

THERMO FISHER SCIENTIFIC INC.  
Form 10-Q  
May 01, 2009

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

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FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Quarter Ended March 28, 2009

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

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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 March 28, 2009
Common Stock, \$1.00 par value	418,312,802

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## PART I — FINANCIAL INFORMATION

## Item 1 . Financial Statements

## THERMO FISHER SCIENTIFIC INC.

Consolidated Balance Sheet  
(Unaudited)

(In millions)	March 28, 2009	December 31, 2008
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 1,561.1	\$ 1,280.5
Short-term investments, at quoted market value (amortized cost of \$9.4 and \$8.5)	9.0	7.5
Accounts receivable, less allowances of \$43.7 and \$43.1	1,423.2	1,478.1
<b>Inventories:</b>		
Raw materials	305.0	310.6
Work in process	126.3	120.3
Finished goods	730.4	740.5
Deferred tax assets	152.4	161.7
Other current assets	212.0	246.7
	4,519.4	4,345.9
Property, Plant and Equipment, at Cost	1,852.9	1,854.8
Less: Accumulated depreciation and amortization	(603.6)	(579.5)
	1,249.3	1,275.3
Acquisition-related Intangible Assets, net of Accumulated Amortization of \$1,566.7 and \$1,433.2	6,230.6	6,423.2
Other Assets	370.6	367.9
Goodwill	8,663.2	8,677.7
	\$ 21,033.1	\$ 21,090.0

## THERMO FISHER SCIENTIFIC INC.

Consolidated Balance Sheet (continued)  
(Unaudited)

(In millions except share amounts)	March 28, 2009	December 31, 2008
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities:</b>		
Short-term obligations and current maturities of long-term obligations	\$ 15.6	\$ 14.8
Accounts payable	607.3	539.5
Accrued payroll and employee benefits	211.3	296.2
Accrued income taxes	54.2	32.9
Deferred revenue	145.6	135.3
Other accrued expenses	465.6	521.5
	1,499.6	1,540.2
Deferred Income Taxes	1,928.3	1,994.2
Other Long-term Liabilities	588.2	601.7
Long-term Obligations	2,011.1	2,003.2
Incremental Convertible Debt Obligation	13.4	24.2
<b>Shareholders' Equity:</b>		
Preferred stock, \$100 par value, 50,000 shares authorized; none issued		
Common stock, \$1 par value, 1,200,000,000 shares authorized; 422,256,541 and 421,791,009 shares issued	422.3	421.8
Capital in excess of par value	11,334.3	11,301.3
Retained earnings	3,649.4	3,500.5
Treasury stock at cost, 3,943,739 and 3,825,245 shares	(155.6)	(151.3)
Accumulated other comprehensive items	(257.9)	(145.8)
	14,992.5	14,926.5
	\$ 21,033.1	\$ 21,090.0

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	
	March 28, 2009	March 29, 2008
Revenues		
Product revenues	\$ 1,898.6	\$ 2,160.2
Service revenues	356.5	393.8
	2,255.1	2,554.0
Costs and Operating Expenses:		
Cost of product revenues	1,159.7	1,292.2
Cost of service revenues	208.5	243.4
Selling, general and administrative expenses	625.0	661.1
Research and development expenses	58.2	62.0
Restructuring and other costs, net	13.6	4.9
	2,065.0	2,263.6
Operating Income	190.1	290.4
Other Expense, Net	(22.9)	(18.2)
Income from Continuing Operations Before Provision for Income Taxes	167.2	272.2
Provision for Income Taxes	(18.3)	(42.1)
Income from Continuing Operations	148.9	230.1
Loss on Disposal of Discontinued Operations	—	(0.4)
Net Income	\$ 148.9	\$ 229.7
Earnings per Share from Continuing Operations		
Basic	\$ .36	\$ .55
Diluted	\$ .35	\$ .53
Earnings per Share		
Basic	\$ .36	\$ .55
Diluted	\$ .35	\$ .53
Weighted Average Shares		
Basic	417.7	417.5
Diluted	425.3	436.1

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

## THERMO FISHER SCIENTIFIC INC.

Consolidated Statement of Cash Flows  
(Unaudited)

(In millions)	Three Months Ended	
	March 28, 2009	March 29, 2008
<b>Operating Activities</b>		
Net income	\$ 148.9	\$ 229.7
Loss on disposal of discontinued operations	—	0.4
Income from continuing operations	148.9	230.1
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	190.3	198.8
Change in deferred income taxes	(56.7)	(10.4)
Non-cash stock-based compensation	15.2	11.0
Non-cash interest expense on convertible debt	5.6	5.4
Non-cash charges for sale of inventories revalued at the date of acquisition	—	0.4
Tax benefits from stock-based compensation awards	(0.6)	(7.1)
Other non-cash expenses, net	11.1	11.8
Changes in assets and liabilities, excluding the effects of acquisitions and dispositions:		
Accounts receivable	29.0	(96.2)
Inventories	(11.8)	(44.6)
Other assets	28.9	(29.6)
Accounts payable	81.5	45.5
Other liabilities	(76.9)	(67.9)
Contributions to retirement plans	(5.6)	(4.0)
Net cash provided by continuing operations	358.9	243.2
Net cash used in discontinued operations	(0.2)	(0.2)
Net cash provided by operating activities	358.7	243.0
<b>Investing Activities</b>		
Acquisitions, net of cash acquired	(18.3)	(3.8)
Purchases of property, plant and equipment	(51.2)	(54.1)
Proceeds from sale of property, plant and equipment	3.4	0.8
Proceeds from sale of available-for-sale investments	—	0.6
Purchases of available-for-sale investments	—	(0.1)
Proceeds from sale of business, net of cash divested	2.3	—
Increase in other assets	(1.9)	(0.2)
Net cash used in continuing operations	(65.7)	(56.8)
Net cash provided by discontinued operations	—	0.2



Net cash used in investing activities	\$	(65.7)	\$	(56.6)
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## THERMO FISHER SCIENTIFIC INC.

Consolidated Statement of Cash Flows (continued)  
(Unaudited)

(In millions)	Three Months Ended	
	March 28, 2009	March 29, 2008
<b>Financing Activities</b>		
Increase (decrease) in short-term notes payable	\$ 0.6	\$ (0.9)
Purchases of company common stock	—	(102.0)
Net proceeds from issuance of company common stock	5.2	28.5
Tax benefits from stock-based compensation awards	0.6	7.1
Borrowings (redemption and repayment) of long-term obligations	3.4	(0.4)
Net cash provided by (used in) financing activities`	9.8	(67.7)
Exchange Rate Effect on Cash of Continuing Operations	(22.2)	(9.8)
Increase in Cash and Cash Equivalents	280.6	108.9
Cash and Cash Equivalents at Beginning of Period	1,280.5	625.1
Cash and Cash Equivalents at End of Period	\$ 1,561.1	\$ 734.0
<b>Supplemental Cash Flow Information</b>		
Fair value of assets of acquired businesses	\$ 10.4	\$ 3.0
Cash paid for acquired businesses	7.7	(3.0)
Liabilities assumed of acquired businesses	\$ 2.7	\$ —
Issuance of restricted stock	\$ —	\$ 19.1
Issuance of stock upon vesting of restricted stock units	\$ 6.6	\$ 17.8

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 March 28, 2009, the results of operations for the three-month periods ended March 28, 2009, and March 29, 2008, and the cash flows for the three-month periods ended March 28, 2009, and March 29, 2008. Interim results are not necessarily indicative of results for a full year.

The consolidated balance sheet presented as of December 31, 2008, has been derived from the audited consolidated financial statements as of that date, as adjusted for adoption of a new accounting pronouncement, 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 financial statements and notes included in the company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008, filed with the Securities and Exchange Commission (SEC).

In May 2008, the FASB issued FSP APB No. 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)." FSP APB No. 14-1 requires the issuers of certain convertible debt instruments that may be settled in cash (or other assets) on conversion to separately account for the liability (debt) and equity (conversion option) components in a manner that reflects the issuer's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. FSP ABP No. 14-1 was effective for the company beginning January 1, 2009. The rule required restatement of prior periods to conform to current accounting.

The incremental effect of applying FSP APB No. 14-1 on individual line items in the consolidated balance sheet at December 31, 2008, was as follows:

(Dollars in millions)	Cumulative		As Adjusted
	Before Adoption of FSP APB No. 14-1	Effect of Adopting FSP APB No. 14-1	
Deferred Income Taxes	\$ 1,978.0	\$ 16.2	\$ 1,994.2
Long-term Obligations	2,043.5	(40.3)	2,003.2
Incremental Convertible Debt Obligation	—	24.2	24.2
Capital in Excess of Par Value	11,273.2	28.1	11,301.3
Retained Earnings	3,528.7	(28.2)	3,500.5

## THERMO FISHER SCIENTIFIC INC.

## 1. General (continued)

The incremental effect of applying FSP APB No. 14-1 on individual line items in the consolidated statement of income for the three months ended March 29, 2008, was as follows:

(Dollars in millions)	Before Adoption of FSP APB No. 14-1	Effect of Adopting FSP APB No. 14-1	As Adjusted
Other Expense, Net	\$ 12.8	\$ 5.4	\$ 18.2
Provision for Income Taxes	44.2	(2.1)	42.1
Income from Continuing Operations	233.4	(3.3)	230.1
Net Income	233.0	(3.3)	229.7
Earnings per Share from Continuing Operations			
Basic	\$ .56	\$ (.01)	\$ .55
Diluted	\$ .54	\$ (.01)	\$ .53
Earnings per Share			
Basic	\$ .56	\$ (.01)	\$ .55
Diluted	\$ .53	\$ —	\$ .53

## 2. Acquisitions

In December 2007, the FASB issued SFAS No. 141R, "Business Combinations." SFAS No. 141R does the following: requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction; establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose certain information to enable users to understand the nature and financial effect of the business combination. The statement requires that cash outflows such as transaction costs and post-acquisition restructuring be charged to expense instead of capitalized as a cost of the acquisition. Contingent purchase price will be recorded at its initial fair value and then re-measured as time passes through adjustments to net income. SFAS No. 141R was effective for the company, on a prospective basis, beginning January 1, 2009. The company applied this standard to the acquisition discussed below. There was no material impact upon adoption of the standard; however, this statement may materially affect the accounting for any future business combinations.

In the first three months of 2009, the Laboratory Products and Services segment acquired a Spain-based distributor of laboratory instrumentation and equipment, for \$8 million. The company also paid purchase price obligations of \$10 million in the first three months of 2009, for several acquisitions completed prior to 2009.

The company's acquisitions have historically been made at prices above the fair value of the acquired assets, resulting in goodwill, due to expectations of synergies of combining the businesses. These synergies include 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.

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. Allocation of

the purchase price for acquisitions was based on estimates of the fair value of the net assets acquired and, for acquisitions recently completed, 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 company's results for 2008 or 2009 would not have been materially different from its reported results had the company's 2008 and 2009 acquisitions occurred at the beginning of 2008.

## THERMO FISHER SCIENTIFIC INC.

## 2. Acquisitions (continued)

## Disposition

The company sold a small business unit in the first quarter of 2009 and recorded a gain of \$0.9 million, included in restructuring and other costs, net, in the accompanying statement of income. The net cash proceeds were \$2.3 million. Operating results of the business were not material.

## 3. Business Segment Information

The company's continuing operations fall into two business segments: Analytical Technologies and Laboratory Products and Services. During the first quarter of 2009, the company transferred management responsibility and the related financial reporting and monitoring for a small 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 these transfers.

(In millions)	Three Months Ended	
	March 28, 2009	March 29, 2008
<b>Revenues</b>		
Analytical Technologies	\$ 938.8	\$ 1,086.8
Laboratory Products and Services	1,423.0	1,568.8
Eliminations	(106.7)	(101.6)
<b>Consolidated revenues</b>	<b>\$ 2,255.1</b>	<b>\$ 2,554.0</b>
<b>Operating Income</b>		
Analytical Technologies (a)	\$ 173.5	\$ 228.3
Laboratory Products and Services (a)	175.5	218.8
<b>Subtotal reportable segments (a)</b>	<b>349.0</b>	<b>447.1</b>
<b>Cost of revenues charges</b>	<b>—</b>	<b>(0.6)</b>
Restructuring and other costs, net	(13.6)	(4.9)
Amortization of acquisition-related intangible assets	(145.3)	(151.2)
<b>Consolidated operating income</b>	<b>190.1</b>	<b>290.4</b>
Other expense, net (b)	(22.9)	(18.2)
<b>Income from continuing operations before provision for income taxes</b>	<b>\$ 167.2</b>	<b>\$ 272.2</b>
<b>Depreciation</b>		
Analytical Technologies	\$ 20.3	\$ 21.8
Laboratory Products and Services	24.7	25.8
<b>Consolidated depreciation</b>	<b>\$ 45.0</b>	<b>\$ 47.6</b>

- (a) Represents operating income before certain charges to cost of revenues; restructuring and other costs, net and amortization of acquisition-related intangibles.
- (b) The company does not allocate other income and expenses to its segments.



## THERMO FISHER SCIENTIFIC INC.

## 4. Other Expense, Net

As discussed in Note 1, although the company's cash interest payments have not been affected, the adoption of FSP APB No. 14-1 has increased the company's reported interest expense in a manner that reflects interest rates of similar non-convertible debt. The rule required restatement of prior periods to conform to current accounting.

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

(In millions)	Three Months Ended	
	March 28, 2009	March 29, 2008
Interest Income	\$ 5.3	\$ 10.1
Interest Expense	(30.2)	(35.8)
Other Items, Net	2.0	7.5
	\$ (22.9)	\$ (18.2)

## 5. Earnings per Share

In June 2008, the FASB issued FSP EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities." FSP EITF 03-6-1 clarifies that share-based payment awards that entitle their holders to receive nonforfeitable dividends before vesting should be considered participating securities. FSP EITF 03-6-1 was effective for the company beginning January 1, 2009. The rule required restatement of prior periods to conform to current accounting. Adoption had a nominal effect on the numerator and denominator in the calculation of 2008 earnings per share.

Basic and diluted earnings per share were calculated as follows:

(In millions except per share amounts)	Three Months Ended	
	March 28, 2009	March 29, 2008
Income from Continuing Operations	\$ 148.9	\$ 230.1
Loss on Disposal of Discontinued Operations	—	(0.4)
Net Income	148.9	229.7
Income Allocable to Participating Securities	(0.2)	(0.4)
Net Income for Earnings per Share	\$ 148.7	\$ 229.3
Basic Weighted Average Shares	417.7	417.5
Effect of:		
Convertible debentures	6.4	14.6
Stock options, restricted stock awards and warrants	1.2	4.0
Diluted Weighted Average Shares	425.3	436.1



## THERMO FISHER SCIENTIFIC INC.

## 5. Earnings per Share (continued)

(In millions except per share amounts)	Three Months Ended	
	March 28, 2009	March 29, 2008
Basic Earnings per Share		
Continuing operations	\$ .36	\$ .55
Discontinued operations	—	—
	\$ .36	\$ .55
Diluted Earnings per Share		
Continuing operations	\$ .35	\$ .53
Discontinued operations	—	—
	\$ .35	\$ .53

Options to purchase 16.7 million and 3.9 million shares of common stock were not included in the computation of diluted earnings per share for the first quarter of 2009 and 2008, respectively, because their effect would have been antidilutive.

## 6. 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, including currency translation adjustments; unrealized gains and losses, net of tax, on available-for-sale investments and hedging instruments; and pension and other postretirement benefit liability adjustments. During the first quarter of 2009 and 2008, the company had comprehensive income of \$37 million and \$352 million, respectively. The first quarter of 2009 was unfavorably affected by a reduction in the cumulative translation adjustment of \$113 million due to movements in currency exchange rates, the effects of which are recorded in shareholders' equity. The first quarter of 2008 was favorably affected by an increase in the cumulative translation adjustment of \$122 million.

## 7. Stock-based Compensation Expense

The components of pre-tax stock-based compensation are as follows:

(In millions)	Three Months Ended	
	March 28, 2009	March 29, 2008
Stock Option Awards	\$ 10.1	\$ 6.7
Restricted Share/Unit Awards	5.1	4.3
Total Stock-based Compensation Expense	\$ 15.2	\$ 11.0



## THERMO FISHER SCIENTIFIC INC.

## 7. Stock-based Compensation Expense (continued)

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

(In millions)	Three Months Ended	
	March 28, 2009	March 29, 2008
Cost of Revenues	\$ 1.5	\$ 1.1
Selling, General and Administrative Expenses	13.2	9.6
Research and Development Expenses	0.5	0.3
Total Stock-based Compensation Expense	\$ 15.2	\$ 11.0

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 \$116.1 million and \$47.6 million, respectively, as of March 28, 2009, and is expected to be recognized over weighted average periods of 2.6 years and 2.5 years, respectively.

During the first quarter of 2009, the company made equity compensation grants to employees consisting of 1.0 million restricted units and options to purchase 6.2 million shares.

## 8. Defined Benefit Pension 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 has a postretirement healthcare program in which certain employees are eligible to participate. The costs of the healthcare program are funded on a self-insured and insured-premium basis. Net periodic benefit costs for the company's pension plans include the following components:

(In millions)	Three Months Ended	
	March 28, 2009	March 29, 2008
Service Cost	\$ 2.5	\$ 4.3
Interest Cost on Benefit Obligation	12.0	14.5
Expected Return on Plan Assets	(12.3)	(15.8)
Amortization of Net Loss	0.3	0.4
Amortization of Prior Service Benefit	0.1	—
Special Termination Benefits	0.2	—
Net Periodic Benefit Cost (Income)	\$ 2.8	\$ 3.4

## THERMO FISHER SCIENTIFIC INC.

## 8. Defined Benefit Pension Plans (continued)

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

(In millions)	Three Months Ended	
	March 28, 2009	March 29, 2008
Service Cost	\$ 0.1	\$ 0.2
Interest Cost on Benefit Obligation	0.4	0.5
Net Periodic Benefit Cost	\$ 0.5	\$ 0.7

## 9. Fair Value Measurements

The company uses the market approach technique to value its financial instruments and there were no changes in valuation techniques during the quarter ended March 28, 2009. 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 risk and other investments in unit trusts and insurance contracts held as assets to satisfy outstanding retirement liabilities.

SFAS No. 157 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.

## THERMO FISHER SCIENTIFIC INC.

## 9. Fair Value Measurements (continued)

The following table presents information about the company's financial assets and liabilities measured at fair value on a recurring basis as of March 28, 2009:

(In millions)	March 28, 2009	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Cash equivalents	\$ 895.1	\$ 895.1	\$ —	—
Investments in mutual funds, unit trusts and other similar instruments	24.5	24.5	—	—
Cash surrender value of life insurance	20.0	—	20.0	—
Auction rate securities	6.3	—	—	6.3
Marketable equity securities	0.5	0.5	—	—
Forward currency-exchange contracts	1.6	—	1.6	—
<b>Total Assets</b>	<b>\$ 948.0</b>	<b>\$ 920.1</b>	<b>\$ 21.6</b>	<b>\$ 6.3</b>
<b>Liabilities</b>				
Forward currency-exchange contracts	\$ 1.1	\$ —	\$ 1.1	\$ —
<b>Total Liabilities</b>	<b>\$ 1.1</b>	<b>\$ —</b>	<b>\$ 1.1</b>	<b>\$ —</b>

## THERMO FISHER SCIENTIFIC INC.

## 9. Fair Value Measurements (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, 2008:

(In millions)	December 31, 2008	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Cash equivalents	\$ 560.8	\$ 560.8	\$ —	\$ —
Investments in mutual funds, unit trusts and other similar instruments	24.0	24.0	—	—
Cash surrender value of life insurance	21.3	—	21.3	—
Auction rate securities	5.7	—	—	5.7
Marketable equity securities	1.0	1.0	—	—
Forward currency-exchange contracts	3.3	—	3.3	—
<b>Total Assets</b>	<b>\$ 616.1</b>	<b>\$ 585.8</b>	<b>\$ 24.6</b>	<b>\$ 5.7</b>
<b>Liabilities</b>				
Forward currency-exchange contracts	\$ 4.0	\$ —	\$ 4.0	\$ —
<b>Total Liabilities</b>	<b>\$ 4.0</b>	<b>\$ —</b>	<b>\$ 4.0</b>	<b>\$ —</b>

The following table is a rollforward of the fair value, as determined by Level 3 inputs, of our auction rate securities, which are included in short-term investments on the consolidated balance sheet.

(In millions)	Total
Balance at December 31, 2008	\$ 5.7
Total unrealized gains included in other comprehensive income	0.6
Balance at March 28, 2009	\$ 6.3

The company determines the fair value of the auction rate securities by obtaining indications of value from broker/dealers.



## THERMO FISHER SCIENTIFIC INC.

## 10. 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)	Three Months Ended	
	March 28, 2009	March 29, 2008
Beginning Balance	\$ 44.1	\$ 50.6
Provision charged to income	7.5	10.7
Usage	(10.4)	(9.9)
Acquisitions/divestitures	—	(0.3)
Adjustments to previously provided warranties, net	0.5	(1.1)
Other, net (a)	(1.0)	2.3
Ending Balance	\$ 40.7	\$ 52.3

(a) Primarily represents the effects of currency translation.

## 11. Restructuring and Other Costs, Net

Restructuring costs in the first three months of 2009 in both segments primarily included charges for actions in response to the downturn in the economy and reduced revenues in several businesses, as well as abandoned facility costs at businesses that have been or are being consolidated. As of May 1, 2009, the company has identified restructuring actions that will result in additional charges of approximately \$22 million, primarily in the remainder of 2009.

During the first quarter of 2009, the company recorded net restructuring and other costs by segment as follows:

(In millions)	Analytical Technologies	Laboratory Products and Services	Corporate	Total
Restructuring and Other Costs, Net	\$ 8.3	\$ 4.4	\$ 0.9	\$ 13.6

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

## Analytical Technologies

The Analytical Technologies segment recorded \$8.3 million of net restructuring and other charges in the first quarter of 2009. These costs consisted of \$8.4 million of cash costs, principally associated with headcount reductions and facility consolidations in an effort to streamline operations, including \$6.3 million of severance for approximately 230 employees primarily in manufacturing and sales and service functions; \$1.2 million of abandoned-facility costs; and \$0.9 million of other cash costs, primarily relocation and moving expenses associated with facility consolidations as well as other costs associated with restructuring actions. The segment also recorded non-cash income of \$0.1 million, including a gain on sale of a small business unit of \$0.9 million, largely offset by other restructuring-related charges.

Laboratory Products and Services

The Laboratory Products and Services segment recorded \$4.4 million of net restructuring and other charges in the first quarter of 2009. The segment recorded \$4.5 million of cash costs, which consisted of \$3.6 million of severance for approximately 330 employees primarily in manufacturing and administrative functions; \$0.3 million of abandoned-facility costs; and \$0.6 million of other cash costs, primarily for moving and relocation expenses associated with abandoned facilities as well as other costs associated with restructuring actions.

## THERMO FISHER SCIENTIFIC INC.

## 11. Restructuring and Other Costs, Net (continued)

## Corporate

The company recorded \$0.9 million in restructuring and other income at its corporate office in the first quarter of 2009, all of which were cash charges, primarily for abandoned facility costs and, to a lesser extent, severance.

## General

The following table summarizes the cash components of the company's restructuring plans. The noncash components and other amounts reported as restructuring and other costs, net, in the accompanying statement of income for the first quarter of 2009 have been summarized in the notes to the table. Accrued restructuring costs are included in other accrued expenses in the accompanying balance sheet.

(In millions)	Severance	Employee Retention (a)	Abandonment of Excess Facilities	Other	Total
<b>Pre-2008 Restructuring Plans</b>					
Balance at December 31, 2008	\$ 5.4	\$ 0.8	\$ 4.4	\$ 0.7	\$ 11.3
Costs incurred in 2009 (b)	—	0.1	1.0	0.3	1.4
Reserves reversed	—	(0.1)	—	—	(0.1)
Payments	(0.7)	—	(1.1)	(0.4)	(2.2)
Currency translation	(0.3)	—	(0.1)	—	(0.4)
<b>Balance at March 28, 2009</b>	<b>\$ 4.4</b>	<b>\$ 0.8</b>	<b>\$ 4.2</b>	<b>\$ 0.6</b>	<b>\$ 10.0</b>
<b>2008 Restructuring Plans</b>					
Balance at December 31, 2008	\$ 7.0	\$ 0.4	\$ 1.8	\$ 0.3	\$ 9.5
Costs incurred in 2009 (b)	1.8	—	0.3	0.3	2.4
Payments	(3.0)	—	(0.3)	(0.6)	(3.9)
Currency translation	(0.2)	—	—	—	(0.2)
<b>Balance at March 28, 2009</b>	<b>\$ 5.6</b>	<b>\$ 0.4</b>	<b>\$ 1.8</b>	<b>\$ —</b>	<b>\$ 7.8</b>
<b>2009 Restructuring Plans</b>					
Costs incurred in 2009 (b)	\$ 8.4	—\$	0.8	0.8	10.0
Payments	(2.8)	—	(0.2)	(0.8)	(3.8)
<b>Balance at March 28, 2009</b>	<b>\$ 5.6</b>	<b>—\$</b>	<b>0.6</b>	<b>—\$</b>	<b>6.2</b>

(a) Employee-retention costs are accrued ratably over the period through which employees must work to qualify for a payment.

(b) Excludes non-cash items, including a \$0.9 million gain on sale of a small business, largely offset by other restructuring-related charges.

The company expects to pay accrued restructuring costs as follows: severance, employee-retention obligations and other costs, primarily through 2009; and abandoned-facility payments, over lease terms expiring through 2015.



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12. Litigation and Related Contingencies

On September 3, 2004, Applera Corporation, MDS Inc. and Applied Biosystems/MDS Scientific Instruments filed a lawsuit against the company in U.S. federal court. These plaintiffs allege that the company's mass spectrometer systems, including its triple quadrupole and certain of its ion trap systems, infringe a patent of the plaintiffs. The plaintiffs seek damages, including treble damages for alleged willful infringement, attorneys' fees, prejudgment interest and injunctive relief. In the opinion of management, an unfavorable outcome of this matter could have a material adverse effect on the company's financial position as well as its results of operations and cash flows.

On December 8, 2004 and February 23, 2005, the company asserted in two lawsuits against a combination of Applera Corporation, MDS Inc. and Applied Biosystems/MDS Scientific Instruments that one or more of these parties infringe two patents of the company.

There are various other 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 related 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 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, including estimated defense costs. 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. For example, there are pending lawsuits with certain of the company's insurers concerning which state's laws should apply to the insurance policies and how such laws affect the policies. Should these actions resolve unfavorably, the estimated amount due from insurers of \$82 million would require an adjustment that could be material to the company's results of operations. Insurance contracts do not relieve the company of its primary obligation with respect to any losses incurred. The collectibility 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, principally at businesses acquired in the merger with Fisher. 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's liability for environmental matters associated with businesses acquired in the merger with Fisher was recorded at its fair value and as such, was discounted to its present value. 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.

12. 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.

13. Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This statement applies to other accounting pronouncements that require or permit fair value measurements. This statement does not require any new fair value measurements. SFAS No. 157 was effective for the company's monetary assets and liabilities in the first quarter of 2008 and for non-financial assets and liabilities beginning January 1, 2009. There was no material effect from adoption of this standard.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements." SFAS No. 160 changed the accounting for minority interests, which are reclassified as noncontrolling interests and classified as a component of equity. SFAS No. 160 was effective for the company beginning January 1, 2009, and there was no effect from adoption of this standard.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities." SFAS No. 161 requires disclosures of how and why an entity uses derivative instruments; how derivative instruments and related hedged items are accounted for; and how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. SFAS No. 161 was effective for the company beginning January 1, 2009, and there was no material effect from adoption of this standard.

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments." This FSP amends the other-than-temporary impairment guidance for certain debt securities and will require the investor to assess the likelihood of selling the debt security prior to recovery of its cost basis. If an investor is able to meet the criteria to assert that it does not intend to sell the debt security and more likely than not will not be required to sell the debt security before its anticipated recovery, impairment charges related to credit losses would be recognized in earnings whereas impairment charges related to non-credit losses would be reflected in other comprehensive income. The company elected early adoption of this pronouncement in the first quarter of 2009 although the rule did not materially affect its financial statements.

In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments." This FSP requires the fair value disclosures required by FAS 107 regarding the fair value of financial instruments to be included in interim financial statements. This FSP is effective for interim periods ending after June 15, 2009, and requires additional disclosure from that required currently.





## THERMO FISHER SCIENTIFIC INC.

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

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. The company's continuing operations fall into two business segments: Analytical Technologies and Laboratory Products and Services. During the first quarter of 2009, the company transferred management responsibility and related financial reporting and monitoring for a small 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.

(Dollars in millions)	Three Months Ended			
	March 28, 2009		March 29, 2008	
Revenues				
Analytical Technologies	\$ 938.8	41.6%	\$ 1,086.8	42.6%
Laboratory Products and Services	1,423.0	63.1%	1,568.8	61.4%
Eliminations	(106.7)	(4.7)%	(101.6)	(4.0)%
	\$ 2,255.1	100%	\$ 2,554.0	100%

Sales in the first quarter of 2009 were \$2.26 billion, a decrease of \$299 million from the first quarter of 2008. Aside from the effects of currency translation and acquisitions, net of divestitures (discussed in total and by segment below), revenues decreased from 2008 revenues by \$182 million (7%) due to lower revenues at existing businesses as a result of decreased demand, offset in part by price increases. Sales of equipment were particularly affected as the company believes customers reduced purchases due to the global market downturn. Sales of consumables, while lower, were not as significantly affected by the severe economic conditions.

In the first quarter of 2009, the company's operating income and operating income margin were \$190 million and 8.4%, respectively, compared with \$290 million and 11.4%, respectively, in 2008. (Operating income margin is operating income divided by revenues.) The decrease in operating income was due to lower profitability at existing businesses resulting from decreased revenues offset in part by price increases and productivity improvements

including global sourcing and lower operating costs following restructuring actions. In addition, restructuring and other costs increased \$8 million in 2009. These decreases in operating income were offset in part by a \$6 million decrease in amortization expense in 2009.

THERMO FISHER SCIENTIFIC INC.

Overview of Results of Operations and Liquidity (continued)

The company's effective tax rates were 10.9% and 15.5% in the first quarter of 2009 and 2008, respectively. The decrease in the effective tax rate was primarily due to reduced earnings in higher tax jurisdictions, offset in part by rate increases in certain regions. The tax provision in the first quarter of 2009 was unfavorably affected by \$0.7 million or 0.4 percentage points resulting from the impact on deferred tax balances of newly enacted tax rates in several jurisdictions. The company currently expects its tax rate for the full year to be approximately 10% - 12%. The tax provision in the first quarter of 2008 was favorably affected by \$9.6 million or 3.5 percentage points resulting from the impact on deferred tax balances of enacted reductions in tax rates in Switzerland.

Income from continuing operations decreased to \$149 million in the first quarter of 2009, from \$230 million in the first quarter of 2008, primarily due to the items discussed above that decreased operating income, offset in part by a lower tax rate.

During the first three months of 2009, the company's cash flow from operations totaled \$359 million, compared with \$243 million for the first three months of 2008. The increase resulted primarily from decreased investment in working capital items, particularly accounts receivable and, to a lesser extent, other current assets, primarily due to the cash receipt of a tax refund.

As of March 28, 2009, the company's outstanding debt totaled \$2.03 billion, of which approximately \$0.9 billion is convertible debt, at conversion prices ranging from \$23.73 to \$40.20 per share. As of May 1, 2009, \$295 million of the convertible debt was currently convertible. Although the company's experience is that convertible debentures are not normally converted by investors until close to their maturity date, it is possible, particularly in the current uncertain financial climate, that debentures could be converted prior to their maturity date if, for example, a holder perceives the market for the debentures to be weaker than the market for the common stock. Upon an investor's election to convert, the company is required to pay the original principal portion of these debentures in cash, and the balance of the conversion value in either cash or stock, at the company's election. Should holders elect to convert, the company intends to draw on its revolving credit facility to fund substantially all of these principal payments. The facility is an unsecured revolving credit agreement expiring in 2012 with available capacity of \$951 million at March 28, 2009.

The company believes that its existing cash and short-term investments of \$1.57 billion as of March 28, 2009, and the company's future cash flow from operations together with available borrowing capacity under its revolving credit agreement, are sufficient to meet the cash requirements of its businesses for the foreseeable future, including at least the next 24 months.

Critical Accounting Policies

Preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. 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 in the company's Form 10-K for 2008, describe the significant accounting estimates and policies used in preparation of the consolidated financial statements. Actual results in these areas could differ from management's estimates. There have been no significant changes in the company's critical accounting policies during the first three months of 2009.



THERMO FISHER SCIENTIFIC INC.

Results of Operations

First Quarter 2009 Compared With First Quarter 2008

Continuing Operations

Sales in the first quarter of 2009 were \$2.26 billion, a decrease of \$299 million from the first quarter of 2008. The unfavorable effects of currency translation resulted in a decrease in revenues of \$133 million in 2009. Sales increased \$16 million due to acquisitions, net of divestitures. Aside from the effect of currency translation and acquisitions, net of divestitures, revenues decreased \$182 million (7%) primarily due to decreased demand due to economic uncertainty offset in part by price increases, as described by segment below. Sales were down in North America and, to a lesser extent, in Europe. Sales were modestly higher in Asia.

In the first quarter of 2009, operating income and operating income margin were \$190 million and 8.4%, respectively, compared with \$290 million and 11.4%, respectively, in the first quarter of 2008. The decrease in operating income was due to lower profitability at existing businesses resulting from decreased revenues offset in part by price increases and productivity improvements including global sourcing and lower operating costs following restructuring actions. In addition, restructuring and other costs increased \$8 million in 2009. These decreases in operating income were offset in part by a \$6 million decrease in amortization expense in 2009.

In the first quarter of 2009, the company recorded restructuring and other costs, net, of \$14 million. The company incurred \$14 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. In the first quarter of 2008, the company recorded restructuring and other costs, net, of \$6 million, including \$0.6 million of charges to costs 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. The company incurred \$6 million of cash costs, primarily for severance and abandoned facilities expenses at businesses that have been consolidated, and recorded \$0.7 million of gains associated with the sale of businesses prior to 2008.

As of May 1, 2009, the company has identified restructuring actions that will result in additional charges of approximately \$22 million, primarily in the remainder of 2009. Annual cost savings associated with actions initiated in late 2008 and in the first quarter of 2009 are expected to total approximately \$50 million, beginning primarily in the first and second quarters of 2009.

The company's revenues and profitability decreased in the first quarter of 2009 compared to the first quarter of 2008. The company believes the decreases are primarily due to the global economic downturn. Should the downturn continue indefinitely or worsen such that the company's projections of profitability for 2009 and future years decrease materially, impairment of goodwill and acquisition-related intangible assets could occur. These assets totaled \$8.7 billion and \$6.2 billion, respectively, at March 28, 2009.

Segment Results

The company's management evaluates segment operating performance using operating income before certain charges to cost of revenues, 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 uses these measures because they help 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.

First Quarter 2009 Compared With First Quarter 2008 (continued)

(Dollars in millions)	Three Months Ended		Change
	March 28, 2009	March 29, 2008	
<b>Revenues</b>			
Analytical Technologies	\$ 938.8	\$ 1,086.8	(14)%
Laboratory Products and Services	1,423.0	1,568.8	(9)%
Eliminations	(106.7)	(101.6)	5%
<b>Consolidated Revenues</b>	<b>\$ 2,255.1</b>	<b>\$ 2,554.0</b>	<b>(12)%</b>
<b>Operating Income</b>			
Analytical Technologies	\$ 173.5	\$ 228.3	(24)%
Laboratory Products and Services	175.5	218.8	(20)%
<b>Subtotal Reportable Segments</b>	<b>349.0</b>	<b>447.1</b>	<b>(22)%</b>
<b>Cost of Revenues Charges</b>	<b>—</b>	<b>(0.6)</b>	
Restructuring and Other Costs, Net	(13.6)	(4.9)	
Amortization of Acquisition-related Intangible Assets	(145.3)	(151.2)	
<b>Consolidated Operating Income</b>	<b>\$ 190.1</b>	<b>\$ 290.4</b>	<b>(35)%</b>

Income from the company's reportable segments decreased 22% to \$349 million in the first quarter of 2009 due primarily to lower profitability at existing businesses, resulting from decreased revenues offset in part by price increases and productivity improvements including global sourcing and lower operating costs following restructuring actions.

## Analytical Technologies

(Dollars in millions)	Three Months Ended		Change
	March 28, 2009	March 29, 2008	
<b>Revenues</b>	<b>\$ 938.8</b>	<b>\$ 1,086.8</b>	<b>(14)%</b>
<b>Operating Income Margin</b>	<b>18.5%</b>	<b>21.0%</b>	<b>(2.5) pts.</b>

Sales in the Analytical Technologies segment decreased \$148 million to \$939 million in the first quarter of 2009. The unfavorable effects of currency translation resulted in a decrease of \$62 million in 2009. Sales increased \$4 million due to 2008 acquisitions, net of divestitures. In addition to the changes in revenue resulting from currency translation and acquisitions, net of divestitures, revenues decreased \$90 million (8%) primarily due to lower demand offset in part by increased prices. Demand in industrial markets for environmental and process control instruments was particularly soft primarily due to the global economic downturn.

Operating income margin was 18.5% in the first quarter of 2009 and 21.0% in the first quarter of 2008. The decrease resulted from lower profitability from decreased revenues offset in part by price increases and productivity

improvements, including global sourcing and lower operating costs following restructuring actions.



## THERMO FISHER SCIENTIFIC INC.

First Quarter 2009 Compared With First Quarter 2008 (continued)

Laboratory Products and Services  (Dollars in millions)	Three Months Ended		Change
	March 28, 2009	March 29, 2008	
Revenues	\$ 1,423.0	\$ 1,568.8	(9)%
Operating Income Margin	12.3%	13.9%	(1.6) pts.

Sales in the Laboratory Products and Services segment decreased \$146 million to \$1.42 billion in the first quarter of 2009. Sales increased \$13 million due to 2008 and 2009 acquisitions. The unfavorable effects of currency translation resulted in a decrease of \$75 million in 2009. In addition to the changes in revenue resulting from acquisitions and currency translation, revenues decreased \$83 million (5%) primarily due to lower demand and a decrease in sales of products purchased from a supplier discussed below, offset in part by increased prices. Demand for laboratory equipment was particularly weak as the company believes customers reduced purchases due to the global economic downturn.

In July 2008, the company and a supplier of its healthcare market channel extended an existing agreement for two years through 2010. Under the revised agreement, the company's revenues from the sale of products purchased from the supplier decreased \$20 million in the first quarter of 2009 and the company expects its sales volume of products purchased from the supplier to decrease by approximately \$43 million over the remainder of 2009 for a total annualized decrease in revenues of approximately \$63 million from 2008.

Operating income margin was 12.3% in the first quarter of 2009 and 13.9% in the first quarter of 2008. The decrease primarily resulted from lower profitability from decreased revenues, offset by in part by price increases and productivity improvements, including global sourcing and lower operating costs following restructuring actions.

## Other Expense, Net

The company reported other expense, net, of \$23 million and \$18 million in the first quarter of 2009 and 2008, respectively (Note 4). Other expense, net, includes interest income, interest expense, equity in earnings of unconsolidated subsidiaries and other items, net. Interest income decreased to \$5 million in the first quarter of 2009 from \$10 million in the same period last year primarily due to lower interest rates on invested cash offset in part by higher cash balances. Interest expense decreased to \$30 million in the first quarter of 2009 from \$36 million in the first quarter of 2008 primarily as a result of a reduction in debt and lower interest rates on variable rate debt. The company had \$2 million in other income compared with \$8 million in the first quarter of 2008. The higher income in 2008 resulted primarily from currency transaction net gains.

## Provision for Income Taxes

The company's effective tax rates were 10.9% and 15.5% in the first quarter of 2009 and 2008, respectively. The decrease in the effective tax rate was primarily due to reduced earnings in higher tax jurisdictions, offset in part by rate increases in certain regions. The tax provision in the first quarter of 2009 was unfavorably affected by \$0.7 million or 0.4 percentage points resulting from the impact on deferred tax balances of newly enacted tax rates in several jurisdictions. The company currently expects its tax rate for the full year to be approximately 10% - 12%. The

tax provision in the first quarter of 2008 was favorably affected by \$9.6 million or 3.5 percentage points resulting from the impact on deferred tax balances of enacted reductions in tax rates in Switzerland.

#### Contingent Liabilities

At the first quarter end 2009, the company was contingently liable with respect to certain legal proceedings and related matters. As described under "Litigation and Related Contingencies" in Note 12, an unfavorable outcome in one or more of the matters described therein could materially affect the company's financial position as well as its results of operations and cash flows.

THERMO FISHER SCIENTIFIC INC.

First Quarter 2009 Compared With First Quarter 2008 (continued)

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This statement applies to other accounting pronouncements that require or permit fair value measurements. This statement does not require any new fair value measurements. SFAS No. 157 was effective for the company's monetary assets and liabilities in the first quarter of 2008 and for non-financial assets and liabilities beginning January 1, 2009. There was no material effect from adoption of this standard.

In December 2007, the FASB issued SFAS No. 141R, "Business Combinations." SFAS No. 141R does the following: requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction; establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose certain information to enable users to understand the nature and financial effect of the business combination. The statement requires that cash outflows such as transaction costs and post-acquisition restructuring be charged to expense instead of capitalized as a cost of the acquisition. Contingent purchase price will be recorded at its initial fair value and then re-measured as time passes through adjustments to net income. SFAS No. 141R was effective for the company, on a prospective basis, beginning January 1, 2009. There was no impact upon adoption of the standard; however, this statement may materially affect the accounting for any future business combinations.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements." SFAS No. 160 changed the accounting for minority interests, which are reclassified as noncontrolling interests and classified as a component of equity. SFAS No. 160 was effective for the company beginning January 1, 2009, and there was no effect from adoption of this standard.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities." SFAS No. 161 requires disclosures of how and why an entity uses derivative instruments; how derivative instruments and related hedged items are accounted for; and how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. SFAS No. 161 was effective for the company beginning January 1, 2009, and there was no material effect from adoption of this standard.

In May 2008, the FASB issued FSP APB No. 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)." FSP APB No. 14-1 requires the issuers of certain convertible debt instruments that may be settled in cash (or other assets) on conversion to separately account for the liability (debt) and equity (conversion option) components in a manner that reflects the issuer's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. FSP APB No. 14-1 was effective for the company beginning January 1, 2009. The rule required restatement of prior periods to conform to current accounting. The company's cash payments for interest have not been affected, but the adoption of FSP APB No. 14-1 has increased the company's reported interest expense in a manner that reflects interest rates of similar non-convertible debt. Interest expense in the first quarter of 2008, as restated for adoption of this rule, increased \$5 million over the previously reported amount.

In June 2008, the FASB issued FSP EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities." FSP EITF 03-6-1 clarifies that share-based payment awards that entitle their holders to receive nonforfeitable dividends before vesting should be considered participating securities. FSP EITF 03-6-1 was effective for the company beginning January 1, 2009. The rule required restatement of prior periods to

conform to current accounting. Adoption had a nominal effect on the numerator and denominator in the calculation of 2008 earnings per share.

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments." This FSP amends the other-than-temporary impairment guidance for certain debt securities and will require the investor to assess the likelihood of selling the debt security prior to recovery of its cost

THERMO FISHER SCIENTIFIC INC.

First Quarter 2009 Compared With First Quarter 2008 (continued)

basis. If an investor is able to meet the criteria to assert that it does not intend to sell the debt security and more likely than not will not be required to sell the debt security before its anticipated recovery, impairment charges related to credit losses would be recognized in earnings whereas impairment charges related to non-credit losses would be reflected in other comprehensive income. The company elected early adoption of this pronouncement in the first quarter of 2009 although the rule did not materially affect its financial statements.

In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments." This FSP requires the fair value disclosures required by FAS 107 regarding the fair value of financial instruments to be included in interim financial statements. This FSP is effective for interim periods ending after June 15, 2009, and requires additional disclosure from that required currently.

Liquidity and Capital Resources

Consolidated working capital was \$3.02 billion at March 28, 2009, compared with \$2.81 billion at December 31, 2008. The increase was primarily due to an increase in cash. Included in working capital were cash, cash equivalents and short-term available-for-sale investments of \$1.57 billion at March 28, 2009 and \$1.29 billion at December 31, 2008.

First Three Months 2009

Cash provided by operating activities was \$359 million during the first quarter of 2009. A decrease in accounts receivable and an increase in accounts payable provided cash of \$29 million and \$81 million, respectively. The decrease in accounts receivable was primarily a result of lower sales in the first quarter of 2009 than in the fourth quarter of 2008. The increase in accounts payable partially reversed a decrease that occurred in 2008 and was due primarily to the timing of payments. A decrease in other liabilities used cash of \$77 million, primarily as a result of annual incentive compensation, interest and restructuring payments. Payments for restructuring actions, principally severance costs and lease and other expenses of real estate consolidation, used cash of \$10 million during the first quarter of 2009. Cash payments for income taxes totaled \$21 million in the first quarter of 2009. The company expects that for all of 2009, cash payments for income taxes will approximate \$275 - \$300 million.

During the first quarter of 2009, the company's primary investing activities included the purchase of property, plant and equipment. The company expended \$51 million for purchases of property, plant and equipment.

The company's financing activities provided \$10 million of cash during the first quarter of 2009, including \$5 million for proceeds from the exercise of employee stock options. On September 11, 2008, the Board of Directors authorized the repurchase of up to \$500 million of the company's common stock through September 10, 2009. No stock was repurchased in the first quarter of 2009. At March 28, 2009, \$415 million was available for future repurchases of the company's common stock under this authorization.

On April 30, 2009, the company completed the acquisition of Biolab, an Australia-based provider of analytical instruments, life science consumables and laboratory equipment for AUD \$175 million (approximately USD \$120 million).

The company has no material commitments for purchases of property, plant and equipment and expects that for all of 2009, such expenditures will approximate \$230 - \$250 million. The company's contractual obligations and other commercial commitments did not change materially between December 31, 2008 and March 28, 2009.

As of March 28, 2009, the company's outstanding debt totaled \$2.03 billion, of which approximately \$0.9 billion is convertible debt, at conversion prices ranging from \$23.73 to \$40.20 per share. As of May 1, 2009, \$295 million of the convertible debt was currently convertible. Although the company's experience is that convertible debentures are not normally converted by investors until close to their maturity date, it is possible, particularly in the current uncertain financial climate, that debentures could be converted prior to their maturity date if, for example, a holder perceives the market for the debentures to be weaker than the market for the common stock. Upon an investor's election to convert, the company is required to pay the original principal portion of these debentures in cash, and the balance of the conversion value in either cash or stock, at the company's election. Should holders elect to convert, the company intends to draw on its revolving credit facility to fund substantially all of these principal payments. The facility is an unsecured revolving credit agreement expiring in 2012 with available capacity of \$951 million at March 28, 2009.

THERMO FISHER SCIENTIFIC INC.

First Three Months 2009 (continued)

The company believes that its existing cash and short-term investments of \$1.57 billion as of March 28, 2009, and the company's future cash flow from operations together with available borrowing capacity under its revolving credit agreement, are sufficient to meet the cash requirements of its businesses for the foreseeable future, including at least the next 24 months.

First Three Months 2008

Cash provided by operating activities was \$243 million during the first quarter of 2008. An increase in accounts receivable used cash of \$96 million due to strong shipments in the last month of the first quarter of 2008. A reduction in current liabilities used cash of \$68 million, primarily as a result of payment of annual incentive compensation. Cash of \$45 million was used to replenish inventory levels following strong fourth quarter shipments.

During the first quarter of 2008, the primary investing activities of the company's continuing operations included the purchase of property, plant and equipment. The company expended \$54 million for purchases of property, plant and equipment.

The company's financing activities used \$68 million of cash during the first quarter of 2008, principally for the repurchase of \$102 million of the company's common stock, offset in part by proceeds of stock option exercises. The company had proceeds of \$29 million from the exercise of employee stock options and \$7 million of tax benefits from the exercise of stock options.

Item Quantitative and Qualitative Disclosures About Market Risk

3.

The company's exposure to market risk from changes in interest rates, currency exchange rates and equity prices has not changed materially from its exposure at year-end 2008.

Item Controls and Procedures

4.

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 March 28, 2009. 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 March 28, 2009, 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 March 28, 2009, that have materially affected or are reasonably likely to materially affect the company's internal control over financial reporting.



THERMO FISHER SCIENTIFIC INC.

PART II — OTHER INFORMATION

Item Risk Factors

1A.

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 20.

We must develop new products, adapt to rapid and significant technological change and respond to introductions of new products in order 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. 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.

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:

- finding new markets for our products;
  - developing new applications for our technologies;
  - combining sales and marketing operations in appropriate markets to compete more effectively;
  - allocating research and development funding to products with higher growth prospects;
    - continuing key customer initiatives;
    - expanding our service offerings;
  - strengthening our presence in selected geographic markets; 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 breadth in product offerings.

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

Our business is impacted by general economic conditions and related uncertainties affecting markets in which we operate. The current economic conditions including the credit crisis affecting the financial markets and the global recession could adversely impact our business in the remainder of 2009 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.

THERMO FISHER SCIENTIFIC INC.

Item Risk Factors (continued)

1A.

Development of our products requires significant investment; our products and technologies could become uncompetitive or obsolete. 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.

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. These activities require us to make significant investments.

Products in our markets undergo rapid and significant technological change because of quickly changing industry standards and the introduction of new products and technologies that make existing products and technologies uncompetitive or obsolete. Our competitors may adapt more quickly to new technologies and changes in customers' requirements than we can. The products that we are currently developing, or those we will develop in the future, may not be technologically feasible or accepted by the marketplace, and our products or technologies could become uncompetitive or obsolete.

Demand for most 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. In 2008, our international revenues from continuing operations, including export revenues from the United States, accounted for a significant percentage of our total revenues. 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 2008, currency translation had a favorable effect on revenues of our continuing operations of \$113 million due to a weakening of the U.S. dollar relative to other currencies in which the company sells products and services, but in the first quarter of 2009 currency translation had an unfavorable effect on revenues of our continuing operations of \$133 million due to the strengthening of the U.S. dollar relative to other currencies in which the company sells products and services.

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

THERMO FISHER SCIENTIFIC INC.

Item Risk Factors (continued)

1A.

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. For example, in September 2004 Applied Biosystems/MDS Scientific Instruments and related parties brought a lawsuit against us alleging our mass spectrometer systems infringe a patent held by the plaintiffs. 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 any of 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. The products sold by our environmental instruments business include a comprehensive range of 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 pass through the product undetected, 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 Risk Factors (continued)

1A.

Our inability to successfully identify and complete acquisitions or 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. Promising acquisitions are difficult to identify and complete for a number of reasons, including competition among prospective buyers and the need for regulatory, including antitrust, approvals. We may not be able to identify and successfully complete transactions. Any acquisition we may complete may be made at a substantial premium over the fair value of the net 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 \$8.66 billion and \$1.33 billion, respectively, as of March 28, 2009. We assess the realizability of the 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 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.

Our growth strategy to acquire new businesses may not be successful and the integration of future acquisitions may be difficult and disruptive to our ongoing operations.

We have retained contingent liabilities from businesses that we have sold. From 1997 through 2004, we divested over 60 businesses with aggregate annual revenues in excess of \$2 billion. As part of these transactions, we retained responsibility for some of the contingent liabilities related to these businesses, such as lawsuits, product liability and environmental claims and potential claims by buyers that representations and warranties we made about the businesses were inaccurate. The resolution of these contingencies has not had a material adverse effect on our results of operations or financial condition; however, we can not be certain that this favorable pattern will continue.

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 largest 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 consumables 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.



THERMO FISHER SCIENTIFIC INC.

Item Risk Factors (continued)

1A.

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.

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.

We rely heavily on manufacturing operations to produce the products we sell, and our business could be adversely affected by disruptions of our manufacturing operations.

We rely upon our manufacturing operations to produce many of the products we sell. 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.

We may be unable to adjust to rapid changes in the healthcare industry, some of which could adversely affect our business.

The healthcare industry has undergone significant changes in an effort to reduce costs. These changes include:

- development of large and sophisticated groups purchasing medical and surgical supplies;
  - wider implementation of managed care;

THERMO FISHER SCIENTIFIC INC.

Item Risk Factors (continued)

1A.

- legislative healthcare reform;
- consolidation of pharmaceutical companies;
- increased outsourcing of certain activities, including to low-cost offshore locations; and
- consolidation of distributors of pharmaceutical, medical and surgical supplies.

We expect the healthcare industry to continue to change significantly in the future. Some of these potential changes, such as a reduction in governmental support of healthcare services or adverse changes in legislation or regulations governing the delivery or pricing of healthcare services 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.

Fluctuations in our effective tax rate may adversely affect our business, 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, steel and serum. 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 at certain of our sites could interfere with 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 do the following in a timely manner: provide quotes, take customer orders, ship products, provide services and support to our customers, bill and track our customers, fulfill contractual obligations and otherwise run our business. 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.

Our debt may adversely affect our cash flow and may restrict our investment opportunities or limit our activities.

As of March 28, 2009, we had approximately \$2.03 billion in outstanding indebtedness. In addition, we had the ability to incur an additional \$951 million of indebtedness 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.

THERMO FISHER SCIENTIFIC INC.

Item Risk Factors (continued)

1A.

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 3.0 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.

Item Exhibits

6.

See Exhibit Index on page 36.

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 1st day of May 2009.

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
10.1	Letter Agreement dated March 3, 2009, between the Registrant and Stephen Sheehan.
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.*

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\*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.

