

THERMO FISHER SCIENTIFIC INC.
Form 10-Q
November 01, 2013

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

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Quarter Ended September 28, 2013

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

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 September 28, 2013
Common Stock, \$1.00 par value	361,367,293

THERMO FISHER SCIENTIFIC INC.

QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 28, 2013

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THERMO FISHER SCIENTIFIC INC.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED BALANCE SHEET
(Unaudited)

(In millions)	September 28, 2013	December 31, 2012
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,845.6	\$ 805.6
Short-term investments, at quoted market value (cost of \$4.6 and \$4.8)	4.2	4.3
Accounts receivable, less allowances of \$55.6 and \$55.5	1,945.1	1,804.9
Inventories	1,546.8	1,443.3
Deferred tax assets	181.6	182.0
Other current assets	687.1	594.7
	6,210.4	4,834.8
Property, Plant and Equipment, at Cost, Net	1,708.7	1,726.4
Acquisition-related Intangible Assets, Net	7,248.2	7,804.5
Other Assets	609.9	604.4
Goodwill	12,495.3	12,474.5
	\$ 28,272.5	\$ 27,444.6

THERMO FISHER SCIENTIFIC INC.

CONSOLIDATED BALANCE SHEET (Continued)
(Unaudited)

(In millions except share amounts)	September 28, 2013	December 31, 2012
Liabilities and Shareholders' Equity		
Current Liabilities:		
Short-term obligations and current maturities of long-term obligations	\$ 393.6	\$ 93.1
Accounts payable	672.7	641.4
Accrued payroll and employee benefits	388.7	388.0
Deferred revenue	197.9	196.5
Other accrued expenses	800.1	774.3
	2,453.0	2,093.3
Deferred Income Taxes	1,852.6	2,047.2
Other Long-term Liabilities	811.7	808.2
Long-term Obligations	6,717.9	7,031.2
Shareholders' Equity:		
Preferred stock, \$100 par value, 50,000 shares authorized; none issued		
Common stock, \$1 par value, 1,200,000,000 shares authorized; 419,000,251 and 413,491,691 shares issued	419.0	413.5
Capital in excess of par value	10,812.5	10,501.1
Retained earnings	8,465.7	7,697.3
Treasury stock at cost, 57,632,958 and 56,047,926 shares	(3,109.5)	(2,996.8)
Accumulated other comprehensive items	(150.4)	(150.4)
	16,437.3	15,464.7
	\$ 28,272.5	\$ 27,444.6

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

THERMO FISHER SCIENTIFIC INC.

CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

(In millions except per share amounts)	Three Months Ended		Nine Months Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Revenues				
Product revenues	\$ 2,730.8	\$ 2,651.0	\$ 8,241.1	\$ 7,958.5
Service revenues	461.0	434.7	1,382.3	1,292.1
	3,191.8	3,085.7	9,623.4	9,250.6
Costs and Operating Expenses:				
Cost of product revenues	1,546.6	1,510.6	4,652.2	4,510.5
Cost of service revenues	297.3	276.7	923.8	830.7
Selling, general and administrative expenses	848.5	839.0	2,547.6	2,498.3
Research and development expenses	95.9	92.0	290.8	277.9
Restructuring and other costs, net	11.4	15.2	54.4	51.7
	2,799.7	2,733.5	8,468.8	8,169.1
Operating Income	392.1	352.2	1,154.6	1,081.5
Other Expense, Net	(73.1)	(55.8)	(212.7)	(155.6)
Income from Continuing Operations Before Income				
Taxes	319.0	296.4	941.9	925.9
(Provision for) Benefit from Income Taxes	(1.3)	3.0	(5.8)	(53.3)
Income from Continuing Operations	317.7	299.4	936.1	872.6
Loss from Discontinued Operations (net of income tax				
benefit of \$0.1, \$2.7, \$0.4 and \$9.9)	(0.1)	(4.1)	(0.7)	(15.4)
Loss on Disposal of Discontinued Operations, Net (net of income tax benefit of \$0.0, \$11.5, \$2.8 and \$34.6)	—	(4.9)	(4.2)	(55.7)
Net Income	\$ 317.6	\$ 290.4	\$ 931.2	\$ 801.5
Earnings per Share from Continuing Operations				
Basic	\$.88	\$.83	\$ 2.60	\$ 2.39
Diluted	\$.86	\$.82	\$ 2.57	\$ 2.37
Earnings per Share				
Basic	\$.88	\$.80	\$ 2.59	\$ 2.19
Diluted	\$.86	\$.79	\$ 2.56	\$ 2.18

Weighted Average Shares				
Basic	361.2	362.6	359.8	365.6
Diluted	367.3	365.4	364.1	368.2
Cash Dividends Declared per Common Share				
	\$.15	\$.13	\$.45	\$.39

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

THERMO FISHER SCIENTIFIC INC.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Unaudited)

(In millions)	Three Months Ended		Nine Months Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Comprehensive Income (Loss)				
Net Income	\$ 317.6	\$ 290.4	\$ 931.2	\$ 801.5
Other Comprehensive Items:				
Currency translation adjustment	308.8	256.8	(6.2)	194.7
Unrealized gains and losses on available-for-sale investments:				
Unrealized holding gains arising during the period (net of tax provision (benefit) of \$0.1, \$0.0, \$0.4 and \$(0.1))	0.1	—	1.2	0.1
Reclassification adjustment for gains included in net income (net of tax provision of \$0.0, \$0.0, \$2.5 and \$0.0)	—	—	(8.0)	—
Unrealized gains and losses on hedging instruments:				
Unrealized (loss) gain on hedging instruments (net of tax (benefit) provision of \$(1.1), \$0.0, \$3.0 and \$0.0)	(1.7)	—	5.0	—
Reclassification adjustment for losses included in net income (net of tax benefit of \$0.6, \$0.5, \$1.6 and \$1.5)	0.8	0.8	2.4	2.4
Pension and other postretirement benefit liability adjustment:				
Pension and other postretirement benefit liability adjustments arising during the	(4.4)	(1.3)	(0.2)	(1.3)

period (net of tax benefit of \$1.7, \$0.4, \$0.2 and \$0.5)				
Amortization of net loss and prior service benefit included in net periodic pension cost (net of tax benefit of \$0.8, \$0.4, \$2.6 and \$1.6)	2.0	1.1	5.8	3.3
	305.6	257.4	—	199.2
	\$ 623.2	\$ 547.8	\$ 931.2	\$ 1,000.7

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

THERMO FISHER SCIENTIFIC INC.

CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

(In millions)	Nine Months Ended	
	September 28, 2013	September 29, 2012
Operating Activities		
Net Income	\$ 931.2	\$ 801.5
Loss from discontinued operations	0.7	15.4
Loss on disposal of discontinued operations	4.2	55.7
Income from continuing operations	936.1	872.6
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	750.6	729.3
Change in deferred income taxes	(204.5)	(243.3)
Non-cash stock-based compensation	66.6	57.8
Non-cash charges for sale of inventories revalued at the date of acquisition	23.9	40.1
Tax benefits from stock-based compensation awards	(39.8)	(12.8)
Other non-cash expenses, net	17.0	29.1
Changes in assets and liabilities, excluding the effects of acquisitions and dispositions:		
Accounts receivable	(155.3)	(16.2)
Inventories	(129.7)	(132.6)
Other assets	(69.0)	(81.2)
Accounts payable	49.1	71.2
Other liabilities	66.1	102.9
Contributions to retirement plans	(25.6)	(16.3)
Net cash provided by continuing operations	1,285.5	1,400.6
Net cash used in discontinued operations	(3.3)	(21.2)
Net cash provided by operating activities	1,282.2	1,379.4
Investing Activities		
Acquisitions, net of cash acquired	(5.5)	(1,072.4)
Purchase of property, plant and equipment	(187.9)	(210.7)
Proceeds from sale of property, plant and equipment	15.9	11.6
Increase in restricted cash	(24.7)	(33.7)

Other investing activities, net	8.9	1.7
Net cash used in continuing operations	(193.3)	(1,303.5)
Net cash provided by discontinued operations	—	3.4
Net cash used in investing activities	\$ (193.3)	\$ (1,300.1)

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THERMO FISHER SCIENTIFIC INC.

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
(Unaudited)

(In millions)	Nine Months Ended	
	September 28, 2013	September 29, 2012
Financing Activities		
Decrease in commercial paper, net	\$ —	\$ (849.3)
Net proceeds from issuance of long-term debt	—	1,282.3
Purchases of company common stock	(89.8)	(800.0)
Dividends paid	(162.0)	(95.3)
Net proceeds from issuance of company common stock	204.9	131.3
Tax benefits from stock-based compensation awards	39.8	12.8
(Decrease) increase in short-term notes payable	(0.7)	14.4
Other financing activities, net	(5.7)	(6.5)
Net cash used in financing activities	(13.5)	(310.3)
Exchange Rate Effect on Cash	(35.4)	13.0
Increase (Decrease) in Cash and Cash Equivalents	1,040.0	(218.0)
Cash and Cash Equivalents at Beginning of Period	805.6	1,016.3
Cash and Cash Equivalents at End of Period	\$ 1,845.6	\$ 798.3

See Note 12 for supplemental cash flow information.

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

THERMO FISHER SCIENTIFIC INC.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(Unaudited)

(In millions)	Common Stock		Capital in	Retained	Treasury Stock	Accumulated		Total
	Shares	Amount	Excess of Par Value	Earnings	Shares	Amount	Other Comprehensive Items	Shareholders' Equity
Balance at December 31, 2011	406.4	\$ 406.4	\$ 10,152.0	\$ 6,716.3	35.0	\$ (1,837.1)	\$ (399.5)	\$ 15,038.1
Issuance of shares under employees' and directors' stock plans	4.2	4.2	134.9	—	0.2	(9.5)	—	129.6
Stock-based compensation	—	—	57.8	—	—	—	—	57.8
Tax benefit related to employees' and directors' stock plans	—	—	9.8	—	—	—	—	9.8
Purchases of company common stock	—	—	—	—	15.1	(800.0)	—	(800.0)
Dividends declared	—	—	—	(143.0)	—	—	—	(143.0)
Net income	—	—	—	801.5	—	—	—	801.5
Other comprehensive items	—	—	—	—	—	—	199.2	199.2
Other	—	—	(2.5)	—	—	—	—	(2.5)
Balance at September 29, 2012	410.6	\$ 410.6	\$ 10,352.0	\$ 7,374.8	50.3	\$ (2,646.6)	\$ (200.3)	\$ 15,290.5
Balance at December 31, 2012	413.5	\$ 413.5	\$ 10,501.1	\$ 7,697.3	56.0	\$ (2,996.8)	\$ (150.4)	\$ 15,464.7
Issuance of shares under employees' and directors' stock plans	5.5	5.5	208.0	—	0.3	(22.9)	—	190.6
	—	—	66.6	—	—	—	—	66.6

Stock-based compensation									
Tax benefit related to employees' and directors' stock plans	—	—	37.6	—	—	—	—	—	37.6
Purchases of company common stock	—	—	—	—	1.3	(89.8)	—	—	(89.8)
Dividends declared	—	—	—	(162.8)	—	—	—	—	(162.8)
Net income	—	—	—	931.2	—	—	—	—	931.2
Other comprehensive items	—	—	—	—	—	—	—	—	—
Other	—	—	(0.8)	—	—	—	—	—	(0.8)
Balance at September 28, 2013	419.0	\$ 419.0	\$ 10,812.5	\$ 8,465.7	57.6	\$ (3,109.5)	\$ (150.4)	\$	16,437.3

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

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Thermo Fisher Scientific Inc. (the company or Thermo Fisher) enables customers to make the world healthier, cleaner and safer by providing analytical instruments, equipment, reagents and consumables, software and services for research, manufacturing, analysis, discovery and diagnostics. Markets served include pharmaceutical and biotech companies, hospitals and clinical diagnostic labs, universities, research institutions and government agencies, as well as environmental and industrial process control settings.

Interim Financial Statements

The interim consolidated financial statements presented herein have been prepared by the company, 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 September 28, 2013, the results of operations for the three- and nine-month periods ended September 28, 2013, and September 29, 2012, and the cash flows for the nine-month periods ended September 28, 2013, and September 29, 2012. Interim results are not necessarily indicative of results for a full year.

The consolidated balance sheet presented as of December 31, 2012, has been derived from the audited consolidated financial statements as of that date. 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 2012 financial statements and notes included in the company's Current Report on Form 8-K filed with the Securities and Exchange Commission (SEC) on May 3, 2013.

Note 1 to the consolidated financial statements for 2012 describes the significant accounting estimates and policies used in preparation of the consolidated financial statements. There have been no material changes in the company's significant accounting policies during the nine months ended September 28, 2013.

Presentation

Certain reclassifications of prior year amounts have been made to conform to the current year presentation.

During 2013, the company determined that \$45 million of cash that was restricted from withdrawal due to serving as collateral for short-term borrowings in Asia was included in its previously reported year-end 2012 cash balance. Presentation of this amount has been revised to other current assets from cash in the accompanying balance sheet as of December 31, 2012 to properly reflect the restriction on withdrawal. Cash used for investing activities in the accompanying cash flow statement for the first nine months of 2012 reflects an increase of \$34 million from previously reported amounts for the increase in restricted cash as of September 29, 2012. The company has evaluated the impact of this revision, which had no impact on net income, net assets or cash flows from operations, and concluded it is immaterial to all prior period financial statements. Restricted cash totaled \$79 million as of September 28, 2013 and was primarily classified as other current assets on the accompanying balance sheet. Of this amount, \$70 million represented collateral for short-term borrowings in Asia.

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Warranty Obligations

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

(In millions)	Nine Months Ended	
	September 28, 2013	September 29, 2012
Beginning Balance	\$ 48.7	\$ 42.2
Provision charged to income	51.8	48.7
Usage	(54.2)	(42.5)
Adjustments to previously provided warranties, net	0.7	(0.4)
Other, net	—	(0.2)
Ending Balance	\$ 47.0	\$ 47.8

Inventories

The components of inventories are as follows:

(In millions)	September 28,	December
	2013	31, 2012
Raw Materials	\$ 373.2	\$ 362.0
Work in Process	177.2	149.7
Finished Goods	996.4	931.6
	\$ 1,546.8	\$ 1,443.3

Property, Plant and Equipment

Property, plant and equipment consists of the following:

(In millions)	September 28,	December
	2013	31, 2012
Land	\$ 213.3	\$ 216.6
Buildings and Improvements	806.6	805.5
Machinery, Equipment and Leasehold Improvements	1,972.7	1,829.9
	2,992.6	2,852.0

Less: Accumulated Depreciation and Amortization	1,283.9	1,125.6
	\$ 1,708.7	\$ 1,726.4

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Acquisition-related Intangible Assets

Acquisition-related intangible assets are as follows:

(In millions)	September 28, 2013			December 31, 2012		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Definite Lives	\$ 10,093.4	\$ (4,185.8)	\$ 5,907.6	\$ 10,403.1	\$ (3,939.2)	\$ 6,463.9
Indefinite Lives	1,340.6	—	1,340.6	1,340.6	—	1,340.6
	\$ 11,434.0	\$ (4,185.8)	\$ 7,248.2	\$ 11,743.7	\$ (3,939.2)	\$ 7,804.5

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In addition, significant estimates were made in estimating future cash flows to assess potential impairment of assets, and in determining the ultimate loss from selling discontinued operations and abandoning leases at facilities being exited (Note 13). Actual results could differ from those estimates.

Recent Accounting Pronouncements

In February 2013, the FASB issued new guidance which requires disclosure of information about significant reclassification adjustments from accumulated other comprehensive income in a single note or on the face of the financial statements. This guidance became effective for the company in 2013. Adoption of this standard, which is related to disclosure only, did not have an impact on the company's consolidated financial position, results of operations or cash flows.

In July 2012, the FASB modified existing rules to allow entities to use a qualitative approach to test indefinite-lived intangible assets for impairment. The revised standard allows an entity the option to first assess qualitatively whether it is more likely than not (that is, a likelihood of more than 50 percent) that an indefinite-lived intangible asset is impaired. An entity is not required to calculate the fair value of an indefinite-lived intangible asset and perform the quantitative impairment test unless the entity determines that it is more likely than not that the asset is impaired. This guidance became effective for the company in 2013. Adoption of this standard did not have an impact on the company's consolidated financial position, results of operations or cash flows.

In December 2011, the FASB issued new guidance which requires enhanced disclosures on offsetting amounts within the balance sheet, including disclosing gross and net information about instruments and transactions eligible for offset or subject to a master netting or similar agreement. This guidance became effective for the company in 2013. Adoption of this standard, which is related to disclosure only, did not have an impact on the company's consolidated financial position, results of operations or cash flows.

Note 2.

Acquisitions and Dispositions

On April 14, 2013, the company entered into an agreement to acquire Life Technologies Corporation for \$76.00 in cash per fully diluted common share, or approximately \$13.6 billion, plus the assumption of net debt at close (\$1.8 billion as of June 30, 2013) (the "Life Technologies Acquisition"). The transaction, which is expected to close in early 2014, is subject to satisfaction of certain customary closing conditions, including the receipt of certain regulatory approvals. In connection with the planned acquisition of Life Technologies, the company entered into a bridge credit agreement and a term loan agreement (Note 8). The bridge credit agreement is a 364-day unsecured committed bridge facility in the principal amount of \$3.56 billion as of November 1, 2013. The term loan agreement is a 3-year unsecured \$5 billion term loan facility. The company currently expects to fund the \$13.6 billion cash purchase price with up to \$3.25 billion of equity financing, including \$2.5 billion of its common stock sold in June 2013 under equity forward agreements (Note 10) and up to a maximum of \$750 million of equity or equity-linked securities, with the remaining purchase price to be financed with the term loan facility, new debt and cash on hand. Life Technologies provides innovative products and services to customers conducting scientific research and genetic analysis, as well as those in applied markets, such as forensics and food safety testing. Life Technologies' revenues totaled \$3.8 billion in 2012.

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

During the first nine months of 2013, the company made contingent purchase price and post closing adjustment payments totaling \$6 million for acquisitions completed prior to 2013. The contingent purchase price payments were contractually due to the sellers upon achievement of certain performance criteria at the acquired businesses.

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

Acquisitions have been accounted for using the purchase method of accounting, and the acquired companies' results have been included in the accompanying financial statements from their respective dates of acquisition. Acquisition transaction costs are recorded in selling, general and administrative expenses. The net assets acquired have been recorded based on estimates of fair value.

Unaudited Pro Forma Information

The company acquired One Lambda in September 2012. Had the acquisition of One Lambda been completed as of the beginning of 2011, the company's pro forma results for 2012 would have been as follows:

(In millions except per share amounts)	Three Months Ended September 29, 2012	Nine Months Ended September 29, 2012
Revenues	\$ 3,122.6	\$ 9,383.8
Income from Continuing Operations	\$ 310.6	\$ 894.8
Net Income	\$ 301.6	\$ 823.6
Earnings per Share from Continuing Operations:		
Basic	\$ 0.86	\$ 2.45
Diluted	\$ 0.85	\$ 2.43
Earnings per Share:		
Basic	\$ 0.83	\$ 2.25
Diluted	\$ 0.83	\$ 2.24

The company's results would not have been materially different from its pro forma results had the company's other 2012 acquisitions occurred at the beginning of 2011.

Dispositions

On October 22, 2012, the company sold its laboratory workstations business (See Note 14).

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Note 3. Business Segment and Geographical Information

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

Analytical Technologies: provides a broad offering of instruments, reagents, consumables, software and services that are used for a range of applications in the laboratory, on the production line and in the field. These products and services are used by customers in pharmaceutical, biotechnology, academic, government, environmental and other research and industrial markets, as well as the clinical laboratory.

Specialty Diagnostics: provides a wide range of diagnostic test kits, reagents, culture media, instruments and associated products used to increase the speed and accuracy of diagnoses. These products are used primarily by customers in healthcare, clinical, pharmaceutical, industrial and food safety laboratories.

Laboratory Products and Services: provides virtually everything needed for the laboratory, including a combination of self-manufactured and sourced products and an extensive service offering. These products and services are used by customers in pharmaceutical, biotechnology, academic, government and other research and industrial markets, as well as the clinical laboratory.

In February 2013, in connection with a change in management responsibility for two product lines, the company transferred its water analysis and research serum and media product lines to the Laboratory Products and Services segment from the Analytical Technologies segment. 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.

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

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Business Segment Information

(In millions)	Three Months Ended		Nine Months Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Revenues				
Analytical Technologies	\$ 996.6	\$ 986.5	\$ 2,980.9	\$ 2,938.9
Specialty Diagnostics	759.2	706.7	2,358.4	2,170.5
Laboratory Products and Services	1,582.1	1,526.3	4,709.6	4,537.1
Eliminations	(146.1)	(133.8)	(425.5)	(395.9)
Consolidated revenues	3,191.8	3,085.7	9,623.4	9,250.6
Segment Income				
Analytical Technologies (a)	180.4	186.1	534.4	533.9
Specialty Diagnostics (a)	203.7	170.0	642.3	556.2
Laboratory Products and Services (a)	235.3	219.6	681.6	652.2
Subtotal reportable segments (a)	619.4	575.7	1,858.3	1,742.3
Cost of revenues charges	(0.9)	(3.1)	(27.2)	(42.5)
Selling, general and administrative charges, net	(24.0)	(19.0)	(47.9)	(13.1)
Restructuring and other costs, net	(11.4)	(15.2)	(54.4)	(51.7)
Amortization of acquisition-related intangible assets	(191.0)	(186.2)	(574.2)	(553.5)
Consolidated operating income	392.1	352.2	1,154.6	1,081.5
Other expense, net (b)	(73.1)	(55.8)	(212.7)	(155.6)
Income from continuing operations before income taxes	\$ 319.0	\$ 296.4	\$ 941.9	\$ 925.9
Depreciation				
Analytical Technologies	\$ 15.9	\$ 15.1	\$ 46.2	\$ 47.3
Specialty Diagnostics	18.2	18.2	54.7	53.8
Laboratory Products and Services	25.3	25.7	75.5	74.7
Consolidated depreciation	\$ 59.4	\$ 59.0	\$ 176.4	\$ 175.8

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

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Note 4. Other Expense, Net

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

(In millions)	Three Months Ended		Nine Months Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Interest Income	\$ 7.1	\$ 5.9	\$ 21.4	\$ 19.0
Interest Expense	(64.3)	(60.3)	(193.1)	(175.4)
Other Items, Net	(15.9)	(1.4)	(41.0)	0.8
	\$ (73.1)	\$ (55.8)	\$ (212.7)	\$ (155.6)

Other Items, Net

In the third quarter and first nine months of 2013, other items, net includes \$20 million and \$61 million, respectively, of charges related to amortization of fees paid to obtain bridge financing commitments related to the Life Technologies Acquisition.

In the first nine months of 2013, the company recorded \$5 million of gains from sales of equity investments. Additionally, the company irrevocably contributed appreciated available-for-sale investments that had a fair value of \$27 million to two of its U.K. defined benefit plans, resulting in realization of a previously unrecognized gain of \$11 million.

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Note 5. Stock-based Compensation Expense

The components of stock-based compensation expense are as follows:

(In millions)	Three Months Ended		Nine Months Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Stock Option Awards	\$ 10.4	\$ 9.8	\$ 30.6	\$ 30.0
Restricted Share/Unit Awards	12.5	10.5	36.0	27.8
Total Stock-based Compensation Expense	\$ 22.9	\$ 20.3	\$ 66.6	\$ 57.8

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

(In millions)	Three Months Ended		Nine Months Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Cost of Revenues	\$ 1.8	\$ 1.2	\$ 5.2	\$ 3.8
Selling, General and Administrative Expenses	20.3	18.6	59.0	52.6
Research and Development Expenses	0.8	0.5	2.4	1.4
Total Stock-based Compensation Expense	\$ 22.9	\$ 20.3	\$ 66.6	\$ 57.8

As of September 28, 2013, there was \$75 million of total unrecognized compensation cost related to unvested stock options granted. The cost is expected to be recognized through 2017 with a weighted average amortization period of 2.4 years.

As of September 28, 2013, there was \$78 million of total unrecognized compensation cost related to unvested restricted stock unit awards. The cost is expected to be recognized through 2017 with a weighted average amortization period of 2.1 years.

During the first nine months of 2013, the company made equity compensation grants to employees consisting of 0.9 million service- and performance-based restricted stock units and options to purchase 1.9 million shares.

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Note 6. Pension and Other Postretirement Benefit Plans

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

Net periodic benefit costs for the company's defined benefit pension plans include the following components:

(In millions)	Three Months Ended		Nine Months Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Service Cost - Benefits Earned	\$ 5.8	\$ 2.9	\$ 15.2	\$ 8.9
Interest Cost on Benefit Obligation	11.9	12.7	35.8	38.2
Expected Return on Plan Assets	(13.3)	(13.8)	(39.7)	(41.4)
Amortization of Net Loss	2.8	1.7	8.5	5.1
Amortization of Prior Service Benefit	—	(0.1)	(0.2)	(0.1)
Settlement/Curtailment Loss	—	0.1	—	—
Special Termination Benefits	0.7	—	1.2	0.5
Net Periodic Benefit Cost	\$ 7.9	\$ 3.5	\$ 20.8	\$ 11.2

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

(In millions)	Three Months Ended		Nine Months Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Service Cost - Benefits Earned	\$ 0.1	\$ 0.1	\$ 0.4	\$ 0.5
Interest Cost on Benefit Obligation	0.4	0.4	1.3	1.4
Amortization of Net (Gain) Loss	—	(0.1)	0.1	(0.1)
Net Periodic Benefit Cost	\$ 0.5	\$ 0.4	\$ 1.8	\$ 1.8

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Note 7. Earnings per Share

(In millions except per share amounts)	Three Months Ended		Nine Months Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Income from Continuing Operations	\$ 317.7	\$ 299.4	\$ 936.1	\$ 872.6
Loss from Discontinued Operations	(0.1)	(4.1)	(0.7)	(15.4)
Loss on Disposal of Discontinued Operations, Net	—	(4.9)	(4.2)	(55.7)
Net Income	\$ 317.6	\$ 290.4	\$ 931.2	\$ 801.5
Basic Weighted Average Shares	361.2	362.6	359.8	365.6
Plus Effect of:				
Equity forward arrangement	2.5	—	0.8	—
Stock options and restricted units	3.6	2.8	3.5	2.6
Diluted Weighted Average Shares	367.3	365.4	364.1	368.2
Basic Earnings per Share:				
Continuing operations	\$.88	\$.83	\$ 2.60	\$ 2.39
Discontinued operations	—	(.02)	(.01)	(.19)
	\$.88	\$.80	\$ 2.59	\$ 2.19
Diluted Earnings per Share:				
Continuing operations	\$.86	\$.82	\$ 2.57	\$ 2.37
Discontinued operations	—	(.02)	(.01)	(.19)
	\$.86	\$.79	\$ 2.56	\$ 2.18

Options to purchase 0.1 million, 6.4 million, 1.3 million and 8.6 million shares of common stock were not included in the computation of diluted earnings per share for the third quarter of 2013 and 2012 and the first nine months of 2013 and 2012, respectively, because their effect would have been antidilutive.

Note 8. Debt and Other Financing Arrangements

Credit Facilities

On July 25, 2013, the company terminated its prior revolving credit agreement and entered into a new revolving credit facility with a bank group that provides for up to \$1.5 billion of unsecured multi-currency revolving credit. The facility expires in July 2018. The agreement calls for interest at either a LIBOR-based rate or a rate based on the prime lending rate of the agent bank, at the company's option. The agreement contains affirmative, negative and financial

covenants, and events of default customary for financings of this type. The financial covenant requires the company to maintain a Consolidated Leverage Ratio of debt to EBITDA (as defined in the agreement) below 3.5 to 1.0 prior to the closing date of the Life Technologies Acquisition, below 5.5 to 1.0 during the first six months after the closing date of the Life Technologies Acquisition and decreasing, based on the passage of time, to 3.5 to 1.0, after 18 months and an Interest Coverage Ratio of EBITDA (as defined in the agreement) to interest expense below 3.0 to 1.0. The credit agreement permits the company to use the facility for working capital; acquisitions; repurchases of common stock, debentures and other securities; the refinancing of debt; and general corporate purposes. The credit agreement allows for the issuance of letters of credit, which reduces the amount available for borrowing. If the company borrows under this facility, it intends to leave undrawn an amount equivalent to outstanding commercial paper (\$50 million at September 28, 2013) to provide a source of funds in the event that commercial paper markets are not available. As of September 28, 2013, no borrowings were outstanding under the facility, although available capacity was reduced by approximately \$46 million as a result of outstanding letters of credit.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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In connection with the planned acquisition of Life Technologies, the company entered into a bridge credit agreement and a term loan agreement. The bridge credit agreement is a 364-day unsecured committed bridge facility in the principal amount of \$3.56 billion as of November 1, 2013. The term loan agreement is a 3-year unsecured \$5 billion term loan facility. Borrowing under both agreements is conditioned on, among other things, the consummation of the Life Technologies Acquisition. The agreements call for interest at either a LIBOR-based rate or a rate based on the prime lending rate of the agent bank, at the company's option. The agreements contain affirmative, negative and financial covenants, and events of default customary for financings of this type. The financial covenants require the company to maintain a Consolidated Leverage Ratio of debt to EBITDA (as defined in the agreements) below 5.5 to 1.0 during the first six months after the borrowing date and decreasing, based on the passage of time, to 3.5 to 1.0, beginning 18 months after the borrowing date. The company must also maintain a minimum interest coverage ratio of 3.0 to 1.0. The company expects to issue long-term debt to replace the bridge facility.

Cash Flow Hedge Arrangements

During 2013, the company entered into interest rate swap agreements to mitigate the risk of interest rates rising prior to completion of a debt offering. Based on the company's conclusion that a debt offering is probable as a result of debt maturing in 2014 and that such debt would carry semi-annual interest payments over a 10-year term, the swaps hedge the cash flow risk for each of the semi-annual fixed-rate interest payments on \$575 million of principal amount of the planned 10-year fixed-rate debt issue. The increase in the fair value of the hedges, \$5 million, net of tax, as of September 28, 2013, was classified as an increase to accumulated other comprehensive items within shareholder's equity.

Note 9.

Commitments and Contingencies

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

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

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

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

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.

Note 10. Comprehensive Income and Shareholders' Equity

Comprehensive Income

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.

Changes in each component of accumulated other comprehensive items, net of tax are as follows:

(In millions)	Currency Translation Adjustment	Unrealized Gains (Losses) on Available-for- Sale Investments	Unrealized Gains (Losses) on Hedging Instruments	Pension and Other Postretirement Benefit Liability Adjustment	Total
Balance at December 31, 2012	\$ 87.4	\$ 7.7	\$ (32.9)	\$ (212.6)	\$ (150.4)
Other comprehensive income (loss)					
before reclassifications	(6.2)	1.2	5.0	(0.2)	(0.2)
Amounts reclassified from accumulated other comprehensive items	—	(8.0)	2.4	5.8	0.2
Net other comprehensive items	(6.2)	(6.8)	7.4	5.6	—
Balance at September 28, 2013	\$ 81.2	\$ 0.9	\$ (25.5)	\$ (207.0)	\$ (150.4)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

The amounts reclassified out of accumulated other comprehensive items are as follows:

(In millions)	Affected Line Item in the Statement of Income	Nine Months Ended	
		September 28, 2013	September 29, 2012
Amounts Reclassified From Accumulated Other Comprehensive Items			
Unrealized gains and losses on available-for-sale investments			
Realized gain on sale or transfer of available-for-sale investments	Other Expense, Net Provision for Income Taxes	\$ (10.5)	\$ —
Tax provision		2.5	—
		\$ (8.0)	\$ —
Unrealized gains and losses on hedging instruments			
Realized loss on interest rate swaps and locks	Other Expense, Net Provision for Income Taxes	\$ 4.0	\$ 3.9
Tax benefit		(1.6)	(1.5)
		\$ 2.4	\$ 2.4
Pension and other postretirement benefit liability adjustment			
Amortization of actuarial losses	Net Periodic Benefit Cost -	\$ 8.6	\$ 5.0
Amortization of prior service benefit	see Note 6 for details	(0.2)	(0.1)
Total before tax		8.4	4.9
Tax benefit	Provision for Income Taxes	(2.6)	(1.6)
		\$ 5.8	\$ 3.3
Total reclassifications		\$ 0.2	\$ 5.7

Shareholders' Equity

In June 2013, in anticipation of the planned acquisition of Life Technologies, the company entered into equity forward agreements in connection with a public offering of 29.6 million shares of its common stock. The use of the equity forward agreements substantially eliminates future equity market price risk by fixing a common equity offering sales price under the then existing market conditions, while mitigating share dilution from the offering by postponing the actual issuance of common stock until the funds are needed for the Life Technologies Acquisition.

Under the terms of the agreements, the counterparties borrowed shares of the company's common stock and sold them for \$85.50 per share. Upon settlement of the agreements, to the extent that the agreements are physically settled, the company would be required to issue and deliver shares of its common stock at the then applicable forward sale price. The forward price was initially \$83.2770 per share, net of underwriting fees, and is subject to adjustment in accordance with the terms of the agreements including fixed reductions related to cash dividends. The forward price was \$82.8277 per share on September 28, 2013. The equity forward agreements must be settled fully within 14 months of the date of the agreements. Although the company expects to physically settle the forward sale agreements by delivering shares of its common stock in exchange for cash proceeds, it may elect cash or net share settlement for all or a portion of its obligations under the forward agreements.

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The equity forward agreements had no initial fair value as they were entered into at the then market price of the common stock. The company will not receive any proceeds from the sale of common stock until the equity forward agreements are settled, and at that time it will record the proceeds, if any, in equity.

At September 28, 2013, the equity forward agreements could have been settled with physical delivery of the shares to the forward counterparties in exchange for cash of \$2.45 billion. At September 28, 2013, the equity forward agreements could also have been cash settled, with delivery of cash of approximately \$301.3 million to the forward counterparties, or net share settled with delivery of approximately 3.2 million shares of common stock to the forward counterparties.

Prior to their settlement, to the extent that the equity forward agreements are dilutive, they are reflected in the company's diluted earnings per share calculations using the treasury stock method.

Note 11. Fair Value Measurements and Fair Value of Financial Instruments

Fair Value Measurements

The company uses the market approach technique to value its financial instruments and there were no changes in valuation techniques during 2013. The company's financial assets and liabilities carried at fair value are primarily comprised of investments in money market funds; derivative contracts, insurance contracts, mutual funds holding publicly traded securities and other investments in unit trusts held as assets to satisfy outstanding deferred compensation and retirement liabilities; and acquisition-related contingent consideration.

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

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

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

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

The following table presents information about the company's financial assets and liabilities measured at fair value on a recurring basis as of September 28, 2013:

(In millions)	September 28, 2013	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Cash equivalents	\$ 869.5	\$ 869.5	\$ —	\$ —
Investments in mutual funds, unit trusts and other similar instruments	9.6	9.6	—	—
Insurance contracts	70.6	—	70.6	—
Auction rate securities	4.2	—	—	4.2
Derivative contracts	11.2	—	11.2	—
Total Assets	\$ 965.1	\$ 879.1	\$ 81.8	\$ 4.2
Liabilities				
Derivative contracts	\$ 3.3	\$ —	\$ 3.3	\$ —
Contingent consideration	32.9	—	—	32.9
Total Liabilities	\$ 36.2	\$ —	\$ 3.3	\$ 32.9

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, 2012:

(In millions)	December 31, 2012	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Cash equivalents	\$ 73.6	\$ 73.6	\$ —	\$ —
Investments in mutual funds, unit trusts and other similar instruments	36.6	36.6	—	—
Insurance contracts	62.5	—	62.5	—
Auction rate securities	4.3	—	—	4.3
Derivative contracts	1.6	—	1.6	—

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Total Assets	\$	178.6	\$	110.2	\$	64.1	\$	4.3
Liabilities								
Derivative contracts	\$	0.8	\$	—	\$	0.8	\$	—
Contingent consideration		20.1		—		—		20.1
Total Liabilities	\$	20.9	\$	—	\$	0.8	\$	20.1

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

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

(In millions)	Three Months Ended		Nine Months Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Auction Rate Securities				
Beginning Balance	\$ 4.2	\$ 4.3	\$ 4.3	\$ 4.3
Sale of securities	—	—	(0.1)	—
Ending Balance	\$ 4.2	\$ 4.3	\$ 4.2	\$ 4.3

The company has the ability and intent to hold the auction rate securities to maturity unless they are redeemed earlier by the issuer.

(In millions)	Three Months Ended		Nine Months Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Contingent Consideration				
Beginning Balance	\$ 33.7	\$ 4.6	\$ 20.1	\$ 1.7
Additions	—	12.9	—	15.8
Payments	(0.7)	(0.7)	(0.7)	(1.0)
Change in fair value included in earnings	(0.1)	—	13.5	0.3
Ending Balance	\$ 32.9	\$ 16.8	\$ 32.9	\$ 16.8

The notional amounts of derivative contracts outstanding, consisting of currency exchange contracts and interest rate locks, totaled \$1.62 billion and \$719 million at September 28, 2013 and December 31, 2012, respectively.

While certain derivatives are subject to netting arrangements with counterparties, the company does not offset derivative assets and liabilities within the consolidated balance sheet. The following tables present the fair value of derivative instruments in the consolidated balance sheet and statement of income.

Fair Value – Assets

Fair Value – Liabilities

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(In millions)	September 28, 2013	December 31, 2012	September 28, 2013	December 31, 2012
Derivatives Designated as Hedging Instruments				
Interest rate forward swaps (a)	\$ 10.5	\$ —	\$ 2.5	\$ —
Derivatives Not Designated as Hedging Instruments				
Currency exchange contracts (b)	0.7	1.6	0.8	0.8

(a) The fair value of the interest rate forward swaps is included in the consolidated balance sheet under the captions other current assets and other accrued expenses.

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

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(Unaudited)

(In millions)	Gain (Loss) Recognized			
	Three Months Ended		Nine Months Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Derivatives Not Designated as Fair Value Hedges				
Currency exchange contracts				
Included in cost of revenues	\$ 1.5	\$ 1.2	\$ 2.0	\$ 2.6
Included in other expense, net	(26.8)	(8.8)	(12.0)	(2.2)

Gains and losses recognized on currency exchange contracts are included in the consolidated statement of income together with the corresponding, offsetting losses and gains on the underlying hedged transactions.

Fair Value of Other Financial Instruments

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

(In millions)	September 28, 2013		December 31, 2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Notes Receivable	\$ 3.8	\$ 3.8	\$ 4.7	\$ 4.7
Debt Obligations:				
Senior notes	\$ 7,008.2	\$ 7,085.1	\$ 7,019.5	\$ 7,455.2
Commercial paper	50.0	50.0	50.0	50.0
Other	53.3	53.3	54.8	54.8
	\$ 7,111.5	\$ 7,188.4	\$ 7,124.3	\$ 7,560.0

The fair value of debt obligations was determined based on quoted market prices and on borrowing rates available to the company at the respective period ends which represent level 2 measurements.

Note 12.

Supplemental Cash Flow Information

(In millions)	Nine Months Ended	
	September 28, 2013	September 29, 2012
Non-cash Activities		
Fair value of assets of acquired businesses and product lines	\$ —	\$ 1,164.3
Cash paid for acquired businesses and product lines	—	(1,069.0)

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Liabilities assumed of acquired businesses and product lines	\$	—	\$	95.3
Fair value of available-for-sale investments contributed to defined benefit plans	\$	27.1	\$	—
Declared but unpaid dividends	\$	55.5	\$	47.7
Issuance of stock upon vesting of restricted stock units	\$	63.2	\$	28.8

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Note 13. Restructuring and Other Costs, Net

Restructuring and other costs in the first nine months of 2013 primarily included continuing charges for headcount reductions and facility consolidations in an effort to streamline operations, including the closure and consolidation of operations within several facilities in the U.S. and Europe. The company's year-to-date severance actions associated with facility consolidations and cost reduction measures affected approximately 2% of the company's workforce.

As of November 1, 2013, the company has identified restructuring actions that will result in additional charges of approximately \$60 million, primarily in the remainder of 2013.

Third Quarter of 2013

During the third quarter of 2013, the company recorded net restructuring and other costs by segment as follows:

(In millions)	Analytical Technologies	Specialty Diagnostics	Laboratory Products and Services	Corporate	Total
Cost of Revenues	\$ 0.4	\$ 0.5	\$ —	\$ —	0.9
Selling, General and Administrative Expenses	16.4	(0.7)	—	8.3	24.0
Restructuring and Other Costs, Net	1.4	5.2	4.7	0.1	11.4
	\$ 18.2	\$ 5.0	\$ 4.7	\$ 8.4	\$ 36.3

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

Analytical Technologies

The Analytical Technologies segment recorded \$18.2 million of net restructuring and other charges in the third quarter of 2013. The segment recorded charges to cost of revenues of \$0.4 million for accelerated depreciation at facilities closing due to real estate consolidation; charges to selling, general and administrative expenses of \$16.4 million primarily for transaction costs related to the pending acquisition of Life Technologies (Note 2); and \$1.4 million of other restructuring costs, net, \$3.4 million of which were cash costs. These costs, which were associated with headcount reductions and facility consolidations including the consolidation and closure of several facilities in the U.S. and Europe, consisted of \$3.0 million of severance; \$0.2 million of abandoned facility costs; and \$0.2 million of other cash costs, primarily outplacement costs for severed employees. The segment also realized gains of \$2.0 million on the sale of real estate in the U.S. and Europe.

Specialty Diagnostics

The Specialty Diagnostics segment recorded \$5.0 million of net restructuring and other charges in the third quarter of 2013. The segment recorded charges to cost of revenues of \$0.5 million for accelerated depreciation at facilities closing due to real estate consolidation; a reduction to selling, general and administrative expenses of \$0.7 million for

revisions of estimated contingent consideration for a recent acquisition; and \$5.2 million of other restructuring costs, which were primarily cash costs principally associated with headcount reductions. The cash costs consisted of \$4.2 million of severance and \$1.1 million of other cash costs, primarily outplacement costs for severed employees and moving expenses associated with facility consolidations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Laboratory Products and Services

The Laboratory Products and Services segment recorded \$4.7 million of net restructuring and other charges in the third quarter of 2013. The segment recorded \$3.6 million of cash costs, associated with headcount reductions and facility consolidations to streamline operations, which included \$2.4 million of severance and \$1.3 million of abandoned facility costs. The segment also recorded \$1.1 million of non-cash expense primarily for pension charges related to the headcount reductions.

Corporate

During the third quarter of 2013, the company recorded a charge to selling, general and administrative expenses of \$8.3 million associated with product liability litigation and \$0.1 million of cash restructuring costs primarily for severance at its corporate operations.

First Nine Months of 2013

During the first nine months of 2013, the company recorded net restructuring and other costs as follows:

(In millions)	Analytical Technologies	Specialty Diagnostics	Laboratory Products and Services	Corporate	Total
Cost of Revenues	\$ 1.9	\$ 24.7	\$ 0.6	\$ —	27.2
Selling, General and Administrative Expenses	26.7	12.9	—	8.3	47.9
Restructuring and Other Costs, Net	15.0	14.9	22.5	2.0	54.4
	\$ 43.6	\$ 52.5	\$ 23.1	\$ 10.3	\$ 129.5

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

Analytical Technologies

In the first nine months of 2013, the Analytical Technologies segment recorded \$43.6 million of net restructuring and other charges. The segment recorded charges to cost of revenues of \$1.9 million for accelerated depreciation at facilities closing due to real estate consolidation; charges to selling, general and administrative expenses of \$26.7 million primarily for transaction costs related to the pending acquisition of Life Technologies (Note 2); and \$15.0 million of other restructuring costs, net, \$16.6 million of which were cash costs. The cash costs, which were associated with headcount reductions and facility consolidations including the consolidation and closure of several facilities in the U.S. and Europe, consisted of \$12.4 million of severance; \$2.4 million of abandoned facility costs; and \$1.8 million of other cash costs, primarily for moving and other expenses associated with facility consolidations. In addition, the segment realized a gain of \$2.0 million on the sale of real estate in the U.S and Europe. The segment also recorded \$0.4 million of non-cash expense for writedowns of real estate held for sale.

Specialty Diagnostics

In the first nine months of 2013, the Specialty Diagnostics segment recorded \$52.5 million of net restructuring and other charges. The segment recorded charges to cost of revenues of \$24.7 million primarily for the sale of inventories revalued at the date of acquisition; charges to selling, general and administrative expenses of \$12.9 million for revisions of estimated contingent consideration for a recent acquisition; and \$14.9 million of other restructuring costs, net, which were primarily cash costs. The cash costs consisted of \$13.0 million of severance and \$2.0 million of other cash costs primarily for outplacement costs for severed employees and moving expenses associated with facility consolidations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Laboratory Products and Services

In the first nine months of 2013, the Laboratory Products and Services segment recorded \$23.1 million of net restructuring and other charges. The segment recorded charges to cost of revenues of \$0.6 million for accelerated depreciation at facilities closing due to real estate consolidation and \$22.5 million of other restructuring costs, \$21.1 million of which were cash costs. The cash costs, which consisted of headcount reductions and facility consolidations to streamline operations, included \$15.2 million of severance; \$3.4 million of abandoned facility costs; and \$2.5 million of other cash costs, primarily moving and relocation expenses associated with facility consolidations. The segment also recorded \$1.4 million of non-cash expense, net, primarily for pension charges related to the headcount reductions.

Corporate

In the first nine months of 2013, the company recorded a charge to selling, general and administrative expenses of \$8.3 million associated with product liability litigation and \$2.0 million of cash restructuring costs primarily for severance at its corporate operations.

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

(In millions)	Severance	Abandonment of Excess Facilities	Other (a)	Total
Pre-2012 Restructuring Plans				
Balance At December 31, 2012	\$ 4.2	\$ 5.9	\$ 0.4	\$ 10.5
Costs incurred in 2013	0.7	0.8	—	1.5
Reserves reversed	(0.1)	—	—	(0.1)
Payments	(3.7)	(2.8)	—	(6.5)
Balance At September 28, 2013	\$ 1.1	\$ 3.9	\$ 0.4	\$ 5.4
2012 Restructuring Plans				
Balance At December 31, 2012	\$ 15.8	\$ 2.4	\$ 2.4	\$ 20.6
Costs incurred in 2013	4.3	3.0	2.7	10.0
Reserves reversed	(1.8)	—	(0.2)	(2.0)
Payments	(9.3)	(2.9)	(4.7)	(16.9)
Currency translation	0.1	(0.2)	—	(0.1)
Balance At September 28, 2013	\$ 9.1	\$ 2.3	\$ 0.2	\$ 11.6
2013 Restructuring Plans				

Costs incurred in 2013	\$	39.2	\$	2.3	\$	3.8	\$	45.3
Payments		(23.7)		(1.4)		(2.6)		(27.7)
Currency translation		(1.9)		—		—		(1.9)
Balance At September 28, 2013	\$	13.6	\$	0.9	\$	1.2	\$	15.7

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

The company expects to pay accrued restructuring costs as follows: severance, employee-retention obligations and other costs, primarily through 2014; and abandoned-facility payments, over lease terms expiring through 2018.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Note 14. Discontinued Operations

In June 2012, in an effort to exit a non-core business, the company's senior management made a decision to pursue a sale of its laboratory workstations business, part of the Laboratory Products and Services segment. The company completed the sale in October 2012 for nominal proceeds. The results of the laboratory workstations business have been classified and presented as discontinued operations in the accompanying financial statements. Prior period results have been adjusted to conform to this presentation.

Operating results of the laboratory workstations business were as follows:

(In millions)	Three Months Ended September 29, 2012	Nine Months Ended September 29, 2012
Revenues	\$ 44.7	\$ 139.0
Pre-tax Income (Loss)	(6.8)	(25.2)

In the first quarter of 2013, the company recorded an after-tax charge of \$4.2 million for the estimated cost to raze certain abandoned facilities of the discontinued operations prior to the planned sale of the related land.

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

Forward-looking statements, within the meaning of Section 21E of the Securities Exchange Act of 1934 are made throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes," "anticipates," "plans," "expects," "seeks," "estimates," and similar expressions are intended to identify forward-looking statements. Forward-looking statements also include without limitation statements relating to our recently announced agreement to acquire Life Technologies Corporation ("Life Technologies"), the satisfaction of conditions precedent to, and the consummation of, our acquisition of Life Technologies, and our ability to secure regulatory approvals, in each case including the timing thereof. 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

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 three business segments (see Note 3): Analytical Technologies, Specialty Diagnostics and Laboratory Products and Services.

Recent and Pending Acquisitions

The company's strategy is to augment internal growth at existing businesses with complementary acquisitions such as those completed in 2012 and its pending acquisition of Life Technologies. The company's principal 2012 acquisitions are described below.

- One Lambda, a provider of transplant diagnostics, was acquired in September 2012 to enhance the company's presence in specialty in vitro diagnostics and to increase access to the transplant diagnostics market.
- Doe & Ingalls, a channel for specialty production chemicals and provider of customized supply-chain services to the life sciences and microelectronics industries, was acquired in May 2012 to expand the company's products and services that address the production market.

In addition, on April 14, 2013, the company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Life Technologies providing for, subject to the satisfaction or waiver of specified conditions, the acquisition of Life Technologies by the company (the "Life Technologies Acquisition") at a price of approximately \$13.6 billion in cash (\$76.00 per share), plus the assumption of certain Life Technologies indebtedness (Note 2). Life Technologies provides innovative products and services to customers conducting scientific research and genetic analysis, as well as those in applied markets, such as forensics and food safety testing. Life Technologies' revenues totaled \$3.8 billion in 2012.

If the Life Technologies Acquisition does not close by January 14, 2014, by reason of the failure to obtain certain required antitrust approvals, the cash price per share will increase by \$0.0062466 per day during the period commencing on, and including, January 14, 2014, and ending on, and including, the closing date.

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The Merger Agreement contains customary representations and warranties from both Life Technologies and the company, and also contains customary covenants. The completion of the Life Technologies Acquisition is subject to certain customary conditions, including the receipt of certain required antitrust approvals. Each of the company's and Life Technologies' obligation to complete the Life Technologies Acquisition is also subject to certain additional customary conditions, including (i) the accuracy of the representations and warranties of the other party, subject to certain materiality qualifiers (ii) performance in all material respects by the other party of its obligations under the Merger Agreement, and (iii), in the case of the company's obligations to complete the Life Technologies Acquisition, there not having been any effect, change, event, circumstance, or occurrence that has had or would reasonably be expected to have a Material Adverse Effect (as such term is defined in the Merger Agreement) on Life Technologies. The Life Technologies Acquisition is not conditioned upon the company's receipt of financing.

The company entered into a bridge credit agreement (the "Bridge Facility") and a term loan agreement (the "Term Credit Facility") to fund the Life Technologies Acquisition (see Note 8). The Bridge Facility is a 364-day unsecured committed bridge facility in the principal amount of \$3.56 billion as of November 1, 2013. The Term Credit Facility is a 3-year unsecured \$5 billion term loan facility. The company ultimately expects to finance the purchase price with up to \$3.25 billion of equity financing, including \$2.5 billion of its common stock sold in June 2013 under equity forward agreements (Note 10) and up to a maximum of \$750 million of equity or equity-linked securities, with the remaining purchase price to be financed with the Term Credit Facility, new debt and cash on hand. The company will not receive any proceeds from the sale of common stock until the equity forward agreements are settled, which it expects would occur near to the date of the acquisition, and at that time it will record the proceeds, if any, in equity.

Overview of Results of Operations and Liquidity

In February 2013, in connection with a change in management responsibility for two product lines with aggregate annual revenues of approximately \$100 million, the company transferred its water analysis and research serum and media product lines to the Laboratory Products and Services segment from the Analytical Technologies segment. 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.

(Dollars in millions)	Three Months Ended				Nine Months Ended			
	September 28, 2013		September 29, 2012		September 28, 2013		September 29, 2012	
Revenues								
Analytical Technologies	\$ 996.6	31.2%	\$ 986.5	32.0%	\$ 2,980.9	31.0%	\$ 2,938.9	31.8%
Specialty Diagnostics	759.2	23.8%	706.7	22.9%	2,358.4	24.5%	2,170.5	23.5%
Laboratory Products and Services	1,582.1	49.6%	1,526.3	49.5%	4,709.6	48.9%	4,537.1	49.0%
Eliminations	(146.1)	(4.6)%	(133.8)	(4.4)%	(425.5)	(4.4)%	(395.9)	(4.3)%
	\$ 3,191.8	100%	\$ 3,085.7	100%	\$ 9,623.4	100%	\$ 9,250.6	100%

Sales in the third quarter of 2013 were \$3.19 billion, an increase of \$106 million from the third quarter of 2012. Aside from the effects of acquisitions and currency translation (discussed in total and by segment below), revenues in 2013 increased \$67 million (2%) over 2012 revenues primarily due to increased demand. Demand from pharmaceutical and biotech customers remained strong. Sales to customers in academic and government markets decreased slightly while sales to customers in industrial markets grew modestly in the third quarter of 2013. The company expects weakness in academic and government markets will continue in the near term due in part to uncertainty in government funding expectations in the U.S. The company expects softness in industrial markets will continue in the near term due in part to macro economic conditions.

In the third quarter of 2013, total company operating income and operating income margin were \$392 million and 12.3%, respectively, compared with \$352 million and 11.4%, respectively, in 2012. The increase in operating income was primarily due to productivity improvements, net of inflationary cost increases, and, to a lesser extent, profit on incremental sales from acquisitions. The increase was offset in part by commercial investments, unfavorable foreign currency exchange and an increase in amortization expense of \$5 million in 2013, primarily related to the acquisition of One Lambda. The company's references throughout this discussion to productivity improvements generally refer to improved cost efficiencies from its Practical Process Improvement (PPI) business system, reduced costs resulting from global sourcing initiatives and a lower cost structure following restructuring actions including headcount reductions and consolidation of facilities.

THERMO FISHER SCIENTIFIC INC.

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

Overview of Results of Operations and Liquidity (continued)

The company's effective tax rate was 0.4% in the third quarter of 2013. The company recorded a benefit from income taxes in the third quarter of 2012 due to a year-to-date adjustment to reflect lower full year taxes based on forecasted profitability in the countries in which the company conducts business. Due primarily to the non-deductibility of intangible asset amortization for tax purposes, the company's cash payments for income taxes for its continuing operations are higher than its income tax expense for financial reporting purposes and are expected to total \$200 to \$250 million in 2013. The effective tax rate was also affected by relatively significant earnings in lower tax jurisdictions. In addition, the company recorded a discrete benefit of \$9.8 million or 3.1 percentage points in the third quarter of 2013 that arose from tax planning at a non-U.S. subsidiary and corresponding U.S. foreign tax credits that primarily relate to income taxed in prior periods. The tax provision in the 2013 period was also favorably affected by \$3.2 million, or 1.0 percentage point, as a result of adjustments to deferred tax balances due to changes in tax rates. The tax provision in the 2012 period was favorably affected by \$1.5 million, or 0.5 percentage points, as a result of adjustments to deferred tax balances due to changes in tax rates. The company expects its effective tax rate in 2013 will be between 1.5% and 3.5% based on currently forecasted rates of profitability in the countries in which the company conducts business.

Income from continuing operations increased to \$318 million in the third quarter of 2013, from \$299 million in the third quarter of 2012, primarily due to increased operating income, offset in part by to \$20 million of amortization of fees paid to obtain bridge financing commitments related to the pending acquisition of Life Technologies.

During the first nine months of 2013, the company's cash flow from operations totaled \$1.28 billion (after deducting \$3 million used by discontinued operations), compared with \$1.38 billion (after deducting \$21 million used by discontinued operations) for the first nine months of 2012. The decrease resulted in part from fees paid to obtain bridge financing commitments and other transaction costs, totaling \$80 million, related to the pending acquisition of Life Technologies. In addition, higher increases in working capital items than in 2012 were offset in part by higher income before amortization and depreciation in 2013 compared to 2012.

As of September 28, 2013, the company's short-term debt totaled \$394 million, including \$50 million of commercial paper obligations and \$301 million of senior notes, due February 2014. The company has a revolving credit facility with a bank group that provides up to \$1.5 billion of unsecured multi-currency revolving credit. If the company borrows under this facility, it intends to leave undrawn an amount equivalent to outstanding commercial paper to provide a source of funds in the event that commercial paper markets are not available. As of September 28, 2013, no borrowings were outstanding under the company's revolving credit facility, although available capacity was reduced by approximately \$46 million as a result of outstanding letters of credit.

The company believes that its existing cash and short-term investments of \$1.85 billion as of September 28, 2013, 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 existing businesses for the foreseeable future, including at least the next 24 months. As described in detail above, in connection with the Life Technologies Acquisition, the company expects to incur significant additional indebtedness and to issue additional equity or equity-linked securities.

THERMO FISHER SCIENTIFIC INC.

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

Critical Accounting Policies and Estimates

The company's discussion and analysis of its financial condition and results of operations is based upon its financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent liabilities. Management believes the most complex and sensitive judgments, because of their significance to the consolidated financial statements, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Management's Discussion and Analysis and Note 1 to the Consolidated Financial Statements of the company's Form 10-K for 2012, describe the significant accounting estimates and policies used in preparation of the consolidated financial statements. Actual results in these areas may differ from management's estimates under different assumptions or conditions. There have been no significant changes in the company's critical accounting policies during the first nine months of 2013.

Results of Operations

Third Quarter 2013 Compared With Third Quarter 2012

Continuing Operations

(In millions)	Three Months Ended		Total Change	Currency Translation	Acquisitions/ Divestitures	Operations
	September 28, 2013	September 29, 2012				
Revenues						
Analytical Technologies	\$ 996.6	\$ 986.5	\$ 10.1	\$ (5.4)	\$ 1.1	\$ 14.4
Specialty Diagnostics	759.2	706.7	52.5	1.2	42.1	9.2
Laboratory Products and Services	1,582.1	1,526.3	55.8	0.8	—	55.0
Eliminations	(146.1)	(133.8)	(12.3)	(0.5)	—	(11.8)
Consolidated Revenues	\$ 3,191.8	\$ 3,085.7	\$ 106.1	\$ (3.9)	\$ 43.2	\$ 66.8

Sales in the third quarter of 2013 were \$3.19 billion, an increase of \$106 million from the third quarter of 2012. Sales increased \$43 million due to acquisitions. The unfavorable effects of currency translation resulted in a decrease in revenues of \$4 million in 2013. Aside from the effects of acquisitions and currency translation, revenues increased \$67 million (2%) primarily due to increased demand, offset in part by lower sales to customers in academic and government markets. The company expects weakness in academic and government markets will continue in the near term due in part to uncertainty in government funding expectations in the U.S. Demand from pharmaceutical and biotech customers remained strong in the third quarter of 2013. Sales to customers in industrial markets grew modestly. The company expects softness in industrial markets will continue in the near term due in part to macro economic conditions. Sales growth was strong in Asia, modest in Europe and declined slightly in North America.

In the third quarter of 2013, total company operating income and operating income margin were \$392 million and 12.3%, respectively, compared with \$352 million and 11.4%, respectively, in 2012. The increase in operating income was primarily due to productivity improvements, net of inflationary cost increases, and, to a lesser extent, profit on incremental sales from acquisitions. The increase was offset in part by commercial investments, unfavorable foreign currency exchange and an increase in amortization expense of \$5 million in 2013, primarily related to the acquisition of One Lambda. The company's references throughout this discussion to productivity improvements generally refer to improved cost efficiencies from its Practical Process Improvement (PPI) business system, reduced costs resulting from global sourcing initiatives and a lower cost structure following restructuring actions including headcount reductions and consolidation of facilities.

THERMO FISHER SCIENTIFIC INC.

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

Results of Operations (continued)

In the third quarter of 2013, the company recorded restructuring and other costs, net, of \$36 million, including \$1 million of charges to cost of revenues primarily related to accelerated depreciation on manufacturing assets to be abandoned due to facility consolidations and \$24 million of charges to selling, general and administrative expenses for transaction costs related to the pending acquisition of Life Technologies and a charge associated with product liability litigation. The company incurred \$12 million of cash restructuring costs primarily for continued headcount reductions and facility consolidations in an effort to streamline operations, including severance at several businesses and abandoned facility expenses at businesses that have been or are being consolidated, including the consolidation of operations within several facilities in the U.S. and Europe (see Note 13).

In the third quarter of 2012, the company recorded restructuring and other costs, net, of \$37 million, including \$3 million of charges to cost of revenues primarily related to the sale of inventories revalued at the date of acquisition and, to a lesser extent, accelerated depreciation on manufacturing assets to be abandoned due to facility consolidations and \$19 million of charges to selling, general and administrative expenses primarily for \$12 million of transaction costs related to the acquisition of One Lambda and a \$7 million charge for product liability litigation. The company incurred \$15 million of cash restructuring costs primarily for continued headcount reductions and facility consolidations in an effort to streamline operations, including severance at several businesses and abandoned facility expenses at businesses that were being consolidated, such as the consolidation of several facilities in the U.S. and Europe.

As of November 1, 2013, the company has identified restructuring actions that will result in additional charges of approximately \$60 million primarily in 2013 and expects to identify additional actions during the remainder of 2013. The restructuring actions for which charges were incurred in the first nine months of 2013 are expected to result in annual cost savings of approximately \$60 million.

Segment Results

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

THERMO FISHER SCIENTIFIC INC.

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

Results of Operations (continued)

(Dollars in millions)	Three Months Ended		Change
	September 28, 2013	September 29, 2012	
Revenues			
Analytical Technologies	\$ 996.6	\$ 986.5	1%
Specialty Diagnostics	759.2	706.7	7%
Laboratory Products and Services	1,582.1	1,526.3	4%
Eliminations	(146.1)	(133.8)	9%
Consolidated Revenues	\$ 3,191.8	\$ 3,085.7	3%
Segment Income			
Analytical Technologies	\$ 180.4	\$ 186.1	(3)%
Specialty Diagnostics	203.7	170.0	20%
Laboratory Products and Services	235.3	219.6	7%
Subtotal Reportable Segments	619.4	575.7	8%
Cost of Revenues Charges	(0.9)	(3.1)	
Selling, General and Administrative Charges, Net	(24.0)	(19.0)	
Restructuring and Other Costs, Net	(11.4)	(15.2)	
Amortization of Acquisition-related Intangible Assets	(191.0)	(186.2)	
Consolidated Operating Income	\$ 392.1	\$ 352.2	11%
Reportable Segments Operating Income Margin	19.4%	18.7%	
Consolidated Operating Income Margin	12.3%	11.4%	

Income from the company's reportable segments increased 8% to \$619 million in the third quarter of 2013 due primarily to productivity improvements, net of inflationary costs increases, and, to a lesser extent, profit on incremental sales from acquisitions, offset in part by commercial investments and unfavorable foreign currency exchange.

Analytical Technologies

(Dollars in millions)	Three Months Ended		Change
	September 28, 2013	September 29, 2012	

Revenues	\$	996.6	\$	986.5	1%
Operating Income Margin		18.1%		18.9%	(0.8)pt

Sales in the Analytical Technologies segment increased \$10 million to \$997 million in the third quarter of 2013. Sales increased \$14 million (1%) due to higher revenues at existing businesses and \$1 million due to acquisitions. These increases were offset in part by a decrease of \$5 million due to the unfavorable effects of currency translation. The increase in revenue at existing businesses was primarily due to increased demand for chromatography and mass spectrometry instruments, including stimulus-funded government sales in Japan, offset in part by lower sales of chemical analysis products which the company believes were affected by macro economic conditions facing customers in industrial markets.

THERMO FISHER SCIENTIFIC INC.

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

Results of Operations (continued)

Operating income margin was 18.1% in the third quarter of 2013 and 18.9% in the third quarter of 2012. The decrease resulted primarily from commercial investments, unfavorable foreign currency exchange and unfavorable sales mix, offset in part by productivity improvements, net of inflationary cost increases.

Specialty Diagnostics

(Dollars in millions)	Three Months Ended		Change
	September 28, 2013	September 29, 2012	
Revenues	\$ 759.2	\$ 706.7	7%
Operating Income Margin	26.8%	24.1%	2.7pt

Sales in the Specialty Diagnostics segment increased \$53 million to \$759 million in the third quarter of 2013. Sales increased \$42 million due to an acquisition, \$9 million (1%) due to higher revenues at existing businesses and \$1 million due to the favorable effects of currency translation. The increase in revenue at existing businesses was primarily due to increased demand, particularly for clinical diagnostics and, to a lesser extent, microbiology products, partially offset by weakness from reduced healthcare utilization and lower sales of instruments to diagnostic laboratories due in part to lower healthcare reimbursement rates in the U.S. for anatomical pathology tests.

Operating income margin was 26.8% in the third quarter of 2013 and 24.1% in the third quarter of 2012. The increase resulted primarily from productivity improvements, net of inflationary cost increases as well as profit on incremental sales from an acquisition and favorable sales mix. The increases were offset in part by commercial investments.

Laboratory Products and Services

(Dollars in millions)	Three Months Ended		Change
	September 28, 2013	September 29, 2012	
Revenues	\$ 1,582.1	\$ 1,526.3	4%
Operating Income Margin	14.9%	14.4%	0.5pt

Sales in the Laboratory Products and Services segment increased \$56 million to \$1.58 billion in the third quarter of 2013. Sales increased \$55 million (4%) due to higher revenues at existing businesses and \$1 million due to the favorable effects of currency translation. The increase in revenue at existing businesses was primarily due to increased demand for clinical trial logistics services and, to a lesser extent, laboratory consumables.

Operating income margin was 14.9% in the third quarter of 2013 and 14.4% in the third quarter of 2012. The increase was primarily due to productivity improvements, net of inflationary cost increases, as well as price increases, offset in

part by commercial investments and unfavorable sales mix.

THERMO FISHER SCIENTIFIC INC.

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

Results of Operations (continued)

Other Expense, Net

The company reported other expense, net, of \$73 million and \$56 million in the third quarter of 2013 and 2012, respectively (Note 4). Other expense, net includes interest income, interest expense, equity in earnings of unconsolidated subsidiaries, investment gains and losses, and other items, net. Interest expense increased \$4 million primarily due to the debt issued to fund the One Lambda acquisition. In the third quarter of 2013, other items, net includes \$20 million of charges related to amortization of fees paid to obtain bridge financing commitments related to the Life Technologies Acquisition, offset in part by a \$3 million gain from the sale of an equity investment.

Provision for Income Taxes

The company's effective tax rate was 0.4% in the third quarter of 2013. The company recorded a benefit from income taxes in the third quarter of 2012 due to a year-to-date adjustment to reflect lower full year taxes based on forecasted profitability in the countries in which the company conducts business. Due primarily to the non-deductibility of intangible asset amortization for tax purposes, the company's cash payments for income taxes for its continuing operations are higher than its income tax expense for financial reporting purposes and are expected to total \$200 to \$250 million in 2013. The effective tax rate was also affected by relatively significant earnings in lower tax jurisdictions. In addition, the company recorded a discrete benefit of \$9.8 million or 3.1 percentage points in the third quarter of 2013 that arose from tax planning at a non-U.S. subsidiary and corresponding U.S. foreign tax credits that primarily relate to income taxed in prior periods. The tax provision in the 2013 period was also favorably affected by \$3.2 million, or 1.0 percentage point, as a result of adjustments to deferred tax balances due to changes in tax rates. The tax provision in the 2012 period was favorably affected by \$1.5 million, or 0.5 percentage points, as a result of adjustments to deferred tax balances due to changes in tax rates. The company expects its effective tax rate in 2013 will be between 1.5% and 3.5% based on currently forecasted rates of profitability in the countries in which the company conducts business.

The company has operations and a taxable presence in nearly 50 countries outside of the U.S. All of these countries except three have a lower tax rate than the U.S. The countries in which the company has a material presence that have significantly lower tax rates than the U.S. include Germany, the Netherlands, Sweden, Switzerland and the United Kingdom. The company's ability to obtain a benefit from lower tax rates outside the U.S. is dependent on its relative levels of income in countries outside the U.S. and on the statutory tax rates in those countries. Based on the dispersion of the company's non-U.S. income tax provision among many countries, the company believes that a change in the statutory tax rate in any individual country is not likely to materially affect the company's income tax provision or net income, aside from any resulting one-time adjustment to the company's deferred tax balances to reflect a new rate.

Discontinued Operations

The losses from discontinued operations in the third quarter of 2012 primarily relate to the company's former laboratory workstations business which it sold in October 2012 (Note 14).

THERMO FISHER SCIENTIFIC INC.

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

Results of Operations (continued)

First Nine Months of 2013 Compared With First Nine Months of 2012

Continuing Operations

(In millions)	Nine Months Ended		Total Change	Currency Translation	Acquisitions/ Divestitures	Operations
	September 28, 2013	September 29, 2012				
Revenues						
Analytical Technologies	\$ 2,980.9	\$ 2,938.9	\$ 42.0	\$ (22.4)	\$ 7.8	\$ 56.6
Specialty Diagnostics	2,358.4	2,170.5	187.9	(7.5)	143.0	52.4
Laboratory Products and Services	4,709.6	4,537.1	172.5	(6.2)	35.7	143.0
Eliminations	(425.5)	(395.9)	(29.6)	0.2	—	(29.8)
Consolidated Revenues	\$ 9,623.4	\$ 9,250.6	\$ 372.8	\$ (35.9)	\$ 186.5	\$ 222.2

Sales in the first nine months of 2013 were \$9.62 billion, an increase of \$373 million from the first nine months of 2012. Sales increased \$187 million due to acquisitions. The unfavorable effects of currency translation resulted in a decrease in revenues of \$36 million in 2013. Aside from the effects of currency translation and acquisitions, revenues increased \$222 million (2%) primarily due to increased demand offset in part by modestly lower sales to customers in industrial markets and in academic and government markets. Sales remained strong to customers in pharmaceutical and biotech industries. Sales growth was strong in Asia and modest in Europe and North America. The company expects weakness in academic and government markets will continue in the near term due in part to uncertainty in government funding expectations in the U.S. The company expects softness in industrial markets will continue in the near term due in part to macro economic conditions.

In the first nine months of 2013, total company operating income and operating income margin were \$1.15 billion and 12.0%, respectively, compared with \$1.08 billion and 11.7%, respectively, in the first nine months of 2012. The increase in operating income and operating income margin was primarily due to productivity improvements, net of inflationary cost increases, and, to a lesser extent, profit on incremental sales from acquisitions. The increase was offset in part by commercial investments, unfavorable foreign currency exchange, an increase in amortization expense of \$21 million in 2013 primarily related to the acquisitions of One Lambda and Doe & Ingalls, \$11 million of higher acquisition-related charges in 2013 and imposition of a medical device excise tax in 2013.

In the first nine months of 2013, the company recorded restructuring and other costs, net, of \$130 million, including \$27 million of charges to cost of revenues related primarily to the sale of inventories revalued at the date of acquisition and, to a lesser extent, accelerated depreciation on manufacturing assets to be abandoned due to facility consolidations and \$48 million of charges to selling, general and administrative expenses consisting primarily of

transaction costs related to the pending acquisition of Life Technologies, revisions of estimated contingent consideration for a recent acquisition and a charge associated with product liability litigation. The company incurred \$55 million of cash restructuring costs primarily for continued headcount reductions and facility consolidations in an effort to streamline operations, including severance at several businesses and abandoned facility expenses at businesses that have been or are being consolidated, such as the consolidation of several facilities in the U.S. and Europe (see Note 13).

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

Results of Operations (continued)

In the first nine months of 2012, the company recorded restructuring and other costs, net, of \$107 million, including \$43 million of charges to cost of revenues primarily related to the sale of inventories revalued at the date of acquisition and, to a lesser extent, accelerated depreciation on manufacturing assets to be abandoned due to facility consolidations and \$13 million of charges to selling, general and administrative expenses primarily consisting of transaction costs related to the acquisition of One Lambda. The company incurred \$46 million of cash restructuring costs primarily for continued headcount reductions and facility consolidations in an effort to streamline operations, including severance at several businesses and abandoned facility expenses at businesses that have been or are being consolidated. The company also recorded \$6 million of non-cash expense, net, primarily real estate writedowns related to facility consolidations partially offset by a gain on sale of real estate.

Segment Results

(Dollars in millions)	Nine Months Ended		Change
	September 28, 2013	September 29, 2012	
Revenues			
Analytical Technologies	\$ 2,980.9	\$ 2,938.9	1%
Specialty Diagnostics	2,358.4	2,170.5	9%
Laboratory Products and Services	4,709.6	4,537.1	4%
Eliminations	(425.5)	(395.9)	7%
Consolidated Revenues	\$ 9,623.4	\$ 9,250.6	4%
Segment Income			
Analytical Technologies	\$ 534.4	\$ 533.9	0%
Specialty Diagnostics	642.3	556.2	15%
Laboratory Products and Services	681.6	652.2	5%
Subtotal Reportable Segments	1,858.3	1,742.3	7%
Cost of Revenues Charges	(27.2)	(42.5)	
Selling, General and Administrative Charges, Net	(47.9)	(13.1)	
Restructuring and Other Costs, Net	(54.4)	(51.7)	
Amortization of Acquisition-related Intangible Assets	(574.2)	(553.5)	
Consolidated Operating Income	\$ 1,154.6	\$ 1,081.5	7%
Reportable Segments Operating Income Margin	19.3%	18.8%	
Consolidated Operating Income Margin	12.0%	11.7%	

Income from the company's reportable segments increased 7% to \$1.86 billion in the first nine months of 2013 due primarily to productivity improvements, net of inflationary costs increases, and, to a lesser extent, profit on incremental sales from acquisitions, offset in part by commercial investments and unfavorable foreign currency exchange.

THERMO FISHER SCIENTIFIC INC.

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

Results of Operations (continued)

Analytical Technologies

(Dollars in millions)	2013	2012	Change
Revenues	\$ 2,980.9	\$ 2,938.9	1%
Operating Income Margin	17.9%	18.2%	(0.3)pt

Sales in the Analytical Technologies segment increased \$42 million to \$2.98 billion in the first nine months of 2013. Sales increased \$57 million (2%) due to higher revenues at existing businesses and \$8 million due to acquisitions. These increases were offset in part by a decrease of \$22 million due to the unfavorable effects of currency translation. The increase in revenue at existing businesses was primarily due to increased demand for chromatography and mass spectrometry instruments as well as bioscience products, offset in part by lower sales of chemical analysis products which the company believes were affected by macro economic conditions facing customers in industrial markets.

Operating income margin was 17.9% in the first nine months of 2013 compared to 18.2% in the first nine months of 2012. Operating margin was favorably affected by productivity improvements, net of inflationary cost increases, offset by commercial investments and unfavorable foreign currency exchange.

Specialty Diagnostics

(Dollars in millions)	2013	2012	Change
Revenues	\$ 2,358.4	\$ 2,170.5	9%
Operating Income Margin	27.2%	25.6%	1.6pt

Sales in the Specialty Diagnostics segment increased \$188 million to \$2.36 billion in the first nine months of 2013. Sales increased \$143 million due to an acquisition and \$52 million (2%) due to higher revenues at existing businesses. These increases were offset in part by a decrease of \$8 million due to the unfavorable effects of currency translation. The increase in revenue at existing businesses was primarily due to increased demand, particularly for clinical diagnostics and, to a lesser extent, microbiology products in part as a result of a strong flu season, partially offset by weakness from reduced healthcare utilization and lower sales of instruments to diagnostic laboratories due in part to lower healthcare reimbursement rates in the U.S. for anatomical pathology tests.

Operating income margin was 27.2% in the first nine months of 2013 and 25.6% in the first nine months of 2012. The increase resulted from profit on incremental sales from an acquisition and, to a lesser extent, at existing businesses as well as productivity improvements, net of inflationary cost increases. The increases were offset in part by commercial investments and imposition of the medical device excise tax in 2013.

Laboratory Products and Services

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(Dollars in millions)	2013	2012	Change
Revenues	\$ 4,709.6	\$ 4,537.1	4%
Operating Income Margin	14.5%	14.4%	0.1pt

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

Results of Operations (continued)

Sales in the Laboratory Products and Services segment increased \$173 million to \$4.71 billion in the first nine months of 2013. Sales increased \$143 million (3%) due to higher revenues at existing businesses and \$36 million due to an acquisition. The unfavorable effects of currency translation resulted in a decrease in revenues of \$6 million in 2013. The increase in revenue at existing businesses was primarily due to increased demand for clinical trial logistics services. The increase in demand was offset in part by modestly lower sales of laboratory equipment, particularly to customers in academic and government markets.

Operating income margin was 14.5% in the first nine months of 2013 and 14.4% in the first nine months of 2012. The increase was primarily due to productivity improvements, net of inflationary cost increases and, to a lesser extent, price increases, offset in part by unfavorable sales mix and commercial investments.

Other Expense, Net

The company reported other expense, net, of \$213 million and \$156 million in the first nine months of 2013 and 2012, respectively (Note 4). In the first quarter of 2013, the company irrevocably contributed appreciated available-for-sale investments that had a fair value of \$27 million to two of its U.K. defined benefit plans, resulting in realization of a previously unrecognized gain of \$11 million. In 2013, other items, net also includes \$61 million of charges related to amortization of fees paid to obtain bridge financing commitments related to the Life Technologies Acquisition, offset in part by gains totaling \$5 million from sales of equity investments. Interest expense increased \$18 million primarily due to the debt issued to fund the One Lambda acquisition.

Provision for Income Taxes

The company's effective tax rates were 0.6% and 5.8% in the first nine months of 2013 and 2012, respectively. In the first nine months of 2013, the company implemented tax planning initiatives related to a non-U.S. subsidiary and a portion of the resulting U.S. foreign tax credit relates to income taxed in prior periods. This portion, \$30.0 million, is a discrete item that reduced the company's effective tax rate by 3.2 percentage points in the first nine months of 2013. The decrease in the effective tax rate was also due in part to the U.S. Congress' renewal in January 2013 of a tax credit for 2012 research and development activities and, to a lesser extent, increased earnings in lower tax jurisdictions and financing costs associated with the pending acquisition of Life Technologies that are deductible in the U.S. The tax credit for 2012 research and development activities favorably affected the tax provision in the first nine months of 2013 by \$7.5 million, or 0.8 percentage points. Congress also renewed this tax credit for 2013 research and development activities and the resulting benefit is being recorded throughout 2013 as a reduction of the company's estimated effective tax rate. The tax provision in the 2013 period was also favorably affected by \$5.0 million, or 0.5 percentage points, as a result of adjustments to deferred tax balances due to changes in tax rates.

Discontinued Operations

The losses from discontinued operations in the first nine months of 2012 primarily relate to the company's former laboratory workstations business which it sold in October 2012 (Note 14).

Recent Accounting Pronouncements

In February 2013, the FASB issued new guidance which requires disclosure of information about significant reclassification adjustments from accumulated other comprehensive income in a single note or on the face of the financial statements. This guidance became effective for the company in 2013. Adoption of this standard, which is related to disclosure only, did not have an impact on the company's consolidated financial position, results of operations or cash flows.

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

Results of Operations (continued)

In July 2012, the FASB modified existing rules to allow entities to use a qualitative approach to test indefinite-lived intangible assets for impairment. The revised standard allows an entity the option to first assess qualitatively whether it is more likely than not (that is, a likelihood of more than 50 percent) that an indefinite-lived intangible asset is impaired. An entity is not required to calculate the fair value of an indefinite-lived intangible asset and perform the quantitative impairment test unless the entity determines that it is more likely than not that the asset is impaired. This guidance became effective for the company in 2013. Adoption of this standard did not have an impact on the company's consolidated financial position, results of operations or cash flows.

In December 2011, the FASB issued new guidance which requires enhanced disclosures on offsetting amounts within the balance sheet, including disclosing gross and net information about instruments and transactions eligible for offset or subject to a master netting or similar agreement. This guidance became effective for the company in 2013. Adoption of this standard, which is related to disclosure only, did not have an impact on the company's consolidated financial position, results of operations or cash flows.

Contingent Liabilities

The company is contingently liable with respect to certain legal proceedings and related matters. In view of the company's financial condition and the accruals established for these matters, management does not believe that the ultimate liability, if any, related to these matters will have a material adverse effect on the company's financial condition, results of operations or cash flows. However, an outcome that differs materially from current reserve estimates for one or more of the matters described in Note 9 could have a material adverse effect on the company's financial position as well as its results of operations and cash flows.

Liquidity and Capital Resources

Consolidated working capital was \$3.76 billion at September 28, 2013, compared with \$2.74 billion at December 31, 2012. Included in working capital were cash, cash equivalents and short-term investments of \$1.85 billion at September 28, 2013 and \$810 million at December 31, 2012. The increase in working capital is primarily due to earnings before amortization and depreciation and, to a lesser extent, proceeds from the issuance of the company's common stock under employees' stock plans, offset in part by the payment of dividends and the repurchase of the company's common stock.

First Nine Months of 2013

Cash provided by operating activities was \$1.28 billion during the first nine months of 2013. Increases in accounts receivable and inventories used cash of \$155 million and \$130 million, respectively, primarily to support growth in sales. An increase in other assets used cash of \$69 million primarily for expected income tax refunds and, to a lesser extent, prepaid expenses. An increase in accounts payable provided cash of \$49 million, primarily due to higher inventory purchases. In 2013, the company paid fees to obtain bridge financing commitments and other transaction costs totaling \$80 million related to the pending acquisition of Life Technologies. The company made cash contributions to its pension and postretirement benefit plans totaling \$26 million during the first nine months of 2013. Cash payments for income taxes of continuing operations decreased to \$152 million during the first nine months of

2013, compared with \$241 million in the prior year, primarily related to refunds due from 2012. Payments for restructuring actions, principally severance costs and lease and other expenses of real estate consolidation, used cash of \$51 million during the first nine months of 2013.

During the first nine months of 2013, the company's primary investing activities were the purchase of \$188 million of property, plant and equipment and a \$25 million increase in restricted cash to collateralize short-term borrowings in Asia.

The company's financing activities used \$14 million of cash during the first nine months of 2013. The company's financing activities included \$205 million of proceeds from employee stock option exercises offset by the repurchase of \$90 million of the company's common stock and the payment of \$162 million in cash dividends. On November 8, 2012, the Board of Directors authorized the repurchase of up to \$1 billion of the company's common stock beginning January 1, 2013. At September 28, 2013, \$910 million was available for future repurchases of the company's common stock under this authorization. Following the announcement of the agreement to acquire Life Technologies, the company suspended repurchases of its common stock.

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

The company has no material commitments for purchases of property, plant and equipment and expects that for all of 2013, such expenditures will approximate between \$300 to \$315 million. The company's contractual obligations and other commercial commitments did not change materially between December 31, 2012 and September 28, 2013 except, as discussed above, in April 2013, the company entered an agreement to acquire Life Technologies and has entered certain financing arrangements pertaining to the transaction.

As of September 28, 2013, the company's short-term debt totaled \$394 million, including \$50 million of commercial paper obligations and \$301 million of senior notes, due February 2014. The company has a revolving credit facility with a bank group that provides up to \$1.5 billion of unsecured multi-currency revolving credit. If the company borrows under this facility, it intends to leave undrawn an amount equivalent to outstanding commercial paper to provide a source of funds in the event that commercial paper markets are not available. As of September 28, 2013, no borrowings were outstanding under the company's revolving credit facility, although available capacity was reduced by approximately \$46 million as a result of outstanding letters of credit.

Approximately half of the company's cash balances and cash flows from operations are from outside the U.S. The company uses its non-U.S. cash for needs outside of the U.S. including acquisitions and repayment of acquisition-related intercompany debt to the U.S. In addition, the company also transfers cash to the U.S. using non-taxable returns of capital as well as dividends where the related U.S. foreign tax credit equals or exceeds any tax cost arising from the dividends. As a result of using such means of transferring cash to the U.S., the company does not expect any adverse liquidity effects from its significant non-U.S. cash balances for the foreseeable future.

The company believes that its existing cash and short-term investments of \$1.85 billion as of September 28, 2013, 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 existing businesses for the foreseeable future, including at least the next 24 months. As described in detail above, in connection with the Life Technologies Acquisition, the company expects to incur significant additional indebtedness and to issue additional equity or equity-linked securities.

First Nine Months of 2012

Cash provided by operating activities was \$1.38 billion during the first nine months of 2012. Increases in accounts receivable and inventories used cash of \$16 million and \$133 million, respectively, primarily to support growth in sales. An increase in other assets used cash of \$81 million primarily for prepaid expenses and income tax refunds. An increase in accounts payable provided cash of \$71 million, primarily due to higher inventory purchases. Payments for restructuring actions, principally severance costs and lease and other expenses of real estate consolidation, used cash of \$46 million during the first nine months of 2012.

During the first nine months of 2012, the company's primary investing activities included acquisitions and the purchase of property, plant and equipment. The company expended \$1.07 billion for acquisitions and \$211 million for purchases of property, plant and equipment.

The company's financing activities used \$310 million of cash during the first nine months of 2012, principally to reduce commercial paper obligations by \$849 million and for the repurchase of \$800 million of the company's common stock, offset by the issuance of \$1.3 billion in senior notes. The company's financing activities in the first nine months of 2012 also included the payment of \$95 million in cash dividends and the receipt of \$131 million of proceeds from employee stock option exercises.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

The company's exposure to market risk from changes in interest rates, currency exchange rates and commodity prices has not changed materially from its exposure at year-end 2012.

Item 4. Controls and Procedures

Management's Evaluation of Disclosure Controls and Procedures

The company's management, with the participation of the company's chief executive officer and chief financial officer, evaluated the effectiveness of the company's disclosure controls and procedures as of September 28, 2013. 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 September 28, 2013, 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.

Changes in Internal Control over Financial Reporting

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 September 28, 2013, that have materially affected or are reasonably likely to materially affect the company's internal control over financial reporting.

PART II

OTHER INFORMATION

Item 1A. Risk Factors

Set forth below are the risks that we believe are material to our investors. This section contains forward-looking statements. You should refer to the explanation of the qualifications and limitations on forward-looking statements beginning on page 31.

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

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

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Risk Factors (continued)

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

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

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

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

Our business is affected by general economic conditions and related uncertainties affecting markets in which we operate. Our business is affected by general economic conditions, both inside and outside the U.S. If the global economy and financial markets, or economic conditions in Europe, the U.S. or other key markets, are unstable, it could adversely affect the business, results of operations and financial condition of the company and its customers, distributors, and suppliers, having the effect of:

- reducing demand for some of our products;
- increasing the rate of order cancellations or delays;
- increasing the risk of excess and obsolete inventories;
- increasing pressure on the prices for our products and services; and
- creating longer sales cycles and greater difficulty in collecting sales proceeds.

For example, recent developments in Europe have created uncertainty with respect to the ability of certain European countries to continue to service their sovereign debt obligations. This debt crisis and related European financial restructuring efforts may cause the value of the euro to deteriorate, reducing the purchasing power of our European customers and reducing our U.S. dollar revenues as translated from the euro. In addition, the European crisis could result in customers in Europe taking longer to pay for products they have purchased from us, or being unable to pay at

all. The continued weakness in world economies makes the strength and timing of any economic recovery uncertain, and there can be no assurance that global economic conditions will not deteriorate further.

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

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Risk Factors (continued)

Spending by some of these customers fluctuates based on budget allocations and the timely passage of the annual federal budget. An impasse in federal government budget decisions could lead to substantial delays or reductions in federal spending. The U.S. Government has been unable to reach agreement on budget reduction measures required by the Budget Control Act of 2011. As a result, on March 1, 2013, an enforcement mechanism known as sequestration went into effect, which will trigger a total of \$1.2 trillion in spending reductions over the next decade, divided between domestic and defense spending. Unless Congress and the Administration take further action, government funding would be reduced for certain of our customers, including those who are dependent on funding from the National Institutes of Health, which would likely have a significant effect on these entities' spending policies. These policies in turn can have a significant effect on the demand for our products.

As a multinational corporation, we are exposed to fluctuations in currency exchange rates, which could adversely affect our cash flows and results of operations. International revenues account for a substantial portion of our revenues, and we intend to continue expanding our presence in international markets. The exposure to fluctuations in currency exchange rates takes on different forms. International revenues are subject to the risk that fluctuations in exchange rates could adversely affect product demand and the profitability in U.S. dollars of products and services provided by us in international markets, where payment for our products and services is made in the local currency. As a multinational corporation, our businesses occasionally invoice third-party customers in currencies other than the one in which they primarily do business (the "functional currency"). Movements in the invoiced currency relative to the functional currency could adversely impact our cash flows and our results of operations. In addition, reported sales made in non-U.S. currencies by our international businesses, when translated into U.S. dollars for financial reporting purposes, fluctuate due to exchange rate movement. Should our international sales grow, exposure to fluctuations in currency exchange rates could have a larger effect on our financial results. In 2012, currency translation had an unfavorable effect of \$227 million on the revenues of our continuing operations due to the strengthening of the U.S. dollar relative to other currencies in which the company sells products and services, and in the first nine months of 2013, currency translation had an unfavorable effect on revenues of our continuing operations of \$36 million.

Healthcare reform legislation could adversely impact us. The recently enacted Patient Protection and Affordable Care Act could have an adverse impact on us. Some of the potential consequences, such as a reduction in governmental support of healthcare services or adverse changes to the delivery or pricing of healthcare services or products or mandated benefits, may cause healthcare-industry participants to purchase fewer of our products and services or to reduce the prices they are willing to pay for our products or services.

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

could incur substantial costs to defend ourselves in suits brought against us or in suits in which we may assert our patent rights against others. An unfavorable outcome of any such litigation could materially adversely affect our business and results of operations.

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

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Risk Factors (continued)

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

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

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

Our inability to complete pending acquisitions or to successfully integrate any new or previous acquisitions could have a material adverse effect on our business. Our business strategy includes the acquisition of technologies and businesses that complement or augment our existing products and services. On April 14, 2013, we entered into an agreement to acquire Life Technologies. Certain acquisitions, including the Life Technologies Acquisition, may be difficult to complete for a number of reasons, including the need for antitrust and/or other regulatory approvals. Any acquisition we may complete may be made at a substantial premium over the fair value of the net identifiable assets of the acquired company. Further, we may not be able to integrate 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 (tradenames) on our balance sheet, which amount to approximately \$12.50 billion and \$1.34 billion, respectively, as of September 28, 2013. We assess the realizability of goodwill and indefinite-lived intangible assets annually as well as whenever events or changes in circumstances indicate that these assets may be impaired. These events or circumstances would generally include operating losses or a significant decline in earnings associated with the acquired business or asset. Our ability to realize the value of the goodwill and indefinite-lived intangible assets will depend on the future cash flows of these businesses. These cash flows in turn depend in part on how well we have integrated these businesses. If we are not able to realize the value of the goodwill and indefinite-lived intangible assets, we may be required to incur material charges relating to the impairment of those assets.

THERMO FISHER SCIENTIFIC INC.

Risk Factors (continued)

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

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

Because we rely heavily on third-party package-delivery services, a significant disruption in these services or significant increases in prices may disrupt our ability to ship products, increase our costs and lower our profitability. We ship a significant portion of our products to our customers through independent package delivery companies, such as 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 one of these 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 one of these 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 required to comply with a wide variety of laws and regulations, and are subject to regulation by various federal, state and foreign agencies. For example, 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/or cease their manufacture and distribution, which would increase our costs and reduce our revenues.

We are also subject to a variety of federal, state, local and international laws and regulations that govern, among other things, the importation and exportation of products, the handling, transportation and manufacture of substances that could be classified as hazardous, and our business practices in the U.S. and abroad such as anti-corruption and anti-competition laws. A failure to comply with these laws and regulations could result in criminal, civil and administrative penalties.

New regulations related to “conflict minerals” may cause us to incur additional expenses and could limit the supply and increase the cost of certain metals used in manufacturing our products. On August 22, 2012, the SEC adopted a new rule requiring disclosures by public companies of specified minerals, known as conflict minerals, that are necessary to the functionality or production of products manufactured or contracted to be manufactured. The new rule, which is effective for 2013 and requires a disclosure report to be filed by May 31, 2014, will require companies to perform due diligence, disclose and report whether or not such minerals originate from the Democratic Republic of Congo or an adjoining country. The new rule could affect sourcing at competitive prices and availability in sufficient quantities of certain minerals used in the manufacture of our products, including tantalum, tin, gold and tungsten. The number of suppliers who provide conflict-free minerals may be limited. In addition, there may be material costs associated with complying with the disclosure requirements, such as costs related to determining the source of certain minerals used in our products, as well as costs of possible changes to products, processes, or sources of supply as a consequence of such verification activities. As our supply chain is complex, we may not be able to sufficiently verify the origins of the relevant minerals used in our products through the due diligence procedures that we implement, which may harm our reputation. In addition, we may encounter challenges to satisfy those customers who require that all of the components of our products be certified as conflict-free, which could place us at a competitive disadvantage if we are unable to do so.

THERMO FISHER SCIENTIFIC INC.

Risk Factors (continued)

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

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

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

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

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

Our debt may restrict our investment opportunities or limit our activities. As of September 28, 2013, we had approximately \$7.11 billion in outstanding indebtedness. In addition, on July 25, 2013, we entered into a revolving

credit facility that replaced our previously existing credit facility and provides for up to \$1.5 billion of unsecured multi-currency revolving credit. 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.

Risk Factors (continued)

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 make scheduled payments, refinance our obligations or obtain additional financing will depend 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 our obligations. If we are unable to service our debt, refinance our existing debt or obtain additional financing, we may be forced to delay strategic acquisitions, capital expenditures or research and development expenditures. Recent disruptions in the financial markets, including the bankruptcy or restructuring of a number of financial institutions and reduced lending activity, may adversely affect the availability, terms and cost of credit in the future. We cannot be sure that initiatives in response to the disruptions in the financial markets will continue to stabilize the markets in general or increase liquidity and the availability of credit to us.

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 total debt-to-EBITDA ratio and an interest coverage 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 5.5 to 1.0 during the first six months after the closing date of the Life Technologies Acquisition and decreasing, based on the passage of time, to 3.5 to 1.0, after 18 months or the Consolidated Interest Coverage Ratio (the ratio of Consolidated EBITDA to Consolidated Interest Expense) to be less 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 certain of our debt instruments would trigger an event of default under other of our debt instruments.

If we consummate the Life Technologies Acquisition, in order to fund the acquisition we will be required to incur a substantial amount of additional indebtedness and issue equity or equity-linked securities, which could have an adverse effect on our financial health and make it more difficult for us to obtain additional financing in the future. We currently expect to finance the \$13.6 billion purchase price for the Life Technologies Acquisition with up to \$3.25 billion of equity financing, including \$2.5 billion of common stock we sold in June 2013 under equity forward agreements and up to a maximum of \$750 million of equity or equity-linked securities, with the remaining portion of the purchase price to be financed with the Term Credit Facility (discussed below), new debt and cash on hand. The company will not receive any proceeds from the sale of common stock until the equity forward agreements are settled, and at that time it will record the proceeds, if any, in equity. Incurrence of additional debt may have an adverse effect on our financial condition and may limit our ability to obtain financing in the future. Furthermore, the issuance of equity and equity-linked securities may result in substantial dilution to our existing stockholders and may have a material adverse effect on the market price of our common stock.

In order to partially finance the Life Technologies Acquisition, on May 31, 2013, we entered into the Bridge Facility which has \$3.56 billion of available borrowings for the transaction as of November 1, 2013. On May 31, 2013, we also entered into the Term Credit Facility. The Term Credit Facility provides for up to \$5.0 billion of senior unsecured term loans, to be used to fund, in part, the Life Technologies Acquisition or the transactions contemplated thereby. The Bridge Facility and Term Credit Facility have generally the same representations and warranties, covenants (including financial covenants) and events of default as our revolving credit agreement.

THERMO FISHER SCIENTIFIC INC.

Risk Factors (continued)

Additionally, if we fail to realize the expected benefits from the Life Technologies Acquisition or if the financial performance of Life Technologies does not meet our current expectations, it may make it more difficult for us to service our debt and our results of operations may fail to meet expectations. We may have to obtain financing under the Bridge Facility, if we cannot secure the permanent financing we currently expect to obtain. The interest rates and other financial terms for debt incurred pursuant to the Bridge Facility or to replace or refinance any debt incurred under it would generally be less favorable than the permanent financing arrangements that we contemplate. In addition, the Bridge Facility imposes various covenants and restrictions upon us that would apply in the event we obtained financing under it.

Regulatory approvals necessary for our acquisition of Life Technologies may not be received, may take longer than expected or may impose conditions that are not presently anticipated or that could have an adverse effect on the combined company following the transaction. Before our acquisition of Life Technologies may be completed, we must obtain certain required regulatory approvals, waivers or consents. These regulators may impose conditions on the completion of the transaction or require changes to the terms of the transaction. Such conditions or changes could have the effect of delaying or preventing completion of the transaction, causing the company to incur additional costs or limiting the revenues of the combined company following the transaction, any of which might have an adverse effect on the combined company following the transaction.

Combining Life Technologies with Thermo Fisher may be more difficult, costly or time consuming than expected and the anticipated benefits and cost savings of the transaction may not be fully realized. The success of the transaction between Thermo Fisher and Life Technologies, including the realization of anticipated benefits and cost savings, will depend, in part, on Thermo Fisher's ability to successfully combine the businesses of Thermo Fisher and Life Technologies. The integration may be more difficult, costly or time consuming than expected. It is possible that the integration process could result in the loss of key employees or the disruption of each company's ongoing businesses or that the alignment of standards, controls, procedures and policies may adversely affect the combined company's ability to maintain relationships with clients, customers, suppliers and employees or to fully achieve the anticipated benefits and cost savings of the transaction. The loss of key employees could adversely affect Thermo Fisher's ability to successfully conduct its business in the markets in which Life Technologies now operates, which could have an adverse effect on Thermo Fisher's financial results and the value of its common stock. Other potential difficulties of combining the business of Thermo Fisher and Life Technologies include unanticipated issues in integrating manufacturing, logistics, information communications and other systems.

If Thermo Fisher experiences difficulties with the integration process, the anticipated benefits of the transaction may not be realized fully or at all, or may take longer to realize than expected. Integration efforts between the two companies may also divert management attention and resources. These integration matters could have an adverse effect on each of Thermo Fisher and Life Technologies during this transition period and for an undetermined period after completion of the transaction on the combined company.

Thermo Fisher and Life Technologies will be subject to business uncertainties while the transaction is pending. Uncertainty about the effect of the transaction between Thermo Fisher and Life Technologies on employees, customers and suppliers may have an adverse effect on Thermo Fisher and/or Life Technologies prior to closing or the combined company after completion of the transaction. These uncertainties may impair Thermo Fisher's or Life Technologies' ability to attract, retain and motivate key personnel until the transaction is completed, and could cause customers, suppliers and others that deal with Thermo Fisher or Life Technologies to seek to change existing business relationships with Thermo Fisher or Life Technologies. If key employees depart because of issues relating to the

uncertainty and difficulty of integration or a desire not to remain with Thermo Fisher or Life Technologies, Thermo Fisher's business or the business of the combined company after completion of the transaction could be harmed.

THERMO FISHER SCIENTIFIC INC.

Risk Factors (continued)

Termination of the merger agreement with Life Technologies could negatively impact us. If the merger agreement between Thermo Fisher and Life Technologies is terminated, there may be various consequences. For example, Thermo Fisher's businesses may have been impacted adversely by the failure to pursue other beneficial opportunities due to management's focus on the Life Technologies Acquisition, without realizing any of the anticipated benefits of completing the transaction. Additionally, if the merger agreement is terminated, the market price of Thermo Fisher's common stock could decline to the extent that the current market price reflects an assumption that the transaction will be completed. In addition, we have incurred and will incur substantial expenses in connection with the negotiation and completion of the transactions contemplated by the merger agreement with Life Technologies. If the transaction is not completed, we would have recognized these expenses without realizing the expected benefits of the transaction.

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

Issuer Purchases of Equity Securities

A summary of the share repurchase activity for the company's third quarter of 2013 follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Dollar Amount of Shares That May Yet Be Purchased Under the Plans or Programs (1) (in millions)
Fiscal July (Jun. 30 – Aug. 3)	—	\$ —	—	\$ 910.2
Fiscal August (Aug. 4 – Aug. 31)	—	—	—	910.2
Fiscal September (Sep. 1 – Sep. 28)	—	—	—	910.2
Total Third Quarter	—	\$ —	—	\$ 910.2

(1) On November 8, 2012, the company announced a repurchase program authorizing the purchase of up to \$1 billion of the company's common stock beginning January 1,

2013. Following the announcement of the agreement to acquire Life Technologies, the company suspended repurchases of its common stock.

Item 6.

Exhibits

See Exhibit Index on page 55.

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 November 2013.

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	Credit Agreement, dated July 25, 2013, among the Company, certain Subsidiaries of the Company from time to time party thereto, Bank of America, N.A., and each lender from time to time party thereto (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed July 26, 2013 [File No. 1-8002] and incorporated in this document by reference).
31.1	Certification of Chief Executive Officer required by Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer required by Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer required by Exchange Act Rules 13a-14(b) and 15d-14(b), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
32.2	Certification of Chief Financial Officer required by Exchange Act Rules 13a-14(b) and 15d-14(b), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Definition Linkbase Document.
101.LAB	XBRL Taxonomy Label Linkbase Document.
101.PRE	XBRL Taxonomy Presentation Linkbase Document.

The Registrant agrees, pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, to furnish to the Commission, upon request, a copy of each instrument with respect to long-term debt of the Registrant or its consolidated subsidiaries.

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

**Certification is not deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section. Such certification is not deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act except to the extent that the registrant specifically incorporates it by reference.

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets at September 28, 2013, and December 31, 2012, (ii) Consolidated

Statements of Income for the three and nine months ended September 28, 2013 and September 29, 2012, (iii) Consolidated Statement of Comprehensive Income for the three and nine months ended September 28, 2013 and September 29, 2012, (iv) Consolidated Statements of Cash Flows for the nine months ended September 28, 2013 and September 29, 2012, (v) Consolidated Statement of Shareholders' Equity for the nine months ended September 28, 2013 and September 29, 2012 and (vi) Notes to Consolidated Financial Statements.

