

THERMO FISHER SCIENTIFIC INC.  
Form 10-Q  
July 31, 2008

---

---

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

---

FORM 10-Q

(mark one)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Quarter Ended June 28, 2008

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 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.

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

Class	Outstanding at June 28, 2008
Common Stock, \$1.00 par value	419,013,598

---

---

---

## PART I — FINANCIAL INFORMATION

## Item 1 . Financial Statements

## THERMO FISHER SCIENTIFIC INC.

Consolidated Balance Sheet  
(Unaudited)

(In millions)	June 28, 2008	December 31, 2007
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 1,006.9	\$ 625.1
Short-term investments, at quoted market value (amortized cost of \$13.4 and \$13.6)	13.5	14.1
Accounts receivable, less allowances of \$48.3 and \$49.5	1,599.1	1,450.0
<b>Inventories:</b>		
Raw materials	348.4	316.5
Work in process	117.8	118.4
Finished goods	797.9	735.0
Deferred tax assets	167.9	195.8
Other current assets	248.0	210.4
	4,299.5	3,665.3
Property, Plant and Equipment, at Cost	1,851.6	1,716.5
Less: Accumulated depreciation and amortization	547.1	449.1
	1,304.5	1,267.4
Acquisition-related Intangible Assets, net of Accumulated Amortization of \$1,187.5 and \$877.8	6,950.2	7,157.8
Other Assets	408.5	403.7
Goodwill	8,718.3	8,713.2
	\$ 21,681.0	\$ 21,207.4

## THERMO FISHER SCIENTIFIC INC.

Consolidated Balance Sheet (continued)  
(Unaudited)

(In millions except share amounts)	June 28, 2008	December 31, 2007
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities:</b>		
Short-term obligations and current maturities of long-term obligations	\$ 145.3	\$ 149.3
Accounts payable	653.0	676.9
Accrued payroll and employee benefits	265.3	295.1
Accrued income taxes	82.5	64.2
Deferred revenue	156.4	128.5
Other accrued expenses	577.6	587.6
	1,880.1	1,901.6
Deferred Income Taxes	2,200.0	2,279.9
Other Long-term Liabilities	486.4	491.7
Long-term Obligations	2,044.5	2,045.9
<b>Shareholders' Equity:</b>		
Preferred stock, \$100 par value, 50,000 shares authorized; none issued		
Common stock, \$1 par value, 1,200,000,000 shares authorized; 445,326,568 and 439,340,851 shares issued	445.3	439.3
Capital in excess of par value	12,386.5	12,283.4
Retained earnings	3,017.0	2,534.5
Treasury stock at cost, 26,312,970 and 24,102,880 shares	(1,282.1)	(1,157.3)
Accumulated other comprehensive items	503.3	388.4
	15,070.0	14,488.3
	\$ 21,681.0	\$ 21,207.4

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

## THERMO FISHER SCIENTIFIC INC.

Consolidated Statement of Income  
(Unaudited)

(In millions except per share amounts)	Three Months Ended	
	June 28, 2008	June 30, 2007
Revenues	\$ 2,709.6	\$ 2,385.9
Costs and Operating Expenses:		
Cost of revenues	1,621.5	1,449.3
Selling, general and administrative expenses	698.9	626.6
Research and development expenses	64.4	58.7
Restructuring and other costs (income), net	(5.4)	8.3
	2,379.4	2,142.9
Operating Income	330.2	243.0
Other Expense, Net	(22.7)	(20.7)
Income from Continuing Operations Before Provision for Income Taxes	307.5	222.3
Provision for Income Taxes	(61.2)	(34.4)
Income from Continuing Operations	246.3	187.9
Gain (Loss) on Disposal of Discontinued Operations (includes income tax provision of \$1.9 and \$1.8)	3.2	(24.0)
Net Income	\$ 249.5	\$ 163.9
Earnings per Share from Continuing Operations		
Basic	\$ .59	\$ .44
Diluted	\$ .56	\$ .42
Earnings per Share		
Basic	\$ .60	\$ .39
Diluted	\$ .57	\$ .37
Weighted Average Shares		
Basic	418.0	424.0
Diluted	437.2	446.5

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)	Six Months Ended	
	June 28, 2008	June 30, 2007
Revenues	\$ 5,263.6	\$ 4,724.1
Costs and Operating Expenses:		
Cost of revenues	3,157.1	2,907.6
Selling, general and administrative expenses	1,360.0	1,246.9
Research and development expenses	126.4	118.5
Restructuring and other costs (income), net	(0.5)	15.7
	4,643.0	4,288.7
Operating Income	620.6	435.4
Other Expense, Net	(35.5)	(47.4)
Income from Continuing Operations Before Provision for Income Taxes	585.1	388.0
Provision for Income Taxes	(105.4)	(61.3)
Income from Continuing Operations	479.7	326.7
Income from Discontinued Operations (net of income tax provision of \$0.1 in 2007)	—	0.1
Gain (Loss) on Disposal of Discontinued Operations (includes income tax provision of \$1.9 and \$1.8)	2.8	(24.0)
Net Income	\$ 482.5	\$ 302.8
Earnings per Share from Continuing Operations		
Basic	\$ 1.15	\$ .77
Diluted	\$ 1.10	\$ .74
Earnings per Share		
Basic	\$ 1.15	\$ .72
Diluted	\$ 1.10	\$ .68
Weighted Average Shares		
Basic	417.8	422.0
Diluted	436.7	443.8



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

## THERMO FISHER SCIENTIFIC INC.

Consolidated Statement of Cash Flows  
(Unaudited)

(In millions)	Six Months Ended	
	June 28, 2008	June 30, 2007
<b>Operating Activities</b>		
Net income	\$ 482.5	\$ 302.8
Income from discontinued operations	—	(0.1)
(Gain) Loss on disposal of discontinued operations	(2.8)	24.0
Income from continuing operations	479.7	326.7
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	398.6	372.4
Change in deferred income taxes	(60.1)	(10.3)
Noncash equity compensation	27.7	26.1
Noncash charges for sale of inventories revalued at the date of acquisition	0.4	47.6
Tax benefits from exercised stock options	(12.2)	(17.0)
Other noncash expenses, net	6.4	18.8
Changes in assets and liabilities, excluding the effects of acquisitions and dispositions:		
Accounts receivable	(101.3)	(41.7)
Inventories	(64.1)	(57.8)
Other assets	(20.3)	(25.6)
Accounts payable	(36.9)	(17.2)
Other liabilities	(19.1)	(60.7)
Contributions to retirement plans	(8.5)	(4.9)
Net cash provided by continuing operations	590.3	556.4
Net cash used in discontinued operations	(0.8)	(2.3)
Net cash provided by operating activities	589.5	554.1
<b>Investing Activities</b>		
Acquisitions, net of cash acquired	(43.0)	(39.1)
Refund of acquisition purchase price	—	4.6
Proceeds from sale of business	3.5	—
Proceeds from sale of available-for-sale investments	0.6	1.7
Purchases of available-for-sale investments	(0.1)	(1.8)
Purchases of property, plant and equipment	(109.3)	(71.8)
Proceeds from sale of property, plant and equipment	5.5	14.1
Collection of notes receivable	—	48.2
Increase in other assets	(5.2)	(18.3)
Net cash used in continuing operations	(148.0)	(62.4)

Net cash provided by discontinued operations	0.4	28.8
Net cash used in investing activities	\$ (147.6)	\$ (33.6)

## THERMO FISHER SCIENTIFIC INC.

Consolidated Statement of Cash Flows (continued)  
(Unaudited)

(In millions)	Six Months Ended	
	June 28, 2008	June 30, 2007
<b>Financing Activities</b>		
Decrease in short-term notes payable	\$ (13.4)	\$ (452.5)
Purchases of company common stock	(102.0)	—
Net proceeds from issuance of company common stock	49.1	223.6
Tax benefits from exercised stock options	12.2	17.0
Redemption and repayment of long-term obligations	(2.2)	(8.7)
Net cash used in financing activities	(56.3)	(220.6)
Exchange Rate Effect on Cash of Continuing Operations	(3.8)	(16.1)
Increase in Cash and Cash Equivalents	381.8	283.8
Cash and Cash Equivalents at Beginning of Period	625.1	667.4
Cash and Cash Equivalents at End of Period	\$ 1,006.9	\$ 951.2
<b>Supplemental Cash Flow Information</b>		
Fair value of assets of acquired businesses	\$ 53.7	\$ 39.8
Cash paid for acquired businesses	(31.5)	(30.8)
Liabilities assumed of acquired businesses	\$ 22.2	\$ 9.0
Conversion of subordinated convertible debentures	\$ —	\$ 0.4
Issuance of restricted stock	\$ 21.3	\$ 0.2
Issuance of stock upon vesting of restricted stock units	\$ 19.3	\$ 16.1

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

7

---

THERMO FISHER SCIENTIFIC INC.

Notes to Consolidated Financial Statements  
(Unaudited)

1. General

The interim consolidated financial statements presented herein have been prepared by Thermo Fisher Scientific Inc. (the company or Thermo Fisher), are unaudited and, in the opinion of management, reflect all adjustments of a normal recurring nature necessary for a fair statement of the financial position at June 28, 2008, the results of operations for the three- and six-month periods ended June 28, 2008, and June 30, 2007, and the cash flows for the three- and six-month periods ended June 28, 2008, and June 30, 2007. Interim results are not necessarily indicative of results for a full year.

The consolidated balance sheet presented as of December 31, 2007, 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 financial statements and notes included in the company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007, filed with the Securities and Exchange Commission (SEC).

2. Acquisitions

In the first six months of 2008, the Analytical Technologies segment acquired the intellectual property of an immunohistochemistry control slide business and an India-based manufacturer and distributor of analytical instruments serving the life sciences and environmental industries. The Laboratory Products and Services segment acquired a European-based distributor of laboratory instrumentation, equipment and consumables. Aggregate consideration was \$32 million cash plus \$8 million of assumed debt, and up to \$4 million of additional future payments based on the achievement of specified milestones and operating results. The company also paid purchase price obligations, transaction costs and post-closing purchase price adjustments aggregating \$11 million in the first six months of 2008, for several acquisitions completed prior to 2008.

The company's acquisitions have historically been made at prices above the fair value of the acquired assets, resulting in goodwill, due to expectations of synergies of combining the businesses. These synergies include elimination of duplicative facilities, functions and staffing; use of the company's existing infrastructure such as sales force, distribution channels and customer relations to expand sales of the acquired businesses' products; and use of the infrastructure of the acquired businesses to cost effectively expand sales of company products.

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

## THERMO FISHER SCIENTIFIC INC.

## 2. Acquisitions (continued)

The components of the preliminary purchase price allocation for 2008 acquisitions are as follows:

(In millions)	Total
<b>Purchase Price:</b>	
Cash Paid Including Transaction Costs	\$ 32.4
Debt Assumed	7.7
Cash Acquired	(0.9)
	\$ 39.2
<b>Allocation:</b>	
Current assets	\$ 19.1
Property, plant and equipment	6.1
Customer relationships	8.1
Product technology	3.3
Tradenames and other	6.3
Goodwill	10.6
Other assets	0.2
Liabilities assumed	(14.5)
	\$ 39.2

The company's results for 2007 or 2008 would not have been materially different from its reported results had the company's 2007 and 2008 acquisitions occurred at the beginning of 2007.

The company has undertaken restructuring activities at acquired businesses. These activities, which were accounted for in accordance with Emerging Issues Task Force (EITF) Issue No. 95-3, "Recognition of Liabilities in Connection with a Purchase Business Combination," have primarily included reductions in staffing levels and the abandonment of excess facilities. In connection with these restructuring activities, as part of the cost of acquisitions, the company established reserves, primarily for severance and excess facilities. In accordance with EITF Issue No. 95-3, the company finalizes its restructuring plans no later than one year from the respective dates of the acquisitions. Upon finalization of restructuring plans or settlement of obligations for less than the expected amount, any excess reserves are reversed with a corresponding decrease in goodwill or other intangible assets when no goodwill exists. Accrued acquisition expenses are included in other accrued expenses in the accompanying balance sheet. No accrued acquisition expenses have been established for 2008 acquisitions.

The changes in accrued acquisition expenses for acquisitions completed prior to 2008 are as follows:

(In millions)	Severance	Abandonment of Excess Facilities	Other	Total
Balance at December 31, 2007	\$ 3.6	\$ 5.5	\$ 0.4	\$ 9.5
Reserves established	0.1	0.4	—	0.5
Payments	(0.4)	(1.4)	(0.1)	(1.9)

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

Decrease recorded as a reduction in goodwill	(1.4)	(0.6)	(0.2)	(2.2)
Currency translation	—	(0.1)	—	(0.1)
Balance at June 28, 2008	\$ 1.9	\$ 3.8	\$ 0.1	\$ 5.8

9

---



## THERMO FISHER SCIENTIFIC INC.

## 2. Acquisitions (continued)

The remaining amounts accrued for pre-2008 acquisitions include severance and facility obligations for various facility consolidations, primarily related to the company's merger with Fisher Scientific International Inc. in November 2006. The amounts captioned as "other" primarily represent employee relocation, contract termination and other exit costs. The severance and other costs are expected to be paid through 2009. The abandoned facilities costs are expected to be paid over the remaining terms of the leases through 2010.

## 3. Business Segment Information

The company's continuing operations fall into two business segments: Analytical Technologies and Laboratory Products and Services. During the first quarter of 2008, the company transferred management responsibility and the related financial reporting and monitoring for several small product lines between segments. The company has historically moved a product line between segments when a shift in strategic focus of either the product line or a segment more closely aligns the product line with a segment different than that in which it had previously been reported. Prior period segment information has been reclassified to reflect these transfers.

(In millions)	Three Months Ended		Six Months Ended	
	June 28, 2008	June 30, 2007	June 28, 2008	June 30, 2007
<b>Revenues</b>				
Analytical Technologies	\$ 1,160.6	\$ 1,020.4	\$ 2,248.0	\$ 2,008.7
Laboratory Products and Services	1,656.4	1,449.7	3,224.8	2,883.2
Eliminations	(107.4)	(84.2)	(209.2)	(167.8)
<b>Consolidated revenues</b>	<b>\$ 2,709.6</b>	<b>\$ 2,385.9</b>	<b>\$ 5,263.6</b>	<b>\$ 4,724.1</b>
<b>Operating Income</b>				
Analytical Technologies (a)	\$ 245.1	\$ 201.9	\$ 473.8	\$ 387.3
Laboratory Products and Services (a)	231.5	202.7	449.9	392.8
<b>Subtotal reportable segments (a)</b>	<b>476.6</b>	<b>404.6</b>	<b>923.7</b>	<b>780.1</b>
Cost of revenues charges	(0.2)	(11.2)	(0.8)	(47.6)
Restructuring and other income (costs), net	5.4	(8.3)	0.5	(15.7)
Amortization of acquisition-related intangible assets	(151.6)	(142.1)	(302.8)	(281.4)
<b>Consolidated operating income</b>	<b>330.2</b>	<b>243.0</b>	<b>620.6</b>	<b>435.4</b>
Other expense, net (b)	(22.7)	(20.7)	(35.5)	(47.4)
<b>Income from continuing operations before provision for income taxes</b>	<b>\$ 307.5</b>	<b>\$ 222.3</b>	<b>\$ 585.1</b>	<b>\$ 388.0</b>
<b>Depreciation</b>				
Analytical Technologies	\$ 22.5	\$ 20.2	\$ 44.3	\$ 40.5
Laboratory Products and Services	25.7	24.8	51.5	50.5

Consolidated depreciation	\$	48.2	\$	45.0	\$	95.8	\$	91.0
---------------------------	----	------	----	------	----	------	----	------

(a) Represents operating income before certain charges to cost of revenues; restructuring and other costs, net and amortization of acquisition-related intangibles.

(b) The company does not allocate other income and expenses to its segments.

10

---

## THERMO FISHER SCIENTIFIC INC.

## 4. Other Expense, Net

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

(In millions)	Three Months Ended		Six Months Ended	
	June 28, 2008	June 30, 2007	June 28, 2008	June 30, 2007
Interest Income	\$ 15.1	\$ 10.6	\$ 25.2	\$ 19.5
Interest Expense	(36.6)	(33.2)	(67.0)	(70.4)
Other Items, Net	(1.2)	1.9	6.3	3.5
	\$ (22.7)	\$ (20.7)	\$ (35.5)	\$ (47.4)

## 5. Earnings per Share

Basic and diluted earnings per share were calculated as follows:

(In millions except per share amounts)	Three Months Ended		Six Months Ended	
	June 28, 2008	June 30, 2007	June 28, 2008	June 30, 2007
Income from Continuing Operations	\$ 246.3	\$ 187.9	\$ 479.7	\$ 326.7
Income from Discontinued Operations	—	—	—	0.1
Gain (Loss) on Disposal of Discontinued Operations	3.2	(24.0)	2.8	(24.0)
Income Available to Common Shareholders	\$ 249.5	\$ 163.9	\$ 482.5	\$ 302.8
Basic Weighted Average Shares	418.0	424.0	417.8	422.0
Effect of:				
Convertible debentures	15.5	13.7	15.1	12.7
Stock options, restricted stock awards and warrants	3.7	8.8	3.8	9.1
Diluted Weighted Average Shares	437.2	446.5	436.7	443.8
Basic Earnings per Share				
Continuing operations	\$ .59	\$ .44	\$ 1.15	\$ .77
Discontinued operations	.01	(.06)	.01	(.06)
	\$ .60	\$ .39	\$ 1.15	\$ .72
Diluted Earnings per Share				
Continuing operations	\$ .56	\$ .42	\$ 1.10	\$ .74
Discontinued operations	.01	(.05)	.01	(.05)
	\$ .57	\$ .37	\$ 1.10	\$ .68

Options to purchase 0.8 million, 5.8 million, 2.3 million and 5.8 million shares of common stock were not included in the computation of diluted earnings per share for the second quarter of 2008 and 2007 and the first six months of 2008 and 2007, respectively, because their effect would have been antidilutive.

## THERMO FISHER SCIENTIFIC INC.

## 6. 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, including currency translation adjustments; unrealized gains and losses, net of tax, on available-for-sale investments and hedging instruments; and pension and other postretirement benefit liability adjustments. During the second quarter of 2008 and 2007, the company had comprehensive income of \$242 million and \$168 million, respectively. During the first six months of 2008 and 2007, the company had comprehensive income of \$597 million and \$372 million, respectively.

## 7. Stock-based Compensation Expense

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

(In millions)	Three Months Ended		Six Months Ended	
	June 28, 2008	June 30, 2007	June 28, 2008	June 30, 2007
Stock Option Awards	\$ 9.3	\$ 8.3	\$ 16.0	\$ 17.6
Restricted Share/Unit Awards	7.4	4.0	11.7	8.5
<b>Total Stock-based Compensation Expense</b>	<b>\$ 16.7</b>	<b>\$ 12.3</b>	<b>\$ 27.7</b>	<b>\$ 26.1</b>

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

(In millions)	Three Months Ended		Six Months Ended	
	June 28, 2008	June 30, 2007	June 28, 2008	June 30, 2007
Cost of Revenues	\$ 0.9	\$ 0.8	\$ 2.0	\$ 2.1
Selling, General and Administrative Expenses	15.3	10.9	24.9	22.9
Research and Development Expenses	0.5	0.6	0.8	1.1
<b>Total Stock-based Compensation Expense</b>	<b>\$ 16.7</b>	<b>\$ 12.3</b>	<b>\$ 27.7</b>	<b>\$ 26.1</b>

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

Unrecognized compensation cost related to unvested stock options and restricted stock totaled approximately \$89 million and \$32 million, respectively, as of June 28, 2008, and is expected to be recognized over weighted average periods of 2.9 years and 2.2 years, respectively.

During the first six months of 2008, the company made equity compensation grants to employees consisting of 387,000 restricted shares and options to purchase 4,156,000 shares.

## THERMO FISHER SCIENTIFIC INC.

## 8. Defined Benefit Pension Plans

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

(In millions)	Three Months Ended		Six Months Ended	
	June 28, 2008	June 30, 2007	June 28, 2008	June 30, 2007
Service Cost	\$ 3.4	\$ 4.1	\$ 7.7	\$ 8.2
Interest Cost on Benefit Obligation	14.3	14.0	28.8	27.9
Expected Return on Plan Assets	(15.9)	(14.7)	(31.7)	(29.3)
Amortization of Net Loss	0.4	0.9	0.8	1.8
Curtailment Gain	(18.5)	—	(18.5)	—
Special Termination Benefits	0.2	—	0.2	—
Net Periodic Benefit Cost (Income)	\$ (16.1)	\$ 4.3	\$ (12.7)	\$ 8.6

In April 2008, the company curtailed a defined benefit plan and, as a result, recorded a gain of \$18.5 million.

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

(In millions)	Three Months Ended		Six Months Ended	
	June 28, 2008	June 30, 2007	June 28, 2008	June 30, 2007
Service Cost	\$ 0.2	\$ 0.2	\$ 0.4	\$ 0.4
Interest Cost on Benefit Obligation	0.5	0.4	1.0	0.8
Net Periodic Benefit Cost	\$ 0.7	\$ 0.6	\$ 1.4	\$ 1.2

## 9. Fair Value Measurements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This statement applies to other accounting pronouncements that require or permit fair value measurements. This statement does not require any new fair value measurements.

On January 1, 2008, the company adopted SFAS No. 157 as it pertains to financial assets and liabilities. In accordance with the provisions of FASB Staff Position 157-2, the company elected to defer the adoption of SFAS No. 157 relating to the fair value of non-financial assets and liabilities. The company is currently evaluating the impact, if any, of applying SFAS No. 157 to its non-financial assets and liabilities.

The company uses the market approach technique to value its financial instruments and there were no changes in valuation techniques during the six months ended June 28, 2008. The company's financial assets and liabilities are

primarily comprised of investments in publicly traded securities, derivative contracts used to hedge the company's currency risk, an interest rate swap, and other investments in unit trusts and insurance contracts held as assets to satisfy outstanding retirement liabilities.

## THERMO FISHER SCIENTIFIC INC.

## 9. Fair Value Measurements (continued)

SFAS No. 157 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

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

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

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

The following table presents information about the company's financial assets and liabilities measured at fair value on a recurring basis as of June 28, 2008:

Description	June 28, 2008	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Cash equivalents	\$ 529.8	\$ 529.8	\$ —	—
Investments in mutual funds, unit trusts and other similar instruments	33.7	33.7	—	—
Cash surrender value of life insurance	18.2	—	18.2	—
Auction rate securities	7.9	—	7.9	—
Interest rate swap	1.0	—	1.0	—
Marketable equity securities	2.7	2.7	—	—
Derivatives	0.9	—	0.9	—
<b>Total Assets</b>	<b>\$ 594.2</b>	<b>\$ 566.2</b>	<b>\$ 28.0</b>	<b>\$ —</b>
<b>Liabilities</b>				
Derivatives	\$ 0.7	\$ —	\$ 0.7	\$ —
<b>Total Liabilities</b>	<b>\$ 0.7</b>	<b>\$ —</b>	<b>\$ 0.7</b>	<b>\$ —</b>



## THERMO FISHER SCIENTIFIC INC.

## 10. Warranty Obligations

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

(In millions)	Six Months Ended	
	June 28, 2008	June 30, 2007
Beginning Balance	\$ 50.6	\$ 45.5
Provision charged to income	19.2	21.8
Usage	(19.5)	(18.8)
Acquisitions/divestitures	—	0.6
Adjustments to previously provided warranties, net	(0.9)	—
Other, net (a)	1.8	1.1
Ending Balance	\$ 51.2	\$ 50.2

(a) Primarily represents the effects of currency translation.

## 11. Restructuring and Other Costs, Net

Restructuring costs in the first six months of 2008 primarily included charges for restructuring plans to consolidate facilities and streamline operations, offset by a gain from curtailing a pension plan.

During the second quarter of 2008, the company recorded net restructuring and other costs (income) by segment as follows:

(In millions)	Laboratory				Total
	Analytical Technologies	Products and Services	Corporate		
Cost of Revenues	\$ 0.2	\$ —	\$ —	\$ —	0.2
Restructuring and Other Costs, Net	11.8	0.6	(17.8)		(5.4)
	\$ 12.0	\$ 0.6	\$ (17.8)	\$	(5.2)

During the first six months of 2008, the company recorded net restructuring and other costs (income) by segment as follows:

(In millions)	Laboratory				Total
	Analytical Technologies	Products and Services	Corporate		
Cost of Revenues	\$ 0.5	\$ 0.3	\$ —	\$ —	0.8
Restructuring and Other Costs, Net	14.1	1.4	(16.0)		(0.5)
	\$ 14.6	\$ 1.7	\$ (16.0)	\$	0.3



THERMO FISHER SCIENTIFIC INC.

11. Restructuring and Other Costs, Net (continued)

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

Analytical Technologies

The Analytical Technologies segment recorded \$12.0 million of net restructuring and other charges in the second quarter of 2008. The segment recorded charges to cost of revenues of \$0.2 million, primarily for accelerated depreciation at facilities closing due to real estate consolidation, and \$11.8 million of other costs, net. These other costs consisted of \$3.6 million of cash costs, principally associated with facility consolidations and streamlining operations, including \$1.8 million of severance for 93 employees primarily in manufacturing, research and development functions; \$0.4 million of abandoned-facility costs, primarily for charges associated with facilities vacated in prior periods for costs that could not be recorded until incurred; and \$1.4 million of other cash costs, primarily retention, relocation and moving expenses associated with facility consolidations. The segment also recorded a loss of \$5.0 million associated with a litigation-related matter assumed as part of the merger with Fisher in 2006 and a loss of \$3.0 million on the sale of a business, as well as non-cash costs of \$0.2 million for asset write downs at abandoned facilities.

In the first quarter of 2008, this segment recorded \$2.6 million of net restructuring and other charges. The segment recorded charges to cost of revenues of \$0.3 million, primarily for accelerated depreciation at facilities closing due to real estate consolidation, and \$2.3 million of other costs, net. These other costs consisted of \$3.1 million of cash costs, principally associated with facility consolidations and streamlining our operations, including \$1.2 million of severance for 51 employees primarily in manufacturing, sales and service functions; \$1.2 million of abandoned-facility costs, primarily for charges associated with facilities vacated in prior periods for costs that could not be recorded until incurred; and \$0.7 million of other cash costs, primarily contract termination costs and relocation expenses associated with facility consolidations. These costs were partially offset by \$0.7 million of gains associated with the sale of businesses prior to 2008.

The principal restructuring actions in 2008 in the Analytical Technologies segment include consolidating bioprocess production operations into a new facility being built at a current site in Utah, as well as continuing the actions initiated prior to 2008 to cease manufacturing activities at plants in New Mexico, California and Denmark and transfer their operations to other sites.

Laboratory Products and Services

The Laboratory Products and Services segment recorded \$0.6 million of net restructuring and other charges in the second quarter of 2008. The segment recorded \$2.4 million of cash costs, which consisted of \$2.0 million of severance for 176 employees primarily in manufacturing; \$0.2 million of abandoned-facility costs; and \$0.2 million of other cash costs. These cash costs were partially offset by a \$1.8 million gain on the sale of real estate in Holland.

In the first quarter of 2008, this segment recorded \$1.1 million of net restructuring and other charges. The segment recorded charges to cost of revenues of \$0.3 million for the sale of inventories revalued at the date of acquisition; and \$0.8 million of other costs, net, all of which were cash costs. These other costs consisted of \$0.3 million of severance for 11 employees across all functions; \$0.2 million of abandoned-facility costs; and \$0.3 million of other cash costs, primarily relocation expenses.

The principal restructuring actions in 2008 in the Laboratory Products and Services segment include moving the manufacture of certain laboratory consumables products from existing facilities in California and New York to a new

facility in Mexico, as well as continuing the move of a manufacturing site in France to Germany, which is a phased plan through mid-2009.

## THERMO FISHER SCIENTIFIC INC.

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

## Corporate

In April 2008, the company curtailed a defined benefit plan and, as a result, recorded a gain of \$18.5 million.

The company recorded \$0.7 million of restructuring and other charges at its corporate office in the second quarter of 2008, most of which were cash costs, primarily for severance.

In the first quarter of 2008, the company recorded \$1.8 million of restructuring and other charges at its corporate office, all of which were cash costs, primarily for severance.

## General

The following table summarizes the cash components of the company's restructuring plans. The noncash components and other amounts reported as restructuring and other costs (income), net, in the accompanying 2008 statement of income have been summarized in the notes to the table. Accrued restructuring costs are included in other accrued expenses in the accompanying balance sheet.

(In millions)	Severance	Employee Retention (a)	Abandonment of Excess Facilities	Other	Total
<b>Pre-2007 Restructuring Plans</b>					
Balance at December 31, 2007	\$ 1.8	\$ —	\$ 3.6	\$ 0.6	\$ 6.0
Costs incurred in 2008 (b)	0.6	—	0.7	0.1	1.4
Reserves reversed	(0.1)	—	—	—	(0.1)
Payments	(1.1)	—	(1.4)	(0.1)	(2.6)
Currency translation	0.1	—	0.2	—	0.3
Balance at June 28, 2008	\$ 1.3	\$ —	\$ 3.1	\$ 0.6	\$ 5.0
<b>2007 Restructuring Plans</b>					
Balance at December 31, 2007	\$ 9.2	\$ 1.5	\$ 1.1	\$ 1.6	\$ 13.4
Costs incurred in 2008 (b)	2.4	0.9	1.3	0.9	5.5
Reserves reversed	(0.4)	(0.4)	(0.1)	—	(0.9)
Payments	(4.8)	(1.3)	(1.0)	(1.5)	(8.6)
Currency translation	0.5	0.1	0.1	0.1	0.8
Balance at June 28, 2008	\$ 6.9	\$ 0.8	\$ 1.4	\$ 1.1	\$ 10.2
<b>2008 Restructuring Plans</b>					
Costs incurred in 2008 (b)	\$ 4.8	\$ 0.1	\$ 0.2	\$ 1.1	\$ 6.2
Payments	(2.0)	—	(0.2)	(1.0)	(3.2)
Balance at June 28, 2008	\$ 2.8	\$ 0.1	\$ —	\$ 0.1	\$ 3.0

(a)

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

- (b) Excludes non-cash items, including an \$18.5 million gain on the curtailment of a pension plan in the U.S., a \$5.0 million loss associated with a litigation-related matter assumed as part of the merger with Fisher in 2006, a \$3.0 million loss related to the sale of a business, a \$1.8 million gain on the sale of real estate and \$0.3 million of other non-cash income, net.

The company expects to pay accrued restructuring costs as follows: severance, employee-retention obligations and other costs, primarily through 2009; and abandoned-facility payments, over lease terms expiring through 2013.

THERMO FISHER SCIENTIFIC INC.

12. Litigation and Related Contingencies

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

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

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

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

For product liability, workers compensation and other personal injury matters, the company accrues the most likely amount or at least the minimum of the range of probable loss when a range of probable loss can be estimated, including estimated defense costs. The company records estimated amounts due from insurers as an asset. Although the company believes that the amounts reserved and estimated recoveries are probable and appropriate based on available information, including actuarial studies of loss estimates, the process of estimating losses and insurance recoveries involves a considerable degree of judgment by management and the ultimate amounts could vary materially. For example, there are pending lawsuits with certain of Fisher's insurers concerning which state's laws should apply to the insurance policies and how such laws affect the policies. Should these actions resolve unfavorably, the estimated amount due from insurers of \$69 million would require an adjustment that could be material to the company's results of operations. Insurance contracts do not relieve the company of its primary obligation with respect to any losses incurred. The collectibility of amounts due from its insurers is subject to the solvency and willingness of the insurer to pay, as well as the legal sufficiency of the insurance claims. Management monitors the financial condition and ratings of its insurers on an ongoing basis.

The company is currently involved in various stages of investigation and remediation related to environmental matters, principally at businesses acquired in the merger with Fisher. The company cannot predict all potential costs related to environmental remediation matters and the possible impact on future operations given the uncertainties regarding the extent of the required cleanup, the complexity and interpretation of applicable laws and regulations, the varying costs of alternative cleanup methods and the extent of the company's responsibility. Expenses for environmental remediation matters related to the costs of permit requirements and installing, operating and maintaining groundwater-treatment systems and other remedial activities related to historical environmental contamination at the company's domestic and international facilities were not material in any period presented. The company's liability for environmental matters associated with businesses acquired in the merger with Fisher was recorded at its fair value and as such, was discounted to its present value. The company records accruals for environmental remediation liabilities, based on current interpretations of environmental laws and regulations, when it

is probable that a liability has been incurred and the amount of such liability can be reasonably estimated. The company calculates estimates based upon several factors, including reports prepared by environmental specialists and management's knowledge of and experience with these environmental matters. The company includes in these estimates potential costs for investigation, remediation and operation and maintenance of cleanup sites.



THERMO FISHER SCIENTIFIC INC.

12. Litigation and Related Contingencies (continued)

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

13. Recent Accounting Pronouncements

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - including an Amendment of FASB Statement No. 115." SFAS No. 159 permits entities to measure eligible financial assets, financial liabilities and certain other assets and liabilities at fair value on an instrument-by-instrument basis. The company adopted SFAS No. 159 beginning January 1, 2008. Adoption of the standard did not result in any change in the valuation of the company's assets and liabilities.

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

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements." SFAS No. 160 will change the accounting for minority interests, which will be reclassified as noncontrolling interests and classified as a component of equity. SFAS No. 160 is effective for the company in 2009. The company does not expect a material effect from adoption of this standard.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities." SFAS No. 161 requires disclosures of how and why an entity uses derivative instruments; how derivative instruments and related hedged items are accounted for; and how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. SFAS No. 161 is effective for the company in 2009. The company does not expect a material effect from adoption of this standard.

In May 2008, the FASB issued FSP APB No. 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)." FSP APB No. 14-1 requires the issuers of certain convertible debt instruments that may be settled in cash (or other assets) on conversion to separately account for the liability (debt) and equity (conversion option) components in a manner that reflects the issuer's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. FSP APB No. 14-1 is effective for the company beginning in 2009. Prior periods will be restated as if the new rule had been in effect in prior periods. Early adoption is not permitted. While the company's cash payments for interest will not be affected, the adoption of FSP

APB No. 14-1 will increase the company's reported interest expense in a manner that reflects interest rates of similar non-convertible debt. The company expects that annual interest expense will increase by approximately \$23 million, which will unfavorably affect earnings per share by approximately \$.03 per year following adoption of the rule.

In June 2008, the FASB issued FSP EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities." FSP EITF 03-6-1 clarifies that share-based payment awards that entitle their holders to receive nonforfeitable dividends before vesting should be considered participating securities. As participating securities, these instruments should be included in the calculation of basic earnings per share. FSP EITF 03-6-1 is effective for the company in 2009. The company does not expect a material effect from adoption of this rule.

## THERMO FISHER SCIENTIFIC INC.

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

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

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

## Overview of Results of Operations and Liquidity

The company develops, manufactures and sells a broad range of products that are sold worldwide. The company expands the product lines and services it offers by developing and commercializing its own technologies and by making strategic acquisitions of complementary businesses. The company's continuing operations fall into two business segments: Analytical Technologies and Laboratory Products and Services. During the first quarter of 2008, the company transferred management responsibility and related financial reporting and monitoring for several small product lines between segments. The company has historically moved a product line between segments when a shift in strategic focus of either the product line or a segment more closely aligns the product line with a segment different than that in which it had previously been reported. Prior period segment information has been reclassified to reflect these transfers.

## Revenues

(Dollars in millions)	Three Months Ended				Six Months Ended			
	June 28, 2008		June 30, 2007		June 28, 2008		June 30, 2007	
Analytical Technologies	\$ 1,160.6	42.8%	\$ 1,020.4	42.8%	\$ 2,248.0	42.7%	\$ 2,008.7	42.5%
Laboratory Products and Services	1,656.4	61.1%	1,449.7	60.8%	3,224.8	61.3%	2,883.2	61.0%
Eliminations	(107.4)	(3.9)%	(84.2)	(3.6)%	(209.2)	(4.0)%	(167.8)	(3.5)%
	\$ 2,709.6	100%	\$ 2,385.9	100%	\$ 5,263.6	100%	\$ 4,724.1	100%

Sales in the second quarter of 2008 were \$2.71 billion, an increase of \$324 million from the second quarter of 2007. Aside from the effects of acquisitions, divestitures and currency translation (discussed in total and by segment below), revenues increased over 2007 revenues by \$183 million due to higher revenues at existing businesses as a result of increased demand, discussed below, and, to a lesser extent, price increases.

The company's strategy is to augment internal growth at existing businesses with complementary acquisitions such as those completed in 2008 and 2007. The principal acquisitions included La-Pha-Pack, a manufacturer and provider of chromatography consumables and related accessories in December 2007; Priority Solutions International, a third-party provider to the pharmaceutical and healthcare industries in October 2007; NanoDrop Technologies, Inc., a supplier of

UV-Vis spectrophotometry and fluorescence scientific instruments in October 2007 and Qualigens Fine Chemicals, a chemical manufacturer and supplier in September 2007.

THERMO FISHER SCIENTIFIC INC.

Overview of Results of Operations and Liquidity (continued)

In the second quarter of 2008, the company's operating income and operating income margin were \$330 million and 12.2%, respectively, compared with \$243 million and 10.2%, respectively, in 2007. (Operating income margin is operating income divided by revenues.) The increase in operating income was due to higher profitability at existing businesses resulting from incremental revenues including price increases, merger integration savings and productivity improvements including material sourcing and lower operating costs following restructuring actions. The increase also resulted from \$14 million of lower restructuring and other costs in 2008, principally due to a gain in 2008 from the curtailment of a pension plan in the U.S. and \$11 million of lower merger-related cost of revenues charges. These increases were offset in part by a \$10 million increase in amortization expense as a result of acquisition-related intangible assets from 2007 and 2008 acquisitions.

The company's effective tax rate was 19.9% and 15.5% in the second quarter of 2008 and 2007, respectively. The tax provision in the second quarter of 2008 was unfavorably affected by an increase in income in higher tax jurisdictions. The company currently expects its tax rate for the full year to be approximately 19% - 20%.

Income from continuing operations increased to \$246 million in the second quarter of 2008, from \$188 million in the second quarter of 2007, primarily due to the items discussed above that increased operating income in 2008, offset in part by the higher tax rate in 2008.

During the first six months of 2008, the company's cash flow from operations totaled \$590 million, compared with \$554 million for the first six months of 2007. The increase resulted from improved cash flow at existing businesses offset in part by higher payments for income taxes and an increase in working capital items.

As of June 28, 2008, the company's outstanding debt totaled \$2.19 billion, of which approximately 93% is due in 2010 and thereafter. The company expects that its existing cash and short-term investments of \$1.02 billion as of June 28, 2008, and the company's future cash flow from operations together with available unsecured borrowing capacity of up to \$942 million under its existing 5-year revolving credit agreement, are sufficient to meet the working capital requirements of its existing businesses for the foreseeable future, including at least the next 24 months.

Critical Accounting Policies

Preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management believes the most complex and sensitive judgments, because of their significance to the consolidated financial statements, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Management's Discussion and Analysis and Note 1 to the Consolidated Financial Statements in the company's Form 10-K for 2007, describe the significant accounting estimates and policies used in preparation of the consolidated financial statements. Actual results in these areas could differ from management's estimates. There have been no significant changes in the company's critical accounting policies during the first six months of 2008.

Results of Operations

Second Quarter 2008 Compared With Second Quarter 2007

Continuing Operations

Sales in the second quarter of 2008 were \$2.71 billion, an increase of \$324 million from the second quarter of 2007. The favorable effects of currency translation resulted in an increase in revenues of \$90 million in 2008. Sales increased \$51 million due to acquisitions, net of divestitures. Aside from the effect of currency translation and acquisitions, net of divestitures, revenues increased \$183 million primarily due to increased demand and, to a lesser extent, price increases, as described by segment below. Growth was very strong in Asia, strong in North America and modest in Europe.

## THERMO FISHER SCIENTIFIC INC.

## Second Quarter 2008 Compared With Second Quarter 2007 (continued)

In the second quarter of 2008, operating income and operating income margin were \$330 million and 12.2%, respectively, compared with \$243 million and 10.2%, respectively, in the second quarter of 2007. The increase in operating income was due to higher profitability at existing businesses resulting from incremental revenues including price increases, merger integration savings and productivity improvements including material sourcing and lower operating costs following restructuring actions. The increase also resulted from \$14 million of lower restructuring and other costs in 2008, principally due to a gain in 2008 from the curtailment of a pension plan in the U.S. and \$11 million of lower merger-related cost of revenues charges. These increases were offset in part by a \$10 million increase in amortization expense as a result of acquisition-related intangible assets from 2007 and 2008 acquisitions.

In the second quarter of 2008, the company recorded restructuring and other income, net, of \$5 million. The company incurred \$7 million of cash costs primarily for severance and abandoned facility expenses at businesses that have been or are being consolidated and recorded a loss of \$5 million associated with a litigation-related matter assumed as part of the merger with Fisher Scientific in 2006 and a loss of \$3 million from the sale of a business. These losses were more than offset by an \$18 million gain on the curtailment of a pension plan in the U.S. and a \$2 million gain on the sale of real estate (Note 11). In the second quarter of 2007, the company recorded restructuring and other costs, net, of \$19 million, including \$11 million of charges to cost of revenues, substantially all related to the sale of inventories revalued at the date of acquisition (principally Fisher). The company incurred \$8 million of cash costs, primarily for severance, abandoned facilities and relocation expenses at businesses that have been consolidated as well as merger-related costs.

## Segment Results

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

(Dollars in millions)	Three Months Ended		Change
	June 28, 2008	June 30, 2007	
<b>Revenues</b>			
Analytical Technologies	\$ 1,160.6	\$ 1,020.4	14%
Laboratory Products and Services	1,656.4	1,449.7	14%
Eliminations	(107.4)	(84.2)	
<b>Consolidated Revenues</b>	<b>\$ 2,709.6</b>	<b>\$ 2,385.9</b>	<b>14%</b>
<b>Operating Income</b>			
Analytical Technologies	\$ 245.1	\$ 201.9	21%
Laboratory Products and Services	231.5	202.7	14%
<b>Subtotal Reportable Segments</b>	<b>476.6</b>	<b>404.6</b>	<b>18%</b>

Cost of Revenues Charges	(0.2)	(11.2)		
Restructuring and Other Income (Costs), Net	5.4	(8.3)		
Amortization of Acquisition-related Intangible Assets	(151.6)	(142.1)		
Consolidated Operating Income	\$ 330.2	\$ 243.0	36%	



## THERMO FISHER SCIENTIFIC INC.

Second Quarter 2008 Compared With Second Quarter 2007 (continued)

## Analytical Technologies

(Dollars in millions)	Three Months Ended		Change
	June 28, 2008	June 30, 2007	
Revenues	\$ 1,160.6	\$ 1,020.4	14%
Operating Income Margin	21.1%	19.8%	1.3 pts.

Sales in the Analytical Technologies segment increased \$140 million to \$1.16 billion in the second quarter of 2008. The favorable effects of currency translation resulted in an increase of \$50 million in 2008. Sales increased \$10 million due to acquisitions, net of divestitures. In addition to the changes in revenue resulting from currency translation and acquisitions, net of divestitures, revenues increased \$80 million primarily due to higher demand and, to a lesser extent, increased prices. The higher demand was due, in part, to the introduction of new products. Growth was particularly strong in sales of scientific instruments and specialty diagnostics.

Operating income margin was 21.1% in the second quarter of 2008 and 19.8% in the second quarter of 2007. The increase resulted from profit on incremental revenues and, to a lesser extent, price increases and productivity improvements, including material sourcing and lower operating costs following restructuring actions.

## Laboratory Products and Services

(Dollars in millions)	Three Months Ended		Change
	June 28, 2008	June 30, 2007	
Revenues	\$ 1,656.4	\$ 1,449.7	14%
Operating Income Margin	14.0%	14.0%	— pts.

Sales in the Laboratory Products and Services segment increased \$207 million to \$1.66 billion in the second quarter of 2008. Sales increased \$47 million due to acquisitions, net of divestitures. The favorable effects of currency translation resulted in an increase of \$40 million in 2008. In addition to the changes in revenue resulting from acquisitions, divestitures and currency translation, revenues increased \$120 million primarily due to higher demand and, to a lesser extent, increased prices. Sales made through the segment's research market and healthcare market channels and revenues from the company's biopharma services were particularly strong.

In July 2008, the company and a customer of its healthcare market channel extended an existing agreement for two years through 2010. Under the revised agreement, the company expects its sales volume to the customer to decrease from prior comparative periods by approximately \$20 million over the remainder of 2008 and by approximately \$60 million in 2009 for a total annualized decrease in revenues of approximately \$80 million from present levels.

Operating income margin was 14.0% in the second quarters of both 2008 and 2007. Improvements driven primarily by profit on incremental revenue and, to a lesser extent, price increases and productivity improvements, including material sourcing and lower operating costs following restructuring actions, were offset by material cost inflation, particularly affecting commodities such as raw resin, steel and plastics as well as higher fuel and freight costs.



THERMO FISHER SCIENTIFIC INC.

Second Quarter 2008 Compared With Second Quarter 2007 (continued)

Other Expense, Net

The company reported other expense, net, of \$23 million and \$21 million in the second quarter of 2008 and 2007, respectively (Note 4). Other expense, net, includes interest income, interest expense, equity in earnings of unconsolidated subsidiaries and other items, net. See discussion below concerning a recent accounting pronouncement that will increase non-cash interest expense in 2009.

Provision for Income Taxes

The company's effective tax rate was 19.9% and 15.5% in the second quarter of 2008 and 2007, respectively. The tax provision in the second quarter of 2008 was unfavorably affected by an increase in income in higher tax jurisdictions. The company expects its tax rate for the full year to be approximately 19% - 20%.

Contingent Liabilities

At the second quarter end 2008, the company was contingently liable with respect to certain legal proceedings and related matters. As described under "Litigation and Related Contingencies" in Note 12, an unfavorable outcome in the matters described therein could materially affect the company's financial position as well as its results of operations and cash flows.

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This statement applies to other accounting pronouncements that require or permit fair value measurements. This statement does not require any new fair value measurements. SFAS No. 157 was effective for the company's monetary assets and liabilities in the first quarter of 2008 and for non-financial assets and liabilities in 2009 (Note 9). The company is currently evaluating the potential impact on its methodologies for determining fair value and on its disclosures concerning nonmonetary assets and liabilities of adopting SFAS No. 157.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - including an Amendment of FASB Statement No. 115." SFAS No. 159 permits entities to measure eligible financial assets, financial liabilities and certain other assets and liabilities at fair value on an instrument-by-instrument basis. The company adopted SFAS No. 159 beginning January 1, 2008. Adoption of the standard did not result in any change in the valuation of the company's assets and liabilities.

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

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements." SFAS No. 160 will change the accounting for minority interests, which will be reclassified as noncontrolling interests and classified as a component of equity. SFAS No. 160 is effective for the company in 2009. The company does not expect a material effect from adoption of this standard.

THERMO FISHER SCIENTIFIC INC.

Second Quarter 2008 Compared With Second Quarter 2007 (continued)

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities." SFAS No. 161 requires disclosures of how and why an entity uses derivative instruments; how derivative instruments and related hedged items are accounted for; and how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. SFAS No. 161 is effective for the company in 2009. The company does not expect a material effect from adoption of this standard.

In May 2008, the FASB issued FSP APB No. 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)." FSP APB No. 14-1 requires the issuers of certain convertible debt instruments that may be settled in cash (or other assets) on conversion to separately account for the liability (debt) and equity (conversion option) components in a manner that reflects the issuer's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. FSP APB No. 14-1 is effective for the company beginning in 2009. Prior periods will be restated as if the new rule had been in effect in prior periods. Early adoption is not permitted. While the company's cash payments for interest will not be affected, the adoption of FSP APB No. 14-1 will increase the company's reported interest expense in a manner that reflects interest rates of similar non-convertible debt. The company expects that annual interest expense will increase by approximately \$23 million, which will unfavorably affect earnings per share by approximately \$.03 per year following adoption of the rule.

In June 2008, the FASB issued FSP EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities." FSP EITF 03-6-1 clarifies that share-based payment awards that entitle their holders to receive nonforfeitable dividends before vesting should be considered participating securities. As participating securities, these instruments should be included in the calculation of basic earnings per share. FSP EITF 03-6-1 is effective for the company in 2009. The company does not expect a material effect from adoption of this rule.

Discontinued Operations

During the second quarter of 2008, the company recorded the reversal of a reserve on a note receivable related to a business divested in 2003, resulting in an after-tax gain of \$3 million. The note was collected in July 2008.

In the second quarter of 2007, the company recorded a non-cash impairment charge of \$27 million on a business held for sale. The loss primarily represented the carrying value of the business in excess of the estimated disposal value. During the second quarter of 2007, the company received additional proceeds relating to a sale of a business divested in 2000 and recorded an after-tax gain of \$3 million.

First Six Months 2008 Compared With First Six Months 2007

Continuing Operations

Sales in the first six months of 2008 were \$5.26 billion, an increase of \$540 million from the first six months of 2007. The favorable effects of currency translation resulted in an increase in revenues of \$176 million in 2008. Sales increased \$92 million due to acquisitions, net of divestitures. Aside from the effect of currency translation and acquisitions, net of divestitures, revenues increased \$272 million primarily due to increased demand and, to a lesser extent, price increases, as described by segment below. Growth was very strong in Asia, strong in North America and modest in Europe.

In the first six months of 2008, operating income and operating income margin were \$621 million and 11.8%, respectively, compared with \$435 million and 9.2%, respectively, in the first six months of 2007. The increase in

operating income was due to higher profitability at existing businesses resulting from incremental revenues including price increases, merger integration savings and productivity improvements including material sourcing and lower operating costs following restructuring actions. The increase also resulted from \$16 million of lower restructuring and other costs in 2008, principally due to a curtailment gain in 2008 associated with a pension plan in the U.S. and from \$47 million of lower merger-related cost of revenues charges. These increases were offset in part by a \$21 million increase in amortization expense as a result of acquisition-related intangible assets from 2007 and 2008 acquisitions.

## THERMO FISHER SCIENTIFIC INC.

## First Six Months 2008 Compared With First Six Months 2007 (continued)

In the first six months of 2008, the company recorded restructuring and other costs, net, of \$0.3 million, including \$0.8 million of charges to cost of revenues, related to the sale of inventories revalued at the date of acquisition and accelerated depreciation on manufacturing assets to be abandoned due to facility consolidations. The company incurred \$12 million of cash costs primarily for severance and abandoned facility expenses at businesses that have been or are being consolidated and recorded a \$5 million loss from a litigation-related matter assumed as part of the merger with Fisher in 2006 and a \$3 million loss on the sale of a business. These charges were offset by an \$18 million gain on the curtailment of a pension plan in the U.S. and a \$2 million gain on the sale of real estate (Note 11). In the first six months of 2007, the company recorded restructuring and other costs, net, of \$63 million, including \$48 million of charges to cost of revenues, substantially all related to the sale of inventories revalued at the date of acquisition (principally Fisher). The company incurred \$15 million of cash costs, primarily for severance, abandoned facilities and relocation expenses at businesses that have been consolidated as well as merger-related costs.

## Segment Results

(Dollars in millions)	Six Months Ended		Change
	June 28, 2008	June 30, 2007	
<b>Revenues</b>			
Analytical Technologies	\$ 2,248.0	\$ 2,008.7	12%
Laboratory Products and Services	3,224.8	2,883.2	12%
Eliminations	(209.2)	(167.8)	
<b>Consolidated Revenues</b>	<b>\$ 5,263.6</b>	<b>\$ 4,724.1</b>	<b>11%</b>
<b>Operating Income</b>			
Analytical Technologies	\$ 473.8	\$ 387.3	22%
Laboratory Products and Services	449.9	392.8	15%
<b>Subtotal Reportable Segments</b>	<b>923.7</b>	<b>780.1</b>	<b>18%</b>
Cost of Revenues Charges	(0.8)	(47.6)	
Restructuring and Other Costs, Net	0.5	(15.7)	
Amortization of Acquisition-related Intangible Assets	(302.8)	(281.4)	
<b>Consolidated Operating Income</b>	<b>\$ 620.6</b>	<b>\$ 435.4</b>	<b>43%</b>

## Analytical Technologies

(Dollars in millions)	Six Months Ended		Change
	June 28, 2008	June 30, 2007	
<b>Revenues</b>	<b>\$ 2,248.0</b>	<b>\$ 2,008.7</b>	<b>12%</b>
<b>Operating Income Margin</b>	<b>21.1%</b>	<b>19.3%</b>	<b>1.8 pts.</b>





## THERMO FISHER SCIENTIFIC INC.

## First Six Months 2008 Compared With First Six Months 2007 (continued)

Sales in the Analytical Technologies segment increased \$239 million to \$2.25 billion in the first six months of 2008. The favorable effects of currency translation resulted in an increase of \$95 million in 2008. Sales increased \$25 million due to acquisitions, net of divestitures. In addition to the changes in revenue resulting from currency translation and acquisitions, net of divestitures, revenues increased \$119 million primarily due to higher demand and, to a lesser extent, increased prices. The higher demand was due, in part, to the introduction of new products. Growth was particularly strong in sales of scientific instruments, specialty diagnostics and environmental monitoring instruments.

Operating income margin was 21.1% in the first six months of 2008 and 19.3% in the first six months of 2007. The increase resulted from profit on incremental revenues and, to a lesser extent, price increases and productivity improvements, including material sourcing and lower operating costs following restructuring actions.

## Laboratory Products and Services

(Dollars in millions)	Six Months Ended		Change
	June 28, 2008	June 30, 2007	
Revenues	\$ 3,224.8	\$ 2,883.2	12%
Operating Income Margin	14.0%	13.6%	0.4 pts.

Sales in the Laboratory Products and Services segment increased \$342 million to \$3.22 billion in the first six months of 2008. The favorable effects of currency translation resulted in an increase of \$80 million in 2008. Sales increased \$78 million due to acquisitions, net of divestitures. In addition to the changes in revenue resulting from currency translation and acquisitions, net of divestitures, revenues increased \$184 million primarily due to higher demand and, to a lesser extent, increased prices. Sales made through the segment's research market and healthcare market channels and revenues from the company's biopharma services were particularly strong. These increases in revenue were offset in part by lower sales made through the segment's safety market channel although comparative sales were approximately flat in the second quarter of 2008. The safety market channel sales are in part dependent on expenditures for homeland security that vary based on government spending priorities.

Operating income margin increased to 14.0% in the first six months of 2008 from 13.6% in the first six months of 2007, primarily due to profit on incremental revenue and, to a lesser extent, price increases and productivity improvements, including material sourcing and lower operating costs following restructuring actions, offset in part by the impact of inflation on commodities such as raw resin, steel and plastics as well as higher fuel and freight costs.

## Other Expense, Net

The company reported other expense, net, of \$36 million and \$47 million in the first six months of 2008 and 2007, respectively (Note 4). The decrease was primarily due to a \$6 million increase in interest income as a result of higher invested cash balances from operating cash flow, offset in part by cash used to fund acquisitions and to repurchase the company's common stock. The increase also resulted from higher net currency transaction gains in 2008.

## Provision for Income Taxes

The company's effective tax rate was 18.0% and 15.8% in the first six months of 2008 and 2007, respectively. The tax provision in the first six months of 2008 was favorably affected by \$9.6 million or 1.6 percentage points resulting from the impact on deferred tax balances of enacted reductions in tax rates in Switzerland. Aside from the impact of this item, the tax rate was unfavorably affected by an increase in income in higher tax jurisdictions.

THERMO FISHER SCIENTIFIC INC.

First Six Months 2008 Compared With First Six Months 2007 (continued)

Discontinued Operations

During the second quarter of 2008, the company recorded the reversal of a reserve on a note receivable related to a business divested in 2003, resulting in an after-tax gain of \$3 million. The note was collected in July 2008.

In the second quarter of 2007, the company recorded a non-cash impairment charge of \$27 million on a business held for sale. The loss primarily represented the carrying value of the business in excess of the estimated disposal value. During the second quarter of 2007, the company received additional proceeds relating to a sale of a business divested in 2000 and recorded an after-tax gain of \$3 million.

Liquidity and Capital Resources

Consolidated working capital was \$2.42 billion at June 28, 2008, compared with \$1.76 billion at December 31, 2007. The increase was primarily due to increases in accounts receivable, cash and, to a lesser extent, inventories. Included in working capital were cash, cash equivalents and short-term available-for-sale investments of \$1.02 billion at June 28, 2008 and \$639 million at December 31, 2007.

First Six Months 2008

Cash provided by operating activities was \$590 million during the first six months of 2008. Increases in accounts receivable and inventories used cash of \$101 million and \$64 million, respectively, representing working capital increases associated with the growth in revenues. Cash payments for income taxes totaled \$136 million in the first six months of 2008 compared with \$59 million in the 2007 period, primarily as a result of no longer having tax loss carryforwards in the U.S.

During the first six months of 2008, the company's primary investing activities included acquisitions and the purchase of property, plant and equipment. The company expended \$43 million for acquisitions and \$109 million for purchases of property, plant and equipment.

The company's financing activities used \$56 million of cash during the first six months of 2008, principally for the repurchase of \$102 million of the company's common stock and repayment of \$16 million of debt, offset in part by proceeds of stock option exercises. The company had proceeds of \$49 million from the exercise of employee stock options and \$12 million of tax benefits from the exercise of stock options. As of June 28, 2008, no remaining Board of Directors' authorization exists for future repurchases.

In the third quarter of 2008, through July 31, 2008, the company acquired businesses for aggregate cash consideration of approximately \$79 million.

The company has no material commitments for purchases of property, plant and equipment and expects that for all of 2008, such expenditures will approximate \$230 - \$250 million. The company's contractual obligations and other commercial commitments did not change materially between December 31, 2007 and June 28, 2008.

The company believes that its existing resources, including cash and investments, future cash flow from operations and available borrowings under its existing revolving credit facilities, are sufficient to meet the working capital requirements of its existing businesses for the foreseeable future, including at least the next 24 months.



THERMO FISHER SCIENTIFIC INC.

First Six Months 2007

Cash provided by operating activities was \$554 million during the first six months of 2007. A reduction in other current liabilities used cash of \$61 million, primarily as a result of payment of annual incentive compensation as well as \$51 million of merger-related payments. Cash payments for income taxes, net of refunds, totaled \$59 million in the first six months of 2007. Cash of \$58 million was used to replenish inventory levels following strong fourth quarter shipments. Payments for restructuring actions of the company's continuing operations, principally severance, lease costs and other expenses of real estate consolidation, used cash of \$23 million during the first six months of 2007.

During the first six months of 2007, the primary investing activities of the company's continuing operations, excluding available-for-sale investment activities, included acquisitions and the purchase of property, plant and equipment. The company expended \$39 million on acquisitions and \$72 million for purchases of property, plant and equipment. The company collected a note receivable from Newport Corporation totaling \$48 million and had proceeds from the sale of property, plant and equipment of \$14 million, principally real estate. The company's discontinued operations had cash flows of \$29 million from investing activities, principally the sale of Genevac, Ltd.

The company's financing activities used \$221 million of cash during the first six months of 2007, principally for the repayment of \$453 million of short-term debt, offset in part by proceeds of stock option exercises. The company had proceeds of \$224 million from the exercise of employee stock options and \$17 million of tax benefits from the exercise of stock options.

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 equity prices has not changed materially from its exposure at year-end 2007.

Item 4. Controls and Procedures

The company's management, with the participation of the company's chief executive officer and chief financial officer, evaluated the effectiveness of the company's disclosure controls and procedures as of June 28, 2008. 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 June 28, 2008, the company's chief executive officer and chief financial officer concluded that, as of such date, the company's disclosure controls and procedures were effective at the reasonable assurance level.

There have been no changes in the company's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the fiscal quarter ended June 28, 2008, that have materially affected or are reasonably likely to materially affect the company's internal control over financial reporting.



THERMO FISHER SCIENTIFIC INC.

PART II — OTHER INFORMATION

Item Risk Factors

1A.

Set forth below are the risks that we believe are material to our investors. This section contains forward-looking statements. You should refer to the explanation of the qualifications and limitations on forward-looking statements beginning on page 20.

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

Development of our products requires significant investment; our products and technologies could become uncompetitive or obsolete. Our customers use many of our products to develop, test and manufacture their own products. As a result, we must anticipate industry trends and develop products in advance of the commercialization of our customers' products. If we fail to adequately predict our customers' needs and future activities, we may invest heavily in research and development of products and services that do not lead to significant revenue.

Many of our existing products and those under development are technologically innovative and require significant planning, design, development and testing at the technological, product and manufacturing-process levels. These activities require us to make significant investments.

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

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

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

- strengthening our presence in selected geographic markets; and

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

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



THERMO FISHER SCIENTIFIC INC.

Item Risk Factors (continued)

1A.

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

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

Third parties may assert claims against us to the effect that we are infringing on their intellectual property rights. For example, in September 2004 Applied Biosystems/MDS Scientific Instruments and related parties brought a lawsuit against us alleging our mass spectrometer systems infringe a patent held by the plaintiffs. We could incur substantial costs and diversion of management resources in defending these claims, which could have a material adverse effect on our business, financial condition and results of operations. In addition, parties making these claims could secure a judgment awarding substantial damages, as well as injunctive or other equitable relief, which could effectively block our ability to make, use, sell, distribute, or market our products and services in the United States or abroad. In the event that a claim relating to intellectual property is asserted against us, or third parties not affiliated with us hold pending or issued patents that relate to our products or technology, we may seek licenses to such intellectual property or challenge those patents. However, we may be unable to obtain these licenses on commercially reasonable terms, if at all, and our challenge of the patents may be unsuccessful. Our failure to obtain the necessary licenses or other rights could prevent the sale, manufacture, or distribution of our products and, therefore, could have a material adverse effect on our business, financial condition and results of operations.

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

Our results could be impacted if we are unable to realize potential future benefits from new productivity initiatives. We continue to pursue practical process improvement (PPI) programs and other cost saving initiatives at our locations which are designed to further enhance our productivity, efficiency and customer satisfaction. While we anticipate

continued benefits from these initiatives, future benefits are expected to be fewer and smaller in size and may be more difficult to achieve.

THERMO FISHER SCIENTIFIC INC.

Item Risk Factors (continued)

1A.

Our business is impacted by general economic conditions and related uncertainties affecting markets in which we operate. Adverse economic conditions could adversely impact our business in 2008 and beyond, resulting in:

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

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

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

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

Moreover, we have acquired many companies and businesses. As a result of these acquisitions, we recorded significant goodwill and indefinite-lived intangible assets on our balance sheet, which amount to approximately \$8.72 and \$1.33 billion, respectively, as of June 28, 2008. We assess the realizability of the goodwill and indefinite-lived intangible assets annually as well as whenever events or changes in circumstances indicate that these assets may be impaired. These events or circumstances generally include operating losses or a significant decline in earnings associated with the acquired business or asset. Our ability to realize the value of the goodwill and indefinite-lived intangible assets will depend on the future cash flows of these businesses. These cash flows in turn depend in part on how well we have integrated these businesses. If we are not able to realize the value of the goodwill and indefinite-lived intangible assets, we may be required to incur material charges relating to the impairment of those assets.

THERMO FISHER SCIENTIFIC INC.

Item Risk Factors (continued)

1A.

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

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

As a multinational corporation, we are exposed to fluctuations in currency exchange rates, which could adversely affect our cash flows and results of operations. International revenues account for a substantial portion of our revenues, and we intend to continue expanding our presence in international markets. In 2007, our international revenues from continuing operations, including export revenues from the United States, accounted for approximately 35% of our total revenues. The exposure to fluctuations in currency exchange rates takes on different forms. International revenues are subject to the risk that fluctuations in exchange rates could adversely affect product demand and the profitability in U.S. dollars of products and services provided by us in international markets, where payment for our products and services is made in the local currency. As a multinational corporation, our businesses occasionally invoice third-party customers in currencies other than the one in which they primarily do business (the “functional currency”). Movements in the invoiced currency relative to the functional currency could adversely impact our cash flows and our results of operations. In addition, reported sales made in non-U.S. currencies by our international businesses, when translated into U.S. dollars for financial reporting purposes, fluctuate due to exchange rate movement. Should our international sales grow, exposure to fluctuations in currency exchange rates could have a larger effect on our financial results. In 2007, currency translation had a favorable effect on revenues of our continuing operations of \$241 million due to a weakening of the U.S. dollar relative to other currencies in which the company sells products and services.

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

Because we compete directly with certain of our largest customers and product suppliers, our results of operations could be adversely affected in the short term if these customers or suppliers abruptly discontinue or significantly modify their relationship with us.

Our largest customer in the laboratory consumables business and our largest customer in the diagnostics business are also significant competitors. Our business may be harmed in the short term if our competitive relationship in the marketplace with these customers results in a discontinuation of their purchases from us. In addition, we manufacture products that compete directly with products that we source from third-party suppliers. We also source competitive

products from multiple suppliers. Our business could be adversely affected in the short term if any of our large third-party suppliers abruptly discontinues selling products to us.

THERMO FISHER SCIENTIFIC INC.

Item Risk Factors (continued)

1A.

Because we rely heavily on third-party package-delivery services, a significant disruption in these services or significant increases in prices may disrupt our ability to ship products, increase our costs and lower our profitability.

We ship a significant portion of our products to our customers through independent package delivery companies, such as UPS and Federal Express in the U.S. and DHL in Europe. We also maintain a small fleet of vehicles dedicated to the delivery of our products and ship our products through other carriers, including national and regional trucking firms, overnight carrier services and the U.S. Postal Service. If UPS or another third-party package-delivery provider experiences a major work stoppage, preventing our products from being delivered in a timely fashion or causing us to incur additional shipping costs we could not pass on to our customers, our costs could increase and our relationships with certain of our customers could be adversely affected. In addition, if UPS or our other third-party package-delivery providers increase prices, and we are not able to find comparable alternatives or make adjustments in our delivery network, our profitability could be adversely affected.

We are subject to regulation by various federal, state and foreign agencies that require us to comply with a wide variety of regulations, including those regarding the manufacture of products, the shipping of our products and environmental matters.

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

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

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

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

THERMO FISHER SCIENTIFIC INC.

Item Risk Factors (continued)

1A.

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

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

- development of large and sophisticated groups purchasing medical and surgical supplies;
  - wider implementation of managed care;
  - legislative healthcare reform;
  - consolidation of pharmaceutical companies;
- increased outsourcing of certain activities, including to low-cost offshore locations; and
- consolidation of distributors of pharmaceutical, medical and surgical supplies.

We expect the healthcare industry to continue to change significantly in the future. Some of these potential changes, such as a reduction in governmental support of healthcare services or adverse changes in legislation or regulations governing the delivery or pricing of healthcare services or mandated benefits, may cause healthcare-industry participants to purchase fewer of our products and services or to reduce the prices they are willing to pay for our products or services.

We may incur unexpected costs from increases in fuel and raw material prices, which could reduce our earnings and cash flow.

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

Unforeseen problems with the implementation and maintenance of our information systems at certain of our sites could interfere with our operations. As a part of the effort to upgrade our current information systems, we are implementing new enterprise resource planning software and other software applications to manage certain of our business operations. As we implement and add functionality, problems could arise that we have not foreseen. Such problems could adversely impact our ability to do the following in a timely manner: provide quotes, take customer orders, ship products, provide services and support to our customers, bill and track our customers, fulfill contractual obligations and otherwise run our business. In addition, if our new systems fail to provide accurate and increased visibility into pricing and cost structures, it may be difficult to improve or maximize our profit margins. As a result, our results of operations and cash flows could be adversely affected.

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

As of June 28, 2008, we had approximately \$2.19 billion in outstanding indebtedness. In addition, we had the ability to incur an additional \$942 million of indebtedness under our revolving credit facility. We may also obtain additional long-term debt and lines of credit to meet future financing needs, which would have the effect of increasing our total



leverage.

35

---

## THERMO FISHER SCIENTIFIC INC.

## Item Risk Factors (continued)

## 1A.

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

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

Additionally, the agreements governing our debt require that we maintain certain financial ratios, and contain affirmative and negative covenants that restrict our activities by, among other limitations, limiting our ability to incur additional indebtedness, make investments, create liens, sell assets and enter into transactions with affiliates. The covenants in our revolving credit facility include a debt-to-EBITDA ratio. Specifically, the company has agreed that, so long as any lender has any commitment under the facility, or any loan or other obligation is outstanding under the facility, or any letter of credit is outstanding under the facility, it will not permit (as the following terms are defined in the facility) the Consolidated Leverage Ratio (the ratio of consolidated Indebtedness to Consolidated EBITDA) as at the last day of any fiscal quarter to be greater than 3.0 to 1.0.

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

## Item 4. Submission of Matters to a Vote of Security Holders

At the company's Annual Meeting of Stockholders held on May 20, 2008, the stockholders elected a class of three incumbent directors, Scott M. Sperling, Bruce L. Koepfgen and Michael E. Porter, to a three-year term expiring at the 2011 Annual Meeting of Stockholders. In addition, the stockholders approved the adoption of the Thermo Fisher Scientific Inc. 2008 Stock Incentive Plan and the Thermo Fisher Scientific Inc. 2008 Annual Incentive Award Plan and ratified the selection by the Audit Committee of the company's Board of Directors of PricewaterhouseCoopers LLP as the company's independent auditors for the fiscal year ending December 31, 2008. The results of the votes for each of these proposals were as follows:

Proposal 1 — Election of three directors, constituting the class of directors to be elected for a three-year term expiring in 2011:

	For	Against	Abstained	Broker Non-Votes
Scott M. Sperling	348,859,804	18,092,169	4,286,046	4,578
Bruce L. Koepfgen	350,902,727	16,012,559	4,322,732	4,579
Michael E. Porter	345,100,824	21,849,307	4,287,891	4,575



THERMO FISHER SCIENTIFIC INC.

Item 4. Submission of Matters to a Vote of Security Holders (continued)

Proposal 2 — Approval and adoption of the Thermo Fisher Scientific Inc. 2008 Stock Incentive Plan:

	For	Against	Abstained	Broker Non-Votes
	282,222,575	56,685,728	4,441,288	27,893,006

Proposal 3 — Approval and adoption of the Thermo Fisher Scientific Inc. 2008 Annual Incentive Award Plan:

	For	Against	Abstained	Broker Non-Votes
	351,990,116	13,413,730	4,636,101	1,202,650

Proposal 4 — Ratification of selection by the Audit Committee of the company's Board of Directors of PricewaterhouseCoopers LLP as the company's independent auditors for the fiscal year ending December 31, 2008:

	For	Against	Abstained	Broker Non-Votes
	362,322,452	3,325,104	4,392,398	1,202,643

Item 6. Exhibits

See Exhibit Index on page 39.

THERMO FISHER SCIENTIFIC INC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized as of the 31st day of July 2008.

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
3.1	Bylaws of the company, as amended and effective as of May 15, 2008.
10.1	Form of Thermo Fisher Scientific Stock Option Agreement for use in connection with the grant of stock options under the Registrant's equity plans to directors of the Registrant.
10.2	Thermo Fisher Scientific Inc. 2008 Stock Incentive Plan (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed May 22, 2008 [File No. 1-8002] and incorporated in this document by reference).
10.3	Thermo Fisher Scientific Inc. 2008 Annual Incentive Award Plan (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed May 22, 2008 [File No. 1-8002] and incorporated in this document by reference).
10.4	Form of Executive Change in Control Retention Agreement for Officers dated May 15, 2008 (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed May 19, 2008 [File No. 1-8002] and incorporated in this document by reference).
10.5	Thermo Fisher Scientific Inc. Executive Severance Policy (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed May 19, 2008 [File No. 1-8002] and incorporated in this document by reference).
10.6	Stock Option Agreement dated May 15, 2008 between the Registrant and Marc Casper (filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed May 19, 2008 [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.*

---

\*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.



