consolidated financial statements presented herein have been prepared by Thermo Fisher Scientific Inc. (the company or Thermo Fisher), are unaudited and, in the opinion of management, reflect all adjustments of a normal recurring nature necessary for a fair statement of the financial position at October 1, 2011, the results of operations for the three- and nine-month periods ended October 1, 2011, and October 2, 2010, and the cash flows for the nine-month periods ended October 1, 2011, and October 2, 2010. Interim results are not necessarily indicative of results for a full year.

The consolidated balance sheet presented as of December 31, 2010, has been derived from the audited consolidated financial statements as of that date, as adjusted for the reclassification of discontinued operations discussed below. The consolidated financial statements and notes are presented as permitted by Form 10-Q and do not contain all of the information that is included in the annual financial statements and notes of the company. The consolidated financial statements and notes included in this report should be read in conjunction with the 2010 financial statements and notes included in the company's Current Report on Form 8-K filed with the Securities and Exchange Commission (SEC) on July 12, 2011. The results of two businesses have been classified and presented as discontinued operations in the accompanying financial statements (Note 2). Prior period results herein and in the aforementioned Form 8-K have been adjusted to conform to this presentation.

Beginning in the third quarter of 2011, the company's continuing operations fall into three business segments (see Note 3): Analytical Technologies, Specialty Diagnostics and Laboratory Products and Services. Prior period segment results have been adjusted to conform to this presentation.

Recent Accounting Pronouncements

In September 2011, FASB issued revised guidance requiring entities to provide additional qualitative and quantitative disclosures about an employer's participation and financial obligations in a multiemployer pension plan. The new rule is intended to increase transparency about an employer's participation in a multiemployer pension plan. The new guidance is effective for fiscal years that end after December 15, 2011. Adoption of this standard will not have an impact on the company's results of operations or financial position.

In September 2011, FASB modified existing rules to allow entities to use a qualitative approach to test goodwill for impairment. The revised guidance permits an entity to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If impairment is deemed more likely than not, management would perform the currently prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. This guidance will be effective for the company on January 1, 2012 although early adoption is permitted. Adoption of this standard will not have an impact on the company's results of operations or financial position.

In June 2011, new guidance was issued pertaining to the presentation of comprehensive income. The new rule eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. The standard is intended to provide a more consistent method of presenting non-owner transactions that affect the company's equity. Under the new guidance, an entity can elect to present items of net income and other comprehensive income in one continuous statement or in two separate, but consecutive, statements. The new guidance

is effective for fiscal years that begin after December 15, 2011. Adoption of this standard will not have an impact on the company's results of operations or financial position.

THERMO FISHER SCIENTIFIC INC.

Notes to Consolidated Financial Statements
(Unaudited)

1. General (continued)

In May 2011, the FASB amended existing rules covering fair value measurement and disclosure to clarify guidance and minimize differences between U.S. GAAP and International Financial Reporting Standards (IFRS). The new guidance requires entities to provide information about valuation techniques and unobservable inputs used in Level 3 fair value measurements and provide a narrative description of the sensitivity of Level 3 measurements to changes in unobservable inputs. The guidance will be effective for the company on January 1, 2012 and is not expected to have a material impact on its financial statements.

2. Acquisitions and Dispositions

Acquisitions

On May 19, 2011, the company entered into an agreement to acquire the Phadia group, a global leader in allergy and autoimmunity diagnostics, headquartered in Sweden. Phadia develops, manufactures and markets complete blood-test systems to support the clinical diagnosis and monitoring of allergy and autoimmune diseases. Phadia has been a pioneer in bringing new allergy diagnostic tests to market and is a global leader for in vitro allergy diagnostics and a European leader in autoimmunity diagnostics. The Specialty Diagnostics segment completed the acquisition in August 2011, for a total purchase price of \$3.54 billion, net of cash acquired, including the repayment of \$2.14 billion of indebtedness owed by Phadia to the seller and third-party lenders. Phadia's revenues in 2010 totaled €367 million (approximately \$525 million based on exchange rates at the time of the acquisition agreement announcement). The purchase price exceeded the fair value of the acquired net assets and, accordingly, \$1.82 billion was recorded as goodwill, substantially none of which is tax deductible.

On December 13, 2010, the company and Dionex Corporation, a leading manufacturer and marketer of chromatography systems, announced that their Boards of Directors unanimously approved a transaction under which Thermo Fisher would acquire all of the outstanding shares of Dionex. Dionex, headquartered in Sunnyvale, California, is a global leader in the manufacturing and marketing of ion and liquid chromatography and sample preparation systems, consumables, and software for chemical analysis. Dionex systems are used worldwide in environmental analysis and by the life sciences, chemical, petrochemical, food and beverage, power generation, and electronics industries. Their expertise in applications and instrumentation helps analytical scientists to evaluate and develop pharmaceuticals, establish environmental regulations, and produce better industrial products. The Analytical Technologies segment completed the acquisition in May 2011, for a total purchase price of \$2.03 billion, net of cash acquired. Revenues of Dionex totaled \$420 million in its fiscal year ended June 30, 2010. The purchase price exceeded the fair value of the acquired net assets and, accordingly, \$1.32 billion was recorded as goodwill, substantially none of which is tax deductible.

In addition, in the first nine months of 2011, the Laboratory Products and Services segment acquired a U.S.-based manufacturer of clinical and diagnostic assays and platforms for rapid and sensitive protein biomarker analysis; a U.S.-based manufacturer of laboratory workstations and fume hoods; a U.K.-based provider of single-use plastic products serving the microbiology, life sciences and clinical markets and certain operating assets of a Singapore-based distributor of laboratory equipment and consumables. The Specialty Diagnostics segment also acquired a provider of microbiology solutions, including blood culture identification and antibiotic susceptibility testing products with operations in both the U.S. and U.K. The aggregate consideration paid for these acquisitions was \$106 million.

The company made contingent purchase price and post closing adjustment payments totaling \$36 million in the first nine months of 2011, for acquisitions completed prior to 2011. The contingent purchase price payments were contractually due to the sellers upon achievement of certain performance criteria at the acquired businesses.

The company's acquisitions have historically been made at prices above the fair value of the acquired identifiable assets, resulting in goodwill, due to expectations of the synergies that will be realized by combining the businesses. These synergies include the elimination of redundant facilities, functions and staffing; use of the company's existing commercial infrastructure to expand sales of the acquired businesses' products; and use of the commercial infrastructure of the acquired businesses to cost-effectively expand sales of company products.

THERMO FISHER SCIENTIFIC INC.

Notes to Consolidated Financial Statements
(Unaudited)

2. Acquisitions and Dispositions (continued)

Acquisitions have been accounted for using the purchase method of accounting, and the acquired companies' results have been included in the accompanying financial statements from their respective dates of acquisition. Acquisition transaction costs are recorded in selling, general and administrative expenses. Allocation of the purchase price for acquisitions was based on estimates of the fair value of the net assets acquired and, for acquisitions completed within the past year, is subject to adjustment upon finalization of the purchase price allocation. The company is not aware of any information that indicates the final purchase price allocations will differ materially from the preliminary estimates.

The components of the purchase price allocations for 2011 acquisitions are as follows:

| (In millions) | Phadia | Dionex | Other | Total |
|--|------------|------------|----------|------------|
| Purchase Price | | | | |
| Cash paid | \$ 3,655.2 | \$ 2,140.8 | \$ 106.7 | \$ 5,902.7 |
| Debt assumed | 0.3 | 3.2 | — | 3.5 |
| Purchase price payable | — | — | 0.4 | 0.4 |
| Fair value of contingent consideration | — | — | 1.4 | 1.4 |
| Cash acquired | (117.2) | (114.9) | (1.1) | (233.2) |
| | \$ 3,538.3 | \$ 2,029.1 | \$ 107.4 | \$ 5,674.8 |
| Allocation | | | | |
| Current assets | \$ 302.8 | \$ 227.8 | \$ 34.1 | \$ 564.7 |
| Property, plant and equipment | 150.1 | 87.1 | 33.8 | 271.0 |
| Intangible assets: | | | | |
| Customer relationships | 976.6 | 495.3 | 17.6 | 1,489.5 |
| Product technology | 696.3 | 350.2 | 20.0 | 1,066.5 |
| In-process research and development | — | 18.3 | — | 18.3 |
| Tradenames and other | 132.5 | 35.7 | 3.7 | 171.9 |
| Goodwill | 1,818.6 | 1,318.1 | 30.2 | 3,166.9 |
| Other assets | 67.9 | 4.1 | 1.1 | 73.1 |
| Liabilities assumed | (606.5) | (507.5) | (33.1) | (1,147.1) |
| | \$ 3,538.3 | \$ 2,029.1 | \$ 107.4 | \$ 5,674.8 |

The weighted-average amortization periods for intangible assets acquired in 2011 are 14 years for customer relationships, 11 years for product technology and 14 years for tradenames and other. The weighted average amortization period for all intangible assets in the above table is 13 years.

THERMO FISHER SCIENTIFIC INC.

Notes to Consolidated Financial Statements
(Unaudited)

2. Acquisitions and Dispositions (continued)

Had the acquisitions of Phadia and Dionex been completed as of the beginning of 2010, the company's pro forma results for 2011 and 2010 would have been as follows:

| (In millions except per share amounts) | Three Months Ended | | Nine Months Ended | |
|--|--------------------|--------------------|--------------------|--------------------|
| | October 1, 2011 | October 2, 2010 | October 1, 2011 | October 2, 2010 |
| Revenues | \$ 3,048.4 | \$ 2,836.7 | \$ 9,143.6 | \$ 8,517.1 |
| Income from Continuing Operations | \$ 290.3 | \$ 244.1 | \$ 824.1 | \$ 552.1 |
| Net Income | \$ 290.4 | \$ 253.8 | \$ 1,135.1 | \$ 578.1 |
| Earnings per Share from Continuing Operations: | | | | |
| Basic | \$ 0.77 | \$ 0.61 | \$ 2.15 | \$ 1.36 |
| Diluted | \$ 0.76 | \$ 0.60 | \$ 2.13 | \$ 1.34 |
| Earnings per Share: | | | | |
| Basic | \$ 0.77 | \$ 0.63 | \$ 2.96 | \$ 1.42 |
| Diluted | \$ 0.76 | \$ 0.63 | \$ 2.93 | \$ 1.40 |

Pro forma results include the following non-recurring pro forma adjustments that were directly attributable to the business combinations:

- Pre-tax reduction in revenue of \$2.1 million and \$12.6 million for the three and nine months ended October 2, 2010, respectively, and \$1.1 million in the nine months ended October 1, 2011, due to the impact of revaluing Dionex deferred revenue obligations to fair value.
- Pre-tax charge to cost of revenues of \$19.9 million and \$89.6 million for the three and nine months ended October 2, 2010, respectively, for the sale of Phadia and Dionex inventories revalued at the date of acquisition.
- Pre-tax charge of \$21.6 million for the nine months ended October 2, 2010 relating to monetizing equity awards held by Dionex employees at the date of acquisition.
- Pre-tax charge of \$80.7 million for the nine months ended October 2, 2010 for acquisition-related transaction costs incurred by both the company and the acquirees.

The company's results would not have been materially different from its pro forma results had the company's other 2011 and 2010 acquisitions occurred at the beginning of 2010.

Dispositions

In May 2011, the company sold a manufacturer of heating equipment for \$14 million and recorded a pre-tax loss on the sale of \$3 million, included in restructuring and other costs, net. Operating results of the business were not material.

THERMO FISHER SCIENTIFIC INC.

Notes to Consolidated Financial Statements
(Unaudited)

2. Acquisitions and Dispositions (continued)

On April 4, 2011, the company sold, in separate transactions, its Athena Diagnostics business (Athena) for \$740 million in cash and its Lancaster Laboratories business (Lancaster) for \$180 million in cash and escrowed proceeds of \$20 million, due in October 2012. The sale of these businesses resulted in an after-tax gain of approximately \$304 million or \$0.78 per diluted share. Athena provides diagnostic testing for neurological and other diseases, with an emphasis on gene-based tests. Lancaster is a contract-testing laboratory that provides analytical laboratory services. The results of both businesses have been included in the accompanying financial statements as discontinued operations for all periods presented. Operating results and balance sheet data of the discontinued operations were as follows:

| (In millions) | Three Months Ended October 2, 2010 | Nine Months Ended October 1, 2011 | October 2, 2010 |
|-----------------------------|---|---|-------------------------|
| Revenues | \$ 57.1 | \$ 54.3 | \$ 162.2 |
| Pre-tax Income | 16.0 | 9.1 | 38.5 |
| | | | December 31, 2010 |
| Other Current Assets | | | \$ 64.8 |
| Other Assets | | | 451.0 |
| Other Accrued Expenses | | | 17.6 |
| Other Long-term Liabilities | | | 58.4 |

3. Business Segment Information

During the third quarter of 2011, the company established a new financial reporting segment, called Specialty Diagnostics, following the acquisition of Phadia (see Note 2). In addition, the company transferred management responsibility and the related financial reporting and monitoring for a product line between segments. The company has historically moved a product line between segments when a shift in strategic focus of either the product line or a segment more closely aligns the product line with a segment different than that in which it had previously been reported. Prior period segment information has been reclassified to reflect this transfer and the new segment reporting.

The company's continuing operations fall into three business segments as follows:

Analytical Technologies: serves research scientists, as well as customers in manufacturing and in the field, with a comprehensive offering of advanced analytical technologies, including instruments, bioscience reagents, consumables and software, primarily for life science research and use in scientific, environmental and process applications.

Specialty Diagnostics: serves customers in healthcare and clinical laboratories with a range of diagnostic test kits, reagents and instruments used to increase the speed and accuracy of diagnoses to improve patient care. The segment also includes the company's healthcare market customer channel consisting of catalog, e-commerce and direct sales.

Laboratory Products and Services: serves laboratory customers with a market-leading offering of equipment and consumables that improve productivity, as well as a range of biopharma outsourcing services such as clinical trials management and logistics. The segment also includes the company's research and safety market customer channels consisting of catalog, e-commerce and direct sales.

THERMO FISHER SCIENTIFIC INC.

Notes to Consolidated Financial Statements
(Unaudited)

3. Business Segment Information (continued)

| (In millions) | Three Months Ended | | Nine Months Ended | |
|--|--------------------|--------------------|--------------------|--------------------|
| | October 1, 2011 | October 2, 2010 | October 1, 2011 | October 2, 2010 |
| Revenues | | | | |
| Analytical Technologies | \$ 1,006.5 | \$ 827.9 | \$ 2,765.9 | \$ 2,358.0 |
| Specialty Diagnostics | 614.7 | 513.1 | 1,760.8 | 1,613.4 |
| Laboratory Products and Services | 1,483.3 | 1,407.7 | 4,454.4 | 4,236.0 |
| Eliminations | (131.0) | (120.0) | (388.8) | (356.1) |
| Consolidated revenues | 2,973.5 | 2,628.7 | 8,592.3 | 7,851.3 |
| Segment Income | | | | |
| Analytical Technologies (a) | 195.9 | 143.5 | 491.9 | 385.3 |
| Specialty Diagnostics (a) | 150.1 | 118.1 | 427.7 | 368.9 |
| Laboratory Products and Services (a) | 200.8 | 189.5 | 615.7 | 599.2 |
| Subtotal reportable segments (a) | 546.8 | 451.1 | 1,535.3 | 1,353.4 |
| Cost of revenues charges | (24.3) | (2.5) | (42.6) | (11.3) |
| Selling, general and administrative charges, net | (20.6) | (0.5) | (61.7) | (1.4) |
| Restructuring and other costs, net | (12.3) | (10.3) | (67.5) | (35.9) |
| Amortization of acquisition-related intangible assets | (174.6) | (135.1) | (461.2) | (419.6) |
| Consolidated operating income | 315.0 | 302.7 | 902.3 | 885.2 |
| Other expense, net (b) | (50.3) | (15.4) | (83.0) | (77.1) |
| Income from continuing operations before provision for income taxes | \$ 264.7 | \$ 287.3 | \$ 819.3 | \$ 808.1 |
| Depreciation | | | | |
| Analytical Technologies | \$ 15.9 | \$ 13.9 | \$ 44.5 | \$ 40.4 |
| Specialty Diagnostics | 12.9 | 9.0 | 32.6 | 27.0 |
| Laboratory Products and Services | 26.3 | 24.4 | 78.3 | 74.3 |
| Consolidated depreciation | \$ 55.1 | \$ 47.3 | \$ 155.4 | \$ 141.7 |

| (In millions) | October 1, 2011 | December 31, 2010 |
|---------------|--------------------|-------------------------|
|---------------|--------------------|-------------------------|

| | | |
|----------------------------------|-------------|-------------|
| Total Assets | | |
| Analytical Technologies | \$ 6,654.0 | \$ 4,258.5 |
| Specialty Diagnostics | 8,444.1 | 4,582.3 |
| Laboratory Products and Services | 10,949.4 | 10,888.0 |
| Corporate/Other (c) | 944.0 | 1,620.6 |
| Consolidated total assets | \$ 26,991.5 | \$ 21,349.4 |

- (a) Represents operating income before certain charges to cost of revenues and selling, general and administrative expenses; restructuring and other costs, net; and amortization of acquisition-related intangibles.
- (b) The company does not allocate other expense, net to its segments.
- (c) Corporate assets consist primarily of cash and cash equivalents, short-term investments, property and equipment at the company's corporate offices and, in 2010, assets of the discontinued operations.

THERMO FISHER SCIENTIFIC INC.

Notes to Consolidated Financial Statements
(Unaudited)

4. Other Expense, Net

The components of other expense, net, in the accompanying statement of income are as follows:

| (In millions) | Three Months Ended | | Nine Months Ended | |
|------------------|--------------------|--------------------|--------------------|--------------------|
| | October 1, 2011 | October 2, 2010 | October 1, 2011 | October 2, 2010 |
| Interest Income | \$ 6.8 | \$ 3.4 | \$ 18.4 | \$ 8.7 |
| Interest Expense | (49.5) | (19.1) | (116.2) | (65.2) |
| Other Items, Net | (7.6) | 0.3 | 14.8 | (20.6) |
| | \$ (50.3) | \$ (15.4) | \$ (83.0) | \$ (77.1) |

In the three-month period ended October 1, 2011, other items, net includes \$5 million of losses on currency exchange contracts associated with the acquisition of Phadia (see Note 12). In the nine-month period ended October 1, 2011, other items, net includes \$28 million of gains on currency exchange contracts associated with the acquisition of Phadia, offset in part by \$10 million of fees associated with a short-term financing commitment to fund the Phadia acquisition. In the three- and nine- month periods ended October 2, 2010, other items, net includes \$1 million and \$17 million, respectively, of charges for the early extinguishment of debt.

THERMO FISHER SCIENTIFIC INC.

Notes to Consolidated Financial Statements
(Unaudited)

5. Stock-based Compensation Expense

The components of pre-tax stock-based compensation expense for the company's continuing operations are as follows:

| (In millions) | Three Months Ended | | Nine Months Ended | |
|--|--------------------|--------------------|--------------------|--------------------|
| | October 1, 2011 | October 2, 2010 | October 1, 2011 | October 2, 2010 |
| Stock Option Awards | \$ 12.0 | \$ 12.6 | \$ 37.3 | \$ 36.5 |
| Restricted Share/Unit Awards | 6.8 | 8.3 | 23.4 | 25.2 |
| Total Stock-based Compensation Expense | \$ 18.8 | \$ 20.9 | \$ 60.7 | \$ 61.7 |

Stock-based compensation expense is included in the accompanying statement of income as follows:

| (In millions) | Three Months Ended | | Nine Months Ended | |
|--|--------------------|--------------------|--------------------|--------------------|
| | October 1, 2011 | October 2, 2010 | October 1, 2011 | October 2, 2010 |
| Cost of Revenues | \$ 1.4 | \$ 1.6 | \$ 4.3 | \$ 4.5 |
| Selling, General and Administrative Expenses | 16.9 | 18.8 | 54.9 | 55.9 |
| Research and Development Expenses | 0.5 | 0.5 | 1.5 | 1.3 |
| Total Stock-based Compensation Expense | \$ 18.8 | \$ 20.9 | \$ 60.7 | \$ 61.7 |

No stock-based compensation expense has been capitalized in inventories due to immateriality.

Unrecognized compensation cost related to unvested stock options and restricted stock totaled approximately \$93 million and \$48 million, respectively, as of October 1, 2011, and is expected to be recognized through 2015 with weighted average amortization periods of 2.8 years and 2.2 years, respectively.

During the first nine months of 2011, the company made equity compensation grants to employees consisting of 0.6 million restricted units and options to purchase 3.6 million shares.

THERMO FISHER SCIENTIFIC INC.

Notes to Consolidated Financial Statements
(Unaudited)

6. Pension and Other Postretirement Benefit Plans

Employees of a number of the company's non-U.S. and certain U.S. subsidiaries participate in defined benefit pension plans covering substantially all full-time employees at those subsidiaries. Some of the plans are unfunded, as permitted under the plans and applicable laws. The company also maintains postretirement healthcare programs at several acquired businesses where certain employees are eligible to participate. The costs of the postretirement healthcare programs are funded on a self-insured and insured-premium basis. Net periodic benefit costs for the company's defined benefit pension plans include the following components:

| (In millions) | Three Months Ended | | Nine Months Ended | |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | October 1, 2011 | October 2, 2010 | October 1, 2011 | October 2, 2010 |
| Service Cost | \$ 3.0 | \$ 3.8 | \$ 9.1 | \$ 9.1 |
| Interest Cost on Benefit Obligation | 13.6 | 13.1 | 40.7 | 39.1 |
| Expected Return on Plan Assets | (14.4) | (13.8) | (43.1) | (41.0) |
| Amortization of Net Loss | 0.8 | 0.5 | 2.3 | 1.5 |
| Settlement/Curtailment Gain | — | (0.8) | — | (0.8) |
| Special Termination Benefits | — | 0.1 | 0.1 | 0.4 |
| Net Periodic Benefit Cost | \$ 3.0 | \$ 2.9 | \$ 9.1 | \$ 8.3 |

Net periodic benefit costs for the company's other postretirement benefit plans include the following components:

| (In millions) | Three Months Ended | | Nine Months Ended | |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | October 1, 2011 | October 2, 2010 | October 1, 2011 | October 2, 2010 |
| Service Cost | \$ 0.1 | \$ 0.1 | \$ 0.5 | \$ 0.3 |
| Interest Cost on Benefit Obligation | 0.4 | 0.4 | 1.4 | 1.4 |
| Amortization of Net Gain | — | (0.1) | (0.2) | (0.3) |
| Net Periodic Benefit Cost | \$ 0.5 | \$ 0.4 | \$ 1.7 | \$ 1.4 |

7. Income Taxes

The company's liability for unrecognized tax benefits increased to \$106 million at October 1, 2011 from \$62 million at December 31, 2010, primarily due to additional unrecognized tax benefits associated with liquidation of a subsidiary, utilization of capital loss carryforwards and 2011 acquisitions.

THERMO FISHER SCIENTIFIC INC.

Notes to Consolidated Financial Statements
(Unaudited)

8. Earnings per Share

Basic and diluted earnings per share were calculated as follows:

| (In millions except per share amounts) | Three Months Ended | | Nine Months Ended | |
|--|--------------------|--------------------|--------------------|--------------------|
| | October 1, 2011 | October 2, 2010 | October 1, 2011 | October 2, 2010 |
| Income from Continuing Operations | \$ 265.3 | \$ 258.8 | \$ 730.1 | \$ 712.1 |
| Income from Discontinued Operations | — | 9.7 | 5.5 | 23.5 |
| Gain on Disposal of Discontinued Operations, Net | 0.1 | — | 305.4 | 2.5 |
| Net Income | 265.4 | 268.5 | 1,041.0 | 738.1 |
| Income Allocable to Participating Securities | — | — | — | (0.2) |
| Net Income for Earnings per Share | \$ 265.4 | \$ 268.5 | \$ 1,041.0 | \$ 737.9 |
| Basic Weighted Average Shares | 379.5 | 400.7 | 383.3 | 406.5 |
| Effect of: | | | | |
| Convertible debentures | — | 1.1 | 0.7 | 3.3 |
| Stock options and restricted stock/units | 3.2 | 2.7 | 3.7 | 3.1 |
| Diluted Weighted Average Shares | 382.7 | 404.5 | 387.7 | 412.9 |
| Basic Earnings per Share: | | | | |
| Continuing operations | \$.70 | \$.65 | \$ 1.90 | \$ 1.75 |
| Discontinued operations | — | .02 | .81 | .06 |
| | \$.70 | \$.67 | \$ 2.72 | \$ 1.82 |
| Diluted Earnings per Share: | | | | |
| Continuing operations | \$.69 | \$.64 | \$ 1.88 | \$ 1.72 |
| Discontinued operations | — | .02 | .80 | .06 |
| | \$.69 | \$.66 | \$ 2.68 | \$ 1.79 |

Options to purchase 5.5 million, 8.3 million, 5.8 million and 8.2 million shares of common stock were not included in the computation of diluted earnings per share for the third quarter of 2011 and 2010 and the first nine months of 2011 and 2010, respectively, because their effect would have been antidilutive.

THERMO FISHER SCIENTIFIC INC.

Notes to Consolidated Financial Statements
(Unaudited)

9. Debt and Other Financing Arrangements

Short-term Financing

Short-term Credit Facility

In June 2011, the company obtained a short-term revolving credit facility that expires in June 2012 which permits borrowings up to \$1 billion. The purpose of this revolver is to be available in the event borrowings are not possible under the company's commercial paper program, discussed below, due to credit market conditions or other events. Interest on the credit facility would be computed, at the company's election, based on one of several Federal Funds, Prime or LIBOR-based rates, the most favorable of which was 1.19% at October 1, 2011. The agreement contains affirmative, negative and financial covenants, and events of default customary for financings of this type. The financial covenant requires the company to maintain total leverage below a certain maximum level. As of October 1, 2011, there were no borrowings under this revolver.

Commercial Paper Program

In August 2011, the Company established a U.S. commercial paper program pursuant to which it may issue and sell unsecured, short-term promissory notes (CP Notes). Maturities may not exceed 397 days from the date of issue and the CP Notes rank pari passu with all of the company's other unsecured and unsubordinated indebtedness. CP Notes are issued on a private placement basis under customary terms in the commercial paper market and are not redeemable prior to maturity nor subject to voluntary prepayment. CP Notes are issued at a discount from par, or, alternatively, are sold at par and bear varying interest rates on a fixed or floating basis. As of October 1, 2011, outstanding borrowings under this program were \$1.00 billion, with a weighted average remaining period to maturity of 30 days. The interest rates on the outstanding CP Notes as of October 1, 2011 were between 0.30% and 0.70% with a weighted average of 0.37%. Borrowings under this program were used to partially fund the acquisition of Phadia (see Note 2).

Termination of Interest Rate Swap Arrangements

In August 2011, the company terminated its fixed to floating rate swap arrangements on its 2.15% Senior Notes due 2012, 2.05% Senior Notes due 2014, 3.25% Senior Notes due 2014 and 3.20% Senior Notes due 2015. As a result of terminating these arrangements, the company received \$63 million (excluding accrued interest) in cash. The proceeds were recorded as part of the carrying value of the underlying debt, which will be amortized as a reduction of interest expense over the remaining terms of the respective debt instruments. This amortization will reduce the effective interest rate on the underlying debt as follows:

Reduction
in
Effective
Interest
Rate
(Basis
Points)

| Underlying Debt Instrument | |
|-----------------------------|-----|
| 2.15% Senior Notes due 2012 | 126 |
| 2.05% Senior Notes due 2014 | 95 |
| 3.25% Senior Notes due 2014 | 174 |
| 3.20% Senior Notes due 2015 | 172 |

Issuance of Senior Notes

On August 9, 2011, the company issued \$2.1 billion principal amount of senior notes, as detailed below, to partially fund its acquisition of Phadia:

THERMO FISHER SCIENTIFIC INC.

Notes to Consolidated Financial Statements
(Unaudited)

9. Debt and Other Financing Arrangements (continued)

2.25% Senior Notes due 2016

On August 9, 2011, the company issued \$1 billion principal amount of 2.25% Senior Notes due 2016. Interest on the notes is payable on February 15 and August 15 of each year. The notes may be redeemed at any time at a redemption price of 100% of the principal amount plus a specified make-whole premium plus accrued interest. The company is subject to certain affirmative and negative covenants, the most restrictive of which limits the ability of the company to pledge principal properties as security under borrowing arrangements.

3.60% Senior Notes due 2021

On August 9, 2011, the company issued \$1.1 billion principal amount of 3.60% Senior Notes due 2021. Interest on the notes is payable on February 15 and August 15 of each year. The notes may be redeemed at any time at a redemption price of 100% of the principal amount plus a specified make-whole premium plus accrued interest. The company is subject to certain affirmative and negative covenants, the most restrictive of which limits the ability of the company to pledge principal properties as security under borrowing arrangements.

Prior to issuing this debt, the company entered into hedging agreements (treasury locks) with several banks to mitigate the risk of interest rates rising prior to completion of a debt offering. Based on the company's conclusion that a debt offering was probable and that such debt would carry semi-annual interest payments over a 10-year term, the agreements hedged the cash flow risk for each of the semi-annual fixed-rate interest payments on a significant portion of principal amount of the 10-year fixed rate debt issue (or subsequent financings of such debt). The company paid \$59 million at the termination of this agreement. The unfavorable change in the fair value of the hedge upon termination was \$37 million, net of tax, and was classified as a reduction of accumulated other comprehensive items within shareholders' equity and is being amortized to interest expense over the term of the debt through 2021, resulting in an increase in the effective interest rate on the \$1.1 billion principal amount of this debt of 67 basis points.

On February 22, 2011, the company issued \$2.2 billion principal amount of senior notes, as detailed below, to fund its acquisition of Dionex (see Note 2) and for general corporate purposes:

2.05% Senior Notes due 2014

On February 22, 2011, the company issued \$300 million principal amount of 2.05% Senior Notes due 2014. Interest on the notes is payable on February 21 and August 21 of each year. The notes may be redeemed at any time at a redemption price of 100% of the principal amount plus a specified make-whole premium plus accrued interest. The company is subject to certain affirmative and negative covenants, the most restrictive of which limits the ability of the company to pledge principal properties as security under borrowing arrangements.

At the issuance of this debt, the company entered into six-month LIBOR-based interest rate swap arrangements with various banks. The aggregate amount of the swaps was equal to the principal amount of the 2.05% Notes. The swaps have been accounted for as a fair value hedge of the 2.05% Notes. In August 2011, the company terminated the swap arrangements, as described above.

3.20% Senior Notes due 2016

On February 22, 2011, the company issued \$900 million principal amount of 3.20% Senior Notes due 2016. Interest on the notes is payable on March 1 and September 1 of each year. The notes may be redeemed at any time at a redemption price of 100% of the principal amount plus a specified make-whole premium plus accrued interest. The company is subject to certain affirmative and negative covenants, the most restrictive of which limits the ability of the company to pledge principal properties as security under borrowing arrangements.

THERMO FISHER SCIENTIFIC INC.

Notes to Consolidated Financial Statements
(Unaudited)

9. Debt and Other Financing Arrangements (continued)

4.50% Senior Notes due 2021

On February 22, 2011, the company issued \$1.00 billion principal amount of 4.50% Senior Notes due 2021. Interest on the notes is payable on March 1 and September 1 of each year. The notes may be redeemed at any time at a redemption price of 100% of the principal amount plus a specified make-whole premium plus accrued interest. The company is subject to certain affirmative and negative covenants, the most restrictive of which limits the ability of the company to pledge principal properties as security under borrowing arrangements.

Redemption of Convertible Notes

During the first quarter of 2011, following issuance of a redemption notice by the company, holders of the company's 3.25% Senior Subordinated Convertible Notes due 2024 exercised conversion rights for substantially all of the remaining \$329 million principal outstanding. The balance not converted by holders was redeemed by the company. The company paid the principal and the premium due upon conversion/redemption in cash for a total outlay of \$452 million. The premium was charged to capital in excess of par value when paid.

10. Litigation and Related Contingencies

There are various lawsuits and claims pending against the company involving product liability, contract, commercial and other issues. In view of the company's financial condition and the accruals established for these matters, management does not believe that the ultimate liability, if any, related to these matters will have a material adverse effect on the company's financial condition, results of operations or cash flows.

The company establishes a liability that is an estimate of amounts needed to pay damages in the future for events that have already occurred. The accrued liabilities are based on management's judgment as to the probability of losses for asserted and unasserted claims and, where applicable, actuarially determined estimates. The reserve estimates are adjusted as additional information becomes known or payments are made.

For product liability, workers compensation and other personal injury matters, the company accrues the most likely amount or at least the minimum of the range of probable loss when a range of probable loss can be estimated. The company records estimated amounts due from insurers as an asset. Although the company believes that the amounts reserved and estimated recoveries are probable and appropriate based on available information, including actuarial studies of loss estimates, the process of estimating losses and insurance recoveries involves a considerable degree of judgment by management and the ultimate amounts could vary materially. Insurance contracts do not relieve the company of its primary obligation with respect to any losses incurred. The collectability of amounts due from its insurers is subject to the solvency and willingness of the insurer to pay, as well as the legal sufficiency of the insurance claims. Management monitors the financial condition and ratings of its insurers on an ongoing basis.

The company is currently involved in various stages of investigation and remediation related to environmental matters. The company cannot predict all potential costs related to environmental remediation matters and the possible impact on future operations given the uncertainties regarding the extent of the required cleanup, the complexity and interpretation of applicable laws and regulations, the varying costs of alternative cleanup methods and the extent of

the company's responsibility. Expenses for environmental remediation matters related to the costs of permit requirements and installing, operating and maintaining groundwater-treatment systems and other remedial activities related to historical environmental contamination at the company's domestic and international facilities were not material in any period presented. The company records accruals for environmental remediation liabilities, based on current interpretations of environmental laws and regulations, when it is probable that a liability has been incurred and the amount of such liability can be reasonably estimated. The company calculates estimates based upon several factors, including reports prepared by environmental specialists and management's knowledge of and experience with these environmental matters. The company includes in these estimates potential costs for investigation, remediation and operation and maintenance of cleanup sites.

THERMO FISHER SCIENTIFIC INC.

Notes to Consolidated Financial Statements
(Unaudited)

10. Litigation and Related Contingencies (continued)

Management believes that its reserves for environmental matters are adequate for the remediation costs the company expects to incur. As a result, the company believes that the ultimate liability with respect to environmental remediation matters will not have a material adverse effect on the company's financial position, results of operations or cash flows. However, the company may be subject to additional remedial or compliance costs due to future events, such as changes in existing laws and regulations, changes in agency direction or enforcement policies, developments in remediation technologies or changes in the conduct of the company's operations, which could have a material adverse effect on the company's financial position, results of operations or cash flows. Although these environmental remediation liabilities do not include third-party recoveries, the company may be able to bring indemnification claims against third parties for liabilities relating to certain sites.

11. Comprehensive Income and Shareholders' Equity

Comprehensive income combines net income and other comprehensive items. Other comprehensive items represent certain amounts that are reported as components of shareholders' equity in the accompanying balance sheet. The components of comprehensive income are as follows:

| (In millions) | Three Months Ended | | Nine Months Ended | |
|--|--------------------|--------------------|--------------------|--------------------|
| | October 1, 2011 | October 2, 2010 | October 1, 2011 | October 2, 2010 |
| Net Income | \$ 265.4 | \$ 268.5 | \$ 1,041.0 | \$ 738.1 |
| Other Comprehensive Items: | | | | |
| Currency translation adjustment | (505.7) | 228.1 | (289.8) | (15.1) |
| Unrealized gains on available-for-sale investments, net of tax | 0.8 | 0.8 | 2.0 | 1.1 |
| Unrealized gains (losses) on hedging instruments, net of tax | (42.1) | 0.1 | (36.1) | 0.2 |
| Pension and other postretirement benefit liability adjustments, net of tax | 1.6 | 0.3 | 0.9 | 1.0 |
| | (545.4) | 229.3 | (323.0) | (12.8) |
| Comprehensive Income (Loss) | \$ (280.0) | \$ 497.8 | \$ 718.0 | \$ 725.3 |

THERMO FISHER SCIENTIFIC INC.

Notes to Consolidated Financial Statements
(Unaudited)

12. Fair Value Measurements and Fair Value of Financial Instruments

Fair Value Measurements

The company uses the market approach technique to value its financial instruments and there were no changes in valuation techniques during 2011. The company's financial assets and liabilities carried at fair value are primarily comprised of investments in money market funds, mutual funds holding publicly traded securities, derivative contracts used to hedge the company's currency and interest rate risks and other investments in unit trusts and insurance contracts held as assets to satisfy outstanding retirement liabilities.

The fair value accounting guidance requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities that the company has the ability to access.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data such as quoted prices, interest rates and yield curves.

Level 3: Inputs are unobservable data points that are not corroborated by market data.

The following table presents information about the company's financial assets and liabilities measured at fair value on a recurring basis as of October 1, 2011:

| (In millions) | October 1, 2011 | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|--|--------------------|---|---|--|
| Assets | | | | |
| Cash equivalents | \$ 333.8 | \$ 333.8 | \$ — | \$ — |
| Investments in mutual funds, unit trusts and other similar instruments | 37.6 | 37.6 | — | — |
| Insurance contracts | 48.9 | — | 48.9 | — |
| Auction rate securities | 4.4 | — | — | 4.4 |
| Derivative contracts | 31.0 | — | 31.0 | — |
| Total Assets | \$ 455.7 | \$ 371.4 | \$ 79.9 | \$ 4.4 |
| Liabilities | | | | |
| Derivative contracts | \$ 0.9 | \$ — | \$ 0.9 | \$ — |
| Contingent consideration | 2.9 | — | — | 2.9 |

| | | | | |
|-------------------|--------|------|--------|--------|
| Total Liabilities | \$ 3.8 | \$ — | \$ 0.9 | \$ 2.9 |
|-------------------|--------|------|--------|--------|

THERMO FISHER SCIENTIFIC INC.

Notes to Consolidated Financial Statements
(Unaudited)

12. Fair Value Measurements and Fair Value of Financial Instruments (continued)

The following table presents information about the company's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2010:

| (In millions) | December 31, 2010 | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|--|-------------------|---|---|---|
| Assets | | | | |
| Cash equivalents | \$ 301.6 | \$ 301.6 | \$ — | \$ — |
| Investments in mutual funds, unit trusts and other similar instruments | 36.3 | 36.3 | — | — |
| Insurance contracts | 42.6 | — | 42.6 | — |
| Auction rate securities | 4.6 | — | — | 4.6 |
| Derivative contracts | 40.1 | — | 40.1 | — |
| Total Assets | \$ 425.2 | \$ 337.9 | \$ 82.7 | \$ 4.6 |
| Liabilities | | | | |
| Derivative contracts | \$ 3.5 | \$ — | \$ 3.5 | \$ — |
| Contingent consideration | 28.7 | — | — | 28.7 |
| Total Liabilities | \$ 32.2 | \$ — | \$ 3.5 | \$ 28.7 |

The company determines the fair value of its insurance contracts by obtaining the cash surrender value of the contracts from the issuer. The fair value of derivative contracts is the estimated amount that the company would receive/pay upon liquidation of the contracts, taking into account the change in currency exchange rates. The company determines the fair value of the auction rate securities by obtaining indications of value from brokers/dealers. The company determines the fair value of acquisition-related contingent consideration based on assessment of the probability that the company would be required to make such future payment. Changes to the fair value of contingent consideration are recorded in selling, general and administrative expense. The following tables provide a rollforward of the fair value, as determined by Level 3 inputs, of the auction rate securities and contingent consideration.

| (In millions) | Three Months Ended | | Nine Months Ended | |
|--------------------------------|--------------------|-----------------|-------------------|-----------------|
| | October 1, 2011 | October 2, 2010 | October 1, 2011 | October 2, 2010 |
| Auction Rate Securities | | | | |
| Beginning Balance | \$ 4.4 | \$ 4.9 | \$ 4.6 | \$ 5.4 |
| Sale of securities | (0.2) | (0.1) | (0.5) | (0.5) |
| | 0.2 | (0.1) | 0.3 | (0.2) |

Total unrealized gains (losses) included in other
comprehensive income

| | | | | |
|----------------|--------|--------|--------|--------|
| Ending Balance | \$ 4.4 | \$ 4.7 | \$ 4.4 | \$ 4.7 |
|----------------|--------|--------|--------|--------|

THERMO FISHER SCIENTIFIC INC.

Notes to Consolidated Financial Statements
(Unaudited)

12. Fair Value Measurements and Fair Value of Financial Instruments (continued)

| (In millions) | Three Months Ended | | Nine Months Ended | |
|---------------------------------|--------------------|--------------------|--------------------|--------------------|
| | October 1, 2011 | October 2, 2010 | October 1, 2011 | October 2, 2010 |
| Contingent Consideration | | | | |
| Beginning Balance | \$ 3.8 | \$ 24.1 | \$ 28.7 | \$ 0.6 |
| Additions | 1.4 | — | 1.4 | 23.5 |
| Payments | (2.2) | — | (27.3) | — |
| Currency translation | (0.1) | — | 0.1 | — |
| Ending Balance | \$ 2.9 | \$ 24.1 | \$ 2.9 | \$ 24.1 |

The notional amounts of derivative contracts outstanding, primarily consisting of foreign currency exchange contracts and, in 2010, interest rate swaps, totaled \$5.52 billion and \$1.78 billion at October 1, 2011 and December 31, 2010, respectively.

The following tables present the fair value of derivative instruments in the consolidated balance sheet and statement of income.

| (In millions) | Fair Value – Assets | | Fair Value – Liabilities | |
|--|---------------------|-------------------------|--------------------------|-------------------------|
| | October 1, 2011 | December 31, 2010 | October 1, 2011 | December 31, 2010 |
| Derivatives Designated as Hedging Instruments | | | | |
| Interest rate swaps (a) | \$ — | \$ 37.3 | \$ — | \$ — |
| Derivatives Not Designated as Hedging Instruments | | | | |
| Foreign currency exchange contracts (b) | 31.0 | 2.8 | 0.9 | 3.5 |
| Total derivatives | \$ 31.0 | \$ 40.1 | \$ 0.9 | \$ 3.5 |

(a) The fair value of the interest rate swaps is included in the consolidated balance sheet under the caption other assets.

(b) The fair value of the foreign currency exchange contracts is included in the consolidated balance sheet under the captions other current assets or other accrued expenses.

| (In millions) | Gain (Loss) Recognized | | | |
|--|------------------------|--------------------|--------------------|--------------------|
| | Three Months Ended | | Nine Months Ended | |
| | October 1, 2011 | October 2, 2010 | October 1, 2011 | October 2, 2010 |
| Derivatives Designated as Fair Value Hedges | | | | |

Edgar Filing: THERMO FISHER SCIENTIFIC INC. - Form 10-Q

| | | | | |
|---|--------|---------|---------|---------|
| Interest rate swaps | \$ 3.2 | \$ 5.7 | \$ 16.5 | \$ 14.2 |
| Derivatives Not Designated as Fair Value Hedges | | | | |
| Foreign currency exchange contracts | 25.0 | (20.7) | 31.9 | 18.3 |

23

THERMO FISHER SCIENTIFIC INC.

Notes to Consolidated Financial Statements
(Unaudited)

12. Fair Value Measurements and Fair Value of Financial Instruments (continued)

Gains and losses recognized on interest rate swap and foreign currency exchange contracts are included in the consolidated statement of income under the caption other expense, net, together with the corresponding, offsetting losses and gains on the underlying hedged transactions except for the exchange rate hedges entered in June 2011 in anticipation of completing the Phadia acquisition (discussed below). The gains on these contracts have no underlying offset in the company's income statement.

On May 19, 2011, in connection with the planned acquisition of Phadia, the company entered into several foreign currency forward contracts to partly mitigate the currency exchange risk associated with the payment of the Euro-denominated purchase price and the repayment of multi-currency debt on the Phadia books. The currencies purchased included the Euro, Swedish krona and Japanese yen, with the aggregate notional amount totaling \$2.34 billion. These currency forward contracts were not able to be designated as hedging instruments and therefore the change in the derivative fair value was marked to market through income/expense, resulting in a \$28 million gain included in other expense, net, during the nine months ended October 1, 2011. In conjunction with completion of the Phadia acquisition in August 2011, these currency forward contracts were effectively terminated through the sale of offsetting contracts although final settlement will occur on November 1, 2011 and therefore the gain is included in other current assets at October 1, 2011.

Fair Value of Other Financial Instruments

The carrying amount and fair value of the company's notes receivable and debt obligations are as follows:

| (In millions) | October 1, 2011 | | December 31, 2010 | |
|-------------------------|-----------------|------------|-------------------|------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Notes Receivable | \$ 6.4 | \$ 6.4 | \$ 7.4 | \$ 7.4 |
| Debt Obligations: | | | | |
| Convertible obligations | \$ — | \$ — | \$ 327.9 | \$ 461.4 |
| Senior notes | 6,097.8 | 6,423.1 | 1,784.9 | 1,806.3 |
| Commercial paper | 1,000.0 | 1,000.0 | — | — |
| Other | 36.1 | 36.1 | 24.3 | 24.3 |
| | \$ 7,133.9 | \$ 7,459.2 | \$ 2,137.1 | \$ 2,292.0 |

The fair value of debt obligations was determined based on quoted market prices and on borrowing rates available to the company at the respective period ends.

THERMO FISHER SCIENTIFIC INC.

Notes to Consolidated Financial Statements
(Unaudited)

13. Warranty Obligations

Product warranties are included in other accrued expenses in the accompanying balance sheet. The changes in the carrying amount of warranty obligations are as follows:

| (In millions) | Nine Months Ended | |
|--|--------------------|--------------------|
| | October 1, 2011 | October 2, 2010 |
| Beginning Balance | \$ 41.7 | \$ 45.2 |
| Provision charged to income | 39.5 | 31.0 |
| Usage | (41.3) | (31.9) |
| Acquisitions | 3.0 | 0.2 |
| Adjustments to previously provided warranties, net | (1.5) | — |
| Other, net | 0.5 | 0.2 |
| Ending Balance | \$ 41.9 | \$ 44.7 |

14. Restructuring and Other Costs, Net

Restructuring and other costs in the first nine months of 2011 primarily included cash compensation from monetizing equity awards held by Dionex employees at the date of acquisition as well as continuing charges for headcount reductions and facility consolidations in an effort to streamline operations, including the consolidation of facilities in Finland and Australia of acquired businesses with existing facilities in those countries and the consolidation of several Massachusetts facilities. As of November 4, 2011, the company has identified restructuring actions that will result in additional charges of approximately \$40 million, primarily in the remainder of 2011 and beginning of 2012.

During the third quarter of 2011, the company recorded net restructuring and other costs by segment as follows:

| (In millions) | Analytical Technologies | Specialty Diagnostics | Laboratory Products and Services | Corporate | Total |
|--|----------------------------|--------------------------|---|-----------|---------|
| | | | | | |
| Selling, General and Administrative Expenses | 1.6 | 16.0 | — | 3.0 | 20.6 |
| Restructuring and Other Costs, Net | 5.5 | 1.9 | 4.9 | — | 12.3 |
| | \$ 21.4 | \$ 27.5 | \$ 5.3 | \$ 3.0 | \$ 57.2 |

THERMO FISHER SCIENTIFIC INC.

Notes to Consolidated Financial Statements
(Unaudited)

14. Restructuring and Other Costs, Net (continued)

During the first nine months of 2011, the company recorded net restructuring and other costs by segment as follows:

| (In millions) | Analytical Technologies | Specialty Diagnostics | Laboratory Products and Services | Corporate | Total |
|--|----------------------------|--------------------------|---|-----------|----------|
| Cost of Revenues | \$ 29.9 | \$ 10.0 | \$ 2.7 | \$ — | \$ 42.6 |
| Selling, General and Administrative Expenses | 34.6 | 24.1 | — | 3.0 | 61.7 |
| Restructuring and Other Costs, Net | 43.5 | 4.2 | 19.2 | 0.6 | 67.5 |
| | \$ 108.0 | \$ 38.3 | \$ 21.9 | \$ 3.6 | \$ 171.8 |

The components of net restructuring and other costs by segment are as follows:

Analytical Technologies

The Analytical Technologies segment recorded \$21.4 million of net restructuring and other charges in the third quarter of 2011. The segment recorded charges to cost of revenues of \$14.3 million for the sale of inventories revalued at the date of acquisition; charges to selling, general and administrative expenses of \$1.6 million primarily for transaction costs related to the Dionex acquisition (Note 2); and \$5.5 million of other restructuring costs, all of which were cash costs. These costs, which were primarily associated with headcount reductions and facility consolidations to streamline operations, consisted of \$3.8 million of severance for approximately 180 employees; \$1.5 million of abandoned facility costs; and \$0.2 million of other cash costs.

In the first nine months of 2011, the Analytical Technologies segment recorded \$108.0 million of net restructuring and other charges. The segment recorded charges to cost of revenues of \$29.9 million primarily for the sale of inventories revalued at the date of acquisition; charges to selling, general and administrative expenses of \$34.6 million primarily for transaction costs related to the Dionex acquisition; and \$43.5 million of other restructuring costs, net, substantially all of which were cash costs. These costs included \$21.6 million of cash compensation from monetizing equity awards held by Dionex employees at the date of acquisition. The Analytical Technologies segment also recorded continuing cash costs associated with headcount reductions and facility consolidations to streamline operations, including the consolidation of a manufacturing and sales facility in Finland of an acquired business with an existing facility in that country, which consisted of \$15.4 million of severance for approximately 270 employees; \$5.9 million of abandoned facility costs; and \$0.8 million of other cash costs, primarily retention, relocation and moving expenses associated with facility consolidations.

Specialty Diagnostics

The Specialty Diagnostics segment recorded \$27.5 million of net restructuring and other charges in the third quarter of 2011. The segment recorded charges to cost of revenues of \$9.6 million for the sale of inventories revalued at the

date of acquisition; charges to selling, general and administrative expenses of \$16.0 million primarily for transaction costs related to the Phadia acquisition (Note 2); and \$1.9 million of other restructuring costs, including non-cash costs of \$1.1 million for writedowns to estimated disposal value of real estate held for sale and cash costs of \$0.8 million including \$0.4 million of severance for approximately 10 employees; \$0.3 million of abandoned facility costs; and \$0.1 million of other cash costs associated with restructuring actions.

THERMO FISHER SCIENTIFIC INC.

Notes to Consolidated Financial Statements
(Unaudited)

14. Restructuring and Other Costs, Net (continued)

In the first nine months of 2011, the Specialty Diagnostics segment recorded \$38.3 million of net restructuring and other charges. The segment recorded charges to cost of revenues of \$10.0 million primarily for the sale of inventories revalued at the date of acquisition; charges to selling, general and administrative expenses of \$24.1 million primarily for transaction costs related to the Phadia acquisition; and \$4.2 million of other restructuring costs, including \$1.1 million of writedowns to estimated disposal value of real estate held for sale and cash costs of \$3.1 million associated with headcount reductions and facility consolidations to streamline operations. The cash costs consisted of \$2.0 million of severance for approximately 50 employees; \$0.6 million of abandoned facility costs; and \$0.5 million of other cash costs, primarily retention, relocation and moving expenses associated with facility consolidations.

Laboratory Products and Services

The Laboratory Products and Services segment recorded \$5.3 million of net restructuring and other charges in the third quarter of 2011. The segment recorded charges to cost of revenues of \$0.4 million for accelerated depreciation at facilities closing due to real estate consolidation and \$4.9 million of other restructuring costs, net, \$5.3 million of which were cash costs associated with headcount reductions and facility consolidations. The cash costs included \$4.0 million of severance for approximately 260 employees; \$0.2 million of abandoned facility costs; and \$1.1 million of other cash costs, primarily retention, relocation and moving expenses associated with facility consolidations. The segment recorded \$0.4 million of income, net, primarily for gains on the sale of real estate and used equipment.

In the first nine months of 2011, the Laboratory Products and Services segment recorded \$21.9 million of net restructuring and other charges. The segment recorded charges to cost of revenues of \$2.7 million for the sale of inventories revalued at the date of acquisition and accelerated depreciation at facilities closing due to real estate consolidation and \$19.2 million of other restructuring costs, net, \$16.6 million of which were cash costs. The cash costs, which were associated with headcount reductions and facility consolidations, included \$13.3 million of severance for approximately 570 employees; \$1.6 million of abandoned facility costs; and \$1.7 million of other cash costs, primarily retention, relocation and moving expenses associated with facility consolidations. The segment recorded \$2.6 million of non-cash expense, net, primarily related to a loss on sale of a heating equipment business.

Corporate

The company recorded \$3.6 million in restructuring and other charges at its corporate operations, including a charge to selling, general and administrative expense of \$3.0 million associated with product liability litigation and \$0.6 million of cash costs for non-executive severance, in the first nine months of 2011.

The following table summarizes the cash components of the company's restructuring plans. The non-cash components and other amounts reported as restructuring and other costs, net, in the accompanying statement of income have been summarized in the notes to the tables. Accrued restructuring costs are included in other accrued expenses in the accompanying balance sheet.

THERMO FISHER SCIENTIFIC INC.

Notes to Consolidated Financial Statements

(Unaudited)

14. Restructuring and Other Costs, Net (continued)

| (In millions) | Severance | Abandonment of Excess Facilities | Other (a) | Total |
|-------------------------------------|-----------|--|-----------|---------|
| Pre-2010 Restructuring Plans | | | | |
| Balance At December 31, 2010 | \$ 7.1 | \$ 4.8 | \$ 0.1 | \$ 12.0 |
| Costs incurred in 2011 (b) | 0.2 | 1.1 | 0.1 | 1.4 |
| Reserves reversed | (0.3) | — | — | (0.3) |
| Payments | (3.3) | (2.8) | (0.1) | (6.2) |
| Currency translation | 0.2 | — | — | 0.2 |
| Balance At October 1, 2011 | \$ 3.9 | \$ 3.1 | \$ 0.1 | \$ 7.1 |
| 2010 Restructuring Plans | | | | |
| Balance At December 31, 2010 | \$ 3.2 | \$ 0.9 | \$ 0.1 | \$ 4.2 |
| Costs incurred in 2011 (b) | 2.4 | 0.3 | 1.0 | 3.7 |
| Payments | (3.1) | (0.7) | (1.1) | (4.9) |
| Currency translation | — | — | — | — |
| Balance At October 1, 2011 | \$ 2.5 | \$ 0.5 | \$ — | \$ 3.0 |
| 2011 Restructuring Plans | | | | |
| Costs incurred in 2011 (b) | \$ 28.9 | \$ 6.8 | \$ 23.5 | \$ 59.2 |
| Payments | (16.7) | (4.6) | (17.2) | (38.5) |
| Currency translation | (0.4) | — | — | (0.4) |
| Balance At October 1, 2011 | \$ 11.8 | \$ 2.2 | \$ 6.3 | \$ 20.3 |

(a) Other includes cash compensation from monetizing equity awards held by Dionex employees at the date of acquisition and employee retention costs which are accrued

ratably over the period through which employees must work to qualify for a payment.

(b) Excludes an aggregate of \$4 million of non-cash expense, net, including a loss on sale of a heating equipment business.

The company expects to pay accrued restructuring costs as follows: severance and other costs, primarily through 2012; and abandoned-facility payments, over lease terms expiring through 2018.

THERMO FISHER SCIENTIFIC INC.

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

Forward-looking statements, within the meaning of Section 21E of the Securities Exchange Act of 1934 are made throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes," "anticipates," "plans," "expects," "seeks," "estimates," and similar expressions are intended to identify forward-looking statements. While the company may elect to update forward-looking statements in the future, it specifically disclaims any obligation to do so, even if the company's estimates change, and readers should not rely on those forward-looking statements as representing the company's views as of any date subsequent to the date of the filing of this Quarterly Report.

A number of important factors could cause the results of the company to differ materially from those indicated by such forward-looking statements, including those detailed under the heading "Risk Factors" in Part II, Item 1A of this report on Form 10-Q.

Overview of Results of Operations and Liquidity

The company develops, manufactures and sells a broad range of products that are sold worldwide. The company expands the product lines and services it offers by developing and commercializing its own technologies and by making strategic acquisitions of complementary businesses. Beginning in the third quarter of 2011, the company's continuing operations fall into three business segments (see Note 3): Analytical Technologies, Specialty Diagnostics and Laboratory Products and Services. Prior period segment results have been adjusted to conform to this presentation.

The results of two businesses sold on April 4, 2011, have been classified and presented as discontinued operations in the accompanying financial statements. Prior period results have been adjusted to conform to this presentation. The results discussed below refer to the company's continuing operations unless otherwise noted.

| (Dollars in millions) | Three Months Ended | | | | Nine Months Ended | | | |
|----------------------------------|--------------------|--------|--------------------|--------|--------------------|--------|--------------------|--------|
| | October 1, 2011 | | October 2, 2010 | | October 1, 2011 | | October 2, 2010 | |
| Revenues | | | | | | | | |
| Analytical Technologies | \$ 1,006.5 | 33.8% | \$ 827.9 | 31.5% | \$ 2,765.9 | 32.2% | \$ 2,358.0 | 30.0% |
| Specialty Diagnostics | 614.7 | 20.7% | 513.1 | 19.5% | 1,760.8 | 20.5% | 1,613.4 | 20.5% |
| Laboratory Products and Services | 1,483.3 | 49.9% | 1,407.7 | 53.6% | 4,454.4 | 51.8% | 4,236.0 | 54.0% |
| Eliminations | (131.0) | (4.4)% | (120.0) | (4.6)% | (388.8) | (4.5)% | (356.1) | (4.5)% |
| | \$ 2,973.5 | 100% | \$ 2,628.7 | 100% | \$ 8,592.3 | 100% | \$ 7,851.3 | 100% |

Sales in the third quarter of 2011 were \$2.97 billion, an increase of \$345 million from the third quarter of 2010. The increase was due to acquisitions, including Phadia and Dionex, and, to a lesser extent, the favorable effects of currency translation and higher sales at existing businesses. Had Phadia, Dionex and the company been combined

from the beginning of 2010, pro forma revenues would have increased \$210 million (7%) over pro forma 2010 revenues. Aside from the effects of currency translation and other acquisitions, net of divestitures, pro forma revenues increased \$92 million (3%) over pro forma 2010 revenues (discussed in total and by segment below). The increase in pro forma revenues was primarily due to increased demand, offset in part by lower sales to academic and government markets which the company believes may be related to uncertainty in funding expectations in the U.S. and Europe.

THERMO FISHER SCIENTIFIC INC.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations –
Overview of Results of Operations and Liquidity (continued)

The company's strategy is to augment internal growth at existing businesses with complementary acquisitions such as those completed in 2011 and 2010. The company's principal recent acquisitions are described below.

- Phadia, a global leader in the development, manufacturing and marketing of complete blood-test systems to support the clinical diagnosis and monitoring of allergy and autoimmune diseases, was acquired in August 2011 to expand the company's specialty diagnostics offerings.
- Dionex, a global leader in the manufacturing and marketing of ion and liquid chromatography and sample preparation systems, consumables, and software for chemical analysis, was acquired in May 2011 to expand the company's chromatography system portfolio.
- Fermentas, a manufacturer and global distributor of enzymes, reagents and kits for molecular and cellular biology research, was acquired in July 2010 to expand the company's ability to provide complete workflows for genomics research.
- Finnzymes, a provider of integrated tools for molecular biology analysis, including reagents, instruments, consumables and kits, was acquired in March 2010 to expand the company's portfolio of reagents and other consumables for the molecular biology research and diagnostics markets.
- Ahura Scientific, a provider of handheld spectroscopy instruments that are used worldwide in the identification of chemicals for safety, security and pharmaceutical applications, was acquired in February 2010 to expand the company's portfolio of portable analytical devices.

In the third quarter of 2011, total company operating income and operating income margin were \$315 million and 10.6%, respectively, compared with \$303 million and 11.5%, respectively, in 2010. The decrease in operating income margin was primarily due to acquisition-related charges totaling \$45 million and an increase in amortization expense of \$40 million in the third quarter of 2011, primarily related to the acquisitions of Phadia and Dionex. These decreases were offset in part by profit on incremental sales from acquisitions and existing businesses, productivity improvements, global sourcing initiatives and lower operating costs following restructuring actions.

The company recorded a benefit from income taxes in the third quarter of 2011. The company's effective tax rate was 9.9% in the third quarter of 2010. As a result of the Phadia acquisition and a relatively lower tax rate on Phadia's earnings, the company revised its estimated effective tax rate for the full year 2011 to approximately 11% based on currently forecasted profitability in the countries in which the company conducts business. As a result, a year-to-date adjustment was recorded in the third quarter of 2011 to reflect the impact of the lower tax rate on the company's year-to-date earnings. The tax provision in the 2011 period was also favorably affected by \$7.9 million, or 3.0 percentage points, by the ability to use tax loss carryforwards as a result of the Phadia acquisition and \$3.5 million, or 1.3 percentage points, as a result of adjustments to deferred tax balances due to changes in tax rates. The tax provision in the third quarter of 2010 was favorably affected by \$6.1 million or 2.1 percentage points resulting from the settlement of a tax audit and adjustments to deferred tax balances due to changes in tax rates.

Income from continuing operations increased to \$265 million in the third quarter of 2011, from \$259 million in the third quarter of 2010, primarily due to a benefit from income taxes in 2011, offset in part by higher interest expense and the items discussed above that decreased operating income margin.

During the first nine months of 2011, the company's cash flow from operations totaled \$1.05 billion (including \$13 million from discontinued operations), compared with \$1.06 billion (including \$33 million from discontinued operations) for the first nine months of 2010. The decrease resulted primarily from the timing of income tax payments.

As of October 1, 2011, the company's short-term debt totaled \$1.02 billion, principally commercial paper obligations. Under its principal unsecured revolving credit agreement, expiring in August 2012, the company has available capacity of \$951 million at October 1, 2011. In addition, the company has a \$1 billion short-term revolving credit agreement expiring in June 2012, the purpose of which is to provide short-term funds in the event access to commercial paper markets is not available. The company expects to renew these facilities before their expiration, for all or a portion of the available borrowings thereunder.

THERMO FISHER SCIENTIFIC INC.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations –
Overview of Results of Operations and Liquidity (continued)

The company believes that its existing cash and short-term investments of \$898 million as of October 1, 2011, and the company's future cash flow from operations together with available borrowing capacity of \$951 million under its principal revolving credit agreement and the expected renewal thereof, are sufficient to meet the cash requirements of its existing businesses for the foreseeable future, including at least the next 24 months.

Critical Accounting Policies and Estimates

The company's discussion and analysis of its financial condition and results of operations is based upon its financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent liabilities. Management believes the most complex and sensitive judgments, because of their significance to the consolidated financial statements, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Management's Discussion and Analysis and Note 1 to the Consolidated Financial Statements of the company's Form 10-K for 2010, describe the significant accounting estimates and policies used in preparation of the consolidated financial statements. Actual results in these areas may differ from management's estimates under different assumptions or conditions. There have been no significant changes in the company's critical accounting policies during the first nine months of 2011.

Results of Operations

Third Quarter 2011 Compared With Third Quarter 2010

Continuing Operations

Sales in the third quarter of 2011 were \$2.97 billion, an increase of \$345 million from the third quarter of 2010. The increase was due to acquisitions, including Phadia and Dionex, and, to a lesser extent, the favorable effects of currency translation and higher sales at existing businesses. Had Phadia, Dionex and the company been combined from the beginning of 2010, pro forma revenues would have increased \$210 million (7%) over pro forma third quarter of 2010 revenues, including \$29 million due to other acquisitions, net of divestitures, \$88 million due to the favorable effects of currency translation and \$92 million (3%) due to higher revenues at existing businesses. The increase in pro forma revenues was primarily due to increased demand and, to a lesser extent, price increases. Sales growth was strong in Asia and modest in North America and Europe. The increase in demand was offset in part by lower sales to academic and government markets which the company believes may be related to uncertainty in funding expectations in the U.S. and Europe.

In the third quarter of 2011, total company operating income and operating income margin were \$315 million and 10.6%, respectively, compared with \$303 million and 11.5%, respectively, in 2010. The decrease in operating income margin was primarily due to acquisition-related charges totaling \$45 million and an increase in amortization expense of \$40 million in the third quarter of 2011, primarily related to the acquisitions of Phadia and Dionex. These decreases were offset in part by profit on incremental sales from acquisitions and existing businesses, productivity improvements, global sourcing initiatives and lower operating costs following restructuring actions.

In the third quarter of 2011, the company recorded restructuring and other costs, net, of \$57 million, including \$24 million of charges to cost of revenues related to the sale of inventories revalued at the date of acquisition and accelerated depreciation on manufacturing assets to be abandoned due to facility consolidations and \$21 million of charges to selling, general and administrative expenses primarily for transaction costs related to the acquisitions of Phadia and Dionex. The company incurred \$12 million of cash costs primarily for continued headcount reductions and facility consolidations in an effort to streamline operations, including severance to reduce headcount at several businesses and abandoned facility expenses at businesses that have been or are being consolidated, such as the consolidation of several Massachusetts facilities.

THERMO FISHER SCIENTIFIC INC.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations –
Results of Operations (continued)

In the third quarter of 2010, the company recorded restructuring and other costs, net, of \$13 million, including \$3 million of charges to cost of revenues related to the sale of inventory revalued at the date of acquisition and accelerated depreciation on manufacturing assets to be abandoned due to facility consolidations and \$1 million of charges to selling, general and administrative expenses for transaction costs, net, primarily related to the acquisition of Fermentas. The company incurred \$8 million of cash costs primarily for actions in response to the downturn in the economy and reduced revenues including severance to reduce headcount at several businesses and abandoned facility expenses at businesses that have been or are being consolidated. The company also incurred \$2 million of non-cash asset write-downs associated with abandoned facilities held for sale.

As of November 4, 2011, the company has identified restructuring actions that will result in additional charges of approximately \$40 million in 2011 and expects to identify additional actions during the remainder of 2011. The restructuring actions initiated in the first nine months of 2011 are expected to result in annual cost savings of approximately \$60 million.

Segment Results

The company's management evaluates segment operating performance using operating income before certain charges/credits to cost of revenues and selling, general and administrative expenses, principally associated with acquisition accounting; restructuring and other costs/income including costs arising from facility consolidations such as severance and abandoned lease expense and gains and losses from the sale of real estate and product lines; and amortization of acquisition-related intangible assets. The company also refers to this measure as adjusted operating income. The company uses this measure because it helps management understand and evaluate the segments' core operating results and facilitate comparison of performance for determining compensation (Note 3). Accordingly, the following segment data is reported on this basis.

THERMO FISHER SCIENTIFIC INC.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations (continued)

| (Dollars in millions) | Three Months Ended | | Change |
|---|--------------------|--------------------|------------|
| | October 1, 2011 | October 2, 2010 | |
| Revenues | | | |
| Analytical Technologies | \$ 1,006.5 | \$ 827.9 | 22% |
| Specialty Diagnostics | 614.7 | 513.1 | 20% |
| Laboratory Products and Services | 1,483.3 | 1,407.7 | 5% |
| Eliminations | (131.0) | (120.0) | 9% |
| Consolidated Revenues | \$ 2,973.5 | \$ 2,628.7 | 13% |
| Segment Income | | | |
| Analytical Technologies | \$ 195.9 | \$ 143.5 | 37% |
| Specialty Diagnostics | 150.1 | 118.1 | 27% |
| Laboratory Products and Services | 200.8 | 189.5 | 6% |
| Subtotal Reportable Segments | 546.8 | 451.1 | 21% |
| Cost of Revenues Charges | (24.3) | (2.5) | |
| Selling, General and Administrative Charges, Net | (20.6) | (0.5) | |
| Restructuring and Other Costs, Net | (12.3) | (10.3) | |
| Amortization of Acquisition-related Intangible Assets | (174.6) | (135.1) | |
| Consolidated Operating Income | \$ 315.0 | \$ 302.7 | 4% |
| Reportable Segments Operating Income Margin | 18.4% | 17.2% | |
| Consolidated Operating Income Margin | 10.6% | 11.5% | |

Income from the company's reportable segments increased 21% to \$547 million in the third quarter of 2011 due primarily to profit on incremental sales from acquisitions and existing businesses, productivity improvements, global sourcing initiatives and lower operating costs following restructuring actions.

Analytical Technologies

| (Dollars in millions) | Three Months Ended | | Change |
|--------------------------------|--------------------|--------------------|------------|
| | October 1, 2011 | October 2, 2010 | |
| Revenues | \$ 1,006.5 | \$ 827.9 | 22% |
| Operating Income Margin | 19.5% | 17.3% | 2.2 |

Sales in the Analytical Technologies segment increased \$179 million to \$1.01 billion in the third quarter of 2011. The increase was due to acquisitions, including Dionex, and, to a lesser extent, higher revenues at existing businesses and the favorable effects of currency translation. Had Dionex and the company been combined from the beginning of 2010, pro forma revenues would have increased \$80 million (9%) over pro forma 2010 revenues, including increases of \$2 million due to other acquisitions, \$32 million due to the favorable effects of currency translation and \$46 million (5%) due to higher revenues at existing businesses. The increase in pro forma revenue at existing businesses was primarily due to increased demand. Demand was particularly strong for instruments serving industrial and applied markets. The increase in demand was offset in part by lower sales to customers in academic and government markets.

THERMO FISHER SCIENTIFIC INC.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations –
Results of Operations (continued)

Operating income margin was 19.5% in the third quarter of 2011 and 17.3% in the third quarter of 2010. The increase resulted from profit on incremental sales, global sourcing initiatives, productivity improvements and, to a lesser extent, price increases.

Specialty Diagnostics

| (Dollars in millions) | Three Months Ended | | Change |
|-------------------------|--------------------|--------------------|--------|
| | October 1, 2011 | October 2, 2010 | |
| Revenues | \$ 614.7 | \$ 513.1 | 20% |
| Operating Income Margin | 24.4% | 23.0% | 1.4 |

Sales in the Specialty Diagnostics segment increased \$102 million to \$615 million in the third quarter of 2011. The increase was due to acquisitions, including Phadia and, to a lesser extent, higher revenues at existing businesses and the favorable effects of currency translation. Had Phadia and the company been combined from the beginning of 2010, pro forma revenues would have increased \$66 million (11%) over pro forma 2010 revenues, including increases of \$8 million due to other acquisitions, \$22 million due to the favorable effects of currency translation and \$35 million (6%) due to higher revenues at existing businesses. The increase in pro forma revenue at existing businesses was primarily due to increased demand. Demand was particularly strong for immunodiagnostics and clinical diagnostics products.

Operating income margin was 24.4% in the third quarter of 2011 and 23.0% in the third quarter of 2010. The increase resulted from profit on incremental sales, productivity improvements, global sourcing initiatives and, to a lesser extent, price increases.

Laboratory Products and Services

| (Dollars in millions) | Three Months Ended | | Change |
|-------------------------|--------------------|--------------------|--------|
| | October 1, 2011 | October 2, 2010 | |
| Revenues | \$ 1,483.3 | \$ 1,407.7 | 5% |
| Operating Income Margin | 13.5% | 13.5% | — |

Sales in the Laboratory Products and Services segment increased \$76 million to \$1.48 billion in the third quarter of 2011. The favorable effects of currency translation resulted in an increase in revenues of \$36 million in 2011. Sales increased \$19 million due to acquisitions. In addition to the changes in revenue resulting from currency translation and acquisitions, revenues increased \$21 million (1%) primarily due to increased demand for biopharma outsourcing services. The increase in demand was offset in part by lower sales to customers in academic and government markets.

Operating income margin was 13.5% in the third quarter of both 2011 and 2010, primarily due to productivity improvements offset by inflationary pressures on raw material costs and commercial investments.

THERMO FISHER SCIENTIFIC INC.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations –
Results of Operations (continued)

Other Expense, Net

The company reported other expense, net, of \$50 million and \$15 million in the third quarter of 2011 and 2010, respectively (Note 4). Other expense, net includes interest income, interest expense, equity in earnings of unconsolidated subsidiaries and other items, net. The increase was primarily due to an increase of \$30 million in interest expense related to the debt issued to fund the Phadia and Dionex acquisitions, offset in part by having refinanced higher-rate debt during 2010. In 2011, other items, net includes a \$5 million loss on currency exchange contracts associated with the Phadia acquisition and repayment of its multi-currency debt.

Provision for Income Taxes

The company recorded a benefit from income taxes in the third quarter of 2011. The company's effective tax rate was 9.9% in the third quarter of 2010. As a result of the Phadia acquisition and a relatively lower tax rate on Phadia's earnings, the company revised its estimated effective tax rate for the full year 2011 to approximately 11% based on currently forecasted profitability in the countries in which the company conducts business. As a result, a year-to-date adjustment was recorded in the third quarter of 2011 to reflect the impact of the lower tax rate on the company's year-to-date earnings. The tax provision in the 2011 period was also favorably affected by \$7.9 million, or 3.0 percentage points, by the ability to use tax loss carryforwards as a result of the Phadia acquisition and \$3.5 million, or 1.3 percentage points, as a result of adjustments to deferred tax balances due to changes in tax rates. The tax provision in the third quarter of 2010 was favorably affected by \$6.1 million or 2.1 percentage points resulting from the settlement of a tax audit and adjustments to deferred tax balances due to changes in tax rates.

Contingent Liabilities

The company is contingently liable with respect to certain legal proceedings and related matters. An unfavorable outcome in one or more of the matters described under "Litigation and Related Contingencies" in Note 10 could materially affect the company's financial position as well as its results of operations and cash flows.

Recent Accounting Pronouncements

In September 2011, FASB issued revised guidance requiring entities to provide additional qualitative and quantitative disclosures about an employer's participation and financial obligations in a multiemployer pension plan. The new rule is intended to increase transparency about an employer's participation in a multiemployer pension plan. The new guidance is effective for fiscal years that end after December 15, 2011. Adoption of this standard will not have an impact on the company's results of operations or financial position.

In September 2011, FASB modified existing rules to allow entities to use a qualitative approach to test goodwill for impairment. The revised guidance permits an entity to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If impairment is deemed more likely than not, management would perform the currently prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. This guidance will be effective for the company on January 1, 2012 although early adoption is permitted. Adoption of this standard will not have an impact on the company's results of operations or financial position.

In June 2011, new guidance was issued pertaining to the presentation of comprehensive income. The new rule eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. The standard is intended to provide a more consistent method of presenting non-owner transactions that affect the company's equity. Under the new guidance, an entity can elect to present items of net income and other comprehensive income in one continuous statement or in two separate, but consecutive, statements. The new guidance is effective for fiscal years that begin after December 15, 2011. Adoption of this standard will not have an impact on the company's results of operations or financial position.

THERMO FISHER SCIENTIFIC INC.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations –
Results of Operations (continued)

In May 2011, the FASB amended existing rules covering fair value measurement and disclosure to clarify guidance and minimize differences between U.S. GAAP and International Financial Reporting Standards (IFRS). The new guidance requires entities to provide information about valuation techniques and unobservable inputs used in Level 3 fair value measurements and provide a narrative description of the sensitivity of Level 3 measurements to changes in unobservable inputs. The guidance will be effective for the company on January 1, 2012 and is not expected to have a material impact on its financial statements.

First Nine Months 2011 Compared With First Nine Months 2010

Continuing Operations

Sales in the first nine months of 2011 were \$8.59 billion, an increase of \$741 million from the first nine months of 2010. The increase was due to acquisitions, including Phadia and Dionex, and, to a lesser extent, the favorable effects of currency translation and higher revenues at existing businesses. Had Phadia, Dionex and the company been combined from the beginning of 2010, pro forma revenues would have increased \$615 million (7%) over the pro forma first nine months of 2010 revenues, including \$102 million due to other acquisitions, net of divestitures, \$263 million due to the favorable effects of currency translation and \$251 million (3%) due to higher revenues at existing businesses. The increase in pro forma revenues at existing businesses was primarily due to increased demand, offset in part by lower sales resulting from cessation of a supply contract, discussed below, and lower stimulus-funded sales in Japan as compared to 2010, which together decreased sales by approximately 1 percentage point. Sales growth was strong in Asia and modest in Europe and North America. The results in North America and Asia were affected by the cessation of the supply contract and the lower stimulus-funded sales in Japan, respectively.

In the first nine months of 2011, operating income and operating income margin were \$902 million and 10.5%, respectively, compared with \$885 million and 11.3%, respectively, in 2010. The decrease in operating income margin was primarily due to \$126 million of acquisition-related charges and an increase in amortization expense of \$42 million in 2011 primarily related to the acquisitions of Phadia and Dionex. The decrease was offset in part by productivity improvements, global sourcing initiatives and profit on incremental sales from acquisitions and existing businesses.

In the first nine months of 2011, the company recorded restructuring and other costs, net, of \$172 million, including \$43 million of charges to cost of revenues related to the sale of inventories revalued at the date of acquisition and accelerated depreciation on manufacturing assets to be abandoned due to facility consolidations and \$62 million of charges to selling, general and administrative expenses primarily for transaction costs related to the acquisitions of Phadia and Dionex. The company incurred \$64 million of cash costs, including \$22 million of cash compensation from monetizing equity awards held by Dionex employees at the date of acquisition. The cash costs also include continuing costs associated with headcount reductions and facility consolidations in an effort to streamline operations, including severance to reduce headcount at several businesses and abandoned facility expenses at businesses that have been or are being consolidated, such as the consolidation of facilities of acquired businesses in Finland and Australia with existing facilities in those countries and consolidation of sites in Massachusetts. The company also recorded \$4 million of non-cash costs, net, primarily for a loss on sale of a heating equipment business (see Note 14).

In the first nine months of 2010, the company recorded restructuring and other costs, net, of \$49 million, including \$11 million of charges to cost of revenues related to the sale of inventories revalued at the date of acquisition and

accelerated depreciation on manufacturing assets to be abandoned due to facility consolidations and \$1 million of charges to selling, general and administrative expenses for transaction costs, net, primarily related to the acquisitions of Finnzymes and Fermentas. The company incurred \$28 million of cash costs primarily for actions in response to the downturn in the economy and reduced revenues, including severance to reduce headcount at several businesses and abandoned facility expenses at businesses that have been consolidated. The company also incurred a \$6 million charge on a patent infringement claim initiated prior to a business unit's acquisition by the company and \$2 million of asset write-downs associated with abandoned facilities held for sale.

THERMO FISHER SCIENTIFIC INC.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations (continued)

Segment Results

| (Dollars in millions) | Nine Months Ended | | Change |
|---|--------------------|--------------------|------------|
| | October 1, 2011 | October 2, 2010 | |
| Revenues | | | |
| Analytical Technologies | \$ 2,765.9 | \$ 2,358.0 | 17% |
| Specialty Diagnostics | 1,760.8 | 1,613.4 | 9% |
| Laboratory Products and Services | 4,454.4 | 4,236.0 | 5% |
| Eliminations | (388.8) | (356.1) | 9% |
| Consolidated Revenues | \$ 8,592.3 | \$ 7,851.3 | 9% |
| Segment Income | | | |
| Analytical Technologies | \$ 491.9 | \$ 385.3 | 28% |
| Specialty Diagnostics | 427.7 | 368.9 | 16% |
| Laboratory Products and Services | 615.7 | 599.2 | 3% |
| Subtotal Reportable Segments | 1,535.3 | 1,353.4 | 13% |
| Cost of Revenues Charges | (42.6) | (11.3) | |
| Selling, General and Administrative Charges, Net | (61.7) | (1.4) | |
| Restructuring and Other Costs, Net | (67.5) | (35.9) | |
| Amortization of Acquisition-related Intangible Assets | (461.2) | (419.6) | |
| Consolidated Operating Income | \$ 902.3 | \$ 885.2 | 2% |
| Reportable Segments Operating Income Margin | 17.9% | 17.2% | |
| Consolidated Operating Income Margin | 10.5% | 11.3% | |

Income from the company's reportable segments increased 13% to \$1.54 billion in the first nine months of 2011 due primarily to productivity improvements, global sourcing initiatives and profit on incremental sales from acquisitions and existing businesses.

Analytical Technologies

| (Dollars in millions) | Nine Months Ended | | Change |
|-----------------------|--------------------|--------------------|------------|
| | October 1, 2011 | October 2, 2010 | |
| Revenues | \$ 2,765.9 | \$ 2,358.0 | 17% |

| | | | |
|-------------------------|-------|-------|-----|
| Operating Income Margin | 17.8% | 16.3% | 1.5 |
|-------------------------|-------|-------|-----|

Sales in the Analytical Technologies segment increased \$408 million to \$2.77 billion in the first nine months of 2011. The increase was due to acquisitions, including Dionex, higher revenue at existing businesses and, to a lesser extent, the favorable effects of currency translation. Had Dionex and the company been combined from the beginning of 2010, pro forma revenues would have increased \$271 million (10%) over pro forma 2010 revenues, including increases of \$47 million due to other acquisitions, \$93 million due to the favorable effects of currency translation and \$131 million (5%) due to higher revenues at existing businesses. The increase in pro forma revenue at existing businesses was primarily due to increased demand. Demand was particularly strong for instruments serving industrial and applied markets. The increase in revenues was offset in part by lower stimulus-funded sales in Japan in the first nine months of 2011 which decreased growth by 2 percentage points.

THERMO FISHER SCIENTIFIC INC.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations (continued)

Operating income margin was 17.8% in the first nine months of 2011 and 16.3% in the first nine months of 2010. The increase resulted from productivity improvements, global sourcing initiatives, lower operating costs following restructuring actions and, to a lesser extent, price increases and profit on incremental sales. These increases were offset in part by higher spending on research and development initiatives.

Specialty Diagnostics

| (Dollars in millions) | Nine Months Ended | | Change |
|-------------------------|--------------------|--------------------|--------|
| | October 1, 2011 | October 2, 2010 | |
| Revenues | \$ 1,760.8 | \$ 1,613.4 | 9% |
| Operating Income Margin | 24.3% | 22.9% | 1.4 |

Sales in the Specialty Diagnostics segment increased \$147 million to \$1.76 billion in the first nine months of 2011. The increase was due to acquisitions, including Phadia, higher revenue at existing businesses and the favorable effects of currency translation. Had Phadia and the company been combined from the beginning of 2010, pro forma revenues would have increased \$158 million (8%) over pro forma 2010 revenues, including increases of \$9 million due to other acquisitions, \$67 million due to the favorable effects of currency translation and \$82 million (4%) due to higher revenues at existing businesses. The increase in pro forma revenue at existing businesses was primarily due to increased demand. Demand was particularly strong for immunodiagnostics and clinical diagnostics products. The increase in demand was offset in part by cessation of a supply contract, discussed below.

In November 2009, a significant supplier of the company's healthcare market channel notified the company that it intended to cease an existing supply arrangement in mid-2010. The company believes this was in part a response to the company's strategic decision to expand its product offerings to provide its customers with a broader menu of diagnostic solutions. The company signed an agreement with an alternative supplier of laboratory products and is selling these and other products from the new supplier, offsetting a portion of the drop in revenue. As a result of these events, sales were unfavorably affected by \$54 million, net, in the first half of 2011.

Operating income margin was 24.3% in the first nine months of 2011 and 22.9% in the first nine months of 2010. The increase resulted from productivity improvements, global sourcing initiatives, lower operating costs following restructuring actions and, to a lesser extent, price increases and profit on incremental sales.

Laboratory Products and Services

| (Dollars in millions) | Nine Months Ended | | Change |
|-------------------------|--------------------|--------------------|--------|
| | October 1, 2011 | October 2, 2010 | |
| Revenues | \$ 4,454.4 | \$ 4,236.0 | 5% |
| Operating Income Margin | 13.8% | 14.1% | (0.3) |

Sales in the Laboratory Products and Services segment increased \$218 million to \$4.45 billion in the first nine months of 2011. The favorable effects of currency translation resulted in an increase in revenues of \$107 million in 2011. Sales increased \$46 million due to acquisitions. In addition to the changes in revenue resulting from currency translation and acquisitions, revenues increased \$66 million (2%) primarily due to increased demand for biopharma outsourcing services.

THERMO FISHER SCIENTIFIC INC.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations –
Results of Operations (continued)

Operating income margin decreased to 13.8% in the first nine months of 2011 from 14.1% in the first nine months of 2010, primarily due to unfavorable product sales mix, commercial investments and inflationary pressures on raw material costs, particularly steel and plastic resin. These decreases were offset in part by productivity improvements.

Other Expense, Net

The company reported other expense, net, of \$83 million and \$77 million in first nine months of 2011 and 2010, respectively (Note 4). The increase was primarily due to a \$51 million increase in interest expense, offset in part by higher other items, net and higher interest income. The increase in interest expense was related to the debt issued to fund the Phadia and Dionex acquisitions, offset in part by having refinanced higher-rate debt during 2010. In 2011, other items, net includes a \$28 million gain on currency exchange contracts associated with the Phadia acquisition and repayment of its multi-currency debt, offset in part by \$10 million of fees associated with short-term financing commitments to fund the Phadia acquisition. In 2010, other items, net includes a \$17 million loss on the early extinguishment of debt.

Provision for Income Taxes

The company's effective tax rates were 10.9% and 11.9% in the first nine months of 2011 and 2010, respectively. The decrease in the effective tax rate was primarily due to increased earnings in lower tax jurisdictions including the effect of the Phadia acquisition. In addition, the tax provision in the first nine months of 2011 was favorably affected by \$7.9 million, or 1.0 percentage points, by the ability to use tax loss carryforwards as a result of the Phadia acquisition, offset in part by \$4.7 million, or 0.6 percentage points, as a result of adjustments to deferred tax balances due to changes in tax rates. The tax provision in the first nine months of 2010 was favorably affected by \$6.3 million or 0.8 percentage points resulting from a loss on the early extinguishment of debt and by \$8.0 million, net, or 1.0 percentage points, resulting primarily from the resolution of tax audits and adjustments to deferred tax balances due to changes in tax rates.

Discontinued Operations

On April 4, 2011, the company sold, in separate transactions, its Athena Diagnostics business (Athena) for \$740 million in cash and its Lancaster Laboratories business (Lancaster) for \$180 million in cash and escrowed proceeds of \$20 million, due in October 2012. The sale of these businesses resulted in an after-tax gain of \$304 million or \$0.78 per diluted share. Revenues and operating income of the two businesses aggregated approximately \$225 million and \$60 million, respectively, in 2010. Athena provides diagnostic testing for neurological and other diseases, with an emphasis on gene-based tests. Lancaster is a contract-testing laboratory that provides analytical laboratory services. The results of both businesses have been included in the accompanying financial statements as discontinued operations for all periods presented (Note 2). After-tax income from discontinued operations was \$5.5 million and \$23.5 million, in the first nine months of 2011 and 2010, respectively. The company also received additional proceeds from a previously divested business in the second quarter of 2011, resulting in an after-tax gain of \$1 million.

During the first quarter of 2010, the company recorded additional proceeds related to a business divested in 2003, resulting in an after-tax gain of \$2.5 million.

Liquidity and Capital Resources

Consolidated working capital was \$1.94 billion at October 1, 2011, compared with \$2.43 billion at December 31, 2010. Included in working capital were cash, cash equivalents and short-term investments of \$0.90 billion at October 1, 2011 and \$0.93 billion at December 31, 2010. The decrease in working capital is primarily due to short-term borrowings under the company's U.S. commercial paper program, used to partially fund the acquisition of Phadia (Note 9), offset in part by increases in accounts receivable and inventories resulting from the acquisitions of Phadia and Dionex.

THERMO FISHER SCIENTIFIC INC.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations –
Liquidity and Capital Resources (continued)

First Nine Months of 2011

Cash provided by operating activities was \$1.05 billion during the first nine months of 2011. Increases in accounts receivable and inventory used cash of \$81 million and \$64 million, respectively, primarily to support growth in sales. An increase in accounts payable provided cash of \$25 million, primarily due to higher inventory purchases. Cash payments for income taxes totaled \$454 million in the first nine months of 2011, compared to \$268 million in the first nine months of 2010. Payments for restructuring actions, principally severance costs and lease and other expenses of real estate consolidation, used cash of \$50 million during the first nine months of 2011.

During the first nine months of 2011, the company's primary investing activities included acquisitions and the purchase of property, plant and equipment. The company expended \$5.70 billion for acquisitions, including contingent earn-out payments and \$186 million for purchases of property, plant and equipment. The company's continuing operations had cash proceeds from a divestiture of \$14 million and the company's discontinued operations had net cash proceeds of \$798 million, primarily from the sale of Athena and Lancaster.

The company has no material commitments for purchases of property, plant and equipment and expects that for all of 2011, such expenditures will approximate between \$280 and \$300 million. Other than the issuance of debt discussed in Note 9, the company's contractual obligations and other commercial commitments did not change materially between December 31, 2010 and October 1, 2011.

The company's financing activities provided \$4.00 billion of cash during the first nine months of 2011, principally for the issuance of debt (Note 9) offset in part by the repurchase of \$988 million of the company's common stock. Following issuance of a redemption notice for the remaining \$329 million principal outstanding of the company's 3.25% Senior Subordinated Convertible Notes due 2024, all of the balance was converted or redeemed for a total cash outlay of \$452 million. The company's financing activities also included \$154 million of proceeds of employee stock option exercises. On February 23, 2011, the Board of Directors authorized the repurchase of up to an additional \$750 million of the company's common stock through February 22, 2012. At October 1, 2011, \$250 million was available for future repurchases of the company's common stock under this authorization.

As of October 1, 2011, the company's short-term debt totaled \$1.02 billion, principally commercial paper obligations. Under its principal unsecured revolving credit agreement, expiring in August 2012, the company has available capacity of \$951 million at October 1, 2011. In addition, the company has a \$1 billion short-term revolving credit agreement expiring in June 2012, the purpose of which is to provide short-term funds in the event access to commercial paper markets is not available. The company expects to renew these facilities before their expiration, for all or a portion of the available borrowings thereunder.

The company believes that its existing cash and short-term investments of \$898 million as of October 1, 2011, and the company's future cash flow from operations together with available borrowing capacity of \$951 million under its principal revolving credit agreement and the expected renewal thereof, are sufficient to meet the cash requirements of its existing businesses for the foreseeable future, including at least the next 24 months.

First Nine Months of 2010

Cash provided by operating activities was \$1.06 billion during the first nine months of 2010. Increases in accounts receivable and inventory used cash of \$130 million and \$62 million, respectively, primarily to support growth in sales. An increase in accounts payable provided cash of \$48 million, primarily due to timing of payments.

THERMO FISHER SCIENTIFIC INC.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources (continued)

During the first nine months of 2010, the company's primary investing activities included acquisitions and the purchase of property, plant and equipment. The company expended \$545 million for acquisitions and \$169 million for purchases of property, plant and equipment.

The company's financing activities used \$973 million of cash during the first nine months of 2010, principally for the extinguishment of debt and repurchase of \$663 million of the company's common stock, offset in part by the net proceeds for the issuance of long-term debt of \$741 million. The company used the net proceeds from the issuance of debt and existing cash balances to convert all of the \$326 million principal outstanding on its Floating Rate Convertible Debentures due 2033 for a total cash outlay of \$573 million and to redeem all of its \$500 million outstanding 6 1/8% Senior Subordinated Notes at a redemption price of \$1,030.63 per \$1,000 principal amount for a total cash outlay of \$515 million. The company's financing activities in the first nine months of 2010 also included \$53 million of proceeds of employee stock option exercises.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The company is exposed to market risk from changes in interest rates, currency exchange rates and equity prices, which could affect its future results of operations and financial condition as described in Item 7A of the company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010, filed with the SEC. Certain of the exposures described in the Form 10-K have changed as indicated below.

Interest Rates

In the nine months ended October 1, 2011, the company issued \$4.3 billion principal amount of senior notes (see Note 9). The fair market value of the company's fixed interest rate debt is subject to interest rate risk. Generally, the fair market value of fixed interest rate debt will increase as interest rates fall and decrease as interest rates rise. The total estimated fair value of the company's debt at October 1, 2011 was \$7.46 billion (see Note 12). Fair values were determined from available market prices using current interest rates and terms to maturity. If interest rates were to decrease by 100 basis points, the fair value of the company's debt at October 1, 2011 would increase by approximately \$355 million. If interest rates were to increase by 100 basis points, the fair value of the company's debt at October 1, 2011 would decrease by approximately \$332 million.

In addition, interest rate changes would result in a change in the company's interest expense due to variable-rate debt instruments. In August 2011, however, the company terminated all of its interest rate swap agreements (see Note 9) and at October 1, 2011, has no long-term variable-rate debt instruments.

Currency Exchange Rates

The fair value of forward currency exchange contracts is the estimated amount that the company would pay or receive upon termination of the contract, taking into account the change in currency exchange rates. A 10% depreciation in non-functional currency exchange rates related to all of the company's contracts at October 1, 2011 would result in a decrease in the unrealized gain on forward currency exchange contracts of \$67 million. A 10% appreciation in non-functional currency exchange rates related to the company's contracts at October 1, 2011 would result in an increase in the unrealized gain on forward currency exchange contracts of \$67 million.

Equity Prices

At year-end 2010, the company had outstanding convertible obligations which were sensitive to fluctuations in the price of the company's common stock. At October 1, 2011, the company no longer has any outstanding convertible obligations and therefore is no longer materially exposed to market risk from changes in equity prices.

THERMO FISHER SCIENTIFIC INC.

Item 4. Controls and Procedures

The company's management, with the participation of the company's chief executive officer and chief financial officer, evaluated the effectiveness of the company's disclosure controls and procedures as of October 1, 2011. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of the company's disclosure controls and procedures as of October 1, 2011, the company's chief executive officer and chief financial officer concluded that, as of such date, the company's disclosure controls and procedures were effective at the reasonable assurance level.

There have been no changes in the company's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the fiscal quarter ended October 1, 2011, that have materially affected or are reasonably likely to materially affect the company's internal control over financial reporting.

PART II OTHER INFORMATION

Item 1A. Risk Factors

Set forth below are the risks that we believe are material to our investors. This section contains forward-looking statements. You should refer to the explanation of the qualifications and limitations on forward-looking statements beginning on page 29.

We must develop new products, adapt to rapid and significant technological change and respond to introductions of new products by competitors to remain competitive. Our growth strategy includes significant investment in and expenditures for product development. We sell our products in several industries that are characterized by rapid and significant technological changes, frequent new product and service introductions and enhancements and evolving industry standards. Our competitors may adapt more quickly to new technologies and changes in customers' requirements than we can. Without the timely introduction of new products, services and enhancements, our products and services will likely become technologically obsolete over time, in which case our revenue and operating results would suffer.

Many of our existing products and those under development are technologically innovative and require significant planning, design, development and testing at the technological, product and manufacturing-process levels. Our customers use many of our products to develop, test and manufacture their own products. As a result, we must anticipate industry trends and develop products in advance of the commercialization of our customers' products. If we fail to adequately predict our customers' needs and future activities, we may invest heavily in research and development of products and services that do not lead to significant revenue.

It may be difficult for us to implement our strategies for improving internal growth. Some of the markets in which we compete have been flat or declining over the past several years. To address this issue, we are pursuing a number of strategies to improve our internal growth, including:

- strengthening our presence in selected geographic markets;
- allocating research and development funding to products with higher growth prospects;
 - developing new applications for our technologies;

THERMO FISHER SCIENTIFIC INC.

Item 1A. Risk Factors (continued)

- expanding our service offerings;
- continuing key customer initiatives;
- combining sales and marketing operations in appropriate markets to compete more effectively;
- finding new markets for our products; and

continuing the development of commercial tools and infrastructure to increase and support cross-selling opportunities of products and services to take advantage of our depth in product offerings.

We may not be able to successfully implement these strategies, and these strategies may not result in the expected growth of our business.

Our business is affected by general economic conditions and related uncertainties affecting markets in which we operate. The current economic environment could adversely impact our business in 2011 and beyond, resulting in:

- reduced demand for some of our products;
- increased rate of order cancellations or delays;
- increased risk of excess and obsolete inventories;
- increased pressure on the prices for our products and services; and
- greater difficulty in collecting accounts receivable.

Demand for some of our products depends on capital spending policies of our customers and on government funding policies. Our customers include pharmaceutical and chemical companies, laboratories, universities, healthcare providers, government agencies and public and private research institutions. Many factors, including public policy spending priorities, available resources and product and economic cycles, have a significant effect on the capital spending policies of these entities. These policies in turn can have a significant effect on the demand for our products.

As a multinational corporation, we are exposed to fluctuations in currency exchange rates, which could adversely affect our cash flows and results of operations. International revenues account for a substantial portion of our revenues, and we intend to continue expanding our presence in international markets. The exposure to fluctuations in currency exchange rates takes on different forms. International revenues are subject to the risk that fluctuations in exchange rates could adversely affect product demand and the profitability in U.S. dollars of products and services provided by us in international markets, where payment for our products and services is made in the local currency. As a multinational corporation, our businesses occasionally invoice third-party customers in currencies other than the one in which they primarily do business (the “functional currency”). Movements in the invoiced currency relative to the functional currency could adversely impact our cash flows and our results of operations. In addition, reported sales made in non-U.S. currencies by our international businesses, when translated into U.S. dollars for financial reporting purposes, fluctuate due to exchange rate movement. Should our international sales grow, exposure to fluctuations in currency exchange rates could have a larger effect on our financial results. In 2010, currency translation had an

unfavorable effect of \$19 million on the revenues of our continuing operations due to the strengthening of the U.S. dollar relative to other currencies in which the company sells products and services, but in the first nine months of 2011, currency translation had a favorable effect on revenues of our continuing operations of \$263 million due to the weakening of the U.S. dollar relative to other currencies in which the company sells products and services.

Healthcare reform legislation could adversely impact us. The recently enacted Federal legislation on healthcare reform could have an adverse impact on us. Some of the potential consequences, such as a reduction in governmental support of healthcare services or adverse changes to the delivery or pricing of healthcare services or products or mandated benefits, may cause healthcare-industry participants to purchase fewer of our products and services or to reduce the prices they are willing to pay for our products or services. The new legislation also includes an excise tax, beginning in 2013, on revenue from the sale by manufacturers of certain medical devices, which could have an adverse impact on our results of operations.

THERMO FISHER SCIENTIFIC INC.

Item 1A. Risk Factors (continued)

Our inability to protect our intellectual property could have a material adverse effect on our business. In addition, third parties may claim that we infringe their intellectual property, and we could suffer significant litigation or licensing expense as a result. We place considerable emphasis on obtaining patent and trade secret protection for significant new technologies, products and processes because of the length of time and expense associated with bringing new products through the development process and into the marketplace. Our success depends in part on our ability to develop patentable products and obtain and enforce patent protection for our products both in the United States and in other countries. We own numerous U.S. and foreign patents, and we intend to file additional applications, as appropriate, for patents covering our products. Patents may not be issued for any pending or future patent applications owned by or licensed to us, and the claims allowed under any issued patents may not be sufficiently broad to protect our technology. Any issued patents owned by or licensed to us may be challenged, invalidated or circumvented, and the rights under these patents may not provide us with competitive advantages. In addition, competitors may design around our technology or develop competing technologies. Intellectual property rights may also be unavailable or limited in some foreign countries, which could make it easier for competitors to capture increased market position. We could incur substantial costs to defend ourselves in suits brought against us or in suits in which we may assert our patent rights against others. An unfavorable outcome of any such litigation could materially adversely affect our business and results of operations.

We also rely on trade secrets and proprietary know-how with which we seek to protect our products, in part, by confidentiality agreements with our collaborators, employees and consultants. These agreements may be breached and we may not have adequate remedies for any breach. In addition, our trade secrets may otherwise become known or be independently developed by our competitors.

Third parties may assert claims against us to the effect that we are infringing on their intellectual property rights. We could incur substantial costs and diversion of management resources in defending these claims, which could have a material adverse effect on our business, financial condition and results of operations. In addition, parties making these claims could secure a judgment awarding substantial damages, as well as injunctive or other equitable relief, which could effectively block our ability to make, use, sell, distribute, or market our products and services in the United States or abroad. In the event that a claim relating to intellectual property is asserted against us, or third parties not affiliated with us hold pending or issued patents that relate to our products or technology, we may seek licenses to such intellectual property or challenge those patents. However, we may be unable to obtain these licenses on commercially reasonable terms, if at all, and our challenge of the patents may be unsuccessful. Our failure to obtain the necessary licenses or other rights could prevent the sale, manufacture, or distribution of our products and, therefore, could have a material adverse effect on our business, financial condition and results of operations.

Changes in governmental regulations may reduce demand for our products or increase our expenses. We compete in many markets in which we and our customers must comply with federal, state, local and international regulations, such as environmental, health and safety and food and drug regulations. We develop, configure and market our products to meet customer needs created by those regulations. Any significant change in regulations could reduce demand for our products or increase our expenses. For example, many of our instruments are marketed to the pharmaceutical industry for use in discovering and developing drugs. Changes in the U.S. Food and Drug Administration's regulation of the drug discovery and development process could have an adverse effect on the demand for these products.

If our security products fail to detect explosives or radiation, we could be exposed to product liability and related claims for which we may not have adequate insurance coverage. Products currently or previously sold by our

environmental and process instruments businesses include fixed and portable instruments used for chemical, radiation and trace explosives detection. These products are used in airports, embassies, cargo facilities, border crossings and other high-threat facilities for the detection and prevention of terrorist acts. If any of these products were to malfunction, it is possible that explosive or radioactive material could fail to be detected by our product, which could lead to product liability claims. There are also many other factors beyond our control that could lead to liability claims, such as the reliability and competence of the customers' operators and the training of such operators. Any such product liability claims brought against us could be significant and any adverse determination may result in liabilities in excess of our insurance coverage. Although we carry product liability insurance, we cannot be certain that our current insurance will be sufficient to cover these claims or that it can be maintained on acceptable terms, if at all.

THERMO FISHER SCIENTIFIC INC.

Item 1A. Risk Factors (continued)

Our inability to complete pending acquisitions or to successfully integrate any new or previous acquisitions could have a material adverse effect on our business. Our business strategy includes the acquisition of technologies and businesses that complement or augment our existing products and services. Certain acquisitions may be difficult to complete for a number of reasons, including the need for antitrust and/or other regulatory approvals. Any acquisition we may complete may be made at a substantial premium over the fair value of the net identifiable assets of the acquired company. Further, we may not be able to integrate any acquired businesses successfully into our existing businesses, make such businesses profitable, or realize anticipated cost savings or synergies, if any, from these acquisitions, which could adversely affect our business.

Moreover, we have acquired many companies and businesses. As a result of these acquisitions, we recorded significant goodwill and indefinite-lived intangible assets on our balance sheet, which amount to approximately \$12.00 billion and \$1.33 billion, respectively, as of October 1, 2011. We assess the realizability of goodwill and indefinite-lived intangible assets annually as well as whenever events or changes in circumstances indicate that these assets may be impaired. These events or circumstances would generally include operating losses or a significant decline in earnings associated with the acquired business or asset. Our ability to realize the value of the goodwill and indefinite-lived intangible assets will depend on the future cash flows of these businesses. These cash flows in turn depend in part on how well we have integrated these businesses. If we are not able to realize the value of the goodwill and indefinite-lived intangible assets, we may be required to incur material charges relating to the impairment of those assets.

We are subject to laws and regulations governing government contracts, and failure to address these laws and regulations or comply with government contracts could harm our business by leading to a reduction in revenue associated with these customers. We have agreements relating to the sale of our products to government entities and, as a result, we are subject to various statutes and regulations that apply to companies doing business with the government. The laws governing government contracts differ from the laws governing private contracts and government contracts may contain pricing terms and conditions that are not applicable to private contracts. We are also subject to investigation for compliance with the regulations governing government contracts. A failure to comply with these regulations could result in suspension of these contracts, criminal, civil and administrative penalties or debarment.

Because we compete directly with certain of our larger customers and product suppliers, our results of operations could be adversely affected in the short term if these customers or suppliers abruptly discontinue or significantly modify their relationship with us. Our largest customer in the laboratory products business and our largest customer in the diagnostics business are also significant competitors. Our business may be harmed in the short term if our competitive relationship in the marketplace with these customers results in a discontinuation of their purchases from us. In addition, we manufacture products that compete directly with products that we source from third-party suppliers. We also source competitive products from multiple suppliers. Our business could be adversely affected in the short term if any of our large third-party suppliers abruptly discontinues selling products to us.

Because we rely heavily on third-party package-delivery services, a significant disruption in these services or significant increases in prices may disrupt our ability to ship products, increase our costs and lower our profitability. We ship a significant portion of our products to our customers through independent package delivery companies, such as UPS and Federal Express in the U.S. and DHL in Europe. We also maintain a small fleet of vehicles dedicated to the delivery of our products and ship our products through other carriers, including national and regional trucking firms, overnight carrier services and the U.S. Postal Service. If UPS or another third-party package-delivery provider

experiences a major work stoppage, preventing our products from being delivered in a timely fashion or causing us to incur additional shipping costs we could not pass on to our customers, our costs could increase and our relationships with certain of our customers could be adversely affected. In addition, if UPS or our other third-party package-delivery providers increase prices, and we are not able to find comparable alternatives or make adjustments in our delivery network, our profitability could be adversely affected.

THERMO FISHER SCIENTIFIC INC.

Item 1A. Risk Factors (continued)

We are subject to regulation by various federal, state and foreign agencies that require us to comply with a wide variety of regulations, including those regarding the manufacture of products, the shipping of our products and environmental matters. Some of our operations are subject to regulation by the U.S. Food and Drug Administration and similar international agencies. These regulations govern a wide variety of product activities, from design and development to labeling, manufacturing, promotion, sales and distribution. If we fail to comply with the U.S. Food and Drug Administration's regulations or those of similar international agencies, we may have to recall products and cease their manufacture and distribution, which would increase our costs and reduce our revenues.

We are subject to federal, state, local and international laws and regulations that govern the handling, transportation, manufacture, use or sale of substances that are or could be classified as toxic or hazardous substances. Some risk of environmental damage is inherent in our operations and the products we manufacture, sell or distribute. This requires us to devote significant resources to maintain compliance with applicable environmental laws and regulations, including the establishment of reserves to address potential environmental costs, and manage environmental risks.

Our business could be adversely affected by disruptions at our sites. We rely upon our manufacturing operations to produce many of the products we sell and our warehouse facilities to store products, pending sale. Any significant disruption of those operations for any reason, such as strikes or other labor unrest, power interruptions, fire, earthquakes, or other events beyond our control could adversely affect our sales and customer relationships and therefore adversely affect our business. Although most of our raw materials are available from a number of potential suppliers, our operations also depend upon our ability to obtain raw materials at reasonable prices. If we are unable to obtain the materials we need at a reasonable price, we may not be able to produce certain of our products or we may not be able to produce certain of these products at a marketable price, which could have an adverse effect on our results of operations.

Fluctuations in our effective tax rate may adversely affect our results of operations and cash flows. As a global company, we are subject to taxation in numerous countries, states and other jurisdictions. In preparing our financial statements, we record the amount of tax that is payable in each of the countries, states and other jurisdictions in which we operate. Our future effective tax rate, however, may be lower or higher than experienced in the past due to numerous factors, including a change in the mix of our profitability from country to country, changes in accounting for income taxes and recently enacted and future changes in tax laws in jurisdictions in which we operate. Any of these factors could cause us to experience an effective tax rate significantly different from previous periods or our current expectations, which could have an adverse effect on our business, results of operations and cash flows.

We may incur unexpected costs from increases in fuel and raw material prices, which could reduce our earnings and cash flow. Our primary commodity exposures are for fuel, petroleum-based resins and steel. While we may seek to minimize the impact of price increases through higher prices to customers and various cost-saving measures, our earnings and cash flows could be adversely affected in the event these measures are insufficient to cover our costs.

Unforeseen problems with the implementation and maintenance of our information systems could have an adverse effect on our operations. As a part of the effort to upgrade our current information systems, we are implementing new enterprise resource planning software and other software applications to manage certain of our business operations. As we implement and add functionality, problems could arise that we have not foreseen. Such problems could adversely impact our ability to provide quotes, take customer orders and otherwise run our business in a timely manner. In addition, if our new systems fail to provide accurate and increased visibility into pricing and cost structures, it may be difficult to improve or maximize our profit margins. As a result, our results of operations and cash flows could be

adversely affected.

We also rely on our technology infrastructure, among other functions, to interact with suppliers, sell our products and services, fulfill orders and bill, collect and make payments, ship products, provide services and support to customers, track customers, fulfill contractual obligations and otherwise conduct business. Our systems may be vulnerable to damage or interruption from natural disasters, power loss, telecommunication failures, terrorist attacks, computer viruses, computer denial-of-service attacks, unauthorized access to customer or employee data, and other attempts to harm our systems. When we upgrade or change systems, we may suffer interruptions in service, loss of data or reduced functionality. Certain of our systems are not redundant, and our disaster recovery planning is not sufficient for every eventuality. Despite any precautions we may take, such problems could result in, among other consequences, interruptions in our services, which could harm our reputation and financial results.

THERMO FISHER SCIENTIFIC INC.

Item 1A. Risk Factors (continued)

Our debt may restrict our investment opportunities or limit our activities. As of October 1, 2011, we had approximately \$7.13 billion in outstanding indebtedness. In addition, we had the ability to borrow an additional \$951 million under our revolving credit facility. We may also obtain additional long-term debt and lines of credit to meet future financing needs, which would have the effect of increasing our total leverage.

Our leverage could have negative consequences, including increasing our vulnerability to adverse economic and industry conditions, limiting our ability to obtain additional financing and limiting our ability to acquire new products and technologies through strategic acquisitions.

Our ability to satisfy our obligations depends on our future operating performance and on economic, financial, competitive and other factors beyond our control. Our business may not generate sufficient cash flow to meet these obligations. If we are unable to service our debt or obtain additional financing, we may be forced to delay strategic acquisitions, capital expenditures or research and development expenditures. We may not be able to obtain additional financing on terms acceptable to us or at all.

Additionally, the agreements governing our debt require that we maintain certain financial ratios, and contain affirmative and negative covenants that restrict our activities by, among other limitations, limiting our ability to incur additional indebtedness, make investments, create liens, sell assets and enter into transactions with affiliates. The covenants in our revolving credit facility include a debt-to-EBITDA ratio. Specifically, the company has agreed that, so long as any lender has any commitment under the facility, or any loan or other obligation is outstanding under the facility, or any letter of credit is outstanding under the facility, it will not permit (as the following terms are defined in the facility) the Consolidated Leverage Ratio (the ratio of consolidated Indebtedness to Consolidated EBITDA) as at the last day of any fiscal quarter to be greater than 3.5 to 1.0.

Our ability to comply with these financial restrictions and covenants is dependent on our future performance, which is subject to prevailing economic conditions and other factors, including factors that are beyond our control such as foreign exchange rates and interest rates. Our failure to comply with any of these restrictions or covenants may result in an event of default under the applicable debt instrument, which could permit acceleration of the debt under that instrument and require us to prepay that debt before its scheduled due date. Also, an acceleration of the debt under one of our debt instruments would trigger an event of default under other of our debt instruments.

THERMO FISHER SCIENTIFIC INC.

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

A summary of the share repurchase activity for the company's third quarter of 2011 follows:

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1) | Maximum Dollar Amount of Shares That May Yet Be Purchased Under the Plans or Programs (1) (in millions) |
|------------------------------------|---|------------------------------------|--|---|
| Fiscal July (Jul. 3 – Aug. 6) | 2,098,800 | \$ 60.60 | 2,098,800 | \$ 347.8 |
| Fiscal August (Aug. 7 – Sep. 3) | 1,867,300 | 52.38 | 1,867,300 | 250.0 |
| Fiscal September (Sep. 4 – Oct. 1) | — | — | — | 250.0 |
| Total Third Quarter | 3,966,100 | \$ 56.73 | 3,966,100 | \$ 250.0 |

(1) On February 24, 2011, the company announced a repurchase program authorizing the purchase of up to \$750 million of the company's common stock through February 22,

2012. All of the shares of common stock repurchased by the company during the third quarter of 2011 were purchased under this program.

Item 6. Exhibits

See Exhibit Index on page 50.

THERMO FISHER SCIENTIFIC INC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized as of the 4th day of November 2011.

THERMO FISHER SCIENTIFIC INC.

/s/ Peter M. Wilver
Peter M. Wilver
Senior Vice President and Chief Financial
Officer

/s/ Peter E. Hornstra
Peter E. Hornstra
Vice President and Chief Accounting Officer

THERMO FISHER SCIENTIFIC INC.

EXHIBIT INDEX

| Exhibit Number | Description of Exhibit |
|----------------|--|
| 2.1 | Amendment dated August 18, 2011, to Sale and Purchase Agreement dated May 19, 2011 among Thermo Fisher Scientific Inc., CB Diagnostics Luxembourg S.À.R.L., and certain funds managed and advised by Cinven Limited (filed as Exhibit 2.2 to the Registrant's Current Report on Form 8-K filed on August 24, 2011 [File No. 1-8002] and incorporated in this document by reference). |
| 2.2 | Amended and Restated Warranty Deed dated as of August 23, 2011 among Thermo Fisher Scientific Inc., Igenza Cin AB, the Michael Land Family Trust and the warrantors named as parties thereto (filed as Exhibit 2.3 to the Registrant's Current Report on Form 8-K filed on August 24, 2011 [File No. 1-8002] and incorporated in this document by reference). |
| 4.1 | Indenture dated as of November 20, 2009 between the Company and The Bank of New York Mellon Trust Company, N.A. (filed as Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed November 20, 2009 [File No. 001-8002] and incorporated in this document by reference). |
| 4.2 | Fourth Supplemental Indenture dated as of August 16, 2011 between the Company and The Bank of New York Mellon Trust Company, N.A. (filed as Exhibit 99.2 to the Registrant's Current Report on Form 8-K filed August 16, 2011 [File No. 001-8002] and incorporated in this document by reference). |
| 31.1 | Certification of Chief Executive Officer required by Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Chief Financial Officer required by Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of Chief Executive Officer required by Exchange Act Rules 13a-14(b) and 15d-14(b), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.** |
| 32.2 | Certification of Chief Financial Officer required by Exchange Act Rules 13a-14(b) and 15d-14(b), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.** |
| | The Registrant agrees, pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, to furnish to the Commission upon request, a copy of each instrument with respect to long-term debt of the Registrant or its consolidated subsidiaries. |
| 101.INS | XBRL Instance Document. |
| 101.SCH | XBRL Taxonomy Extension Schema Document. |
| 101.CAL | XBRL Taxonomy Calculation Linkbase Document. |
| 101.DEF | XBRL Taxonomy Definition Linkbase Document. |

101.LAB XBRL Taxonomy Label Linkbase Document.

101.PRE XBRL Taxonomy Presentation Linkbase Document.

*Indicates management contract or compensatory plan, contract or arrangement.

**Certification is not deemed “filed” for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section. Such certification is not deemed to be

incorporated by reference into any filing under the Securities Act or the Exchange Act except to the extent that the registrant specifically incorporates it by reference.

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Statements of Income for the three and nine months ended October 1, 2011 and October 2, 2010 (ii) Consolidated Balance Sheets at October 1, 2011, and December 31, 2010, (iii) Consolidated Statements of Cash Flows for the nine months ended October 1, 2011 and October 2, 2010 and (iv) Notes to Consolidated Financial Statements.

