

THERMO FISHER SCIENTIFIC INC.
Form 10-Q
July 31, 2009

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 June 27, 2009

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

Commission File Number 1-8002

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

Delaware
(State of incorporation or organization)

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

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

02451
(Zip Code)

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

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

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

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

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

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 June 27, 2009
Common Stock, \$1.00 par value	408,152,517

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

THERMO FISHER SCIENTIFIC INC.

Consolidated Balance Sheet
(Unaudited)

(In millions)	June 27, 2009	December 31, 2008
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,417.4	\$ 1,280.5
Short-term investments, at quoted market value (amortized cost of \$10.0 and \$8.5)	9.3	7.5
Accounts receivable, less allowances of \$46.9 and \$43.1	1,470.4	1,478.1
Inventories:		
Raw materials	315.3	310.6
Work in process	127.1	120.3
Finished goods	742.7	740.5
Deferred tax assets	161.3	161.7
Other current assets	223.5	246.7
	4,467.0	4,345.9
Property, Plant and Equipment, at Cost	1,935.6	1,854.8
Less: Accumulated depreciation and amortization	(663.9)	(579.5)
	1,271.7	1,275.3
Acquisition-related Intangible Assets, net of Accumulated Amortization of \$1,745.4 and \$1,433.2	6,259.0	6,423.2
Other Assets	387.8	367.9
Goodwill	8,770.1	8,677.7
	\$ 21,155.6	\$ 21,090.0

THERMO FISHER SCIENTIFIC INC.

Consolidated Balance Sheet (continued)
(Unaudited)

(In millions except share amounts)	June 27, 2009	December 31, 2008
Liabilities and Shareholders' Equity		
Current Liabilities:		
Short-term obligations and current maturities of long-term obligations	\$ 16.3	\$ 14.8
Accounts payable	589.1	539.5
Accrued payroll and employee benefits	246.3	296.2
Accrued income taxes	45.5	32.9
Deferred revenue	148.6	135.3
Other accrued expenses	477.8	521.5
	1,523.6	1,540.2
Deferred Income Taxes	1,921.2	1,994.2
Other Long-term Liabilities	606.2	601.7
Long-term Obligations	2,017.0	2,003.2
Incremental Convertible Debt Obligation	11.2	24.2
Shareholders' Equity:		
Preferred stock, \$100 par value, 50,000 shares authorized; none issued		
Common stock, \$1 par value, 1,200,000,000 shares authorized; 422,566,405 and 421,791,009 shares issued	422.6	421.8
Capital in excess of par value	11,363.8	11,301.3
Retained earnings	3,856.3	3,500.5
Treasury stock at cost, 14,413,888 and 3,825,245 shares	(570.4)	(151.3)
Accumulated other comprehensive items	4.1	(145.8)
	15,076.4	14,926.5
	\$ 21,155.6	\$ 21,090.0

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

THERMO FISHER SCIENTIFIC INC.

Consolidated Statement of Income
(Unaudited)

(In millions except per share amounts)	Three Months Ended	
	June 27, 2009	June 28, 2008
Revenues		
Product revenues	\$ 2,090.7	\$ 2,285.3
Service revenues	393.4	424.3
	2,484.1	2,709.6
Costs and Operating Expenses:		
Cost of product revenues	1,272.3	1,377.1
Cost of service revenues	223.5	244.4
Selling, general and administrative expenses	660.9	698.9
Research and development expenses	58.1	64.4
Restructuring and other costs (income), net	10.3	(5.4)
	2,225.1	2,379.4
Operating Income	259.0	330.2
Other Expense, Net	(26.9)	(28.1)
Income from Continuing Operations Before Provision for Income Taxes	232.1	302.1
Provision for Income Taxes	(25.2)	(59.2)
Income from Continuing Operations	206.9	242.9
Gain on Disposal of Discontinued Operations (net of income tax provision of \$1.9 in 2008)	—	3.2
Net Income	\$ 206.9	\$ 246.1
Earnings per Share from Continuing Operations		
Basic	\$.50	\$.58
Diluted	\$.49	\$.55
Earnings per Share		
Basic	\$.50	\$.59
Diluted	\$.49	\$.56
Weighted Average Shares		
Basic	415.3	418.0
Diluted	423.7	437.1

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

THERMO FISHER SCIENTIFIC INC.

Consolidated Statement of Income
(Unaudited)

(In millions except per share amounts)	Six Months Ended	
	June 27, 2009	June 28, 2008
Revenues		
Product revenues	\$ 3,989.3	\$ 4,445.5
Service revenues	749.9	818.1
	4,739.2	5,263.6
Costs and Operating Expenses:		
Cost of product revenues	2,432.0	2,669.3
Cost of service revenues	432.0	487.8
Selling, general and administrative expenses	1,285.9	1,360.0
Research and development expenses	116.3	126.4
Restructuring and other costs (income), net	23.9	(0.5)
	4,290.1	4,643.0
Operating Income	449.1	620.6
Other Expense, Net	(49.8)	(46.3)
Income from Continuing Operations Before Provision for Income Taxes	399.3	574.3
Provision for Income Taxes	(43.5)	(101.3)
Income from Continuing Operations	355.8	473.0
Gain on Disposal of Discontinued Operations (net of income tax provision of \$1.9 in 2008)	—	2.8
Net Income	\$ 355.8	\$ 475.8
Earnings per Share from Continuing Operations		
Basic	\$.85	\$ 1.13
Diluted	\$.84	\$ 1.08
Earnings per Share		
Basic	\$.85	\$ 1.14
Diluted	\$.84	\$ 1.09
Weighted Average Shares		
Basic	416.5	417.8
Diluted	424.5	436.6

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

THERMO FISHER SCIENTIFIC INC.

Consolidated Statement of Cash Flows
(Unaudited)

(In millions)	Six Months Ended	
	June 27, 2009	June 28, 2008
Operating Activities		
Net income	\$ 355.8	\$ 475.8
Gain on disposal of discontinued operations	—	(2.8)
Income from continuing operations	355.8	473.0
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	384.6	398.6
Change in deferred income taxes	(117.6)	(64.2)
Non-cash stock-based compensation	35.8	27.7
Non-cash interest expense on convertible debt	11.3	10.8
Non-cash charges for sale of inventories revalued at the date of acquisition	0.4	0.4
Tax benefits from stock-based compensation awards	(1.3)	(12.2)
Other non-cash expenses, net	27.7	6.4
Changes in assets and liabilities, excluding the effects of acquisitions and dispositions:		
Accounts receivable	41.4	(101.3)
Inventories	20.5	(64.1)
Other assets	34.6	(20.3)
Accounts payable	34.6	(36.9)
Other liabilities	(85.0)	(19.1)
Contributions to retirement plans	(8.1)	(8.5)
Net cash provided by continuing operations	734.7	590.3
Net cash used in discontinued operations	(0.7)	(0.8)
Net cash provided by operating activities	734.0	589.5
Investing Activities		
Acquisitions, net of cash acquired	(146.0)	(43.0)
Purchases of property, plant and equipment	(83.0)	(109.3)
Proceeds from sale of property, plant and equipment	7.6	5.5
Purchases of available-for-sale investments	—	(0.1)
Proceeds from sale of available-for-sale investments	0.4	0.6
Proceeds from sale of businesses, net of cash divested	2.7	3.5
Increase in other assets	(0.3)	(5.2)
Net cash used in continuing operations	(218.6)	(148.0)
Net cash provided by discontinued operations	—	0.4

Net cash used in investing activities	\$ (218.6)	\$ (147.6)
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THERMO FISHER SCIENTIFIC INC.

Consolidated Statement of Cash Flows (continued)
(Unaudited)

(In millions)	Six Months Ended	
	June 27, 2009	June 28, 2008
Financing Activities		
Increase (decrease) in short-term notes payable	\$ 0.4	\$ (13.4)
Purchases of company common stock	(414.6)	(102.0)
Net proceeds from issuance of company common stock	11.9	49.1
Tax benefits from stock-based compensation awards	1.3	12.2
Borrowings (redemption and repayment) of long-term obligations	4.0	(2.2)
Net cash used in financing activities	(397.0)	(56.3)
Exchange Rate Effect on Cash of Continuing Operations	18.5	(3.8)
Increase in Cash and Cash Equivalents	136.9	381.8
Cash and Cash Equivalents at Beginning of Period	1,280.5	625.1
Cash and Cash Equivalents at End of Period	\$ 1,417.4	\$ 1,006.9
Supplemental Cash Flow Information		
Fair value of assets of acquired businesses	\$ 171.4	\$ 53.7
Cash paid for acquired businesses	(137.2)	(31.5)
Liabilities assumed of acquired businesses	\$ 34.2	\$ 22.2
Issuance of restricted stock	\$ 1.1	\$ 21.3
Issuance of stock upon vesting of restricted stock units	\$ 7.0	\$ 19.3

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

THERMO FISHER SCIENTIFIC INC.

Notes to Consolidated Financial Statements
(Unaudited)

1. General

The interim consolidated financial statements presented herein have been prepared by Thermo Fisher Scientific Inc. (the company or Thermo Fisher), are unaudited and, in the opinion of management, reflect all adjustments of a normal recurring nature necessary for a fair statement of the financial position at June 27, 2009, the results of operations for the three- and six-month periods ended June 27, 2009, and June 28, 2008, and the cash flows for the six-month periods ended June 27, 2009, and June 28, 2008. The company has evaluated events and transactions occurring after the balance sheet date through July 31, 2009 for recognition or disclosure in the consolidated financial statements and notes. Interim results are not necessarily indicative of results for a full year.

The consolidated balance sheet presented as of December 31, 2008, has been derived from the audited consolidated financial statements as of that date, as adjusted for adoption of a new accounting pronouncement, discussed below. The consolidated financial statements and notes are presented as permitted by Form 10-Q and do not contain all of the information that is included in the annual financial statements and notes of the company. The consolidated financial statements and notes included in this report should be read in conjunction with the financial statements and notes included in the company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008, filed with the Securities and Exchange Commission (SEC).

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

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

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

When any of the convertible debt instruments are convertible at the balance sheet date, the excess of the amount of cash required to be paid to the holder upon conversion over the current carrying amount of the long-term obligation is

classified on the balance sheet as temporary equity under the caption “incremental convertible debt obligation.”

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THERMO FISHER SCIENTIFIC INC.

1. General (continued)

The debt, temporary equity and equity components recognized for the company's convertible debt are as follows:

(In millions)	June 27, 2009	Dec. 31, 2008
Principal Amount of Convertible Debt	\$ 969.0	\$ 969.1
Unamortized Discount	29.0	40.3
Net Carrying Amount	940.0	928.8
Incremental Convertible Debt Obligation (Temporary Equity)	11.2	24.2
Capital in Excess of Par Value	41.1	28.1

At June 27, 2009, the unamortized discount had a remaining weighted average recognition period of 1.4 years, to the respective first redemption dates of the convertible debt. The amount of interest expense on the convertible debt recognized in the accompanying statement of income is as follows:

(In millions)	Three Months Ended		Six Months Ended	
	June 27, 2009	June 28, 2008	June 27, 2009	June 28, 2008
Contractual Coupon Interest	\$ 4.6	\$ 5.9	\$ 9.6	\$ 13.4
Amortization of Discount on Convertible Debt	5.7	5.4	11.3	10.8
Interest Expense	\$ 10.3	\$ 11.3	\$ 20.9	\$ 24.2
Effective Interest Rate	4.4%	4.9%	4.5%	5.3%

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

THERMO FISHER SCIENTIFIC INC.

1. General (continued)

The incremental effects of applying FSP APB No. 14-1 and FSP EITF 03-6-1 on individual line items in the consolidated statements of income for the three- and six-month periods ended June 28, 2008, were as follows:

(Dollars in millions except per share amounts)	Before Adoption of FSP APB No. 14-1 and FSP EITF 03-6-1	Effect of Adopting FSP APB No. 14-1 and FSP EITF 03-6-1	As Adjusted
Three Months Ended June 28, 2008			
Other Expense, Net	\$ 22.7	\$ 5.4	\$ 28.1
Provision for Income Taxes	61.2	(2.0)	59.2
Income from Continuing Operations	246.3	(3.4)	242.9
Net Income	249.5	(3.4)	246.1
Earnings per Share from Continuing Operations			
Basic	\$.59	\$ (.01)	\$.58
Diluted	\$.56	\$ (.01)	\$.55
Earnings per Share			
Basic	\$.60	\$ (.01)	\$.59
Diluted	\$.57	\$ (.01)	\$.56
Diluted Weighted Average Shares	437.2	(0.1)	437.1
Six Months Ended June 28, 2008			
Other Expense, Net	\$ 35.5	\$ 10.8	\$ 46.3
Provision for Income Taxes	105.4	(4.1)	101.3
Income from Continuing Operations	479.7	(6.7)	473.0
Net Income	482.5	(6.7)	475.8
Earnings per Share from Continuing Operations			
Basic	\$ 1.15	\$ (.02)	\$ 1.13
Diluted	\$ 1.10	\$ (.02)	\$ 1.08
Earnings per Share			
Basic	\$ 1.15	\$ (.01)	\$ 1.14
Diluted	\$ 1.10	\$ (.01)	\$ 1.09
Diluted Weighted Average Shares	436.7	(0.1)	436.6

2. Acquisitions

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

through adjustments to net income. SFAS No. 141R was effective for the company, on a prospective basis, beginning January 1, 2009. The company applied this standard to the acquisitions discussed below. There was no material impact upon adoption of the standard; however, this statement may materially affect the accounting for any future business combinations.

THERMO FISHER SCIENTIFIC INC.

2. Acquisitions (continued)

In April 2009, the Laboratory Products and Services segment acquired Biolab, an Australia-based provider of analytical instruments, life science consumables and laboratory equipment, for AUD 180 million (USD \$130 million), net of cash acquired. The purchase price was paid in cash except for a post-closing adjustment of \$5 million that was accrued at June 27, 2009. The acquisition broadened the geographic reach of the company's customer channels. Revenue of Biolab totaled AUD 178 million in its fiscal year ended May 2009. The purchase price exceeded the fair value of the acquired net assets and, accordingly, \$61 million was allocated to goodwill, none of which is tax deductible.

In addition, in the first six months of 2009, the Analytical Technologies segment acquired a culture media manufacturer and distributor in Malaysia and Singapore and the Laboratory Products and Services segment acquired a Spain-based distributor of laboratory instrumentation and equipment. The aggregate consideration for these acquisitions was \$11 million.

The company paid contingent purchase price obligations of \$10 million in the first six months of 2009, for several acquisitions completed prior to 2009.

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

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

(In millions)	Biolab	Other	Total
Purchase Price			
Cash paid	\$ 127.0	\$ 10.2	\$ 137.2
Debt assumed	—	0.5	0.5
Purchase price payable	4.8	0.6	5.4
Cash acquired	(1.3)	—	(1.3)
	\$ 130.5	\$ 11.3	\$ 141.8

THERMO FISHER SCIENTIFIC INC.

2. Acquisitions (continued)

(In millions)	Biolab	Other	Total
Allocation			
Current assets	\$ 38.6	\$ 3.6	\$ 42.2
Property, plant and equipment	3.4	0.4	3.8
Customer relationships	51.4	3.8	55.2
Product technology	0.9	—	0.9
Tradenames and other	1.3	—	1.3
Goodwill	60.7	6.0	66.7
Liabilities assumed	(25.8)	(2.5)	(28.3)
	\$ 130.5	\$ 11.3	\$ 141.8

The weighted-average amortization periods for intangible assets acquired in 2009 are 10 years for customer relationships, 9 years for product technology and 5 years for tradenames and other. The weighted average amortization period for all intangible assets in the above table is 10 years.

The company's results for 2008 or 2009 would not have been materially different from its reported results had the company's 2008 and 2009 acquisitions occurred at the beginning of 2008.

Dispositions

The company sold three small business units in the first six months of 2009 and recorded gains aggregating \$1.2 million, included in restructuring and other costs, net, in the accompanying statement of income. The net cash proceeds were \$2.7 million. Operating results of the businesses were not material.

THERMO FISHER SCIENTIFIC INC.

3. Business Segment Information

The company's continuing operations fall into two business segments: Analytical Technologies and Laboratory Products and Services. During the first quarter of 2009, the company transferred management responsibility and the related financial reporting and monitoring for a small product line between segments. The company has historically moved a product line between segments when a shift in strategic focus of either the product line or a segment more closely aligns the product line with a segment different than that in which it had previously been reported. Prior period segment information has been reclassified to reflect these transfers.

(In millions)	Three Months Ended		Six Months Ended	
	June 27, 2009	June 28, 2008	June 27, 2009	June 28, 2008
Revenues				
Analytical Technologies	\$ 1,003.3	\$ 1,159.9	\$ 1,942.1	\$ 2,246.7
Laboratory Products and Services	1,599.3	1,656.9	3,022.3	3,225.7
Eliminations	(118.5)	(107.2)	(225.2)	(208.8)
Consolidated revenues	\$ 2,484.1	\$ 2,709.6	\$ 4,739.2	\$ 5,263.6
Operating Income				
Analytical Technologies (a)	\$ 201.4	\$ 244.6	\$ 374.9	\$ 472.9
Laboratory Products and Services (a)	217.2	232.0	392.7	450.8
Subtotal reportable segments (a)	418.6	476.6	767.6	923.7
Cost of revenues charges	(0.9)	(0.2)	(0.9)	(0.8)
Acquisition-related transaction costs	(1.3)	—	(1.3)	—
Restructuring and other (costs) income, net	(10.3)	5.4	(23.9)	0.5
Amortization of acquisition-related intangible assets	(147.1)	(151.6)	(292.4)	(302.8)
Consolidated operating income	259.0	330.2	449.1	620.6
Other expense, net (b)	(26.9)	(28.1)	(49.8)	(46.3)
Income from continuing operations before provision for income taxes	\$ 232.1	\$ 302.1	\$ 399.3	\$ 574.3
Depreciation				
Analytical Technologies	\$ 21.4	\$ 22.5	\$ 41.7	\$ 44.3
Laboratory Products and Services	25.8	25.7	50.5	51.5
Consolidated depreciation	\$ 47.2	\$ 48.2	\$ 92.2	\$ 95.8

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

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

THERMO FISHER SCIENTIFIC INC.

4. Other Expense, Net

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

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

(In millions)	Three Months Ended		Six Months Ended	
	June 27, 2009	June 28, 2008	June 27, 2009	June 28, 2008
Interest Income	\$ 4.7	\$ 15.1	\$ 10.0	\$ 25.2
Interest Expense	(29.6)	(42.0)	(59.8)	(77.8)
Other Items, Net	(2.0)	(1.2)	—	6.3
	\$ (26.9)	\$ (28.1)	\$ (49.8)	\$ (46.3)

5. Earnings per Share

Basic and diluted earnings per share were calculated as follows:

(In millions except per share amounts)	Three Months Ended		Six Months Ended	
	June 27, 2009	June 28, 2008	June 27, 2009	June 28, 2008
Income from Continuing Operations	\$ 206.9	\$ 242.9	\$ 355.8	\$ 473.0
Gain on Disposal of Discontinued Operations	—	3.2	—	2.8
Net Income	206.9	246.1	355.8	475.8
Income Allocable to Participating Securities	(0.2)	(0.4)	(0.3)	(0.7)
Net Income for Earnings per Share	\$ 206.7	\$ 245.7	\$ 355.5	\$ 475.1
Basic Weighted Average Shares	415.3	418.0	416.5	417.8
Effect of:				
Convertible debentures	7.0	15.5	6.7	15.1
Stock options, restricted stock awards and warrants	1.4	3.6	1.3	3.7
Diluted Weighted Average Shares	423.7	437.1	424.5	436.6
Basic Earnings per Share:				
Continuing operations	\$.50	\$.58	\$.85	\$ 1.13
Discontinued operations	—	.01	—	.01
	\$.50	\$.59	\$.85	\$ 1.14

Diluted Earnings per Share:

Continuing operations	\$.49	\$.55	\$.84	\$ 1.08
Discontinued operations	—	.01	—	.01
	\$.49	\$.56	\$.84	\$ 1.09

THERMO FISHER SCIENTIFIC INC.

5. Earnings per Share (continued)

Options to purchase 15.7 million, 0.8 million, 16.2 million and 2.3 million shares of common stock were not included in the computation of diluted earnings per share for the second quarter of 2009 and 2008 and the first six months of 2009 and 2008, respectively, because their effect would have been antidilutive.

6. Comprehensive Income and Shareholders' Equity

Comprehensive income combines net income and other comprehensive items. Other comprehensive items represent certain amounts that are reported as components of shareholders' equity in the accompanying balance sheet, including currency translation adjustments; unrealized gains and losses, net of tax, on available-for-sale investments and hedging instruments; and pension and other postretirement benefit liability adjustments. During the second quarter of 2009 and 2008, the company had comprehensive income of \$469 million and \$239 million, respectively. During the first six months of 2009 and 2008, the company had comprehensive income of \$506 million and \$591 million, respectively. The second quarter and first six months of 2009 were favorably affected by an increase in the cumulative translation adjustment of \$264 million and \$151 million, respectively, due to movements in currency exchange rates, the effects of which are recorded in shareholders' equity.

7. Stock-based Compensation Expense

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

(In millions)	Three Months Ended		Six Months Ended	
	June 27, 2009	June 28, 2008	June 27, 2009	June 28, 2008
Stock Option Awards	\$ 13.3	\$ 9.3	\$ 23.4	\$ 16.0
Restricted Share/Unit Awards	7.3	7.4	12.4	11.7
Total Stock-based Compensation Expense	\$ 20.6	\$ 16.7	\$ 35.8	\$ 27.7

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

(In millions)	Three Months Ended		Six Months Ended	
	June 27, 2009	June 28, 2008	June 27, 2009	June 28, 2008
Cost of Revenues	\$ 1.9	\$ 0.9	\$ 3.4	\$ 2.0
Selling, General and Administrative Expenses	18.0	15.3	31.2	24.9
Research and Development Expenses	0.7	0.5	1.2	0.8
Total Stock-based Compensation Expense	\$ 20.6	\$ 16.7	\$ 35.8	\$ 27.7

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

Unrecognized compensation cost related to unvested stock options and restricted stock totaled approximately \$103.8 million and \$39.3 million, respectively, as of June 27, 2009, and is expected to be recognized over weighted average periods of 2.4 years and 2.3 years, respectively.

During the first six months of 2009, the company made equity compensation grants to employees consisting of 1.0 million restricted shares/units and options to purchase 6.4 million shares.

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8. Defined Benefit Pension Plans

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

(In millions)	Three Months Ended		Six Months Ended	
	June 27, 2009	June 28, 2008	June 27, 2009	June 28, 2008
Service Cost	\$ 2.5	\$ 3.4	\$ 5.0	\$ 7.7
Interest Cost on Benefit Obligation	12.4	14.3	24.4	28.8
Expected Return on Plan Assets	(12.6)	(15.9)	(24.9)	(31.7)
Amortization of Net Loss	0.5	0.4	0.8	0.8
Amortization of Prior Service Benefit	—	—	0.1	—
Settlement/Curtailment Gain	(0.2)	(18.5)	(0.2)	(18.5)
Special Termination Benefits	0.1	0.2	0.3	0.2
Net Periodic Benefit Cost (Income)	\$ 2.7	\$ (16.1)	\$ 5.5	\$ (12.7)

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

(In millions)	Three Months Ended		Six Months Ended	
	June 27, 2009	June 28, 2008	June 27, 2009	June 28, 2008
Service Cost	\$ 0.1	\$ 0.2	\$ 0.2	\$ 0.4
Interest Cost on Benefit Obligation	0.4	0.5	0.8	1.0
Net Periodic Benefit Cost	\$ 0.5	\$ 0.7	\$ 1.0	\$ 1.4

9. Fair Value Measurements

The company uses the market approach technique to value its financial instruments and there were no changes in valuation techniques during the six months ended June 27, 2009. The company's financial assets and liabilities carried at fair value are primarily comprised of investments in money market funds, mutual funds holding publicly traded securities, derivative contracts used to hedge the company's currency risk and other investments in unit trusts and insurance contracts held as assets to satisfy outstanding retirement liabilities.

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

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

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

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

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9. Fair Value Measurements (continued)

The following table presents information about the company's financial assets and liabilities measured at fair value on a recurring basis as of June 27, 2009:

(In millions)	June 27, 2009	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Cash equivalents	\$ 818.5	\$ 818.5	\$ —	\$ —
Investments in mutual funds, unit trusts and other similar instruments	29.5	29.5	—	—
Cash surrender value of life insurance	22.3	—	22.3	—
Auction rate securities	6.0	—	—	6.0
Derivative contracts	0.4	—	0.4	—
Total Assets	\$ 876.7	\$ 848.0	\$ 22.7	\$ 6.0
Liabilities				
Derivative contracts	\$ 1.9	\$ —	\$ 1.9	\$ —
Total Liabilities	\$ 1.9	\$ —	\$ 1.9	\$ —

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9. Fair Value Measurements (continued)

The following table presents information about the company's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2008:

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

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

(In millions)	Three Months Ended June 27, 2009	Six Months Ended June 27, 2009
Beginning Balance	\$ 6.3	\$ 5.7
Total unrealized (losses) gains included in other comprehensive income	(0.3)	0.3
Balance at June 27, 2009	\$ 6.0	\$ 6.0

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

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9. Fair Value Measurements (continued)

Fair Value of Other Financial Instruments

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

(In millions)	June 27, 2009		December 31, 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Notes Receivable	\$ 3.9	\$ 3.9	\$ 2.7	\$ 2.7
Long-term Obligations:				
Convertible obligations	\$ 940.0	\$ 1,424.9	\$ 928.8	\$ 1,227.7
Senior notes	250.0	247.5	250.0	209.3
Senior subordinated notes	805.9	814.9	806.3	675.9
Other	21.1	21.1	18.1	18.1
	\$ 2,017.0	\$ 2,508.4	\$ 2,003.2	\$ 2,131.0

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

10. Warranty Obligations

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

(In millions)	Six Months Ended	
	June 27, 2009	June 28, 2008
Beginning Balance	\$ 44.1	\$ 50.6
Provision charged to income	15.9	19.2
Usage	(20.9)	(19.5)
Acquisitions/divestitures	0.1	—
Adjustments to previously provided warranties, net	0.9	(0.9)
Other, net (a)	—	1.8
Ending Balance	\$ 40.1	\$ 51.2

(a) Primarily represents the effects of currency translation.

11. Restructuring and Other Costs, Net

Restructuring costs in the six months of 2009 in both segments primarily included charges for actions in response to the downturn in the economy and reduced revenues in several businesses, as well as abandoned facility costs at businesses that have been or are being consolidated. As of July 31, 2009, the company has identified restructuring

actions that will result in additional charges of approximately \$34 million, primarily in the remainder of 2009 and early 2010.

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11. Restructuring and Other Costs, Net (continued)

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

(In millions)	Analytical Technologies	Laboratory Products and Services	Corporate	Total
Cost of Revenues	\$ 0.5	\$ 0.4	\$ —	\$ 0.9
Selling, General and Administrative Expenses	—	1.3	—	1.3
Restructuring and Other Costs, Net	4.8	4.6	0.9	10.3
	\$ 5.3	\$ 6.3	\$ 0.9	\$ 12.5

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

(In millions)	Analytical Technologies	Laboratory Products and Services	Corporate	Total
Cost of Revenues	\$ 0.5	\$ 0.4	\$ —	\$ 0.9
Selling, General and Administrative Expenses	—	1.3	—	1.3
Restructuring and Other Costs, Net	13.1	9.0	1.8	23.9
	\$ 13.6	\$ 10.7	\$ 1.8	\$ 26.1

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

Analytical Technologies

The Analytical Technologies segment recorded \$5.3 million of net restructuring and other charges in the second quarter of 2009. The segment recorded charges to cost of revenues of \$0.5 million for accelerated depreciation at facilities closing due to real estate consolidation, and \$4.8 million of other costs, net. These other costs consisted of \$12.3 million of cash costs, primarily associated with headcount reductions and facility consolidations in an effort to streamline operations, including \$8.7 million of severance for approximately 300 employees across all functions; \$2.6 million of abandoned facility costs; and \$1.0 million of other cash costs, primarily moving expenses associated with facility consolidations as well as other costs associated with restructuring actions. The segment also recorded \$7.5 million of income, net, primarily due to a gain on the settlement of a litigation-related matter assumed as part of the merger with Fisher Scientific in 2006.

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

sale of a small business unit of \$0.9 million, largely offset by other restructuring-related charges.

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11. Restructuring and Other Costs, Net (continued)

In addition to reducing headcount in several businesses due to a downturn in results, the principal restructuring actions in 2009 in the Analytical Technologies segment, detailed above, include the consolidation of production operations at a plant in the United Kingdom with plants in the U.S. and Germany, the consolidation of operations at a plant in the Netherlands with plants in the United Kingdom and the U.S., and integrating operations in Switzerland with existing operations in Hungary and the U.S.

Laboratory Products and Services

The Laboratory Products and Services segment recorded \$6.3 million of net restructuring and other charges in the second quarter of 2009. The segment recorded charges to cost of revenues of \$0.4 million for the sale of inventories revalued at the date of acquisition; charges to selling, general and administrative expenses of \$1.3 million for transaction costs related to the Biolab acquisition; \$2.5 million in cash costs described below; and \$2.1 million in other costs, net. The cash costs, which were associated with headcount reductions and facility consolidations in an effort to streamline operations, included \$2.1 million of severance for approximately 60 employees primarily in administrative, manufacturing, and sales and service functions; \$0.1 million of abandoned facility costs; and \$0.3 million of other cash costs, primarily retention expenses. The \$2.1 million in other costs, net, related primarily to a loss on an abandoned facility held for sale that was sold in July 2009.

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

In addition to reducing headcount in several businesses due to a downturn in results, the principal restructuring action in 2009 in the Laboratory Products and Services segment, detailed above, was completion of the relocation of a manufacturing site in France to an existing site in Germany.

Corporate

In the second quarter of 2009, the company recorded \$0.9 million of restructuring and other charges at its corporate office, \$1.1 million of which were cash costs partially offset by a \$0.2 million gain on the sale of a building that had previously been written down to estimated disposal value. The cash costs were primarily abandoned facility costs and, to a lesser extent, severance.

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

General

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

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11. Restructuring and Other Costs, Net (continued)

(In millions)	Severance	Employee Retention (a)	Abandonment of Excess Facilities	Other	Total
Pre-2008 Restructuring Plans					
Balance at December 31, 2008	\$ 5.4	\$ 0.8	\$ 4.4	\$ 0.7	\$ 11.3
Costs incurred in 2009 (b)	1.4	0.2	1.9	0.6	4.1
Reserves reversed	—	(0.1)	—	—	(0.1)
Payments	(6.4)	(0.9)	(2.8)	(0.8)	(10.9)
Currency translation	(0.1)	—	—	—	(0.1)
Balance at June 27, 2009	\$ 0.3	\$ —	\$ 3.5	\$ 0.5	\$ 4.3
2008 Restructuring Plans					
Balance at December 31, 2008	\$ 7.0	\$ 0.4	\$ 1.8	\$ 0.3	\$ 9.5
Costs incurred in 2009 (b)	1.7	0.2	0.5	0.4	2.8
Reserves reversed	(0.1)	—	—	—	(0.1)
Payments	(4.7)	(0.3)	(0.7)	(0.6)	(6.3)
Currency translation	(0.2)	—	0.1	—	(0.1)
Balance at June 27, 2009	\$ 3.7	\$ 0.3	\$ 1.7	\$ 0.1	\$ 5.8
2009 Restructuring Plans					
Costs incurred in 2009 (b)	\$ 18.4	\$ 0.4	\$ 3.1	\$ 1.1	\$ 23.0
Payments	(9.8)	—	(0.5)	(0.9)	(11.2)
Currency translation	0.2	—	—	—	0.2
Balance at June 27, 2009	\$ 8.8	\$ 0.4	\$ 2.6	\$ 0.2	\$ 12.0

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

(b) Excludes non-cash items including principally a \$7.4 million gain on settlement of a litigation-related matter assumed as part of the merger with Fisher, a \$2.5 million loss on an abandoned facility held for sale that was sold in July 2009 and a \$0.9 million gain on sale of a small business.

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

12. Litigation and Related Contingencies

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

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12. Litigation and Related Contingencies (continued)

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

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

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

For product liability, workers compensation and other personal injury matters, the company accrues the most likely amount or at least the minimum of the range of probable loss when a range of probable loss can be estimated, including estimated defense costs. The company records estimated amounts due from insurers as an asset. Although the company believes that the amounts reserved and estimated recoveries are probable and appropriate based on available information, including actuarial studies of loss estimates, the process of estimating losses and insurance recoveries involves a considerable degree of judgment by management and the ultimate amounts could vary materially. For example, there are pending lawsuits with certain of the company's insurers concerning which state's laws should apply to the insurance policies and how such laws affect the policies. Should these actions resolve unfavorably, the estimated amount due from insurers of \$82 million would require an adjustment that could be material to the company's results of operations. Insurance contracts do not relieve the company of its primary obligation with respect to any losses incurred. The collectibility of amounts due from its insurers is subject to the solvency and willingness of the insurer to pay, as well as the legal sufficiency of the insurance claims. Management monitors the financial condition and ratings of its insurers on an ongoing basis.

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

Management believes that its reserves for environmental matters are adequate for the remediation costs the company expects to incur. As a result, the company believes that the ultimate liability with respect to environmental

remediation matters will not have a material adverse effect on the company's financial position, results of operations or cash flows. However, the company may be subject to additional remedial or compliance costs due to future events, such as changes in existing laws and regulations, changes in agency direction or enforcement policies, developments in remediation technologies or changes in the conduct of the company's operations, which could have a material adverse

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12. Litigation and Related Contingencies (continued)

effect on the company's financial position, results of operations or cash flows. Although these environmental remediation liabilities do not include third-party recoveries, the company may be able to bring indemnification claims against third parties for liabilities relating to certain sites.

13. Recent Accounting Pronouncements

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

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

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

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

In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments." This FSP requires the fair value disclosures required by FAS 107 regarding the fair value of financial instruments to be included in interim financial statements. This FSP was effective for the company in the second quarter of 2009, and the additional disclosures required have been made.

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events." SFAS No. 165 identifies the following: the period after the balance sheet date during which management shall evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; the circumstances under which an entity shall recognize events or transactions occurring after the balance sheet date in its financial statements; and the disclosures that an entity shall make about events or transactions that occurred after the balance sheet date. This statement is effective for the company's second quarter 2009, and there was no effect from adoption of this standard.

In June 2009, the FASB issued SFAS No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles." Upon its effective date, the "FASB Accounting Standards Codification," or the Codification, is the single source of authoritative nongovernmental generally accepted accounting principles in the U.S. (GAAP). The Codification is effective for interim and annual periods ending after September 15, 2009. The adoption of the Codification will have no impact on the company's financial position or results of operations.

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

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

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

Overview of Results of Operations and Liquidity

The company develops, manufactures and sells a broad range of products that are sold worldwide. The company expands the product lines and services it offers by developing and commercializing its own technologies and by making strategic acquisitions of complementary businesses. The company's continuing operations fall into two business segments: Analytical Technologies and Laboratory Products and Services. During the first quarter of 2009, the company transferred management responsibility and related financial reporting and monitoring for a small product line between segments. The company has historically moved a product line between segments when a shift in strategic focus of either the product line or a segment more closely aligns the product line with a segment different than that in which it had previously been reported. Prior period segment information has been reclassified to reflect this transfer.

(Dollars in millions)	Three Months Ended				Six Months Ended			
	June 27, 2009		June 28, 2008		June 27, 2009		June 28, 2008	
Revenues								
Analytical Technologies	\$ 1,003.3	40.4%	\$ 1,159.9	42.8%	\$ 1,942.1	41.0%	\$ 2,246.7	42.7%
Laboratory Products and Services	1,599.3	64.4%	1,656.9	61.1%	3,022.3	63.8%	3,225.7	61.3%
Eliminations	(118.5)	(4.8)%	(107.2)	(3.9)%	(225.2)	(4.8)%	(208.8)	(4.0)%
	\$ 2,484.1	100%	\$ 2,709.6	100%	\$ 4,739.2	100%	\$ 5,263.6	100%

Sales in the second quarter of 2009 were \$2.48 billion, a decrease of \$226 million from the second quarter of 2008. Aside from the effects of currency translation and acquisitions, net of divestitures (discussed in total and by segment below), revenues decreased from 2008 revenues by \$145 million (5%) due to lower revenues at existing businesses as a result of decreased demand, offset in part by price increases. Sales of equipment were particularly affected as the company believes customers reduced purchases due to the global market downturn. Sales of consumables grew modestly and were not as significantly affected by the severe economic conditions.

The company's strategy is to augment internal growth at existing businesses with complementary acquisitions such as those completed in 2009 and 2008. The principal acquisition in the first six months of 2009 was Biolab, an Australia-based provider of analytical instruments, life science consumables and laboratory equipment in April 2009.

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Overview of Results of Operations and Liquidity (continued)

In the second quarter of 2009, the company's operating income and operating income margin were \$259 million and 10.4%, respectively, compared with \$330 million and 12.2%, respectively, in 2008. (Operating income margin is operating income divided by revenues.) The decrease in operating income was due to lower profitability at existing businesses resulting from decreased revenues offset in part by price increases and productivity improvements including lower operating costs following restructuring actions and global sourcing initiatives. In addition, restructuring and other costs increased \$18 million in 2009 due primarily to a pension plan curtailment gain in the 2008 period. These decreases in operating income were offset in part by a \$5 million decrease in amortization expense in 2009.

The company's effective tax rates were 10.9% and 19.6% in the second quarter of 2009 and 2008, respectively. The decrease in the effective tax rate was primarily due to reduced earnings in higher tax jurisdictions, offset in part by rate increases in certain regions. The company currently expects its tax rate for the full year to be approximately 10% - 12%.

Income from continuing operations decreased to \$207 million in the second quarter of 2009, from \$243 million in the second quarter of 2008, primarily due to the items discussed above that decreased operating income, offset in part by a lower tax rate.

During the first six months of 2009, the company's cash flow from operations totaled \$734 million, compared with \$590 million for the first half of 2008. The increase resulted primarily from decreased investment in working capital items, particularly accounts receivable and, to a lesser extent, other current assets primarily due to the cash receipt of a tax refund.

As of June 27, 2009, the company's outstanding debt totaled \$2.03 billion, of which approximately \$0.9 billion is convertible debt, at conversion prices ranging from \$23.73 to \$40.20 per share. As of July 31, 2009, \$640 million of the convertible debt was currently convertible. Although the company's experience is that convertible debentures are not normally converted by investors until close to their maturity date, it is possible, particularly in the current uncertain financial climate, that debentures could be converted prior to their maturity date if, for example, a holder perceives the market for the debentures to be weaker than the market for the common stock. Upon an investor's election to convert, the company is required to pay the original principal portion of these debentures in cash, and the balance of the conversion value in either cash or stock, at the company's election. Should holders elect to convert, the company intends to draw on its revolving credit facility to fund substantially all of these principal payments. The facility is an unsecured revolving credit agreement expiring in 2012 with available capacity of \$947 million at June 27, 2009.

The company believes that its existing cash and short-term investments of \$1.43 billion as of June 27, 2009, and the company's future cash flow from operations together with available borrowing capacity under its revolving credit agreement, are sufficient to meet the cash requirements of its businesses for the foreseeable future, including at least the next 24 months.

Critical Accounting Policies

Preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management believes the most complex and sensitive judgments, because of their significance to the consolidated financial statements, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Management's Discussion and Analysis and

Note 1 to the Consolidated Financial Statements in the company's Form 10-K for 2008, describe the significant accounting estimates and policies used in preparation of the consolidated financial statements. Actual results in these areas could differ from management's estimates. There have been no significant changes in the company's critical accounting policies during the first six months of 2009.

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Results of Operations

Second Quarter 2009 Compared With Second Quarter 2008

Continuing Operations

Sales in the second quarter of 2009 were \$2.48 billion, a decrease of \$226 million from the second quarter of 2008. The unfavorable effects of currency translation resulted in a decrease in revenues of \$120 million in 2009. Sales increased \$39 million due to acquisitions, net of divestitures. Aside from the effects of currency translation and acquisitions, net of divestitures, revenues decreased \$145 million (5%) primarily due to decreased demand which the company believes is due to economic uncertainty offset in part by price increases, as described by segment below. Sales decreased in each of the company's principal geographic regions.

In the second quarter of 2009, operating income and operating income margin were \$259 million and 10.4%, respectively, compared with \$330 million and 12.2%, respectively, in the second quarter of 2008. The decrease in operating income was due to lower profitability at existing businesses resulting from decreased revenues offset in part by price increases and productivity improvements including lower operating costs following restructuring actions and global sourcing initiatives. In addition, restructuring and other costs increased \$18 million in 2009 due primarily to a pension plan curtailment gain in the 2008 period. These decreases in operating income were offset in part by a \$5 million decrease in amortization expense in 2009.

In the second quarter of 2009, the company recorded restructuring and other costs, net, of \$13 million, including \$1 million of charges to cost of revenues related to the sale of inventories revalued at the date of acquisition and accelerated depreciation on manufacturing assets to be abandoned due to facility consolidations and \$1 million of charges to selling, general and administrative expenses for transaction costs related to the acquisition of Biolab in April 2009. The company incurred \$16 million of cash costs primarily for actions in response to the downturn in the economy and reduced revenues including severance to reduce headcount at several businesses and abandoned facility expenses at businesses that have been or are being consolidated. The company also incurred a \$2 million loss on an abandoned facility held for sale that was sold in July 2009, offset by a \$7 million gain on the settlement of a litigation-related matter assumed as part of the merger with Fisher Scientific in 2006. In the second quarter of 2008, the company recorded restructuring and other income, net, of \$5 million, including \$7 million of cash costs, primarily for severance and abandoned facilities expenses at businesses that have been consolidated, and recorded a loss of \$5 million associated with a pre-merger litigation-related matter and a loss of \$3 million from the sale of a business. These losses were more than offset by an \$18 million gain on the curtailment of a pension plan in the U.S. and a \$2 million gain on the sale of real estate.

As of July 31, 2009, the company has identified restructuring actions that will result in additional charges of approximately \$34 million, primarily in the remainder of 2009 and early 2010. Annual cost savings associated with actions initiated in late 2008 and through July 31, 2009 are expected to total approximately \$85 million, beginning primarily in 2009, and to a lesser extent, 2010.

The company's revenues and profitability decreased in the first six months of 2009 compared to the first six months of 2008. The company believes the decreases are primarily due to the global economic downturn. Should the downturn continue indefinitely or worsen such that the company's projections of profitability for 2009 and future years decrease materially, impairment of goodwill and acquisition-related intangible assets could occur. These assets totaled \$8.77 billion and \$6.23 billion, respectively, at June 27, 2009.

Segment Results

The company's management evaluates segment operating performance using operating income before certain charges 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 these measures because they help management understand and evaluate the segments' core operating results and facilitate comparison of performance for determining compensation (Note 3). Accordingly, the following segment data is reported on this basis.

THERMO FISHER SCIENTIFIC INC.

Second Quarter 2009 Compared With Second Quarter 2008 (continued)

(Dollars in millions)	Three Months Ended		Change
	June 27, 2009	June 28, 2008	
Revenues			
Analytical Technologies	\$ 1,003.3	\$ 1,159.9	(14)%
Laboratory Products and Services	1,599.3	1,656.9	(3)%
Eliminations	(118.5)	(107.2)	11%
Consolidated Revenues	\$ 2,484.1	\$ 2,709.6	(8)%
Operating Income			
Analytical Technologies	\$ 201.4	\$ 244.6	(18)%
Laboratory Products and Services	217.2	232.0	(6)%
Subtotal Reportable Segments	418.6	476.6	(12)%
Cost of Revenues Charges	(0.9)	(0.2)	
Acquisition-related Transaction Costs	(1.3)	—	
Restructuring and Other (Costs) Income, Net	(10.3)	5.4	
Amortization of Acquisition-related Intangible Assets	(147.1)	(151.6)	
Consolidated Operating Income	\$ 259.0	\$ 330.2	(22)%

Income from the company's reportable segments decreased 12% to \$419 million in the second quarter of 2009 due primarily to lower profitability at existing businesses, resulting from decreased revenues offset in part by price increases and productivity improvements including lower operating costs following restructuring actions and global sourcing initiatives.

Analytical Technologies

(Dollars in millions)	Three Months Ended		Change
	June 27, 2009	June 28, 2008	
Revenues	\$ 1,003.3	\$ 1,159.9	(14)%
Operating Income Margin	20.1%	21.1%	(1) pts.

Sales in the Analytical Technologies segment decreased \$157 million to \$1.00 billion in the second quarter of 2009. The unfavorable effects of currency translation resulted in a decrease of \$57 million in 2009. Sales increased \$4 million due to acquisitions, net of divestitures. In addition to the changes in revenue resulting from currency translation and acquisitions, net of divestitures, revenues decreased \$104 million (9%) primarily due to lower demand offset in part by increased prices. Demand in industrial markets for environmental and process control instruments was particularly soft, which the company believes was primarily due to the global economic downturn. This weakness was offset in part by a modest increase in sales of specialty diagnostics and bioscience offerings which have been less severely affected by economic conditions.

THERMO FISHER SCIENTIFIC INC.

Second Quarter 2009 Compared With Second Quarter 2008 (continued)

Operating income margin was 20.1% in the second quarter of 2009 and 21.1% in the second quarter of 2008. The decrease resulted from lower profitability from decreased revenues offset in part by price increases and productivity improvements, including lower operating costs following restructuring actions and global sourcing initiatives.

Laboratory Products and Services

(Dollars in millions)	Three Months Ended		Change
	June 27, 2009	June 28, 2008	
Revenues	\$ 1,599.3	\$ 1,656.9	(3)%
Operating Income Margin	13.6%	14.0%	(0.4) pts.

Sales in the Laboratory Products and Services segment decreased \$58 million to \$1.60 billion in the second quarter of 2009. The unfavorable effects of currency translation resulted in a decrease of \$67 million in 2009. Sales increased \$36 million due to acquisitions, principally Biolab. In addition to the changes in revenue resulting from currency translation and acquisitions, revenues decreased \$27 million (2%) primarily due to a decrease in sales of products purchased from a supplier discussed below and, to a lesser extent, lower demand, offset in part by increased prices. Demand for laboratory equipment was particularly weak as the company believes customers reduced purchases due to the global economic downturn. This weakness was offset in part by higher sales of consumables which have been less severely affected by economic conditions.

In July 2008, the company and a supplier of its healthcare market channel extended an existing agreement for two years through 2010. Under the revised agreement, the company's revenues from the sale of products purchased from the supplier decreased \$20 million and \$16 million in the first and second quarters, respectively, of 2009 and the company expects its sales volume of products purchased from the supplier to decrease by approximately \$27 million over the remainder of 2009 for a total annualized decrease in revenues of approximately \$63 million from 2008.

Operating income margin was 13.6% in the second quarter of 2009 and 14.0% in the second quarter of 2008. The decrease primarily resulted from lower profitability from decreased revenues, offset in part by price increases and productivity improvements, including lower operating costs following restructuring actions and global sourcing initiatives.

Other Expense, Net

The company reported other expense, net, of \$27 million and \$28 million in the second quarter of 2009 and 2008, respectively (Note 4). Other expense, net, includes interest income, interest expense, equity in earnings of unconsolidated subsidiaries and other items, net. Interest income decreased to \$5 million in the second quarter of 2009 from \$15 million in the same period last year primarily due to lower interest rates on invested cash. Interest expense decreased to \$30 million in the second quarter of 2009 from \$42 million in the second quarter of 2008 primarily as a result of a reduction in debt and lower interest rates on variable rate debt.

Provision for Income Taxes

The company's effective tax rates were 10.9% and 19.6% in the second quarter of 2009 and 2008, respectively. The decrease in the effective tax rate was primarily due to reduced earnings in higher tax jurisdictions, offset in part by rate increases in certain regions. The company currently expects its tax rate for the full year to be approximately 10% - 12%.

THERMO FISHER SCIENTIFIC INC.

Second Quarter 2009 Compared With Second Quarter 2008 (continued)

Contingent Liabilities

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

Recent Accounting Pronouncements

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

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

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

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

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

expense in the second quarter and first six months of 2008, as adjusted for adoption of this rule, increased \$5 million and \$11 million, respectively, over the previously reported amounts.

THERMO FISHER SCIENTIFIC INC.

Second Quarter 2009 Compared With Second Quarter 2008 (continued)

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

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

In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments." This FSP requires the fair value disclosures required by FAS 107 regarding the fair value of financial instruments to be included in interim financial statements. This FSP was effective for the company in the second quarter of 2009, and the additional disclosures required have been made.

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events." SFAS No. 165 identifies the following: the period after the balance sheet date during which management shall evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; the circumstances under which an entity shall recognize events or transactions occurring after the balance sheet date in its financial statements; and the disclosures that an entity shall make about events or transactions that occurred after the balance sheet date. This statement is effective for the company's second quarter 2009, and there was no effect from adoption of this standard.

In June 2009, the FASB issued SFAS No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles." Upon its effective date, the "FASB Accounting Standards Codification," or the Codification, is the single source of authoritative nongovernmental generally accepted accounting principles in the U.S. (GAAP). The Codification is effective for interim and annual periods ending after September 15, 2009. The adoption of the Codification will have no impact on the company's financial position or results of operations.

Discontinued Operations

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

First Six Months 2009 Compared With First Six Months 2008

Continuing Operations

Sales in the first six months of 2009 were \$4.74 billion, a decrease of \$524 million from the first six months of 2008. The unfavorable effects of currency translation resulted in a decrease in revenues of \$252 million in 2009. Sales increased \$56 million due to acquisitions, net of divestitures. Aside from the effects of currency translation and

acquisitions, net of divestitures, revenues decreased \$328 million (6%) primarily a result of decreased demand which the company believes was due to economic uncertainty offset in part by price increases, as described by segment below. Sales were down in each of the company's principal geographic regions.

THERMO FISHER SCIENTIFIC INC.

First Six Months 2009 Compared With First Six Months 2008 (continued)

In the first six months of 2009, operating income and operating income margin were \$449 million and 9.5%, respectively, compared with \$621 million and 11.8%, respectively, in the first six months of 2008. The decrease in operating income was due to lower profitability at existing businesses resulting from decreased revenues offset in part by price increases and productivity improvements including lower operating costs following restructuring actions and global sourcing initiatives. In addition, restructuring and other costs increased \$26 million in 2009 due primarily to a pension plan curtailment gain in the 2008 period. These decreases in operating income were offset in part by a \$10 million decrease in amortization expense.

In the first six months of 2009, the company recorded restructuring and other costs, net, of \$26 million, including \$1 million of charges to cost of revenues related to the sale of inventories revalued at the date of acquisition and accelerated depreciation on manufacturing assets to be abandoned due to facility consolidations and \$1 million of charges to selling, general and administrative expenses for transaction costs related to the acquisition of Biolab in April 2009. The company incurred \$30 million of cash costs primarily for actions in response to the downturn in the economy and reduced revenues including severance to reduce headcount at several businesses and abandoned facility expenses at businesses that have been or are being consolidated. The company also incurred a \$2 million loss on an abandoned facility held for sale that was sold in July 2009, offset by a \$7 million gain on the settlement of a litigation-related matter assumed as part of the merger with Fisher in 2006. In the first six months of 2008, the company recorded restructuring and other costs, net, of \$0.3 million, including \$0.8 million of charges to cost of revenues, related to the sale of inventories revalued at the date of acquisition and accelerated depreciation on manufacturing assets to be abandoned due to facility consolidations. The company incurred \$12 million of cash costs primarily for severance and abandoned facility expenses at businesses that have been or are being consolidated and recorded a \$5 million loss from a pre-merger litigation-related matter and a \$3 million loss on the sale of a business. These charges were offset by an \$18 million gain on the curtailment of a pension plan in the U.S. and a \$2 million gain on the sale of real estate.

Segment Results

(Dollars in millions)	Six Months Ended		Change
	June 27, 2009	June 28, 2008	
Revenues			
Analytical Technologies	\$ 1,942.1	\$ 2,246.7	(14)%
Laboratory Products and Services	3,022.3	3,225.7	(6)%
Eliminations	(225.2)	(208.8)	8%
Consolidated Revenues	\$ 4,739.2	\$ 5,263.6	(10)%
Operating Income			
Analytical Technologies	\$ 374.9	\$ 472.9	(21)%
Laboratory Products and Services	392.7	450.8	(13)%
Subtotal Reportable Segments	767.6	923.7	(17)%
Cost of Revenues Charges	(0.9)	(0.8)	
Acquisition-related Transaction Costs	(1.3)	—	

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Restructuring and Other (Costs) Income, Net	(23.9)	0.5	
Amortization of Acquisition-related Intangible Assets	(292.4)	(302.8)	
Consolidated Operating Income	\$ 449.1	\$ 620.6	(28)%

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THERMO FISHER SCIENTIFIC INC.

First Six Months 2009 Compared With First Six Months 2008 (continued)

Income from the company's reportable segments decreased 17% to \$768 million in the first half of 2009 due primarily to lower profitability at existing businesses, resulting from decreased revenues offset in part by price increases and productivity improvements including global sourcing and lower operating costs following restructuring actions.

Analytical Technologies

(Dollars in millions)	Six Months Ended		Change
	June 27, 2009	June 28, 2008	
Revenues	\$ 1,942.1	\$ 2,246.7	(14)%
Operating Income Margin	19.3%	21.0%	(1.7) pts.

Sales in the Analytical Technologies segment decreased \$305 million to \$1.94 billion in the first six months of 2009. The unfavorable effects of currency translation resulted in a decrease of \$118 million in 2009. Sales increased \$7 million due to acquisitions, net of divestitures. In addition to the changes in revenue resulting from currency translation and acquisitions, net of divestitures, revenues decreased \$194 million (9%) primarily due to lower demand offset in part by increased prices. Demand in industrial markets for environmental and process control instruments was particularly soft, which the company believes was due to the global economic downturn.

Operating income margin was 19.3% in the first six months of 2009 and 21.0% in the first six months of 2008. The decrease resulted from lower profitability from decreased revenues, offset in part by price increases and productivity improvements, including lower operating costs following restructuring actions and global sourcing initiatives.

Laboratory Products and Services

(Dollars in millions)	Six Months Ended		Change
	June 27, 2009	June 30, 2008	
Revenues	\$ 3,022.3	\$ 3,225.7	(6)%
Operating Income Margin	13.0%	14.0%	(1.0) pts.

Sales in the Laboratory Products and Services segment decreased \$203 million to \$3.02 billion in the first six months of 2009. The unfavorable effects of currency translation resulted in a decrease of \$142 million in 2009. Sales increased \$49 million due to acquisitions, net of divestitures. In addition to the changes in revenue resulting from currency translation and acquisitions, net of divestitures, revenues decreased \$110 million (3%) primarily due to lower demand and a decrease in sales of products purchased from a supplier discussed above, offset in part by increased prices. Demand for laboratory equipment was particularly weak as the company believes customers reduced purchases due to the global economic downturn.

Operating income margin decreased to 13.0% in the first six months of 2009 from 14.0% in the first six months of 2008, primarily due to lower profitability from decreased revenues, offset in part by price increases and productivity improvements, including lower operating costs following restructuring actions and global sourcing initiatives.

THERMO FISHER SCIENTIFIC INC.

First Six Months 2009 Compared With First Six Months 2008 (continued)

Other Expense, Net

The company reported other expense, net, of \$50 million and \$46 million in the first six months of 2009 and 2008, respectively (Note 4). Interest income decreased to \$10 million in the first six months of 2009 from \$25 million in the first six months of 2008 primarily due to lower interest rates on invested cash balances. Interest expense decreased to \$60 million from \$78 million in the first six months of 2008 primarily as a result of a reduction in debt and lower interest rates on variable rate debt. In 2008, the company had \$6 million in other expense, net, consisting primarily of net currency transaction gains.

Provision for Income Taxes

The company's effective tax rate was 10.9% and 17.6% in the first six months of 2009 and 2008, respectively. The decrease in the effective rate was primarily due to reduced earnings in higher tax jurisdictions, offset in part by rate increases in certain regions. The tax provision in the first six months of 2008 was favorably affected by \$9.6 million or 1.7 percentage points resulting from the impact on deferred tax balances of enacted reductions in tax rates in Switzerland.

Discontinued Operations

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

Liquidity and Capital Resources

Consolidated working capital was \$2.94 billion at June 27, 2009, compared with \$2.81 billion at December 31, 2008. The increase was primarily due to an increase in cash, offset in part by a decrease in other current assets due primarily to a collection of a tax refund. Included in working capital were cash, cash equivalents and short-term available-for-sale investments of \$1.43 billion at June 27, 2009 and \$1.29 billion at December 31, 2008.

First Six Months 2009

Cash provided by operating activities was \$734 million during the first six months of 2009. A decrease in accounts receivable and an increase in accounts payable provided cash of \$41 million and \$35 million, respectively. The decrease in accounts receivable was primarily a result of lower sales in the second quarter of 2009 than in the fourth quarter of 2008. The increase in accounts payable partially reversed a decrease that occurred in 2008 and was due primarily to the timing of payments. A decrease in other liabilities used cash of \$85 million, primarily as a result of annual incentive compensation and restructuring payments. Payments for restructuring actions, principally severance costs and lease and other expenses of real estate consolidation, used cash of \$28 million during the first six months of 2009. Cash payments for income taxes totaled \$125 million in the first six months of 2009. The company expects that for all of 2009, cash payments for income taxes will approximate \$275 - \$300 million.

During the first six months of 2009, the company's primary investing activities included acquisitions and the purchase of property, plant and equipment. The company expended \$146 million for acquisitions and \$83 million for purchases of property, plant and equipment.

The company's financing activities used \$397 million of cash during the first six months of 2009, principally for the repurchase of \$415 million of the company's common stock, offset in part by \$12 million of proceeds of employee stock option exercises. On September 11, 2008, the Board of Directors authorized the repurchase of up to \$500 million of the company's common stock through September 10, 2009. At June 27, 2009, no remaining authorization existed for repurchases of the company's common stock.

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First Six Months 2009 (continued)

The company has no material commitments for purchases of property, plant and equipment and expects that for all of 2009, such expenditures will approximate \$230 million. The company's contractual obligations and other commercial commitments did not change materially between December 31, 2008 and June 27, 2009.

As of June 27, 2009, the company's outstanding debt totaled \$2.03 billion, of which approximately \$0.9 billion is convertible debt, at conversion prices ranging from \$23.73 to \$40.20 per share. As of July 31, 2009, \$640 million of the convertible debt was currently convertible. Although the company's experience is that convertible debentures are not normally converted by investors until close to their maturity date, it is possible, particularly in the current uncertain financial climate, that debentures could be converted prior to their maturity date if, for example, a holder perceives the market for the debentures to be weaker than the market for the common stock. Upon an investor's election to convert, the company is required to pay the original principal portion of these debentures in cash, and the balance of the conversion value in either cash or stock, at the company's election. Should holders elect to convert, the company intends to draw on its revolving credit facility to fund substantially all of these principal payments. The facility is an unsecured revolving credit agreement expiring in 2012 with available capacity of \$947 million at June 27, 2009.

The company believes that its existing cash and short-term investments of \$1.43 billion as of June 27, 2009, and the company's future cash flow from operations together with available borrowing capacity under its revolving credit agreement, are sufficient to meet the cash requirements of its businesses for the foreseeable future, including at least the next 24 months.

First Six Months 2008

Cash provided by operating activities was \$590 million during the first six months of 2008. Increases in accounts receivable and inventories used cash of \$101 million and \$64 million, respectively, representing working capital increases associated with the growth in revenues. Cash payments for income taxes totaled \$136 million in the first six months of 2008.

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

The company's financing activities used \$56 million of cash during the first six months of 2008, principally for the repurchase of \$102 million of the company's common stock and repayment of \$16 million of debt, offset in part by proceeds of stock option exercises. The company had proceeds of \$49 million from the exercise of employee stock options and \$12 million of tax benefits from the exercise of stock options.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Item 4. Controls and Procedures

The company's management, with the participation of the company's chief executive officer and chief financial officer, evaluated the effectiveness of the company's disclosure controls and procedures as of June 27, 2009. The term

“disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures

THERMO FISHER SCIENTIFIC INC.

Item 4. Controls and Procedures (continued)

include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of the company's disclosure controls and procedures as of June 27, 2009, the company's chief executive officer and chief financial officer concluded that, as of such date, the company's disclosure controls and procedures were effective at the reasonable assurance level.

There have been no changes in the company's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the fiscal quarter ended June 27, 2009, that have materially affected or are reasonably likely to materially affect the company's internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1A. Risk Factors

Set forth below are the risks that we believe are material to our investors. This section contains forward-looking statements. You should refer to the explanation of the qualifications and limitations on forward-looking statements beginning on page 25.

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

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

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

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

THERMO FISHER SCIENTIFIC INC.

Item 1A. Risk Factors (continued)

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

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

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

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

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

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

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

As a multinational corporation, we are exposed to fluctuations in currency exchange rates, which could adversely affect our cash flows and results of operations. International revenues account for a substantial portion of our revenues, and we intend to continue expanding our presence in international markets. In 2008, our international revenues from continuing operations, including export revenues from the United States, accounted for a significant percentage of our total revenues. The exposure to fluctuations in currency exchange rates takes on different forms. International revenues are subject to the risk that fluctuations in exchange rates could adversely affect product demand

and the profitability in U.S. dollars of products and services provided by us in international markets, where payment for our products and services is made in the local currency. As a multinational corporation, our businesses occasionally invoice third-party customers in currencies other than the one in which they primarily do

THERMO FISHER SCIENTIFIC INC.

Item 1A.

Risk Factors (continued)

business (the “functional currency”). Movements in the invoiced currency relative to the functional currency could adversely impact our cash flows and our results of operations. In addition, reported sales made in non-U.S. currencies by our international businesses, when translated into U.S. dollars for financial reporting purposes, fluctuate due to exchange rate movement. Should our international sales grow, exposure to fluctuations in currency exchange rates could have a larger effect on our financial results. In 2008, currency translation had a favorable effect on revenues of our continuing operations of \$113 million due to a weakening of the U.S. dollar relative to other currencies in which the company sells products and services, but in the first six months of 2009 currency translation had an unfavorable effect on revenues of our continuing operations of \$252 million due to the strengthening of the U.S. dollar relative to other currencies in which the company sells products and services.

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

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

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

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

THERMO FISHER SCIENTIFIC INC.

Item 1A.

Risk Factors (continued)

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

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

Moreover, we have acquired many companies and businesses. As a result of these acquisitions, we recorded significant goodwill and indefinite-lived intangible assets on our balance sheet, which amount to approximately \$8.77 billion and \$1.33 billion, respectively, as of June 27, 2009. We assess the realizability of the goodwill and indefinite-lived intangible assets annually as well as whenever events or changes in circumstances indicate that these assets may be impaired. These events or circumstances generally include operating losses or a significant decline in earnings associated with the acquired business or asset. Our ability to realize the value of the goodwill and indefinite-lived intangible assets will depend on the future cash flows of these businesses. These cash flows in turn depend in part on how well we have integrated these businesses. If we are not able to realize the value of the goodwill and indefinite-lived intangible assets, we may be required to incur material charges relating to the impairment of those assets.

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

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

We are subject to laws and regulations governing government contracts, and failure to address these laws and regulations or comply with government contracts could harm our business by leading to a reduction in revenue associated with these customers. We have agreements relating to the sale of our products to government entities and,

as a result, we are subject to various statutes and regulations that apply to companies doing business with the government. The laws governing government contracts differ from the laws governing private contracts and government contracts may contain pricing terms and conditions that are not applicable to private contracts. We are also subject to investigation for compliance with the regulations governing government contracts. A failure to comply with these regulations could result in suspension of these contracts, criminal, civil and administrative penalties or debarment.

THERMO FISHER SCIENTIFIC INC.

Item 1A.

Risk Factors (continued)

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

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

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

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

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

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

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

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

We rely upon our manufacturing operations to produce many of the products we sell. Any significant disruption of those operations for any reason, such as strikes or other labor unrest, power interruptions, fire, earthquakes, or other events beyond our control could adversely affect our sales and customer relationships and therefore adversely affect

our business. Although most of our raw materials are available from a number of potential suppliers, our operations also depend upon our ability to obtain raw materials at reasonable prices. If we are unable to obtain the materials we need at a reasonable price, we may not be able to produce certain of our products or we may not be able to produce certain of these products at a marketable price, which could have an adverse effect on our results of operations.

THERMO FISHER SCIENTIFIC INC.

Item 1A. Risk Factors (continued)

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

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

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

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

Fluctuations in our effective tax rate may adversely affect our business, results of operations and cash flows.

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

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

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

Unforeseen problems with the implementation and maintenance of our information systems at certain of our sites could interfere with our operations. As a part of the effort to upgrade our current information systems, we are implementing new enterprise resource planning software and other software applications to manage certain of our business operations. As we implement and add functionality, problems could arise that we have not foreseen. Such problems could adversely impact our ability to do the following in a timely manner: provide quotes, take customer orders, ship products, provide services and support to our customers, bill and track our customers, fulfill contractual

obligations and otherwise run our business. In addition, if our new systems fail to provide accurate and increased visibility into pricing and cost structures, it may be difficult to improve or maximize our profit margins. As a result, our results of operations and cash flows could be adversely affected.

THERMO FISHER SCIENTIFIC INC.

Item 1A.

Risk Factors (continued)

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

As of June 27, 2009, we had approximately \$2.03 billion in outstanding indebtedness. In addition, we had the ability to incur an additional \$947 million of indebtedness under our revolving credit facility. We may also obtain additional long-term debt and lines of credit to meet future financing needs, which would have the effect of increasing our total leverage.

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

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

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

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

THERMO FISHER SCIENTIFIC INC.

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

A summary of the share repurchase activity for the company's second quarter of 2009 follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Dollar Amount of Shares That May Yet Be Purchased Under the Plans or Programs (1) (in millions)
March 29 – May 2	—	\$ —	—	\$ 414.7
May 3 – May 30	3,230,000	38.01	3,230,000	291.8
May 31 – June 27	7,233,757	40.34	7,233,757	—
Total Second Quarter	10,463,757	\$ 39.62	10,463,757	\$ —

(1) In September 2008, the Board of Directors authorized the repurchase of up to \$500 million of the company's common stock through September 10, 2009. All of the shares of common stock repurchased by the company during the second quarter of 2009 were purchased under this program.

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

At the company's Annual Meeting of Stockholders held on May 20, 2009, the stockholders elected a class of four incumbent directors, Judy C. Lewent, Peter J. Manning, Jim P. Manzi and Elaine S. Ullian, to a three-year term expiring at the 2012 Annual Meeting of Stockholders. In addition, the stockholders ratified the selection by the Audit Committee of the company's Board of Directors of PricewaterhouseCoopers LLP as the company's independent auditors for the fiscal year ending December 31, 2009. The results of the votes for each of these proposals were as follows:

Proposal 1 — Election of four directors, constituting the class of directors to be elected for a three-year term expiring in 2012:

	For	Against
Judy C. Lewent	344,161,610	3,520,494
Peter J. Manning	343,707,283	3,974,821
Jim P. Manzi	342,642,384	5,039,719
Elaine S. Ullian	342,335,938	5,346,166

Proposal 2 — Ratification of the Audit Committee's selection of PricewaterhouseCoopers LLP as the company's independent auditors for 2009:

	For	Against	Abstained
	343,586,395	3,651,320	444,387

Item 6. Exhibits

See Exhibit Index on page 45.

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THERMO FISHER SCIENTIFIC INC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized as of the 31st day of July 2009.

THERMO FISHER SCIENTIFIC INC.

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

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

THERMO FISHER SCIENTIFIC INC.

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
10.1	Amendment No. 1 to Thermo Fisher Scientific Inc. Amended and Restated 2005 Deferred Compensation Plan.
10.2	Supplemental Retirement Agreement dated July 8, 2009 by and between Thermo Fisher Scientific Inc. and Marijn Dekkers (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed July 9, 2009 [File No. 1-8002] and incorporated in this document by reference).
31.1	Certification of Chief Executive Officer required by Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer required by Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer required by Exchange Act Rules 13a-14(b) and 15d-14(b), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.2	Certification of Chief Financial Officer required by Exchange Act Rules 13a-14(b) and 15d-14(b), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Label Linkbase Document.
101.PRE	XBRL Taxonomy Presentation Linkbase Document.

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

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Statements of Income for the three and six months ended June 27, 2009 and June 28, 2008, (ii) Consolidated Balance Sheets at June 27, 2009 and December 31, 2008, (iii) Consolidated Statements of Cash Flows for the six months ended June 27, 2009 and June 28, 2008 and (iv) Notes to Consolidated Financial Statements.

In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q is deemed not filed or part of a registration statement or prospectus for purposes of sections 11

or 12 of the Securities Act, is deemed not filed for purposes of section 18 of the Exchange Act, and otherwise is not subject to liability under these sections.

