

THERMO FISHER SCIENTIFIC INC.
Form 10-Q
October 31, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Quarter Ended September 27, 2014

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

Commission File Number 1-8002

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

Delaware
(State of incorporation or organization)

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

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

02451
(Zip Code)

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

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

Class	Outstanding at September 27, 2014
Common Stock, \$1.00 par value	400,025,475

THERMO FISHER SCIENTIFIC INC.

QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 27, 2014

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THERMO FISHER SCIENTIFIC INC.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED BALANCE SHEET

(Unaudited)

(In millions)	September 27, 2014	December 31, 2013
Assets		
Current Assets:		
Cash and cash equivalents	\$534.3	\$5,826.0
Short-term investments	9.3	4.5
Accounts receivable, less allowances of \$78.5 and \$54.1	2,507.1	1,942.3
Inventories	1,913.7	1,494.5
Deferred tax assets	230.6	192.5
Other current assets	524.9	420.9
Total current assets	5,719.9	9,880.7
Property, Plant and Equipment, at Cost, Net	2,406.1	1,767.4
Acquisition-related Intangible Assets, Net	14,698.3	7,071.3
Other Assets	819.7	640.7
Goodwill	19,046.8	12,503.3
Total Assets	\$42,690.8	\$31,863.4

THERMO FISHER SCIENTIFIC INC.

CONSOLIDATED BALANCE SHEET (Continued)

(Unaudited)

(In millions except share amounts)	September 27, 2014	December 31, 2013
Liabilities and Shareholders' Equity		
Current Liabilities:		
Short-term obligations and current maturities of long-term obligations	\$3,088.5	\$987.7
Accounts payable	818.1	691.5
Accrued payroll and employee benefits	627.8	432.0
Accrued income taxes	324.0	—
Deferred revenue	325.9	198.9
Other accrued expenses	1,037.8	815.9
Total current liabilities	6,222.1	3,126.0
Deferred Income Taxes	3,473.1	1,609.9
Other Long-term Liabilities	1,096.4	771.8
Long-term Obligations	11,388.6	9,499.6
Shareholders' Equity:		
Preferred stock, \$100 par value, 50,000 shares authorized; none issued		
Common stock, \$1 par value, 1,200,000,000 shares authorized; 408,013,012 and 369,598,265 shares issued	408.0	369.6
Capital in excess of par value	11,416.3	8,222.6
Retained earnings	9,866.0	8,753.3
Treasury stock at cost, 7,987,537 and 7,636,887 shares	(455.4)	(412.2)
Accumulated other comprehensive items	(724.3)	(77.2)
Total shareholders' equity	20,510.6	16,856.1
Total Liabilities and Shareholders' Equity	\$42,690.8	\$31,863.4

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

THERMO FISHER SCIENTIFIC INC.

CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

(In millions except per share amounts)	Three Months Ended		Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Revenues				
Product revenues	\$3,628.5	\$2,730.8	\$10,781.9	\$8,241.1
Service revenues	542.9	461.0	1,614.9	1,382.3
Total revenues	4,171.4	3,191.8	12,396.8	9,623.4
Costs and Operating Expenses:				
Cost of product revenues	1,873.9	1,546.6	5,920.1	4,652.2
Cost of service revenues	363.9	297.3	1,076.6	923.8
Selling, general and administrative expenses	1,228.7	848.5	3,659.5	2,547.6
Research and development expenses	175.2	95.9	508.6	290.8
Restructuring and other costs (income), net	(110.6)	11.4	(631.9)	54.4
Total costs and operating expenses	3,531.1	2,799.7	10,532.9	8,468.8
Operating Income	640.3	392.1	1,863.9	1,154.6
Other Expense, Net	(101.1)	(73.1)	(313.8)	(212.7)
Income from Continuing Operations Before Income Taxes	539.2	319.0	1,550.1	941.9
Income Tax Provision	(69.3)	(1.3)	(258.6)	(5.8)
Income from Continuing Operations	469.9	317.7	1,291.5	936.1
Gain (Loss) from Discontinued Operations (net of income tax provision (benefit) of \$1.0, (\$0.1), \$1.0 and (\$0.4))	1.7	(0.1)	1.7	(0.7)
Loss on Disposal of Discontinued Operations, Net (net of income tax benefit of \$2.8)	—	—	—	(4.2)
Net Income	\$471.6	\$317.6	\$1,293.2	\$931.2
Earnings per Share from Continuing Operations				
Basic	\$1.17	\$.88	\$3.25	\$2.60
Diluted	\$1.16	\$.86	\$3.21	\$2.57
Earnings per Share				
Basic	\$1.18	\$.88	\$3.25	\$2.59
Diluted	\$1.17	\$.86	\$3.22	\$2.56

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Weighted Average Shares

Basic	399.9	361.2	397.5	359.8
Diluted	403.7	367.3	401.7	364.1
Cash Dividends Declared per Common Share	\$.15	\$.15	\$.45	\$.45

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

THERMO FISHER SCIENTIFIC INC.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

(In millions)	Three Months Ended		Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Comprehensive Income (Loss)				
Net Income	\$471.6	\$317.6	\$1,293.2	\$931.2
Other Comprehensive Items:				
Currency translation adjustment	(619.5)	308.8	(655.9)	(6.2)
Unrealized gains on available-for-sale investments:				
Unrealized holding gains (losses) arising during the period (net of tax provision (benefit) of (\$0.2), \$0.1, (\$0.1) and \$0.4)	(0.1)	0.1	1.7	1.2
Reclassification adjustment for gains included in net income (net of tax provision of \$0.0 and \$2.5)	—	—	(1.4)	(8.0)
Unrealized gains and losses on hedging instruments:				
Unrealized gain (loss) on hedging instruments (net of tax provision (benefit) of (\$1.1) and \$3.0)	—	(1.7)	—	5.0
Reclassification adjustment for losses included in net income (net of tax benefit of \$0.5, \$0.6, \$1.4 and \$1.6)	0.7	0.8	2.2	2.4
Pension and other postretirement benefit liability adjustment:				
Pension and other postretirement benefit liability adjustments arising during the period (net of tax provision (benefit) of \$2.1, (\$1.7), \$1.2 and (\$0.2))	4.9	(4.4)	2.3	(0.2)
Amortization of net loss and prior service benefit included in net periodic pension cost (net of tax benefit of \$0.5, \$0.8, \$1.7 and \$2.6)	1.4	2.0	4.0	5.8
Total other comprehensive items	(612.6)	305.6	(647.1)	—
Comprehensive Income (Loss)	\$(141.0)	\$623.2	\$646.1	\$931.2

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

THERMO FISHER SCIENTIFIC INC.

CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

(In millions)	Nine Months Ended	
	September 27, 2014	September 28, 2013
Operating Activities		
Net income	\$1,293.2	\$931.2
(Gain) loss from discontinued operations	(1.7)	0.7
Loss on disposal of discontinued operations	—	4.2
Income from continuing operations	1,291.5	936.1
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	1,256.1	750.6
Change in deferred income taxes	(583.8)	(204.5)
Net gains on sale of businesses	(894.4)	—
Non-cash stock-based compensation	86.6	66.6
Tax benefits from stock-based compensation awards	(61.1)	(39.8)
Non-cash charges for sale of inventories revalued at the date of acquisition	303.1	23.9
Other non-cash expenses, net	27.8	17.0
Changes in assets and liabilities, excluding the effects of acquisitions and dispositions:		
Accounts receivable	(117.3)	(155.3)
Inventories	(109.1)	(129.7)
Other assets	205.8	(69.0)
Accounts payable	(3.3)	49.1
Other liabilities	304.8	66.1
Contributions to retirement plans	(37.3)	(25.6)
Net cash provided by continuing operations	1,669.4	1,285.5
Net cash used in discontinued operations	(3.5)	(3.3)
Net cash provided by operating activities	1,665.9	1,282.2
Investing Activities		
Acquisitions, net of cash acquired	(13,056.1)	(5.5)
Purchase of property, plant and equipment	(270.9)	(187.9)
Proceeds from sale of property, plant and equipment	19.7	15.9
Proceeds from sale of investments	84.4	0.5
Proceeds from sale of businesses, net of cash divested	1,520.0	—
Decrease (increase) in restricted cash	50.2	(24.7)
Other investing activities, net	(4.0)	8.4

Net cash used in investing activities	\$(11,656.7) \$(193.3)
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THERMO FISHER SCIENTIFIC INC.

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
(Unaudited)

(In millions)	Nine Months Ended	
	September 27, 2014	September 28, 2013
Financing Activities		
Net proceeds from issuance of long-term debt	\$4,999.6	\$—
Increase in commercial paper, net	212.2	—
Repayment of long-term obligations	(3,430.3)	(0.9)
Decrease in short-term notes payable	(28.2)	(0.7)
Purchases of company common stock	—	(89.8)
Dividends paid	(174.8)	(162.0)
Net proceeds from issuance of company common stock	2,942.0	—
Net proceeds from issuance of company common stock under employee stock plans	132.7	204.9
Tax benefits from stock-based compensation awards	61.1	39.8
Other financing activities, net	(7.5)	(4.8)
Net cash provided by (used in) financing activities	4,706.8	(13.5)
Exchange Rate Effect on Cash	(7.7)	(35.4)
(Decrease) Increase in Cash and Cash Equivalents	(5,291.7)	1,040.0
Cash and Cash Equivalents at Beginning of Period	5,826.0	805.6
Cash and Cash Equivalents at End of Period	\$534.3	\$1,845.6

See Note 13 for supplemental cash flow information.

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

THERMO FISHER SCIENTIFIC INC.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(Unaudited)

(In millions)	Common Shares	Stock Amount	Capital in Excess of Par Value	Retained Earnings	Treasury Stock Shares	Amount	Accumulated Other Comprehensive Items	Total Shareholders' Equity
Balance at December 31, 2012	413.5	\$413.5	\$10,501.1	\$7,697.3	(56.0)	\$(2,996.8)	\$ (150.4)	\$ 15,464.7
Issuance of shares under employees' and directors' stock plans	5.5	5.5	208.0	—	(0.3)	(22.9)	—	190.6
Stock-based compensation	—	—	66.6	—	—	—	—	66.6
Tax benefit related to employees' and directors' stock plans	—	—	37.6	—	—	—	—	37.6
Purchases of company common stock	—	—	—	—	(1.3)	(89.8)	—	(89.8)
Dividends declared	—	—	—	(162.8)	—	—	—	(162.8)
Net income	—	—	—	931.2	—	—	—	931.2
Other comprehensive items	—	—	—	—	—	—	—	—
Other	—	—	(0.8)	—	—	—	—	(0.8)
Balance at September 28, 2013	419.0	\$419.0	\$10,812.5	\$8,465.7	(57.6)	\$(3,109.5)	\$ (150.4)	\$ 16,437.3
Balance at December 31, 2013	369.6	\$369.6	\$8,222.6	\$8,753.3	(7.6)	\$(412.2)	\$ (77.2)	\$ 16,856.1
Issuance of shares under employees' and directors' stock plans	3.5	3.5	139.0	—	(0.4)	(43.2)	—	99.3
Issuance of shares	34.9	34.9	2,907.4	—	—	—	—	2,942.3
Stock-based compensation	—	—	86.6	—	—	—	—	86.6
Tax benefit related to employees'	—	—	60.9	—	—	—	—	60.9

and directors' stock plans									
Dividends declared	—	—	—	(180.5)	—	—	—	—	(180.5)
Net income	—	—	—	1,293.2	—	—	—	—	1,293.2
Other comprehensive items	—	—	—	—	—	—	—	(647.1)	(647.1)
Other	—	—	(0.2)	—	—	—	—	—	(0.2)
Balance at September 27, 2014	408.0	\$408.0	\$11,416.3	\$9,866.0	(8.0)	\$(455.4)	\$ (724.3)	\$	20,510.6

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

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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

Nature of Operations

Thermo Fisher Scientific Inc. (the company or Thermo Fisher) enables customers to make the world healthier, cleaner and safer by providing analytical instruments, equipment, reagents and consumables, software and services for research, manufacturing, analysis, discovery and diagnostics. Markets served include pharmaceutical and biotech companies, hospitals and clinical diagnostic labs, universities, research institutions and government agencies, as well as environmental and industrial process control settings. On February 3, 2014, the company acquired Life Technologies Corporation (Note 2).

Interim Financial Statements

The interim consolidated financial statements presented herein have been prepared by the company, are unaudited and, in the opinion of management, reflect all adjustments of a normal recurring nature necessary for a fair presentation of the financial position at September 27, 2014, the results of operations for the three- and nine-month periods ended September 27, 2014, and September 28, 2013, and the cash flows for the nine-month periods ended September 27, 2014, and September 28, 2013. Interim results are not necessarily indicative of results for a full year.

The consolidated balance sheet presented as of December 31, 2013, 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 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 2013 financial statements and notes included in the company's Current Report on Form 8-K filed with the Securities and Exchange Commission (SEC) on May 2, 2014.

Note 1 to the consolidated financial statements for 2013 describes the significant accounting estimates and policies used in preparation of the consolidated financial statements. There have been no material changes in the company's significant accounting policies during the nine months ended September 27, 2014.

Warranty Obligations

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

(In millions)	Nine Months Ended	
	September 27, 2014	September 28, 2013
Beginning Balance	\$49.8	\$48.7
Provision charged to income	57.6	51.8
Usage	(58.0)	(54.2)

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Acquisitions	7.1	—
Adjustments to previously provided warranties, net	1.0	0.7
Other, net	(1.3)	—
Ending Balance	\$56.2	\$47.0

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Inventories

The components of inventories are as follows:

(In millions)	September 27, 2014	December 31, 2013
Raw Materials	\$444.3	\$347.4
Work in Process	216.9	157.7
Finished Goods	1,252.5	989.4
Inventories	\$1,913.7	\$1,494.5

Property, Plant and Equipment

Property, plant and equipment consists of the following:

(In millions)	September 27, 2014	December 31, 2013
Land	\$287.2	\$212.2
Buildings and Improvements	996.6	821.0
Machinery, Equipment and Leasehold Improvements	2,550.3	2,047.9
Property, Plant and Equipment, at Cost	3,834.1	3,081.1
Less: Accumulated Depreciation and Amortization	1,428.0	1,313.7
Property, Plant and Equipment, at Cost, Net	\$2,406.1	\$1,767.4

Acquisition-related Intangible Assets

Acquisition-related intangible assets are as follows:

(In millions)	September 27, 2014			December 31, 2013		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Definite Lived	\$18,483.2	\$ (5,088.9)	\$13,394.3	\$10,121.8	\$ (4,388.2)	\$5,733.6
Indefinite Lived	1,304.0	—	1,304.0	1,337.7	—	1,337.7
Acquisition-related Intangible Assets	\$19,787.2	\$ (5,088.9)	\$14,698.3	\$11,459.5	\$ (4,388.2)	\$7,071.3

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In addition, significant estimates were made in estimating future cash flows to assess potential impairment of assets and in determining the fair value of acquired intangible assets (Note 2) and the ultimate loss from abandoning leases at facilities being exited (Note 14). Actual results could differ from those estimates.

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Recent Accounting Pronouncements

In May 2014, the FASB issued new revenue recognition guidance which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will supersede most current revenue recognition guidance. The new standard also requires significantly expanded disclosures regarding the qualitative and quantitative information of an entity's nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance is effective for the company in 2017. Early adoption is not permitted. The company is currently evaluating the impact the standard will have on its consolidated financial statements.

In April 2014, the FASB issued new guidance on reporting discontinued operations and disclosures of disposals. Under the new guidance, only disposals representing a strategic shift in operations will be presented as discontinued operations. The new guidance also requires disclosure of the pre-tax income attributable to a disposal of a significant part of the company that does not qualify for discontinued operations reporting. This guidance is effective for the company in 2015. Adoption of this standard is not expected to have a material impact on the company's consolidated financial statements.

Note 2. Acquisitions and Dispositions

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

Acquisitions have been accounted for using the purchase method of accounting, and the acquired companies' results have been included in the accompanying financial statements from their respective dates of acquisition. Acquisition transaction costs are recorded in selling, general and administrative expenses as incurred.

2014

On February 3, 2014, the company completed the acquisition of Life Technologies Corporation, within the Life Sciences Solutions segment, for a total purchase price of \$15.30 billion, net of cash acquired, including the assumption of \$2.28 billion of debt. The company issued debt and common stock in late 2013 and early 2014 to partially fund the acquisition (Notes 9 and 11). Life Technologies provides innovative products and services to customers conducting scientific research and genetic analysis, as well as those in applied markets, such as forensics and food safety testing. The acquisition of Life Technologies extends customer reach and broadens the company's offerings in biosciences; genetic, medical and applied sciences; and bioproduction. Life Technologies' revenues totaled \$3.87 billion in 2013. The purchase price exceeded the fair value of the identifiable net assets and, accordingly, \$7.15 billion was allocated to goodwill, substantially none of which is tax deductible.

In addition, in 2014, the company acquired an animal health diagnostics company, within the Life Sciences Solutions segment, and a distributor of analytical instruments, within the Analytical Instruments segment, for an

aggregate of \$36 million, net of cash acquired.

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

The components of the purchase price and net assets acquired for 2014 acquisitions are as follows:

(In millions)	Life Technologies	Other	Total
Purchase Price			
Cash paid	\$ 13,487.3	\$43.3	\$13,530.6
Debt assumed	2,279.5	—	2,279.5
Purchase price payable	—	4.0	4.0
Cash acquired	(463.0)	(11.5)	(474.5)
	\$ 15,303.8	\$35.8	\$15,339.6
Net Assets Acquired			
Current assets	\$ 1,759.0	\$18.5	\$1,777.5
Property, plant and equipment	751.8	1.1	752.9
Definite-lived intangible assets:			
Customer relationships	5,883.0	7.0	5,890.0
Product technology	2,626.9	5.5	2,632.4
Tradenames and other	619.1	—	619.1
Indefinite-lived intangible assets:			
In-process research and development	58.4	—	58.4
Goodwill	7,153.1	12.5	7,165.6
Other assets	252.3	0.1	252.4
Liabilities assumed	(3,799.8)	(8.9)	(3,808.7)
	\$ 15,303.8	\$35.8	\$15,339.6

The weighted-average amortization periods for intangible assets acquired in 2014 are 16 years for customer relationships, 11 years for product technology and 11 years for definite-lived tradenames and other. The weighted average amortization period for all definite-lived intangible assets acquired in 2014 is 14 years.

The net assets acquired included in the table above have been recorded based on estimates of fair value, as revised for certain measurement period adjustments as follows. In the third quarter of 2014, the company completed the valuation of the identifiable intangibles acquired in the acquisition of Life Technologies. Following completion of the valuation, the company adjusted the values of certain acquired intangible assets, primarily tradenames, recorded in the first quarter of 2014 and changed the characterization to definite-lived from indefinite-lived as follows:

(In millions)	Increase (Decrease) from Initial Valuation
Indefinite-lived Tradenames	\$(448.2)

Definite-lived Intangible Assets:	
Tradenames	378.5
Customer relationships	19.0
Product technology	2.3
Goodwill	30.8
Deferred Tax Liabilities	(17.6)

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

As a result, in the third quarter of 2014, the company recorded amortization expense of \$14.2 million related to the first and second quarters of 2014, which the company concluded was not material to the results of any quarter in 2014. The company is not aware of any incomplete aspects of the purchase price allocation for Life Technologies and the company does not expect material changes to such allocations from that reported herein.

Unaudited Pro Forma Information

The company acquired Life Technologies in February 2014. Revenues of Life Technologies after the date of acquisition are included in the accompanying statement of income and totaled approximately \$0.94 billion and \$2.56 billion in the three and nine months ended September 27, 2014, respectively. Immediately upon the closing of the acquisition, the company began integrating Life Technologies and as such the legacy and acquired businesses are now sharing various selling, general and administrative functions. As a result, computing a separate measure of Life Technologies' stand-alone profitability for periods after the acquisition date is not practical.

Had the acquisition of Life Technologies been completed as of the beginning of 2013, the company's pro forma results for 2014 and 2013 would have been as follows:

(In millions except per share amounts)	Three Months Ended September 28, 2013	Nine Months Ended September 27, 2014	September 28, 2013
Revenues	\$4,153.6	\$12,675.0	\$12,422.3
Income from Continuing Operations	\$286.8	\$1,590.9	\$567.6
Net Income	\$286.6	\$1,592.6	\$562.6
Earnings per Share from Continuing Operations:			
Basic	\$0.72	\$3.99	\$1.44
Diluted	\$0.72	\$3.95	\$1.43
Earnings per Share:			
Basic	\$0.72	\$3.99	\$1.43
Diluted	\$0.72	\$3.95	\$1.41

Pro forma results include non-recurring pro forma adjustments that were directly attributable to the business combination to reflect amounts as if the acquisition had been completed as of the beginning of 2013, as follows:

- Pre tax charge to selling, general and administrative expenses of \$219.5 million in the nine months ended September 28, 2013, for acquisition-related transaction costs incurred by the company and Life Technologies;

- Pre tax charge to cost of revenues of \$301.4 million in the nine months ended September 28, 2013, for the sale of Life Technologies inventories revalued at the date of acquisition;
- Pre tax charge of \$91.7 million in the nine months ended September 28, 2013, for monetizing equity awards held by Life Technologies' employees at the date of acquisition;
- Pre tax charge of \$37.6 million in the nine months ended September 28, 2013, to conform the accounting policies of Life Technologies with the company's accounting policies; and
- Pre tax reduction of revenues of \$4.0 million, \$6.5 million and \$20.8 million in the three months ended September 28, 2013 and the nine months ended September 27, 2014 and September 28, 2013, respectively, for revaluing Life Technologies' deferred revenue obligations to fair value.

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

These pro forma results of operations have been prepared for comparative purposes only, and they do not purport to be indicative of the results of operations that actually would have resulted had the acquisition occurred on the date indicated or that may result in the future.

The company's results would not have been materially different from its pro forma results had the company's other 2014 acquisitions occurred at the beginning of 2013.

Dispositions

On August 15, 2014, the company sold its Cole-Parmer specialty channel business, part of the Laboratory Products and Services segment, for \$480 million in cash, net of cash divested. The sale of this business resulted in a pre-tax gain of approximately \$133 million, included in restructuring and other costs (income), net. Due to the low tax basis in the Cole-Parmer business, the tax provision related to the sale slightly exceeded the pre-tax gain, resulting in a \$4 million after-tax loss on the sale of the business. Revenues and operating income of the business sold were approximately \$232 million and \$43 million, respectively, for the year ended December 31, 2013 and \$149 million and \$28 million, respectively, in 2014 through the date of sale.

The assets and liabilities of the Cole-Parmer business were as follows at June 28, 2014:

(In millions)	June 28, 2014
Current Assets	\$39.5
Long-term Assets	400.3
Current Liabilities	15.5
Long-term Liabilities	84.1

On March 21, 2014, the company sold its sera and media, gene modulation and magnetic beads businesses to GE Healthcare for \$1.06 billion, net of cash divested, or \$0.8 billion of after-tax proceeds. The businesses fell principally in the Life Sciences Solutions segment. Divestiture of these businesses was a condition to obtaining antitrust approval for the Life Technologies acquisition. Revenues and operating income of the businesses sold were approximately \$250 million and \$64 million, respectively, for the year ended December 31, 2013 and \$61 million and \$12 million, respectively, in 2014 through the date of sale. The sale of these businesses resulted in a pre-tax gain of approximately \$761 million, included in restructuring and other costs (income), net.

The assets and liabilities of the businesses sold in March 2014 were as follows at December 31, 2013:

(In millions)	December 31, 2013
Current Assets	\$74.3
Long-term Assets	229.3

Current Liabilities	6.4
Long-term Liabilities	22.0

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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Note 3. Business Segment and Geographical Information

With the completion of the Life Technologies acquisition, the company established a new reporting segment, called Life Sciences Solutions. Effective January 1, 2014, the company's financial performance is reported in four segments reflecting the following changes:

- The new Life Sciences Solutions segment consists of the majority of the former Life Technologies businesses and Thermo Fisher biosciences businesses.
- Thermo Fisher's global chemicals business has moved from the biosciences business in the Analytical Technologies segment to the Laboratory Products and Services segment.
- Thermo Fisher's Analytical Technologies segment has been renamed the Analytical Instruments segment to reflect the transfer of the biosciences businesses to other segments, as mentioned above.
- Two small specialty diagnostics businesses within Life Technologies have become part of the Specialty Diagnostics segment.

Prior period segment information has been reclassified to reflect these transfers. As Life Technologies was acquired on February 3, 2014, its results are not included in the company's results prior to that date. A description of each segment follows.

Life Sciences Solutions: provides a portfolio of reagents, instruments and consumables used in biological and medical research, discovery and production of new drugs and vaccines as well as diagnosis of disease. These products and services are used by customers in life science research, drug discovery and diagnostics markets.

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

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

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

The company's management evaluates segment operating performance based on operating income before certain charges/credits to cost of revenues and selling, general and administrative expenses, principally associated with acquisition accounting; restructuring and other costs/income including costs arising from facility consolidations such

as severance and abandoned lease expense and gains and losses from the sale of real estate and product lines; and amortization of acquisition-related intangible assets. The company uses this measure because it helps management understand and evaluate the segments' core operating results and facilitates comparison of performance for determining compensation.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Business Segment Information

(In millions)	Three Months Ended		Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Revenues				
Life Sciences Solutions	\$1,071.9	\$167.2	\$3,010.5	\$520.8
Analytical Instruments	786.5	765.4	2,349.8	2,266.5
Specialty Diagnostics	811.8	759.3	2,480.6	2,358.5
Laboratory Products and Services	1,628.7	1,594.7	4,918.6	4,746.0
Eliminations	(127.5)	(94.8)	(362.7)	(268.4)
Consolidated revenues	4,171.4	3,191.8	12,396.8	9,623.4
Segment Income (a)				
Life Sciences Solutions	306.3	38.9	850.0	123.4
Analytical Instruments	137.8	131.0	399.1	376.8
Specialty Diagnostics	224.3	204.2	681.7	643.4
Laboratory Products and Services	246.6	245.3	738.3	714.7
Subtotal reportable segments (a)	915.0	619.4	2,669.1	1,858.3
Cost of revenues charges	(2.1)	(0.9)	(326.7)	(27.2)
Selling, general and administrative charges, net	(20.3)	(24.0)	(118.0)	(47.9)
Restructuring and other (costs) income, net	110.6	(11.4)	631.9	(54.4)
Amortization of acquisition-related intangible assets	(362.9)	(191.0)	(992.4)	(574.2)
Consolidated operating income	640.3	392.1	1,863.9	1,154.6
Other expense, net (b)	(101.1)	(73.1)	(313.8)	(212.7)
Income from continuing operations before income taxes	\$539.2	\$319.0	\$1,550.1	\$941.9
Depreciation				
Life Sciences Solutions	\$37.1	\$4.3	\$97.4	\$12.5
Analytical Instruments	9.4	10.5	29.0	30.5
Specialty Diagnostics	19.4	18.3	57.4	54.9
Laboratory Products and Services	26.9	26.3	79.9	78.5
Consolidated depreciation	\$92.8	\$59.4	\$263.7	\$176.4

(a)

Represents operating income before certain charges to cost of revenues and selling, general and administrative expenses; restructuring and other costs, net; and amortization of acquisition-related intangibles.

(b) The company does not allocate other expense, net to its segments.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Note 4. Other Expense, Net

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

(In millions)	Three Months Ended		Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Interest Income	\$10.5	\$7.1	\$38.4	\$21.4
Interest Expense	(116.8)	(64.3)	(363.7)	(193.1)
Other Items, Net	5.2	(15.9)	11.5	(41.0)
Other Expense, Net	\$(101.1)	\$(73.1)	\$(313.8)	\$(212.7)

Other Items, Net

In the first nine months of 2014, other items, net includes \$9 million of gains from the sale of equity and available-for-sale investments. In the first nine months of 2013, other items, net includes \$61 million of charges related to amortization of fees paid to obtain bridge financing commitments related to the acquisition of Life Technologies, offset in part by a \$5 million gain from additional proceeds from the prior sale of an equity investment. In the first quarter of 2013, the company irrevocably contributed appreciated available-for-sale investments that had a fair value of \$27 million to two of its U.K. defined benefit plans, resulting in realization of a previously unrecognized gain of \$11 million.

Note 5. Stock-based Compensation Expense

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

(In millions)	Three Months Ended		Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Stock Option Awards	\$11.7	\$10.4	\$34.1	\$30.6
Restricted Unit Awards	18.9	12.5	52.5	36.0
Total Stock-based Compensation Expense	\$30.6	\$22.9	\$86.6	\$66.6

As of September 27, 2014, there was \$91 million of total unrecognized compensation cost related to unvested stock options granted. The cost is expected to be recognized through 2018 with a weighted average amortization period of 2.6 years.

As of September 27, 2014, there was \$121 million of total unrecognized compensation cost related to unvested restricted stock unit awards. The cost is expected to be recognized through 2018 with a weighted average amortization period of 2.3 years.

During the first nine months of 2014, the company made equity compensation grants to employees consisting of 1.0 million service- and performance-based restricted stock units and options to purchase 2.5 million shares.

Certain pre-acquisition equity awards of Life Technologies were converted to rights to receive future cash payments over the remaining vesting period. In addition to stock-based compensation, which is included in the above table, in the three- and nine-month periods ended September 27, 2014, the company recorded expense for cash-in-lieu of equity of \$9.2 million and \$26.3 million, respectively, related to these arrangements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Note 6. Pension and Other Postretirement Benefit Plans

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

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

(In millions)	Three Months Ended		Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Service Cost-Benefits Earned	\$8.0	\$5.8	\$17.6	\$15.2
Interest Cost on Benefit Obligation	23.6	11.9	67.2	35.8
Expected Return on Plan Assets	(25.0)	(13.3)	(71.2)	(39.7)
Amortization of Actuarial Net Loss	1.9	2.8	5.9	8.5
Amortization of Prior Service Benefit	—	—	(0.1)	(0.2)
Special Termination Benefits	0.2	0.7	0.2	1.2
Net Periodic Benefit Cost	\$8.7	\$7.9	\$19.6	\$20.8

Note 7. Income Taxes

The provision for income taxes in the accompanying statement of income differs from the provision calculated by applying the statutory federal income tax rate of 35% to income from continuing operations before provision for income taxes due to the following:

(In millions)	Nine Months Ended	
	September 27, 2014	September 28, 2013
Provision for Income Taxes at Statutory Rate	\$542.5	\$329.7
Increases (Decreases) Resulting From:		
Foreign rate differential	(187.6)	(178.0)
Impact of change in tax laws and apportionment on deferred taxes	(26.0)	(5.0)
Foreign and research and development tax credits	(122.5)	(118.6)
Manufacturing deduction	(26.6)	(21.1)
State income taxes, net of federal tax	27.7	(3.1)

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Nondeductible expenses	9.6	5.3
Provision of tax reserves, net	25.3	—
Tax return reassessments and settlements	(1.5)	—
Basis difference on disposal of businesses	26.3	—
Singapore tax holiday	(10.3)	—
Other, net	1.7	(3.4)
	\$258.6	\$5.8

The company has significant activities in Singapore and has received considerable tax incentives. The local taxing authority granted the company pioneer company status which provides an incentive encouraging companies to undertake activities that have the effect of promoting economic or technological development in Singapore. This incentive equates to a tax exemption on earnings associated with most of the company's manufacturing activities in Singapore and continues through December 31, 2021. The impact of this tax holiday decreased the annual effective tax rate by 0.7% and increased diluted earnings per share by approximately \$0.03 for the nine months ended September 27, 2014.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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The company's unrecognized tax benefits increased to \$259.8 million at September 27, 2014, from \$134.2 million at December 31, 2013. Of the total increase, \$100.3 million resulted from the acquisition of Life Technologies and \$54.4 million resulted from the provision of tax reserves, primarily related to the sale of the divested businesses and a tax matter in a foreign jurisdiction, offset in part by a reduction of \$29.1 million from resolution of a tax matter for which a reserve had previously been established.

Note 8. Earnings per Share

(In millions except per share amounts)	Three Months Ended		Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Income from Continuing Operations	\$469.9	\$317.7	\$1,291.5	\$936.1
Gain (Loss) from Discontinued Operations	1.7	(0.1)	1.7	(0.7)
Loss on Disposal of Discontinued Operations, Net	—	—	—	(4.2)
Net Income	\$471.6	\$317.6	\$1,293.2	\$931.2
Basic Weighted Average Shares	399.9	361.2	397.5	359.8
Plus Effect of:				
Equity forward arrangement	—	2.5	0.2	0.8
Stock options and restricted units	3.8	3.6	4.0	3.5
Diluted Weighted Average Shares	403.7	367.3	401.7	364.1
Basic Earnings per Share:				
Continuing operations	\$1.17	\$.88	\$3.25	\$2.60
Discontinued operations	—	—	—	(.01)
	\$1.18	\$.88	\$3.25	\$2.59
Diluted Earnings per Share:				
Continuing operations	\$1.16	\$.86	\$3.21	\$2.57
Discontinued operations	—	—	—	(.01)
	\$1.17	\$.86	\$3.22	\$2.56

Options to purchase 2.4 million, 0.1 million, 2.4 million and 1.3 million shares of common stock were not included in the computation of diluted earnings per share for the third quarter of 2014 and 2013 and first nine months of 2014 and 2013, respectively, because their effect would have been antidilutive.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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Note 9. Debt and Other Financing Arrangements

(Dollars in millions)	Effective Interest Rate at		September	December
	September	September	27, 2014	31, 2013
Commercial Paper	0.44	%	\$462.5	\$250.0
Term Loan	1.62	%	1,875.0	—
2.05% 3-Year Senior Notes, Due 2/21/2014			—	300.0
3.25% 5-Year Senior Notes, Due 11/20/2014	1.65	%	400.0	400.0
4.40% 5-Year Senior Notes, Due 3/1/2015	0.77	%	500.0	—
3.20% 5-Year Senior Notes, Due 5/1/2015	1.59	%	450.0	450.0
5.00% 10-Year Senior Notes, Due 6/1/2015	5.12	%	250.0	250.0
3.50% 5-Year Senior Notes, Due 1/15/2016	1.06	%	400.0	—
3.20% 5-Year Senior Notes, Due 3/1/2016	3.21	%	900.0	900.0
2.25% 5-Year Senior Notes, Due 8/15/2016	2.29	%	1,000.0	1,000.0
1.30% 3-Year Senior Notes, Due 2/1/2017	1.02	%	900.0	900.0
1.85% 5-Year Senior Notes, Due 1/15/2018	1.85	%	500.0	500.0
2.40% 5-Year Senior Notes, Due 2/1/2019	2.44	%	900.0	900.0
6.00% 10-Year Senior Notes, Due 3/1/2020	2.98	%	750.0	—
4.70% 10-Year Senior Notes, Due 5/1/2020	4.70	%	300.0	300.0
5.00% 10-Year Senior Notes, Due 1/15/2021	3.25	%	400.0	—
4.50% 10-Year Senior Notes, Due 3/1/2021	4.58	%	1,000.0	1,000.0
3.60% 10-Year Senior Notes, Due 8/15/2021	4.29	%	1,100.0	1,100.0
3.15% 10-Year Senior Notes, Due 1/15/2023	3.21	%	800.0	800.0
4.15% 10-Year Senior Notes, Due 2/1/2024	4.07	%	1,000.0	1,000.0
5.30% 30-Year Senior Notes, Due 2/1/2044	5.30	%	400.0	400.0
Other			31.0	41.9
Total Borrowings at Par Value			14,318.5	10,491.9
Fair Value Hedge Accounting Adjustments			1.6	12.9
Unamortized Premium (Discount), Net			157.0	(17.5)
Total Borrowings at Carrying Value			14,477.1	10,487.3
Less: Short-term Obligations and Current Maturities			3,088.5	987.7
Long-term Obligations			\$11,388.6	\$9,499.6

The effective interest rates for the fixed-rate debt include the stated interest on the notes, the accretion of any discount or amortization of any premium and, if applicable, adjustments related to hedging.

See Note 12 for fair value information pertaining to the company's long-term obligations.

Credit Facilities

The company has a revolving credit facility with a bank group that provides for up to \$1.50 billion of unsecured multi-currency revolving credit. The facility expires in July 2018. The agreement calls for interest at either a LIBOR-based rate or a rate based on the prime lending rate of the agent bank, at the company's option. The agreement contains affirmative, negative and financial covenants, and events of default customary for financings of this type. The financial covenant requires the company to maintain a Consolidated Leverage Ratio of debt to EBITDA (as defined in the agreement) below 4.5 to 1.0 for the remainder of 2014 and decreasing, based on the passage of time, to 3.5 to 1.0, by August 2015 and an Interest Coverage Ratio of EBITDA (as defined in the agreement) to interest expense of 3.0 to 1.0. The credit agreement permits the company to use the facility for working capital; acquisitions; repurchases of common stock, debentures and other securities; the refinancing of debt; and general corporate purposes. The credit agreement allows for the issuance of letters of credit, which reduces the amount available for borrowing. If the company borrows under this facility, it intends to leave undrawn an amount equivalent to outstanding commercial paper to provide a source of funds in the event that commercial paper markets are not available. As of September 27, 2014, no borrowings were outstanding under the facility, although available capacity was reduced by approximately \$59 million as a result of outstanding letters of credit.

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Commercial Paper Program

The company has a U.S. commercial paper program pursuant to which it may issue and sell unsecured, short-term promissory notes (CP Notes). Maturities may not exceed 397 days from the date of issue and the CP Notes rank pari passu with all of the company's other unsecured and unsubordinated indebtedness. CP Notes are issued on a private placement basis under customary terms in the commercial paper market and are not redeemable prior to maturity nor subject to voluntary prepayment. CP Notes are issued at a discount from par, or, alternatively, are sold at par and bear varying interest rates on a fixed or floating basis. As of September 27, 2014, outstanding borrowings under this program were \$463 million, with a weighted average remaining period to maturity of 16 days. The weighted average interest rate on the outstanding CP Notes as of September 27, 2014 was 0.44%.

Term Loan

In connection with the acquisition of Life Technologies, the company entered into an unsecured term loan agreement. The term loan agreement calls for interest at either a LIBOR-based rate or a rate based on the prime lending rate of the agent bank, at the company's option. The term loan agreement contains affirmative, negative and financial covenants, and events of default customary for financings of this type. The financial covenants require the company to maintain a Consolidated Leverage Ratio of debt to EBITDA (as defined in the agreements) below 4.5 to 1.0 for the remainder of 2014 and decreasing, based on the passage of time, to 3.5 to 1.0, by August 2015. The company must also maintain a minimum interest coverage ratio of 3.0 to 1.0. As of September 27, 2014, outstanding borrowings under the term loan agreement were \$1.88 billion. The company is required to make minimum periodic payments totaling \$250 million and \$1.00 billion in the remainder of 2014 and in 2015, respectively. The remaining balance is due in 2016. Borrowings may be prepaid without penalty.

Senior Notes

Interest on each of the senior notes is payable semi-annually. Each of the notes may be redeemed at any time at a redemption price of 100% of the principal amount plus a specified make-whole premium plus accrued interest. The company is subject to certain affirmative and negative covenants under the indentures governing the senior notes, the most restrictive of which limits the ability of the company to pledge principal properties as security under borrowing arrangements.

The 4.40% Senior Notes due 2015, 3.50% Senior Notes due 2016, 6.00% Senior Notes due 2020 and 5.00% Senior Notes due 2021 were assumed by the company in connection with the Life Technologies acquisition. The fair value of these senior notes on the date of acquisition exceeded the par value by \$207 million which was recorded as part of the carrying value of the underlying debt and will be amortized as a reduction of interest expense over the remaining terms of the respective debt instruments. This adjustment does not affect cash interest payments.

Interest Rate Swap Arrangements

In 2013, upon the issuance of \$900 million principal amount of 1.30% Senior Notes due 2017, the company entered into LIBOR-based interest rate swap arrangements with various banks. The aggregate amount of the swaps is equal to the principal amount of the 1.30% Notes and the payment dates of the swaps coincide with the payment dates of the

1.30% Notes. The swap contracts provide for the company to pay a variable interest rate of one-month LIBOR plus a spread of 0.6616% (0.8186% at September 27, 2014) and to receive a fixed rate of 1.30%. The variable interest rate resets monthly. The swaps have been accounted for as a fair value hedge of the 1.30% Notes. See Note 12 for additional information.

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Note 10. Commitments and Contingencies

There are various lawsuits and claims pending against the company involving product liability, intellectual property, contract, commercial and other issues. 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 company accrues the most likely amount or at least the minimum of the range of probable loss when a range of probable loss can be estimated. The accrued liabilities are based on management's judgment as to the probability of losses for asserted and unasserted claims and, where applicable, actuarially determined estimates. The reserve estimates are adjusted as additional information becomes known or payments are made.

The company records estimated amounts due from insurers related to certain product liabilities as an asset. Although the company believes that the amounts reserved and estimated recoveries are probable and appropriate based on available information, including actuarial studies of loss estimates, the process of estimating losses and insurance recoveries involves a considerable degree of judgment by management and the ultimate amounts could vary materially. Insurance contracts do not relieve the company of its primary obligation with respect to any losses incurred. The collectability of amounts due from its insurers is subject to the solvency and willingness of the insurer to pay, as well as the legal sufficiency of the insurance claims. Management monitors the financial condition and ratings of its insurers on an ongoing basis.

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

On February 3, 2014, the company acquired Life Technologies. Life Technologies and its subsidiaries are party to several lawsuits in which plaintiffs claim infringement of their intellectual property, including the following:

On June 6, 2004, Enzo Biochem, Enzo Life Sciences and Yale University filed a complaint against Life Technologies in United States District Court for the District of Connecticut. The plaintiffs allege patent infringement by Applera's labeled DNA terminator products used in DNA sequencing and fragment analysis. The plaintiff sought damages for alleged willful infringement, attorneys' fees, costs, prejudgment interest, and injunctive relief. In November 2012, the jury awarded damages of \$48.5 million. Prejudgment interest of \$12.4 million was also granted. The \$60.9 million judgment and interest was accrued by Life Technologies and the liability was assumed by the company as of the date of the acquisition. The case is currently on appeal to the United States Court of Appeals for the

Federal Circuit.

On January 30, 2012, Enzo Life Sciences filed a complaint against Life Technologies in United States District Court for the District of Delaware. The plaintiff alleges patent infringement by Life Technologies' Taqman probes and assays, Dynabead oligo-dT beads, NCode oligonucleotide array products, Ion Torrent beads and chips and SOLiD beads and chips. The plaintiff seeks damages for alleged willful infringement, attorneys' fees, costs, prejudgment interest and injunctive relief.

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On May 26, 2010, Promega Corp. & Max-Planck-Gesellschaft Zur Forderung Der Wissenschaften EV filed a complaint against Life Technologies in the United States District Court for the Western District of Wisconsin. The plaintiffs allege patent infringement by sales and uses of Applied Biosystems' short tandem repeat DNA identification products outside the scope of a 2006 license agreement. The plaintiff sought damages for alleged willful infringement, attorneys' fees, costs, prejudgment interest, and injunctive relief. Although a jury initially found willful infringement and assessed damages at \$52 million, the District Court subsequently overturned the verdict on the grounds that the plaintiff had failed to prove infringement. The District Court entered judgment in favor of Life Technologies, and the case is currently on appeal to the United States Court of Appeals for the Federal Circuit. The \$52 million award was accrued by Life Technologies and the liability was assumed by the company as of the date of the acquisition.

On September 29, 2009, Life Technologies filed a complaint against Illumina, Inc. and Solexa, Inc. in the United States District Court for the District of Delaware alleging infringement of patents relating to clonal amplification of nucleic acids by Illumina's next generation Genome Analyzer, HiSeq, and MiSeq DNA sequencing systems. Illumina asserted counterclaims in that case alleging infringement of patents relating to optical tracking, generating linked pairs of nucleic acid segments, and genome-wide variation analysis by Life Technologies' next generation SOLiD sequencing system and Ion Torrent's semiconductor sequencing system. On April 6, 2011, the case was transferred to the United States District Court for the Southern District of California. Life Technologies seeks damages for alleged willful infringement, attorneys' fees, costs, pre- and post-judgment interest, and injunctive relief. On its counterclaims, Illumina seeks damages for alleged infringement, attorneys' fees, costs, pre- and post-judgment interest, and injunctive relief. Final judgment of non-infringement in Illumina's favor was entered on April 28, 2014, and Life Technologies filed an appeal from that judgment with the United States Court of Appeals for the Federal Circuit. On September 12, 2014, the parties settled these claims on terms not material to the company, including no amounts being paid by either party to the other. The claims were subsequently dismissed.

On December 27, 2011, Illumina Inc. filed a complaint against Life Technologies in the United States District Court for the Southern District of California alleging infringement of a patent relating to methods for making bead arrays by Ion Torrent's semiconductor sequencing systems. Plaintiff seeks damages for alleged willful infringement, attorneys' fees, costs, pre- and post-judgment interest, and injunctive relief.

On April 26, 2012, Esoterix Genetic Laboratories filed a complaint against Life Technologies in the United States District Court for the Middle District of North Carolina alleging infringement of patents relating to detection of subpopulations of cells with mutated sequences and multiplexed DNA amplification by Life Technologies' OpenArray systems, next generation SOLiD sequencing system, and Ion Torrent semiconductor sequencing systems. Plaintiff seeks damages for alleged willful infringement, attorneys' fees, costs, prejudgment interest, and injunctive relief.

On October 31, 2012, Esoterix Genetic Laboratories and The Johns Hopkins University filed a complaint against Life Technologies in the United States District Court for the Middle District of North Carolina alleging infringement of patents relating to methods of determining a ratio of genetic sequences in a population of genetic sequences and methods of determining allelic imbalances in a biological sample by Life Technologies' OpenArray systems, next generation SOLiD sequencing system, and Ion Torrent semiconductor sequencing systems. Plaintiffs seek damages for alleged willful infringement, attorneys' fees, costs, prejudgment interest, and injunctive relief.

On June 3, 2013, Unisone Strategic IP filed a complaint against Life Technologies in the United States District Court for the Southern District of California alleging patent infringement by Life Technologies' supply chain management system software, which operates with product "supply centers" installed at customer sites. Plaintiff seeks damages for alleged willful infringement, attorneys' fees, costs, and injunctive relief.

An unfavorable outcome that differs materially from current reserve estimates for one or more of the matters described above could have a material adverse effect on the company's results of operations, financial position or cash flows.

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Note 11. Comprehensive Income and Shareholders' Equity

Comprehensive Income (Loss)

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

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

(In millions)	Currency Translation Adjustment	Unrealized Gains (Losses) on Available-for- Sale Investments	Unrealized Gains (Losses) on Hedging Instruments	Pension and Other Postretirement Benefit Liability Adjustment	Total
Balance at December 31, 2013	\$112.0	\$ 1.3	\$(23.9)	\$ (166.6)	\$(77.2)
Other comprehensive income (loss) before reclassifications	(655.9)	1.7	—	2.3	(651.9)
Amounts reclassified from accumulated other comprehensive items	—	(1.4)	2.2	4.0	4.8
Net other comprehensive items	(655.9)	0.3	2.2	6.3	(647.1)
Balance at September 27, 2014	\$(543.9)	\$ 1.6	\$(21.7)	\$ (160.3)	\$(724.3)

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

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

(In millions)	Affected Line Item in the Statement of Income	Nine Months Ended September 27, 2014	September 28, 2013
Amounts Reclassified From Accumulated Other Comprehensive Items			
Unrealized gains and losses on available-for-sale investments:			
Realized gain on sale or transfer of available-for-sale investments	Other Expense, Net	\$ (1.4)	\$ (10.5)
Tax provision	Provision for Income Taxes	—	2.5
		(1.4)	(8.0)
Unrealized gains and losses on hedging instruments:			
Realized loss on interest rate swaps and locks	Other Expense, Net	3.6	4.0
Tax benefit	Provision for Income Taxes	(1.4)	(1.6)
		2.2	2.4
Pension and other postretirement benefit liability adjustment:			
Amortization of actuarial losses	Net Periodic Benefit Cost -	5.9	8.6
Amortization of prior service benefit	see Note 6 for details	(0.2)	(0.2)
Total before tax		5.7	8.4
Tax benefit	Provision for Income Taxes	(1.7)	(2.6)
		4.0	5.8
Total reclassifications		\$ 4.8	\$ 0.2

Equity Forward Agreements

In June 2013, in anticipation of the acquisition of Life Technologies, the company entered into equity forward agreements. The use of the equity forward agreements substantially eliminated future equity market price risk by fixing a common equity offering sales price under the then existing market conditions, while mitigating share dilution from the offering by postponing the actual issuance of common stock until the funds were needed for the Life Technologies acquisition.

Upon settlement of the agreements, in January 2014, the company issued and delivered 29.6 million shares of its common stock at the then applicable forward sale price of \$82.5342 per share.

On February 3, 2014, the company issued 5.3 million shares of its common stock at a price of \$94.85 per share to settle a private placement subscription agreement that was contingent on the closing of the Life Technologies acquisition.

The equity forward and subscription agreements had no initial fair value as they were entered into at the then market price of the common stock. The company did not receive any proceeds from the sale of common stock until the agreements were settled. Upon settlement, the proceeds were recorded in equity. Prior to their settlement, to the extent that the equity forward agreements were dilutive, they have been reflected in the company's diluted earnings per share calculations using the treasury stock method. Prior to closing, the subscription agreement was not potentially dilutive to the company's diluted earnings per share calculations due to its contingent nature.

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Note 12. Fair Value Measurements and Fair Value of Financial Instruments

Fair Value Measurements

The company uses the market approach technique to value its financial instruments and there were no changes in valuation techniques during 2014. The company's financial assets and liabilities carried at fair value are primarily comprised of investments in money market funds; derivative contracts, insurance contracts, mutual funds holding publicly traded securities and other investments in unit trusts held as assets to satisfy outstanding deferred compensation and retirement liabilities; and acquisition-related contingent consideration.

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

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

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

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

The following table presents information about the company's financial assets and liabilities measured at fair value on a recurring basis as of September 27, 2014:

(In millions)	September 27, 2014	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Cash equivalents	\$22.6	\$22.6	\$—	\$ —
Bank time deposits	9.2	9.2	—	—
Investments in mutual funds, unit trusts and other similar instruments	9.8	9.8	—	—
Insurance contracts	99.3	—	99.3	—
Derivative contracts	23.1	—	23.1	—
Total Assets	\$164.0	\$41.6	\$122.4	\$ —
Liabilities				
Derivative contracts	\$12.7	\$—	\$12.7	\$ —
Contingent consideration	32.7	—	—	32.7

Total Liabilities	\$45.4	\$—	\$12.7	\$ 32.7
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THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

The following table presents information about the company's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2013:

(In millions)	December 31, 2013	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Cash equivalents	\$4,859.9	\$4,859.9	\$—	\$ —
Investments in mutual funds, unit trusts and other similar instruments	9.8	9.8	—	—
Insurance contracts	74.5	—	74.5	—
Auction rate securities	4.5	—	—	4.5
Derivative contracts	3.8	—	3.8	—
Total Assets	\$4,952.5	\$4,869.7	\$78.3	\$ 4.5
Liabilities				
Derivative contracts	\$6.5	\$—	\$6.5	\$ —
Contingent consideration	5.1	—	—	5.1
Total Liabilities	\$11.6	\$—	\$6.5	\$ 5.1

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

In the second quarter of 2014, the company sold all of the auction rate securities and realized a net gain of \$1.4 million. There was no significant activity within the auction rate securities during 2013. The following table provides a rollforward of the fair value, as determined by Level 3 inputs, of the contingent consideration.

(In millions)	Three Months Ended		Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Contingent Consideration				

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Beginning Balance	\$32.0	\$33.7	\$5.1	\$20.1
Acquisition	0.8	—	29.9	—
Payments	(4.2)	(0.7)	(10.3)	(0.7)
Change in fair value included in earnings	4.4	(0.1)	8.0	13.5
Currency translation	(0.3)	—	—	—
Ending Balance	\$32.7	\$32.9	\$32.7	\$32.9

The notional amounts of derivative contracts outstanding, consisting of currency exchange contracts and interest rate swaps, totaled \$3.74 billion and \$2.03 billion at September 27, 2014 and December 31, 2013, respectively.

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

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

(In millions)	Fair Value – Assets		Fair Value – Liabilities	
	September 27, 2014	December 31, 2013	September 27, 2014	December 31, 2013
Derivatives Designated as Hedging Instruments				
Interest rate swaps (a)	\$—	\$—	\$5.7	\$5.2
Derivatives Not Designated as Hedging Instruments				
Currency exchange contracts (b)	23.1	3.8	7.0	1.3

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

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

(In millions)	Gain (Loss) Recognized			
	Three Months Ended		Nine Months Ended	
	September 27, 2014	September 28, 2013	September 27, 2014	September 28, 2013
Derivatives Designated as Fair Value Hedges				
Interest rate swaps - effective portion	\$1.1	\$—	\$3.2	\$—
Interest rate swaps - ineffective portion	(2.3)	—	(0.5)	—
Derivatives Not Designated as Fair Value Hedges				
Currency exchange contracts				
Included in cost of revenues	\$7.0	\$1.5	\$11.2	\$2.0
Included in other expense, net	75.9	(26.8)	76.1	(12.0)

Gains and losses recognized on currency exchange contracts and the effective portion of interest rate swaps are included in the consolidated statement of income together with the corresponding, offsetting losses and gains on the underlying hedged transactions. Gains and losses recognized on the ineffective portion of interest rate swaps are included in other expense, net in the accompanying statement of income.

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Fair Value of Other Financial Instruments

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

(In millions)	September 27, 2014		December 31, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Notes Receivable	\$8.1	\$8.1	\$7.6	\$7.6
Debt Obligations:				
Senior notes	\$12,108.6	\$12,396.6	\$10,195.4	\$10,304.8
Term loan	1,875.0	1,875.0	—	—
Commercial paper	462.5	462.5	250.0	250.0
Other	31.0	31.0	41.9	41.9
	\$14,477.1	\$14,765.1	\$10,487.3	\$10,596.7

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

Note 13. Supplemental Cash Flow Information

(In millions)	Nine Months Ended	
	September 27, 2014	September 28, 2013
Non-cash Activities		
Fair value of assets of acquired businesses	\$ 19,622.8	\$ —
Cash paid for acquired businesses	(13,530.6)	—
Liabilities assumed of acquired businesses	\$ 6,092.2	\$ —
Fair value of available-for-sale investments contributed to defined benefit plans	\$ —	\$ 27.1
Declared but unpaid dividends	\$ 61.6	\$ 55.5
Issuance of stock upon vesting of restricted stock units	\$ 176.7	\$ 63.2

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Note 14. Restructuring and Other Costs (Income), Net

Restructuring and other costs (income) in the first nine months of 2014 primarily included the gains on sale of the company's sera and media, gene modulation and magnetic beads businesses and the sale of the Cole-Parmer business, offset in part by sales of inventories revalued at the date of acquisition, cash compensation to monetize certain equity awards held by Life Technologies' employees at the date of acquisition, third-party acquisition transaction and integration costs, severance obligations payable to former Life Technologies' executives and employees, charges to conform the accounting policies of Life Technologies with the company's accounting policies and, to a lesser extent, continuing charges for headcount reductions and facility consolidations in an effort to streamline operations, including the closure and consolidation of operations within several facilities in the U.S., Europe and Asia. In the first nine months of 2014, severance actions associated with facility consolidations and cost reduction measures affected approximately 2% of the company's workforce.

As of October 31, 2014, the company has identified restructuring actions that will result in additional charges of approximately \$50 million, primarily in the remainder of 2014 which will be recorded when specified criteria are met, such as abandonment of facilities.

Third Quarter of 2014

During the third quarter of 2014, the company recorded net restructuring and other costs (income) by segment as follows:

(In millions)	Cost of Revenues	Selling, General and Administrative Expenses	Restructuring and Other Costs (Income), Net	Total
Life Sciences Solutions	\$1.7	\$ 15.1	\$ 13.8	\$30.6
Analytical Instruments	—	—	1.7	1.7
Specialty Diagnostics	0.4	—	4.9	5.3
Laboratory Products and Services	—	—	(131.8)	(131.8)
Corporate	—	5.2	0.8	6.0
	\$2.1	\$ 20.3	\$ (110.6)	\$(88.2)

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

Life Sciences Solutions

The Life Sciences Solutions segment recorded \$30.6 million of net restructuring and other charges in the third quarter of 2014. The segment recorded charges to cost of revenues of \$1.7 million primarily for sales of inventories revalued at the date of acquisition and accelerated depreciation at facilities closing due to real estate consolidation;

charges to selling, general and administrative expenses of \$15.1 million including \$10.7 million for third-party transaction and integration costs related to the acquisition of Life Technologies (Note 2) and \$4.4 million of changes in estimates of contingent consideration for acquisitions; and \$13.8 million of restructuring and other costs, net, \$13.3 million of which were cash costs. These costs, which were associated with headcount reductions and facility consolidations including the consolidation of various facilities primarily in the U.S., consisted of \$8.9 million of severance; \$2.1 million of abandoned facility costs; and \$2.3 million of other cash costs, including retention and outplacement costs.

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Analytical Instruments

The Analytical Instruments segment recorded \$1.7 million of net restructuring and other charges in the third quarter of 2014, including \$1.8 million of cash costs associated with headcount reductions and facility consolidations including the consolidation and closure of several facilities in the U.S. and Europe. These cash costs consisted of \$1.4 million primarily for severance.

Specialty Diagnostics

The Specialty Diagnostics segment recorded \$5.3 million of net restructuring and other charges in the third quarter of 2014. The segment recorded charges to cost of revenues of \$0.4 million and \$4.9 million of other restructuring costs, all of which were cash costs primarily associated with headcount reductions as well as consolidation of facilities in the U.S. and Europe. The cash costs included \$2.5 million of severance and the remainder principally for outplacement costs for severed employees and moving expenses associated with facility consolidations.

Laboratory Products and Services

The Laboratory Products and Services segment recorded \$131.8 million of income, net of restructuring charges in the third quarter of 2014. The segment recorded a gain of \$132.6 million from the sale of the Cole-Parmer business. The gain was partially offset by \$0.7 million of cash costs which were associated with headcount reductions and facility consolidations to streamline operations, primarily abandoned facility costs.

Corporate

During the third quarter of 2014, the company recorded \$6.0 million of net restructuring and other charges including \$5.2 million of charges to selling, general and administrative expenses associated with product liability litigation and \$0.8 million of cash costs for severance at its corporate operations.

First Nine Months of 2014

During the first nine months of 2014, the company recorded net restructuring and other costs (income) by segment as follows:

(In millions)	Cost of Revenues	Selling, General and Administrative Expenses	Restructuring and Other Costs (Income), Net	Total
Life Sciences Solutions	\$326.5	\$ 110.2	\$ (526.9)	\$(90.2)
Analytical Instruments	(0.8)	1.1	6.0	6.3
Specialty Diagnostics	0.8	1.5	12.6	14.9
Laboratory Products and Services	0.2	—	(126.6)	(126.4)

Corporate	—	5.2	3.0	8.2
	\$326.7	\$ 118.0	\$ (631.9) \$(187.2)

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

Life Sciences Solutions

In the first nine months of 2014, the Life Sciences Solutions segment recorded \$90.2 million of other income, net of restructuring costs. The segment recorded a net gain of \$760.4 million primarily from the divestiture of its sera and media, gene modulation and magnetic beads businesses (see Note 2). The gain was partially offset by restructuring and other charges including charges to cost of revenues of \$326.5 million, consisting of \$303.1 million of charges for sales of inventories revalued at the date of acquisition, \$21.4 million of costs to conform the accounting policies of Life Technologies with the company's accounting policies and \$1.8 million of accelerated depreciation for facility consolidations. The segment also recorded charges to selling, general and administrative expenses of \$110.2 million, including \$88.6 million of third-party transaction and integration costs related to the acquisition of Life Technologies (Note 2), \$16.2 million of costs to conform the accounting policies of Life Technologies with the company's accounting policies, and \$5.4 million for changes in estimates of contingent consideration for acquisitions. In addition, the segment recorded \$221.8 million of cash restructuring costs, including \$91.7 million for cash compensation to monetize certain equity awards held by Life Technologies' employees at the date of acquisition with the remainder principally for severance obligations payable to former Life Technologies' executives and employees as well as costs related to the consolidation of various facilities primarily in the U.S. The segment also recorded a \$10.7 million provision for losses on pre-acquisition litigation-related matters.

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Analytical Instruments

In the first nine months of 2014, the Analytical Instruments segment recorded \$6.3 million of net restructuring and other charges. The segment recorded a net reduction in cost of revenues of \$0.8 million; \$1.1 million of charges to selling, general and administrative expenses for changes in estimates of contingent consideration; and \$6.0 million of other costs, net. These other costs were primarily cash costs including abandoned facility costs and moving and other expenses associated with facility consolidations and employee severance.

Specialty Diagnostics

In the first nine months of 2014, the Specialty Diagnostics segment recorded \$14.9 million of net restructuring and other charges. The segment recorded charges to cost of revenues of \$0.8 million; \$1.5 million of charges to selling, general and administrative expenses for changes in estimates of contingent consideration for an acquisition; and \$13.6 million of cash costs. The cash costs included \$7.2 million for severance with the remainder principally for other costs associated with facility consolidations, including the consolidation of a facility in Europe with existing facilities in Europe and China. In addition, the segment recorded \$1.0 million of income, net, primarily from a gain on the divestiture of a small business unit.

Laboratory Products and Services

In the first nine months of 2014, the Laboratory Products and Services segment recorded \$126.4 million of other income, net of restructuring costs. The segment recorded a net gain of \$132.6 million from the sale of the Cole-Parmer business. The gain was partially offset by restructuring and other charges including charges to cost of revenues of \$0.2 million and restructuring charges, of which \$5.7 million were cash costs primarily for severance and abandoned facility costs.

Corporate

In the first nine months of 2014, the company recorded \$8.2 million of net restructuring and other charges, including \$5.2 million of selling, general and administrative charges associated with product liability litigation, a writedown to estimated disposal value of a fixed asset held for sale, and cash costs of \$1.7 million for severance at its corporate operations.

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

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

(In millions)	Severance	Abandonment of Excess Facilities	Other (a)	Total
Pre-2013 Restructuring Plans				
Balance At December 31, 2013	\$6.6	\$ 8.0	\$0.3	\$14.9
Costs incurred in 2014 (b)	2.2	2.5	—	4.7
Reserves reversed	(1.6)	(0.1)	—	(1.7)
Payments	(3.2)	(3.4)	(0.2)	(6.8)
Currency translation	(0.3)	(0.2)	—	(0.5)
Balance At September 27, 2014	\$3.7	\$ 6.8	\$0.1	\$10.6
2013 Restructuring Plans				
Balance At December 31, 2013	\$22.0	\$ 1.4	\$2.2	\$25.6
Costs incurred in 2014 (b)	5.8	1.7	5.0	12.5
Reserves reversed	(2.6)	—	—	(2.6)
Payments	(19.8)	(2.0)	(4.2)	(26.0)
Currency translation	(0.7)	0.1	(0.2)	(0.8)
Balance At September 27, 2014	\$4.7	\$ 1.2	\$2.8	\$8.7
2014 Restructuring Plans				
Costs incurred in 2014 (b)	\$124.2	\$ 3.2	\$89.3	\$216.7
Payments	(97.8)	(1.4)	(86.7)	(185.9)
Currency translation	(0.7)	—	(0.1)	(0.8)
Balance At September 27, 2014	\$25.7	\$ 1.8	\$2.5	\$30.0

(a) Other includes cash charges to monetize certain equity awards held by employees of Life Technologies at the date of acquisition, as well as employee retention costs which are accrued ratably over the period through which employees must work to qualify for a payment.

(b) Excludes a \$894.4 million net gain on the sale of businesses, principally the company's sera and media, gene modulation and magnetic beads businesses and the Cole-Parmer business; \$19.6 million of cash compensation to monetize certain equity awards held by Life Technologies' employees at the date of acquisition that was paid by Life Technologies prior to the acquisition; \$10.7 million of provision for losses on pre-acquisition litigation-related matters of Life Technologies; and an aggregate of \$2.6 million of non-cash charges, net.

The company expects to pay accrued restructuring costs as follows: severance, primarily through the first half of 2015; employee-retention obligations and other costs, primarily through 2014; and abandoned-facility payments, over lease terms expiring through 2020.

Note 15. Discontinued Operations

In 2014, the company recorded after-tax income of \$1.7 million as a result of favorable experience on workers compensation claims related to the discontinued operations. In 2013, the company recorded an after-tax charge of \$4.2 million for the estimated cost to raze certain abandoned facilities of discontinued operations prior to the planned sale of the related land.

THERMO FISHER SCIENTIFIC INC.

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

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

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

Overview

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 four business segments (see Note 3): Life Sciences Solutions, Analytical Instruments, Specialty Diagnostics and Laboratory Products and Services.

Recent Acquisitions and Divestitures

The company's strategy is to augment internal growth at existing businesses with complementary acquisitions such as its 2014 acquisition of Life Technologies.

On February 3, 2014, the company completed the acquisition of Life Technologies Corporation for a total purchase price of \$15.30 billion, net of cash acquired, including the assumption of \$2.28 billion of debt. The company issued debt and common stock in late 2013 and early 2014 to partially fund the acquisition discussed below under the caption "Liquidity and Capital Resources". Life Technologies provides innovative products and services to customers conducting scientific research and genetic analysis, as well as those in applied markets, such as forensics and food safety testing. Life Technologies' revenues totaled \$3.87 billion in 2013.

On March 21, 2014, the company sold its sera and media, gene modulation and magnetic beads businesses to GE Healthcare for \$1.06 billion, net of cash divested. The sale of these businesses resulted in a pre-tax gain of approximately \$761 million included in restructuring and other costs (income), net. The businesses fell principally in the Life Sciences Solutions segment. Divestiture of these businesses was a condition to obtaining antitrust approval for the Life Technologies acquisition. Revenues and operating income of the businesses sold were approximately \$250 million and \$64 million, respectively, for the year ended December 31, 2013 and \$61 million and \$12 million, respectively, in 2014 through the date of sale.

On August 15, 2014, the company sold its Cole-Parmer specialty channel business, part of the Laboratory Products and Services segment, for \$480 million in cash, net of cash divested. The sale of this business resulted in a pre-tax gain of approximately \$133 million, included in restructuring and other costs (income), net. Revenues and operating

income of the business sold were approximately \$232 million and \$43 million, respectively, for the year ended December 31, 2013 and \$149 million and \$28 million, respectively, in 2014 through the date of sale.

Overview of Results of Operations and Liquidity

With the completion of the Life Technologies acquisition, the company established a new reporting segment, called Life Sciences Solutions. Effective January 1, 2014, the company's financial performance is reported in four segments reflecting the following changes:

THERMO FISHER SCIENTIFIC INC.

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

Overview of Results of Operations and Liquidity (continued)

- The new Life Sciences Solutions segment consists of the majority of the former Life Technologies businesses and Thermo Fisher biosciences businesses.
- Thermo Fisher's global chemicals business has moved from the biosciences business in the Analytical Technologies segment to the Laboratory Products and Services segment.
- Thermo Fisher's Analytical Technologies segment has been renamed Analytical Instruments segment to reflect the transfer of the biosciences businesses to other segments, as mentioned above.
- Two small specialty diagnostics businesses within Life Technologies have become part of the Specialty Diagnostics segment.

Prior period segment information has been reclassified to reflect these transfers. As Life Technologies was acquired on February 3, 2014, its results are not included in the company's results prior to that date.

(Dollars in millions)	Three Months Ended						Nine Months Ended					
	September 27, 2014			September 28, 2013			September 27, 2014			September 28, 2013		
Revenues												
Life Sciences Solutions												
	\$1,071.9	25.7	%	\$167.2	5.2	%	\$3,010.5	24.3	%	\$520.8	5.4	%
Analytical Instruments												
	786.5	18.9	%	765.4	24.0	%	2,349.8	19.0	%	2,266.5	23.6	%
Specialty Diagnostics												
	811.8	19.5	%	759.3	23.8	%	2,480.6	20.0	%	2,358.5	24.5	%
Laboratory Products and Services												
	1,628.7	39.0	%	1,594.7	50.0	%	4,918.6	39.7	%	4,746.0	49.3	%
Eliminations												
	(127.5)	(3.1)%	(94.8)	(3.0)%	(362.7)	(3.0)%	(268.4)	(2.8)%
	\$4,171.4	100	%	\$3,191.8	100	%	\$12,396.8	100	%	\$9,623.4	100	%

Sales in the third quarter of 2014 were \$4.17 billion, an increase of \$980 million from the third quarter of 2013. Aside from the effects of acquisitions, net of dispositions and currency translation (discussed in total and by segment below), revenues in 2014 increased \$122 million (4%) over 2013 revenues, primarily due to increased demand. Sales to customers in the company's primary end markets were strong except for those in academic and government markets where growth continued to be modest, with improvement in North America offset by weakness in China.

In the third quarter of 2014, total company operating income and operating income margin were \$640 million and 15.3%, respectively, compared with \$392 million and 12.3%, respectively, in 2013. The increase in operating income was primarily due to inclusion of Life Technologies' results, a gain of \$133 million on the sale of the Cole-Parmer

business and, to a lesser extent, productivity improvements, net of inflationary cost increases. These increases were offset in part by \$172 million of higher amortization expenses, primarily related to the acquisition. The company's references throughout this discussion to productivity improvements generally refer to improved cost efficiencies from its Practical Process Improvement (PPI) business system, reduced costs resulting from global sourcing initiatives and a lower cost structure following restructuring actions including headcount reductions and consolidation of facilities.

The company's effective tax rates were 12.9% and 0.4% in the third quarter of 2014 and 2013, respectively. The 2014 provision for income taxes includes \$137 million related to the gain on the sale of the Cole-Parmer business. The tax on the sale of Cole-Parmer exceeded the pre-tax book gain due to the low tax basis in the business. Aside from the discrete tax on the gain, the company had a benefit from income taxes in the third quarter of 2014 primarily due to restructuring and other costs associated with the acquisition of Life Technologies as well as an increase in the expected benefit from foreign tax credits. Due primarily to the non-deductibility of intangible asset amortization for tax purposes, the company's cash payments for income taxes are higher than its income tax expense for financial reporting purposes and are expected to total \$540 to \$560 million in 2014, including taxes on the divestiture gains. The effective tax rate in both periods was also affected by relatively significant earnings in lower tax jurisdictions. In the third quarter of 2013, the company implemented tax planning initiatives related to non-U.S. subsidiaries. The majority of the benefit derived from these initiatives resulted in additional foreign tax credits with a benefit of \$9.8 million, which was a discrete item that reduced the company's effective tax rate by 3.1 percentage points. The tax provision in the 2013 period was also favorably affected by \$3.2 million, or 1.0 percentage point as a result of adjustments to deferred tax balances due to changes in tax rates.

THERMO FISHER SCIENTIFIC INC.

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

Overview of Results of Operations and Liquidity (continued)

Income from continuing operations was \$470 million in the third quarter of 2014, compared to \$318 million in the third quarter of 2013. The increase in operating income in the 2014 period (discussed above) was offset in part by an increase in the income tax provision in the 2014 period (discussed above) and an increase in interest expense of \$53 million as a result of debt issued and assumed in connection with the acquisition of Life Technologies.

During the first nine months of 2014, the company's cash flow from operations totaled \$1.67 billion, compared with \$1.28 billion for the first nine months of 2013. The increase resulted from a lower investment in working capital items, principally due to income tax refunds and the timing of tax payments and cash flow from the acquired Life Technologies operations, offset in part by cash disbursements totaling \$309 million related to the acquisition of Life Technologies, including severance obligations, third-party transaction/integration costs and monetizing certain equity awards held by Life Technologies employees at the date of acquisition.

As of September 27, 2014, the company's short-term debt totaled \$3.09 billion, including \$1.61 billion of senior notes, due in 2014 and early 2015, \$1.00 billion of minimum payments due in the next twelve months on the company's term loan and \$463 million of commercial paper obligations. The company has a revolving credit facility with a bank group that provides up to \$1.50 billion of unsecured multi-currency revolving credit. If the company borrows under this facility, it intends to leave undrawn an amount equivalent to outstanding commercial paper to provide a source of funds in the event that commercial paper markets are not available. As of September 27, 2014, no borrowings were outstanding under the company's revolving credit facility, although available capacity was reduced by approximately \$59 million as a result of outstanding letters of credit.

The company believes that its existing cash and short-term investments of \$544 million as of September 27, 2014 and its future cash flow from operations together with available borrowing capacity under its revolving credit agreement will be sufficient to meet the cash requirements of its existing businesses for the foreseeable future, including at least the next 24 months.

Critical Accounting Policies and Estimates

The company's discussion and analysis of its financial condition and results of operations is based upon its financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent liabilities. Management believes the most complex and sensitive judgments, because of their significance to the consolidated financial statements, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Management's Discussion and Analysis and Note 1 to the Consolidated Financial Statements of the company's Form 10-K for 2013, describe the significant accounting estimates and policies used in preparation of the consolidated financial statements. Actual results in these areas may differ from management's estimates under different assumptions or conditions. There have been no significant changes in the company's critical accounting policies during the first nine months of 2014.

THERMO FISHER SCIENTIFIC INC.

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

Results of Operations

Third Quarter 2014 Compared With Third Quarter 2013

Continuing Operations

(In millions)	Three Months Ended		Total Change	Currency Translation	Acquisitions/ Divestitures	Operations
	September 27, 2014	September 28, 2013				
Revenues						
Life Sciences Solutions	\$1,071.9	\$167.2	\$904.7	\$0.6	\$ 892.6	\$11.5
Analytical Technologies	786.5	765.4	21.1	(2.9)	3.7	20.3
Specialty Diagnostics	811.8	759.3	52.5	1.5	3.6	47.4
Laboratory Products and Services	1,628.7	1,594.7	34.0	5.0	(29.2)	58.2
Eliminations	(127.5)	(94.8)	(32.7)	(0.3)	(16.5)	(15.9)
Consolidated Revenues	\$4,171.4	\$3,191.8	\$979.6	\$3.9	\$ 854.2	\$121.5

Sales in the third quarter of 2014 were \$4.17 billion, an increase of \$980 million from the third quarter of 2013. Sales increased \$854 million due to acquisitions, principally Life Technologies, net of divestitures. The favorable effects of currency translation resulted in an increase in revenues of \$4 million in 2014. Aside from the effects of acquisitions, divestitures and currency translation, revenues increased \$122 million (4%) primarily due to increased demand. Sales to customers in the company's primary end markets were strong except for those in academic and government markets where growth continued to be modest, with improvement in North America offset by weakness in China. Sales growth was strong in Europe, moderate in North America and modest in Asia.

In the third quarter of 2014, total company operating income and operating income margin were \$640 million and 15.3%, respectively, compared with \$392 million and 12.3%, respectively, in 2013. The increase in operating income was primarily due to inclusion of Life Technologies' results, a gain of \$133 million on the sale of the Cole-Parmer business and, to a lesser extent, productivity improvements, net of inflationary cost increases. These increases were offset in part by \$172 million of higher amortization expenses, primarily related to the acquisition. The company's references throughout this discussion to productivity improvements generally refer to improved cost efficiencies from its Practical Process Improvement (PPI) business system, reduced costs resulting from global sourcing initiatives and a lower cost structure following restructuring actions including headcount reductions and consolidation of facilities.

In the third quarter of 2014, the company recorded restructuring and other income, net, of \$88 million, including net gains on sale of businesses of \$133 million, offset in part by \$2 million of charges to cost of revenues primarily from accelerated depreciation at facilities closing due to real estate consolidation and the sale of inventories revalued at the date of acquisition, as well as \$20 million of charges to selling, general and administrative expenses primarily for transaction costs related to the acquisition of Life Technologies and, to a lesser extent, a charge associated with

product liability litigation as well as for changes in estimates of contingent consideration for an acquisition. The company incurred \$22 million of cash restructuring costs primarily for actions to achieve synergies from the Life Technologies acquisition. In addition, the company's other businesses incurred costs for continued headcount reductions and facility consolidations in an effort to streamline operations, including severance at several businesses and abandoned facility expenses at businesses that have been or are being consolidated, including the consolidation of operations within several facilities in the U.S., Europe and Asia (see Note 14).

THERMO FISHER SCIENTIFIC INC.

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

Results of Operations (continued)

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

As of October 31, 2014, the company has identified restructuring actions that will result in additional charges of approximately \$50 million primarily in 2014 and expects to identify additional actions during the remainder of 2014 which will be recorded when specified criteria are met, such as abandonment of facilities.

Segment Results

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

THERMO FISHER SCIENTIFIC INC.

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

Results of Operations (continued)

(Dollars in millions)	Three Months Ended		Change	
	September 27, 2014	September 28, 2013		
Revenues				
Life Sciences Solutions	\$1,071.9	\$167.2	541	%
Analytical Instruments	786.5	765.4	3	%
Specialty Diagnostics	811.8	759.3	7	%
Laboratory Products and Services	1,628.7	1,594.7	2	%
Eliminations	(127.5)	(94.8)	34	%
Consolidated Revenues	\$4,171.4	\$3,191.8	31	%
Segment Income				
Life Sciences Solutions	\$306.3	\$38.9	687	%
Analytical Instruments	137.8	131.0	5	%
Specialty Diagnostics	224.3	204.2	10	%
Laboratory Products and Services	246.6	245.3	1	%
Subtotal Reportable Segments	915.0	619.4	48	%
Cost of Revenues Charges	(2.1)	(0.9)		
Selling, General and Administrative Charges, Net	(20.3)	(24.0)		
Restructuring and Other Income (Costs), Net	110.6	(11.4)		
Amortization of Acquisition-related Intangible Assets	(362.9)	(191.0)		
Consolidated Operating Income	\$640.3	\$392.1	63	%
Reportable Segments Operating Income Margin	21.9 %	19.4 %		
Consolidated Operating Income Margin	15.3 %	12.3 %		

Income from the company's reportable segments increased 48% to \$915 million in the third quarter of 2014 due primarily to the acquisition of Life Technologies and to a lesser extent, productivity improvements, net of inflationary costs increases, offset in part by strategic growth investments.

Life Sciences Solutions

Three Months Ended

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(Dollars in millions)	September 27, 2014	September 28, 2013	Change		
Revenues	\$1,071.9	\$167.2	541	%	
Operating Income Margin	28.6	%	23.3	%	5.3pt

Sales in the Life Sciences Solutions segment increased \$905 million to \$1.07 billion in the third quarter of 2014, primarily due to the acquisition of Life Technologies. Had the acquisition of Life Technologies been completed at the beginning of 2013, pro forma revenues for the quarter would have decreased \$17 million compared to pro forma third quarter 2013 revenues, including a decrease of \$46 million due to dispositions, net of other acquisitions and a decrease of \$2 million due to the unfavorable effects of currency translation, offset in part by an increase of \$31 million (3%) due to higher revenues at existing businesses. The increase in pro forma revenue at existing businesses was primarily due to increased demand for bioprocess production products as well as next-generation sequencing products.

THERMO FISHER SCIENTIFIC INC.

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

Results of Operations (continued)

Operating income margin was 28.6% in the third quarter of 2014 and 23.3% in the third quarter of 2013. The increase resulted primarily from higher operating margins at Life Technologies relative to the segment's legacy operations.

Analytical Instruments

(Dollars in millions)	Three Months Ended		Change	
	September 27, 2014	September 28, 2013		
Revenues	\$786.5	\$765.4	3	%
Operating Income Margin	17.5	% 17.1	%	0.4pt

Sales in the Analytical Instruments segment increased \$21 million to \$787 million in the third quarter of 2014. Sales increased \$20 million (3%) due to higher revenues at existing businesses, and \$4 million due to acquisitions offset in part by a decrease of \$3 million due to the unfavorable effects of currency translation. The increase in revenue at existing businesses was primarily due to increased demand for chromatography instruments as well as environmental and process monitoring instruments.

Operating income margin was 17.5% in the third quarter of 2014 and 17.1% in the third quarter of 2013. The increase resulted primarily from productivity improvements, net of inflationary cost increases and, to a lesser extent, favorable foreign currency exchange offset in part by strategic growth investments.

Specialty Diagnostics

(Dollars in millions)	Three Months Ended		Change	
	September 27, 2014	September 28, 2013		
Revenues	\$811.8	\$759.3	7	%
Operating Income Margin	27.6	% 26.9	%	0.7pt

Sales in the Specialty Diagnostics segment increased \$53 million to \$812 million in the third quarter of 2014. Sales increased \$47 million (6%) due to higher revenues at existing businesses, \$4 million due to an acquisition and \$2 million due to the favorable effects of currency translation. The increase in revenue at existing businesses was primarily due to increased demand for immunodiagnostics products, clinical diagnostics products and, to a lesser

extent, products sold through the segment's healthcare market channel.

Operating income margin was 27.6% in the third quarter of 2014 and 26.9% in the third quarter of 2013. The increase resulted primarily from profit on incremental sales and, to a lesser extent, favorable foreign currency exchange, offset in part by strategic growth investments.

THERMO FISHER SCIENTIFIC INC.

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

Results of Operations (continued)

Laboratory Products and Services

(Dollars in millions)	Three Months Ended		Change	
	September 27, 2014	September 28, 2013		
Revenues	\$1,628.7	\$1,594.7	2	%
Operating Income Margin	15.1	% 15.4	%	(0.3)pt

Sales in the Laboratory Products and Services segment increased \$34 million to \$1.63 billion in the third quarter of 2014. Sales increased \$58 million (4%) due to higher revenues at existing businesses and \$5 million due to the favorable effects of currency translation. These increases were offset by a decrease of \$29 million due to dispositions. The increase in revenue at existing businesses was primarily due to increased demand for laboratory equipment and consumables and, to a lesser extent, clinical trial logistics services.

Operating income margin was 15.1% in the third quarter of 2014 and 15.4% in the third quarter of 2013. The decrease was primarily due to strategic growth investments and unfavorable sales mix, offset in part by productivity improvements, net of inflationary cost increases.

Other Expense, Net

The company reported other expense, net, of \$101 million and \$73 million in the third quarter of 2014 and 2013, respectively (Note 4). Other expense, net includes interest income, interest expense, equity in earnings of unconsolidated subsidiaries, investment gains and losses, and other items, net. Interest expense increased \$53 million primarily due to the debt issued and assumed in connection with the acquisition of Life Technologies. In the third quarter of 2014, other items, net includes a \$4 million gain from an equity investment. In the third quarter of 2013, other items, net includes \$20 million of charges related to amortization of fees paid to obtain bridge financing commitments related to the acquisition of Life Technologies.

Provision for Income Taxes

The company's effective tax rates were 12.9% and 0.4% in the third quarter of 2014 and 2013, respectively. The 2014 provision for income taxes includes \$137 million related to the gain on the sale of the Cole-Parmer business. The tax on the sale of Cole-Parmer exceeded the pre-tax book gain due to the low tax basis in the business. Aside from the discrete tax on the gain, the company had a benefit from income taxes in the third quarter of 2014 primarily due to restructuring and other costs associated with the acquisition of Life Technologies as well as an increase in the expected benefit from foreign tax credits. Due primarily to the non-deductibility of intangible asset amortization for tax purposes, the company's cash payments for income taxes are higher than its income tax expense for financial

reporting purposes and are expected to total \$540 to \$560 million in 2014, including taxes on the divestiture gains. The effective tax rate in both periods was also affected by relatively significant earnings in lower tax jurisdictions. In the third quarter of 2013, the company implemented tax planning initiatives related to non-U.S. subsidiaries. The majority of the benefit derived from these initiatives resulted in additional foreign tax credits with a benefit of \$9.8 million, which was a discrete item that reduced the company's effective tax rate by 3.1 percentage points. The tax provision in the 2013 period was also favorably affected by \$3.2 million, or 1.0 percentage point as a result of adjustments to deferred tax balances due to changes in tax rates.

THERMO FISHER SCIENTIFIC INC.

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

Results of Operations (continued)

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

Results of Operations

First Nine Months of 2014 Compared With First Nine Months of 2013

Continuing Operations

(In millions)	Nine Months Ended		Total Change	Currency Translation	Acquisitions/ Divestitures	Operations
	September 27, 2014	September 28, 2013				
Revenues						
Life Sciences Solutions	\$3,010.5	\$520.8	\$2,489.7	\$4.1	\$ 2,458.7	\$26.9
Analytical Instruments	2,349.8	2,266.5	83.3	4.9	10.6	67.8
Specialty Diagnostics	2,480.6	2,358.5	122.1	13.5	8.6	100.0
Laboratory Products and Services	4,918.6	4,746.0	172.6	22.6	(34.4)	184.4
Eliminations	(362.7)	(268.4)	(94.3)	(1.9)	(49.4)	(43.0)
Consolidated Revenues	\$12,396.8	\$9,623.4	\$2,773.4	\$43.2	\$ 2,394.1	\$336.1

Sales in the first nine months of 2014 were \$12.40 billion, an increase of \$2.77 billion from the first nine months of 2013. Sales increased \$2.39 billion due to acquisitions, net of divestitures. The favorable effects of currency translation resulted in an increase in revenues of \$43 million in 2014. Aside from the effects of currency translation and acquisitions/divestitures, revenues increased \$336 million (4%) primarily due to increased demand. Demand from biopharma customers remained strong. Higher sales to customers in healthcare and industrial markets were offset in part by lower sales to academic and government markets that the company believes was in part due to inclement weather in the first quarter of 2014, resulting in some customers working fewer days. Sales growth was strong in Europe and moderate in North America and Asia.

In the first nine months of 2014, total company operating income and operating income margin were \$1.86 billion and 15.0%, respectively, compared with \$1.15 billion and 12.0%, respectively, in the first nine months of 2013. The increase in operating income and operating income margin was primarily due to net gains of \$894 million on the sale of businesses and, to a lesser extent, inclusion of Life Technologies' results from the date of acquisition as well as productivity improvements, net of inflationary cost increases. These increases were offset in part by \$437 million of charges associated with the acquisition, as discussed below, as well as \$418 million of higher amortization expenses primarily related to the acquisition.

In the first nine months of 2014, the company recorded restructuring and other income, net, of \$187 million, including net gains on the sale of businesses of \$894 million, offset in part by \$327 million of charges to cost of revenues primarily for the sale of inventories revalued at the date of acquisition and \$118 million of charges to selling, general and administrative expenses primarily for transaction costs related to the acquisition of Life Technologies. The company incurred \$249 million of cash restructuring costs primarily associated with the Life Technologies acquisition including cash compensation to monetize certain equity awards held by Life Technologies employees at the date of acquisition and severance obligations to former executives and employees of Life Technologies. In addition, the company's other businesses incurred costs for continued headcount reductions and facility consolidations in an effort to streamline operations, including severance at several businesses and abandoned facility expenses at businesses that have been or are being consolidated, including the consolidation of operations within several facilities in the U.S., Europe and Asia (see Note 14).

THERMO FISHER SCIENTIFIC INC.

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

Results of Operations (continued)

In the first nine months of 2013, the company recorded restructuring and other costs, net, of \$130 million, including \$27 million of charges to cost of revenues primarily related to the sale of inventories revalued at the date of acquisition and, to a lesser extent, accelerated depreciation on manufacturing assets to be abandoned due to facility consolidations and \$48 million of charges to selling, general and administrative expenses primarily consisting of transaction costs related to the acquisition of Life Technologies, changes in estimates of contingent consideration for an acquisition and a charge associated with product liability litigation. The company incurred \$55 million of cash restructuring costs primarily for continued headcount reductions and facility consolidations in an effort to streamline operations, including severance at several businesses and abandoned facility expenses at businesses that were being consolidated.

Segment Results

(Dollars in millions)	Nine Months Ended		Change	
	September 27, 2014	September 28, 2013		
Revenues				
Life Sciences Solutions	\$3,010.5	\$520.8	478	%
Analytical Instruments	2,349.8	2,266.5	4	%
Specialty Diagnostics	2,480.6	2,358.5	5	%
Laboratory Products and Services	4,918.6	4,746.0	4	%
Eliminations	(362.7)	(268.4)	35	%
Consolidated Revenues	\$12,396.8	\$9,623.4	29	%
Segment Income				
Life Sciences Solutions	\$850.0	\$123.4	589	%
Analytical Instruments	399.1	376.8	6	%
Specialty Diagnostics	681.7	643.4	6	%
Laboratory Products and Services	738.3	714.7	3	%
Subtotal Reportable Segments	2,669.1	1,858.3	44	%
Cost of Revenues Charges	(326.7)	(27.2)		
Selling, General and Administrative Charges, Net	(118.0)	(47.9)		
Restructuring and Other Income (Costs), Net	631.9	(54.4)		
Amortization of Acquisition-related Intangible Assets	(992.4)	(574.2)		
Consolidated Operating Income	\$1,863.9	\$1,154.6	61	%

Reportable Segments Operating Income Margin	21.5	%	19.3	%
Consolidated Operating Income Margin	15.0	%	12.0	%

Income from the company's reportable segments increased 44% to \$2.67 billion in the first nine months of 2014 due primarily to the acquisition of Life Technologies and to a lesser extent, productivity improvements, net of inflationary costs increases, offset in part by strategic growth investments.

THERMO FISHER SCIENTIFIC INC.

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

Results of Operations (continued)

Life Sciences Solutions

(Dollars in millions)	Nine Months Ended		Change	
	September 27, 2014	September 28, 2013		
Revenues	\$3,010.5	\$520.8	478	%
Operating Income Margin	28.2	% 23.7	%	4.5pt

Sales in the Life Sciences Solutions segment increased \$2.49 billion to \$3.01 billion in the first nine months of 2014 primarily due to the acquisition of Life Technologies, net of divestitures. Had the acquisition of Life Technologies been completed at the beginning of 2013, pro forma revenues for the 2014 period would have decreased \$19 million compared to pro forma 2013 revenues, including a decrease of \$95 million due to dispositions, net of other acquisitions, substantially offset by an increase of \$72 million (2%) due to higher revenues at existing businesses and an increase of \$3 million due to the favorable effects of currency translation. The increase in pro forma revenue at existing businesses was primarily due to increased demand for bioprocess production products as well as next-generation sequencing products, offset in part by lower licensing revenues.

Operating income margin was 28.2% in the first nine months of 2014 compared to 23.7% in the first nine months of 2013. The increase resulted primarily from higher operating margins at Life Technologies relative to the segment's legacy operations.

Analytical Instruments

(Dollars in millions)	Nine Months Ended		Change	
	September 27, 2014	September 28, 2013		
Revenues	\$2,349.8	\$2,266.5	4	%
Operating Income Margin	17.0	% 16.6	%	0.4pt

Sales in the Analytical Instruments segment increased \$83 million to \$2.35 billion in the first nine months of 2014. Sales increased \$68 million (3%) due to higher revenues at existing businesses, \$5 million due to the favorable effects of currency translation and \$11 million due to acquisitions. The increase in revenue at existing businesses was primarily due to increased demand for chromatography and mass spectrometry instruments.

Operating income margin was 17.0% in the first nine months of 2014 compared to 16.6% in the first nine months of 2013. The increase resulted primarily from productivity improvements, net of inflationary cost increases and, to a lesser extent, profit from favorable sales mix. The increases were offset in part by strategic growth investments.

THERMO FISHER SCIENTIFIC INC.

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

Results of Operations (continued)

Specialty Diagnostics

(Dollars in millions)	Nine Months Ended		Change	
	September 27, 2014	September 28, 2013		
Revenues	\$2,480.6	\$2,358.5	5	%
Operating Income Margin	27.5	27.3	0.2pt	%

Sales in the Specialty Diagnostics segment increased \$122 million to \$2.48 billion in the first nine months of 2014. Sales increased \$100 million (4%) due to higher revenues at existing businesses, \$14 million due to the favorable effects of currency translation and \$9 million due to an acquisition. The increase in revenue at existing businesses was primarily due to increased demand for immunodiagnostics products and, to a lesser extent, products sold through the segment's healthcare market channel as well as clinical diagnostics products.

Operating income margin was 27.5% in the first nine months of 2014 and 27.3% in the first nine months of 2013. The increase resulted primarily from productivity improvements, net of inflationary cost increases as well as favorable sales mix, offset in part by strategic growth investments.

Laboratory Products and Services

(Dollars in millions)	Nine Months Ended		Change	
	September 27, 2014	September 28, 2013		
Revenues	\$4,918.6	\$4,746.0	4	%
Operating Income Margin	15.0	15.1	(0.1)pt	%

Sales in the Laboratory Products and Services segment increased \$173 million to \$4.92 billion in the first nine months of 2014. Sales increased \$184 million (4%) due to higher revenues at existing businesses and \$23 million due to the favorable effects of currency translation. These increases were offset by a decrease of \$34 million due to dispositions. The increase in revenue at existing businesses was primarily due to increased demand for laboratory equipment and consumables and, to a lesser extent, clinical trial logistics services, offset in part by weakness in sales to academic and government customers.

Operating income margin was 15.0% in the first nine months of 2014 and 15.1% in the first nine months of 2013. The decrease resulted primarily from strategic growth investments offset in part by productivity improvements, net of

inflationary cost increases.

Other Expense, Net

The company reported other expense, net, of \$314 million and \$213 million in the first nine months of 2014 and 2013, respectively (Note 4). Interest expense increased \$171 million primarily due to the debt issued and assumed in connection with the acquisition of Life Technologies. In 2014, the company realized net gains of \$9 million from equity and available-for-sale investments. In 2013, the company recorded \$61 million of charges related to amortization of fees paid to obtain bridge financing commitments related to the acquisition of Life Technologies. Also in 2013, the company irrevocably contributed appreciated available-for-sale investments that had a fair value of \$27 million to two of its U.K. defined benefit plans, resulting in realization of a previously unrecognized gain of \$11 million.

THERMO FISHER SCIENTIFIC INC.

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

Results of Operations (continued)

Provision for Income Taxes

The company's effective tax rates were 16.7% and 0.6% in the first nine months of 2014 and 2013, respectively. The 2014 provision for income taxes includes \$390 million related to gains on the sales of businesses. Aside from the discrete tax on the gains, the company had a benefit from income taxes primarily due to restructuring and other costs associated with the acquisition of Life Technologies as well as an increase in the expected benefit from foreign tax credits. In the first nine months of 2014, the company recognized a discrete tax benefit of \$15.4 million, or 1.0 percentage points, attributable to tax rulings related to non-U.S. subsidiaries. In the first nine months of 2014 and 2013, the company implemented tax planning initiatives related to non-U.S. subsidiaries. The majority of the benefit derived from these initiatives resulted in additional foreign tax credits with benefits of \$24.0 million and \$30.0 million, respectively, which were discrete items that reduced the company's effective tax rate by 1.5 and 3.2 percentage points, respectively. The effective tax rate in both periods was also affected by relatively significant earnings in lower tax jurisdictions. The tax provision in the 2014 period was favorably affected by \$10.6 million, or 0.7 percentage points, as a result of adjustments to deferred tax balances due to changes in tax rates. The effective tax rate in 2013 was favorably impacted by the U.S. Congress' renewal in January 2013 of a tax credit for 2012 research and development activities. The tax credit for 2012 research and development activities favorably affected the tax provision in the first nine months of 2013 by \$7.5 million, or 0.8 percentage points. The tax credit has not yet been renewed for 2014 and no benefit is reflected in the 2014 estimated effective tax rate.

Discontinued Operations

In 2014, the company recorded after-tax income of \$1.7 million as a result of favorable experience on workers compensation claims related to the discontinued operations. In 2013, the company recorded an after-tax charge of \$4.2 million for the estimated cost to raze certain abandoned facilities of discontinued operations prior to the planned sale of the related land.

Recent Accounting Pronouncements

In May 2014, the FASB issued new revenue recognition guidance which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will supersede most current revenue recognition guidance. The new standard also requires significantly expanded disclosures regarding the qualitative and quantitative information of an entity's nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance is effective for the company in 2017. Early adoption is not permitted. The company is currently evaluating the impact the standard will have on its consolidated financial statements.

In April 2014, the FASB issued new guidance on reporting discontinued operations and disclosures of disposals. Under the new guidance, only disposals representing a strategic shift in operations will be presented as discontinued operations. The new guidance also requires disclosure of the pre-tax income attributable to a disposal of a significant part of the company that does not qualify for discontinued operations reporting. This guidance is effective for the company in 2015. Adoption of this standard is not expected to have a material impact on the company's consolidated

financial statements.

Contingent Liabilities

The company is contingently liable with respect to certain legal proceedings and related matters. An unfavorable outcome that differs materially from current reserve estimates for one or more of the matters described in Note 10 could have a material adverse effect on the company's financial position as well as its results of operations and cash flows.

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

Liquidity and Capital Resources

Consolidated working capital was negative \$0.50 billion at September 27, 2014, compared with \$6.75 billion at December 31, 2013. Included in working capital were cash, cash equivalents and short-term investments of \$0.54 billion at September 27, 2014 and \$5.83 billion at December 31, 2013. The decrease in working capital is primarily due to the cash used to fund the Life Technologies acquisition and an increase in short-term debt of \$2.1 billion from year-end, also principally due to the acquisition.

First Nine Months of 2014

Cash provided by operating activities was \$1.67 billion during the first nine months of 2014. Increases in accounts receivable and inventories used cash of \$117 million and \$109 million, respectively, primarily to support growth in sales. Other assets decreased by \$206 million primarily due to collection of tax refunds including those related to legacy Life Technologies' operations. Other liabilities increased by \$305 million primarily due to the timing of payments for income taxes. In 2014, the company made cash payments including severance obligations, third-party transaction/integration costs and monetizing certain equity awards totaling \$309 million related to the acquisition of Life Technologies. The company made cash contributions to its pension and postretirement benefit plans totaling \$37 million during the first nine months of 2014. Cash payments for income taxes increased to \$321 million during the first nine months of 2014, compared with \$152 million in the 2013 period and increased in part due to taxes on the gains from the sale of businesses. The company expects full year payments for income taxes will total approximately \$540 - \$560 million in 2014.

During the first nine months of 2014, the company's investing activities used \$11.66 billion of cash, principally for the acquisition of Life Technologies. Acquisitions used cash of \$13.06 billion. Proceeds from the sale of businesses provided \$1.52 billion. The company's investing activities also included the purchase of \$271 million of property, plant and equipment.

The company's financing activities provided \$4.71 billion of cash during the first nine months of 2014. To partially fund the acquisition of Life Technologies, the company borrowed \$5.00 billion under an unsecured term loan (Note 9) and issued 34.9 million shares of its common stock for net proceeds of \$2.94 billion in cash (Note 11). Repayments of long-term debt, principally the term loan, totaled \$3.43 billion. An increase in commercial paper obligations provided cash of \$212 million. The company's financing activities also included \$133 million of proceeds from employee stock option exercises offset by the payment of \$175 million in cash dividends. On November 8, 2012, the Board of Directors authorized the repurchase of up to \$1.00 billion of the company's common stock beginning January 1, 2013. At September 27, 2014, \$910 million was available for future repurchases of the company's common stock under this authorization.

The company has no material commitments for purchases of property, plant and equipment and expects that for all of 2014, such expenditures, net of disposals will approximate between \$420 to \$440 million. The company's contractual obligations and other commercial commitments did not change materially between December 31, 2013 and September 27, 2014 except for the debt issued and assumed in connection with the Life Technologies acquisition (Note 9) and the assumption of unfunded pension obligations totaling \$203 million in connection with the acquisition.

As of September 27, 2014, the company's short-term debt totaled \$3.09 billion, including \$1.61 billion of senior notes, due in 2014 and early 2015, \$1.00 billion of minimum payments due in the next twelve months on the company's term loan and \$463 million of commercial paper obligations. The company has a revolving credit facility with a bank group that provides up to \$1.50 billion of unsecured multi-currency revolving credit. If the company borrows under this facility, it intends to leave undrawn an amount equivalent to outstanding commercial paper to provide a source of funds in the event that commercial paper markets are not available. As of September 27, 2014, no borrowings were outstanding under the company's revolving credit facility, although available capacity was reduced by approximately \$59 million as a result of outstanding letters of credit.

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

Liquidity and Capital Resources (continued)

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

The company believes that its existing cash and short-term investments of \$544 million as of September 27, 2014 and its future cash flow from operations together with available borrowing capacity under its revolving credit agreement will be sufficient to meet the cash requirements of its existing businesses for the foreseeable future, including at least the next 24 months.

First Nine Months of 2013

Cash provided by operating activities was \$1.28 billion during the first nine months of 2013. Increases in accounts receivable and inventories used cash of \$155 million and \$130 million, respectively, primarily to support growth in sales. An increase in other assets used cash of \$69 million primarily for expected income tax refunds and, to a lesser extent, prepaid expenses. An increase in accounts payable provided cash of \$49 million, primarily due to higher inventory purchases. In the the first nine months of 2013, the company paid fees to obtain bridge financing commitments and other transaction costs totaling \$80 million related to the acquisition of Life Technologies. The company made cash contributions to its pension and postretirement benefit plans totaling \$26 million during the first nine months of 2013. Cash payments for income taxes of continuing operations totaled \$152 million. Payments for restructuring actions, principally severance costs and lease and other expenses of real estate consolidation, used cash of \$51 million during the first nine months of 2013.

During the first nine months of 2013, the company's primary investing activity was the purchase of \$188 million of property, plant and equipment.

The company's financing activities provided \$14 million of cash during the first nine months of 2013. The company's financing activities included the receipt of \$205 million of proceeds from employee stock option exercises offset by the repurchase of \$90 million of the company's common stock and the payment of \$162 million in cash dividends.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The company's exposure to market risk from changes in interest rates, currency exchange rates and commodity prices has not changed materially from its exposure at year-end 2013.

Item 4. Controls and Procedures

Management's Evaluation of Disclosure Controls and Procedures

The company's management, with the participation of the company's chief executive officer and chief financial officer, evaluated the effectiveness of the company's disclosure controls and procedures as of September 27, 2014. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of the company's disclosure controls and procedures as of September 27, 2014, 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.

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Changes in Internal Control over Financial Reporting

On February 3, 2014, the company completed the acquisition of Life Technologies. The company's management has extended its oversight and monitoring processes that support internal control over financial reporting to include Life Technologies' operations. The company's management is continuing to integrate the acquired operations of Life Technologies into the company's overall internal control over financial reporting process. There have been no other changes in the company's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the fiscal quarter ended September 27, 2014, that have materially affected or are reasonably likely to materially affect the company's internal control over financial reporting.

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PART II OTHER INFORMATION

Item 1. Legal Proceedings

On February 3, 2014, the company acquired Life Technologies. Life Technologies and its subsidiaries are party to several lawsuits in which plaintiffs claim infringement of their intellectual property, including the lawsuit described below, which was settled during the quarter ended September 27, 2014.

On September 29, 2009, Life Technologies filed a complaint against Illumina, Inc. and Solexa, Inc. in the United States District Court for the District of Delaware alleging infringement of patents relating to clonal amplification of nucleic acids by Illumina's next generation Genome Analyzer, HiSeq, and MiSeq DNA sequencing systems. Illumina asserted counterclaims in that case alleging infringement of patents relating to optical tracking, generating linked pairs of nucleic acid segments, and genome-wide variation analysis by Life Technologies' next generation SOLiD sequencing system and Ion Torrent's semiconductor sequencing system. On April 6, 2011, the case was transferred to the United States District Court for the Southern District of California. Life Technologies seeks damages for alleged willful infringement, attorneys' fees, costs, pre- and post-judgment interest, and injunctive relief. On its counterclaims, Illumina seeks damages for alleged infringement, attorneys' fees, costs, pre- and post-judgment interest, and injunctive relief. Final judgment of non-infringement in Illumina's favor was entered on April 28, 2014, and Life Technologies filed an appeal from that judgment with the United States Court of Appeals for the Federal Circuit. On September 12, 2014, the parties settled these claims on terms not material to the company, including no amounts being paid by either party to the other. The claims were subsequently dismissed.

Item 1A. Risk Factors

Set forth below are the risks that we believe are material to our investors. This section contains forward-looking statements. You should refer to the explanation of the qualifications and limitations on forward-looking statements beginning on page 35.

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

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

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

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

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Risk Factors (continued)

- expanding our service offerings;
- continuing key customer initiatives;
- combining sales and marketing operations in appropriate markets to compete more effectively;
- finding new markets for our products; and
- continuing the development of commercial tools and infrastructure to increase and support cross-selling opportunities of products and services to take advantage of our depth in product offerings.

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

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

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

For example, recent developments in Europe have created uncertainty with respect to the ability of certain European countries to continue to service their sovereign debt obligations. This debt crisis and related European financial restructuring efforts may cause the value of the euro to deteriorate, reducing the purchasing power of our European customers and reducing our U.S. dollar revenues as translated from the euro. In addition, the European crisis could result in customers in Europe taking longer to pay for products they have purchased from us, or being unable to pay at all. The continued weakness in world economies makes the strength and timing of any economic recovery uncertain, and there can be no assurance that global economic conditions will not deteriorate further.

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

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

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

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Risk Factors (continued)

If we experience difficulties with the integration process, the anticipated benefits of the transaction may not be realized fully, or may take longer to realize than expected. Integration efforts may also divert management attention and resources. These integration matters could have an adverse effect on the company.

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 markets contribute a substantial portion of our revenues, and we intend to continue expanding our presence in these regions. The exposure to fluctuations in currency exchange rates takes on different forms. International revenues and costs 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 2013, currency translation had an unfavorable effect of \$36 million on the revenues of our continuing operations due to the strengthening of the U.S. dollar relative to other currencies in which the company sells products and services, and in the first nine months of 2014, currency translation had a favorable effect on revenues of our continuing operations of \$43 million.

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

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

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Risk Factors (continued)

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

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

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

Our inability to complete pending acquisitions or to successfully integrate any new or previous acquisitions could have a material adverse effect on our business. Our business strategy includes the acquisition of technologies and businesses that complement or augment our existing products and services. Certain acquisitions may be difficult to

complete for a number of reasons, including the need for antitrust and/or other regulatory approvals. Any acquisition we may complete may be made at a substantial premium over the fair value of the net identifiable assets of the acquired company. Further, we may not be able to integrate 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.

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Risk Factors (continued)

Moreover, we have acquired many companies and businesses. As a result of these acquisitions, we recorded significant goodwill and indefinite-lived intangible assets (primarily tradenames) on our balance sheet, which amount to approximately \$19.05 billion and \$1.30 billion, respectively, as of September 27, 2014. We assess the realizability of goodwill and indefinite-lived intangible assets annually as well as whenever events or changes in circumstances indicate that these assets may be impaired. These events or circumstances would generally include operating losses or a significant decline in earnings associated with the acquired business or asset. Our ability to realize the value of the goodwill and indefinite-lived intangible assets will depend on the future cash flows of these businesses. These cash flows in turn depend in part on how well we have integrated these businesses. If we are not able to realize the value of the goodwill and indefinite-lived intangible assets, we may be required to incur material charges relating to the impairment of those assets.

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

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

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

We are required to comply with a wide variety of laws and regulations, and are subject to regulation by various federal, state and foreign agencies. For example, some of our operations are subject to regulation by the U.S. Food and

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

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

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Risk Factors (continued)

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

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

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

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

Unforeseen problems with the implementation and maintenance of our information systems could have an adverse effect on our operations. As a part of our ongoing effort to upgrade our current information systems, we periodically implement new enterprise resource planning software and other software applications to manage certain of our

business operations. As we implement and add functionality, problems could arise that we have not foreseen. Such problems could adversely impact our ability to provide quotes, take customer orders and otherwise run our business in a timely manner. In addition, if our new systems fail to provide accurate pricing and cost data our results of operations and cash flows could be adversely affected.

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

THERMO FISHER SCIENTIFIC INC.

Risk Factors (continued)

Our debt may restrict our investment opportunities or limit our activities. As of September 27, 2014, we had approximately \$14.48 billion in outstanding indebtedness. In addition, we have a revolving credit facility that provides for up to \$1.50 billion of unsecured multi-currency revolving credit. We may also obtain additional long-term debt and lines of credit to meet future financing needs, which would have the effect of increasing our total leverage.

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

Our ability to make scheduled payments, refinance our obligations or obtain additional financing will depend on our future operating performance and on economic, financial, competitive and other factors beyond our control. Our business may not generate sufficient cash flow to meet our obligations. If we are unable to service our debt, refinance our existing debt or obtain additional financing, we may be forced to delay strategic acquisitions, capital expenditures or research and development expenditures.

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 and the term credit facility that we entered into to partially finance the Life Technologies Acquisition include a total debt-to-EBITDA ratio and an interest coverage ratio. Specifically, the company has agreed that, so long as any lender has any commitment under either facility, or any loan or other obligation is outstanding under either facility, or any letter of credit is outstanding under the revolving credit 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 4.5 to 1.0 until February 2015 and decreasing, based on the passage of time, to 3.5 to 1.0, by August 2015 or the Consolidated Interest Coverage Ratio (the ratio of Consolidated EBITDA to Consolidated Interest Expense) to be less than 3.0 to 1.0.

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

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

Issuer Purchases of Equity Securities

There was no share repurchase activity for the company's third quarter of 2014. On November 8, 2012, the Board of Directors authorized the repurchase of up to \$1.00 billion of the company's common stock beginning January 1, 2013. At September 27, 2014, \$910 million was available for future repurchases of the company's common stock under this authorization.

Item 6. Exhibits

See Exhibit Index on page 59.

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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.

Date: October 31, 2014

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
31.1	Certification of Chief Executive Officer required by Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer required by Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer required by Exchange Act Rules 13a-14(b) and 15d-14(b), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
32.2	Certification of Chief Financial Officer required by Exchange Act Rules 13a-14(b) and 15d-14(b), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Definition Linkbase Document.
101.LAB	XBRL Taxonomy Label Linkbase Document.
101.PRE	XBRL Taxonomy Presentation Linkbase Document.

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

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

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

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets at September 27, 2014, and December 31, 2013, (ii) Consolidated Statements of Income for the three and nine months ended September 27, 2014 and September 28, 2013, (iii) Consolidated Statement of Comprehensive Income for the three and nine months ended September 27, 2014 and September 28, 2013, (iv) Consolidated Statements of Cash Flows for the nine months ended September 27, 2014 and September 28, 2013, (v) Consolidated Statement of Shareholders’ Equity for the nine months ended September 27, 2014 and September 28, 2013 and (vi) Notes to Consolidated Financial Statements.

