THERMO FISHER SCIENTIFIC INC.
Form 10-Q
August 09, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(mark one)
x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Quarter Ended June 30, 2007

o 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	04-2209186
(State of incorporation or organization)	(I.R.S. Employer Identification No.)
81 Wyman Street, P.O. Box 9046 Waltham, Massachusetts	02454-9046
(Address of principal executive offices)	(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 x No o

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act. Large Accelerated Filer x Accelerated Filer o Non-Accelerated Filer o

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

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 30, 2007
Common Stock, $1.00 par value	426,580,049

PART I — FINANCIAL INFORMATION

Item 1 — Financial Statements

THERMO FISHER SCIENTIFIC INC.

Consolidated Balance Sheet

Assets

(In millions)	June 30, 2007 (Unaudited)	December 31, 2006
Current Assets:		
Cash and cash equivalents	$ 951.2	$ 667.4
Short-term investments, at quoted market value (amortized cost of $25.7 and $23.8)	22.7	23.8
Accounts receivable, less allowances of $49.8 and $45.0	1,422.5	1,392.7
Inventories:		
Raw materials	318.8	307.7
Work in process	132.6	121.7
Finished goods	731.8	735.1
Deferred tax assets	194.5	209.2
Other current assets	233.0	201.9
	4,007.1	3,659.5
Property, Plant and Equipment, at Cost	1,585.4	1,533.0
Less: Accumulated depreciation and amortization	356.9	276.3
	1,228.5	1,256.7
Acquisition-related Intangible Assets, net of Accumulated Amortization of $577.1 and $276.4	7,208.0	7,511.6
Other Assets	276.9	309.4
Goodwill	8,551.6	8,525.0
	$ 21,272.1	$ 21,262.2

THERMO FISHER SCIENTIFIC INC.

Consolidated Balance Sheet (continued)

Liabilities and Shareholders' Equity

(In millions except share amounts)	June 30, 2007 (Unaudited)	December 31, 2006
Current Liabilities:		
Short-term obligations and current maturities of long-term obligations	$ 24.8	$ 483.3
Accounts payable	622.3	630.8
Accrued payroll and employee benefits	215.7	253.3
Accrued income taxes	66.1	60.3
Deferred revenue	139.9	121.3
Other accrued expenses (Notes 2, 10 and 11)	534.2	603.3
	1,603.0	2,152.3
Deferred Income Taxes	2,445.4	2,557.5
Other Long-term Liabilities	514.2	459.9
Long-term Obligations (Note 9)	2,177.7	2,180.7
Shareholders' Equity:		
Preferred stock, $100 par value, 50,000 shares authorized; none issued		
Common stock, $1 par value, 1,200,000,000 shares authorized; 434,228,110 and 424,240,292 shares issued	434.2	424.2
Capital in excess of par value	12,056.2	11,810.4
Retained earnings	2,076.2	1,773.4
Treasury stock at cost, 7,648,061 and 7,635,184 shares	(254.5)	(246.4)
Accumulated other comprehensive items (Note 6)	219.7	150.2
	14,531.8	13,911.8
	$ 21,272.1	$ 21,262.2

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 30, 2007	July 1, 2006
Revenues	$ 2,385.9	$ 713.5
Costs and Operating Expenses:		
Cost of revenues	1,449.3	388.9
Selling, general and administrative expenses	626.6	206.9
Research and development expenses	58.7	40.7
Restructuring and other costs, net (Note 11)	8.3	4.8
	2,142.9	641.3
Operating Income	243.0	72.2
Other Expense, Net (Note 4)	(20.7)	(3.4)
Income from Continuing Operations Before Provision for Income Taxes	222.3	68.8
Provision for Income Taxes	(34.4)	(19.8)
Income from Continuing Operations	187.9	49.0
Loss on Disposal of Discontinued Operations (includes income tax provision of $1.8 in 2007 and income tax benefit of $0.6 in 2006; Note 14)	(24.0)	(1.1)
Net Income	$ 163.9	$ 47.9
Earnings per Share from Continuing Operations (Note 5):		
Basic	$ .44	$ .30
Diluted	$ .42	$ .30
Earnings per Share (Note 5):		
Basic	$ .39	$ .30
Diluted	$ .37	$ .29
Weighted Average Shares (Note 5):		
Basic	424.0	161.3
Diluted	446.5	165.5

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

THERMO FISHER SCIENTIFIC INC.

Consolidated Statement of Income
(Unaudited)

(In millions except per share amounts)	Six Months Ended June 30, 2007	July 1, 2006
Revenues	$ 4,724.1	$ 1,397.8
Costs and Operating Expenses:		
Cost of revenues	2,907.6	760.6
Selling, general and administrative expenses	1,246.9	409.4
Research and development expenses	118.5	79.4
Restructuring and other costs, net (Note 11)	15.7	8.4
	4,288.7	1,257.8
Operating Income	435.4	140.0
Other Expense, Net (Note 4)	(47.4)	(7.1)
Income from Continuing Operations Before Provision for Income Taxes	388.0	132.9
Provision for Income Taxes	(61.3)	(40.3)
Income from Continuing Operations	326.7	92.6
Income from Discontinued Operations (net of income tax provision of $0.1 in 2007; Note 14)	0.1	—
(Loss) Gain on Disposal of Discontinued Operations (includes income tax provision of $1.8 and $1.3; Note 14)	(24.0)	2.2
Net Income	$ 302.8	$ 94.8
Earnings per Share from Continuing Operations (Note 5):		
Basic	$ .77	$ .57
Diluted	$ .74	$ .56
Earnings per Share (Note 5):		
Basic	$ .72	$ .58
Diluted	$ .68	$ .57
Weighted Average Shares (Note 5):		
Basic	422.0	162.2
Diluted	443.8	166.3

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 30, 2007	July 1, 2006
Operating Activities:		
Net income	$ 302.8	$ 94.8
Income from discontinued operations	(0.1)	—
Loss (Gain) on disposal of discontinued operations	24.0	(2.2)
Income from continuing operations	326.7	92.6
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	372.4	76.4
Change in deferred income taxes	(10.3)	(10.7)
Noncash equity compensation	26.1	13.0
Noncash charges for sale of inventories revalued at the date of acquisition	47.6	—
Other noncash expenses, net	18.8	0.2
Changes in current accounts, excluding the effects of acquisitions and dispositions:		
Accounts receivable	(41.7)	36.6
Inventories	(57.8)	(28.4)
Other current assets	(25.6)	(3.8)
Accounts payable	(17.2)	(11.7)
Other current liabilities	(82.6)	(64.5)
Net cash provided by continuing operations	556.4	99.7
Net cash used in discontinued operations	(2.3)	(1.5)
Net cash provided by operating activities	554.1	98.2
Investing Activities:		
Acquisitions, net of cash acquired	(39.1)	(26.6)
Refund of acquisition purchase price	4.6	—
Proceeds from sale of available-for-sale investments	1.7	151.0
Purchases of available-for-sale investments	(1.8)	(77.9)
Purchases of property, plant and equipment	(71.8)	(21.8)
Proceeds from sale of property, plant and equipment	14.1	2.1
Proceeds from sale of product lines	—	8.9
Collection of notes receivable	48.2	2.8
Increase in other assets	(18.3)	(8.1)
Net cash (used in) provided by continuing operations	(62.4)	30.4
Net cash provided by discontinued operations	28.8	5.3

Net cash (used in) provided by investing activities	$ (33.6)	$ 35.7

THERMO FISHER SCIENTIFIC INC.

Consolidated Statement of Cash Flows (continued)
(Unaudited)

(In millions)	Six Months Ended June 30, 2007	July 1, 2006
Financing Activities:		
(Decrease) increase in short-term notes payable	$ (452.5)	$ 36.6
Purchases of company common stock	—	(228.0)
Net proceeds from issuance of company common stock	223.6	22.1
Tax benefits from exercised stock options	17.0	5.6
Redemption and repayment of long-term obligations	(8.7)	—
Net cash used in financing activities	(220.6)	(163.7)
Exchange Rate Effect on Cash of Continuing Operations	(16.1)	5.2
Increase (Decrease) in Cash and Cash Equivalents	283.8	(24.6)
Cash and Cash Equivalents at Beginning of Period	667.4	214.3
Cash and Cash Equivalents at End of Period	$ 951.2	$ 189.7
Supplemental Cash Flow Information:		
Fair value of assets of acquired businesses	$ 39.8	$ 36.1
Cash paid for acquired businesses	(30.8)	(26.6)
Liabilities assumed of acquired businesses	$ 9.0	$ 9.5
Conversion of subordinated convertible debentures	$ 0.4	$ —
Issuance of restricted stock	$ 11.9	$ 0.9

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 30, 2007, the results of operations for the three- and six-month periods ended June 30, 2007, and July 1, 2006, and the cash flows for the six-month periods ended June 30, 2007, and July 1, 2006. Certain prior-period amounts have been reclassified to conform to the presentation in the current financial statements. Interim results are not necessarily indicative of results for a full year.

The consolidated balance sheet presented as of December 31, 2006, has been derived from the audited consolidated financial statements as of that date. The consolidated financial statements and notes are presented as permitted by Form 10-Q and do not contain all of the information that is included in the annual financial statements and notes of the company. The consolidated financial statements and notes included in this report should be read in conjunction with the financial statements and notes included in the company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, filed with the Securities and Exchange Commission (SEC).

2. Acquisitions

On January 15, 2007, the company's Analytical Technologies segment acquired the Spectronex AG and Flux AG businesses (Spectronex/Flux) of Swiss Analytic Group AG. These Switzerland-based businesses include a distributor of mass spectrometry, chromatography and surface science instruments and a manufacturer of high performance liquid chromatography pumps and software. The purchase price totaled $24 million, net of cash acquired. The acquisition broadened the segment's mass spectrometry offerings. Revenues of Spectronex/Flux totaled $22 million in fiscal 2006. The purchase price exceeded the fair value of the acquired net assets and, accordingly, $9 million was allocated to goodwill, none of which is tax deductible.

In addition to the acquisition of Spectronex/Flux, the Analytical Technologies segment acquired a small manufacturer of electrostatic discharge products and the Laboratory Products and Services segment acquired a cell culture product line in the first six months of 2007, for aggregate consideration of $7 million. The company also paid transaction costs and post-closing and contingent purchase price adjustments aggregating $8 million in the first half of 2007, for various acquisitions completed prior to 2007. The company obtained a refund of $5 million in the first quarter of 2007, related to a post-closing adjustment for the 2006 acquisition of GV Instruments Limited (GVI).

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

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

THERMO FISHER SCIENTIFIC INC.

2. Acquisitions (continued)

The components of the preliminary purchase price allocation for 2007 acquisitions are as follows:

(In millions)	Spectronex/Flux	Other	Total
Purchase Price:			
Cash paid (a)	$ 25.8	$ 6.8	$ 32.6
Cash acquired	(1.8)	—	(1.8)
	$ 24.0	$ 6.8	$ 30.8
Allocation:			
Current assets	$ 8.1	$ 1.8	$ 9.9
Property, plant and equipment	0.4	0.3	0.7
Acquired intangible assets	14.8	3.4	18.2
Goodwill	9.1	1.9	11.0
Liabilities assumed	(8.4)	(0.6)	(9.0)
	$ 24.0	$ 6.8	$ 30.8

(a) Includes transaction costs.

Acquired intangible assets for 2007 acquisitions are as follows:

(In millions)	Spectronex/Flux	Other	Total
Customer Relationships	$ 12.9	$ 1.5	$ 14.4
Product Technology	1.5	1.9	3.4
Tradenames	0.4	—	0.4
	$ 14.8	$ 3.4	$ 18.2

The weighted-average amortization periods for the customer relationships, product technology and tradenames acquired in 2007 are 6 years each.

THERMO FISHER SCIENTIFIC INC.

2. Acquisitions (continued)

During the first quarter of 2007, the company refined estimates recorded in the fourth quarter of 2006 of acquisition-related intangible assets related to the November 2006 merger with Fisher Scientific International Inc. and the December 2006 acquisition of Cohesive Technologies Inc. and finalized the determination of such intangible assets. The purchase price allocations for Fisher and Cohesive, as revised, are as follows:

(In millions)	Fisher	Cohesive
Fair Value of Common Stock Issued to Fisher Shareholders	$ 9,777.8	$ —
Fair Value of Fisher Stock Options and Warrants Converted into Options in Company Common Stock	502.3	—
Debt Assumed	2,284.7	—
Cash Paid Including Transaction Costs	39.0	71.3
Cash Acquired	(392.0)	(0.3)
	$ 12,211.8	$ 71.0
Allocation:		
Current assets	$ 1,914.3	$ 5.6
Property, plant and equipment	944.8	1.0
Acquired intangible assets	7,082.0	37.0
Goodwill	6,552.4	32.9
Other assets	333.2	—
Liabilities assumed	(4,068.1)	(5.5)
Fair value of convertible debt allocable to equity	(546.8)	—
	$ 12,211.8	$ 71.0

The acquired intangible assets from the merger with Fisher and the acquisition of Cohesive are as follows:

(In millions)	Fisher	Cohesive
Indefinite Lives:		
Trademarks	$ 1,326.9	$ —
Definite Lives:		
Customer relationships	4,275.3	19.0
Product technology	844.8	14.6
Tradenames	635.0	3.4
	$ 7,082.0	$ 37.0

The weighted-average amortization periods for intangible assets with definite lives are: 14 years for customer relationships, 9 years for product technology and 10 years for tradenames. The weighted-average amortization period for all intangible assets with definite lives in the above table is 13 years.

The company will finalize the purchase price allocation for Fisher no later than one year from the date of merger. The company does not expect the purchase price allocation will change materially, however, certain restructuring actions (Note 11) are being finalized and additional information is being sought concerning several matters including pre-acquisition litigation claims. The resolution of these matters could result in changes to the purchase price allocation.

THERMO FISHER SCIENTIFIC INC.

2. Acquisitions (continued)

In November 2006, the company merged with Fisher. Had the merger with Fisher been completed as of the beginning of 2006, the company's pro forma results for 2006 would have been as follows:

(In millions except per share amounts)	Three Months Ended July 1, 2006 (a)	Six Months Ended July 1, 2006 (b)
Revenues	$ 2,188.7	$ 4,285.1
Net Income	$ 99.4	$ 93.1
Earnings per Share from Continuing Operations:		
Basic	$ .24	$ .22
Diluted	$ .23	$ .21
Earnings Per Share:		
Basic	$ .24	$ .23
Diluted	$ .23	$ .22

(a) Includes $17 million pre-tax charge to cost of revenues for sale of Fisher inventories revalued at the date of merger.
(b) Includes $114 million pre-tax charge to cost of revenues for the sale of Fisher inventories revalued at the date of merger, $15 million pre-tax charge for Fisher's in-process research and development and $37 million pre-tax charge for accelerated vesting of equity-based awards resulting from the change in control occurring at the date of the Fisher merger.

The company's results for 2006 would not have been materially different from its reported results had the company's other 2006 and 2007 acquisitions occurred at the beginning of 2006.

The Audit Committee of the company's Board of Directors has completed a voluntary investigation of the historical stock option granting practices and related accounting treatment at Fisher. The Audit Committee engaged independent outside legal counsel and accounting consultants to assist it in conducting the investigation. The investigation covered option grants made to all Fisher employees, executives and directors during the period from January 1998 to May 2006, and included a review of Fisher's stock option granting practices, accounting policies, related accounting records and other documentation, as well as interviews with people knowledgeable about Fisher's stock options. The Audit Committee concluded that during portions of this period Fisher followed practices that led to the setting of grant dates retrospectively for certain stock options granted to employees and executives, primarily new hires who received an exercise price set at the lowest closing price in a window, typically of up to 30 trading days prior to the date the grant was approved. In addition**,** certain grant dates, although not set retrospectively, were not sufficiently supported by documentation. Although the Audit Committee's investigation resulted in the company revising the measurement date of certain Fisher stock options for financial accounting purposes, no adjustments are required to the company's reported compensation expense or to the retained earnings balance on the company's balance sheet as a result of prior stock option grants made at Fisher due to purchase accounting treatment of the company's acquisition of Fisher. The company concluded that the impact of these non-cash charges was not material to the historical Fisher income statements and balance sheets incorporated by reference in the company's Form 8-K reporting the acquisition of Fisher.

In addition, due to the historical composition of the former Fisher compensation committee in certain years, the company believes that United States tax deductions taken by Fisher with respect to stock option grants and bonuses for certain Fisher executives in prior years may not be deductible under limitations imposed by Internal Revenue Code ("IRC") Section 162(m). Section 162(m) limits the deductibility of compensation above $1 million to certain executive officers of public companies when such compensation is not performance-based or if the compensation is not granted by a board committee comprised solely of directors who meet specified independence tests. As part of its voluntary investigation, the Audit Committee found that certain stock options and bonuses granted to Fisher executives may not qualify for deduction by Fisher under Section 162(m). The company expects that the resolution of these issues will not be material to either the company or Fisher.

THERMO FISHER SCIENTIFIC INC.

2. Acquisitions (continued)

The company intends to take actions in the second half of 2007 to address certain adverse tax consequences that may be incurred by the holders of option grants for which the Audit Committee has determined it is necessary to adjust measurement dates for financial accounting purposes. The primary adverse tax consequence is that re-measured stock options vesting after December 31, 2004, subject the option holder to a penalty tax under IRC Section 409A. The cost to the company of this option remediation program is not expected to exceed $4 million.

The company has undertaken restructuring activities at acquired businesses. These activities, which were accounted for in accordance with Emerging Issues Task Force (EITF) Issue No. 95-3, "Recognition of Liabilities in Connection with a Purchase Business Combination," have primarily included reductions in staffing levels and the abandonment of excess facilities. In connection with these restructuring activities, as part of the cost of acquisitions, the company established reserves, primarily for severance and excess facilities. In accordance with EITF Issue No. 95-3, the company finalizes its restructuring plans no later than one year from the respective dates of the acquisitions. Upon finalization of restructuring plans or settlement of obligations for less than the expected amount, any excess reserves are reversed with a corresponding decrease in goodwill or other intangible assets when no goodwill exists. Accrued acquisition expenses are included in other accrued expenses in the accompanying balance sheet. No accrued acquisition expenses have been established for 2007 acquisitions.

The changes in accrued acquisition expenses for acquisitions completed during 2006 are as follows:

(In millions)	Severance	Abandonment of Excess Facilities	Other	Total
Balance at December 31, 2006	$ 26.0	$ 3.1	$ 1.3	$ 30.4
Reserves established	9.7	3.7	2.0	15.4
Payments	(24.1)	(0.2)	(0.5)	(24.8)
Decrease recorded as a reduction in goodwill	(0.1)	(0.5)	—	(0.6)
Currency translation	0.1	—	—	0.1
Balance at June 30, 2007	$ 11.6	$ 6.1	$ 2.8	$ 20.5

The principal acquisition expenses for 2006 acquisitions were for severance for approximately 284 employees across all functions and cost associated with various facility consolidations, primarily related to the company's merger with Fisher.

The changes in accrued acquisition expenses for acquisitions completed prior to 2006 are as follows:

(In millions)	Severance	Abandonment of Excess Facilities	Other	Total
Balance at December 31, 2006	$ 2.2	$ 2.7	$ 0.1	$5.0
Payments	(1.6)	(0.6)	—	(2.2)
Decrease recorded as a reduction in goodwill	(0.2)	—	—	(0.2)
Balance at June 30, 2007	$ 0.4	$ 2.1	$ 0.1	$2.6

The remaining amounts accrued for pre-2006 acquisitions include severance related to the company's acquisition of Kendro in 2005 and abandoned facilities primarily related to the company's acquisitions of Life Sciences International PLC in 1997, the product monitoring businesses of Graseby Limited in 1998 and Kendro in 2005. The abandoned facilities for the 1997 and 1998 acquisitions include three operating facilities in England with leases expiring through 2014. In some instances, the facilities have been subleased but certain restoration obligations are payable at the end of the lease. The remaining amounts accrued for abandoned facilities also include facility obligations for a Kendro building vacated in Tennessee. The amounts captioned as "other" primarily represent employee relocation, contract termination and other exit costs. The severance and other costs are expected to be paid in 2007.

THERMO FISHER SCIENTIFIC INC.

3. Business Segment Information

Following the merger with Fisher in November 2006, the company reorganized management responsibility and its continuing operations now fall into two business segments: Analytical Technologies and Laboratory Products and Services. Prior year results have been reclassified to conform to the new segments.

	Three Months Ended		Six Months Ended	
(In millions)	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
Revenues:				
Analytical Technologies	$ 1,038.5	$ 531.5	$ 2,044.7	$ 1,036.1
Laboratory Products and Services	1,433.7	182.0	2,850.2	361.7
Eliminations	(86.3)	—	(170.8)	—
Consolidated revenues	$ 2,385.9	$ 713.5	$ 4,724.1	$ 1,397.8
Operating Income:				
Analytical Technologies (a)	$ 205.7	$ 77.5	$ 395.5	$ 149.0
Laboratory Products and Services (a)	198.9	26.4	384.6	51.9
Subtotal reportable segments (a)	404.6	103.9	780.1	200.9
Cost of revenues charges	(11.2)	(1.3)	(47.6)	(1.3)
Restructuring and other costs, net	(8.3)	(4.8)	(15.7)	(8.4)
Amortization of acquisition-related intangible assets	(142.1)	(25.6)	(281.4)	(51.2)
Consolidated operating income	243.0	72.2	435.4	140.0
Other expense, net (b)	(20.7)	(3.4)	(47.4)	(7.1)
Income from continuing operations before provision for income taxes	$ 222.3	$ 68.8	$ 388.0	$ 132.9
Equity-based Compensation Expense:				
Analytical Technologies	$ 5.7	$ 5.1	$ 12.2	$ 9.7
Laboratory Products and Services	6.6	1.8	13.9	3.3
Consolidated equity-based compensation expense	$ 12.3	$ 6.9	$ 26.1	$ 13.0
Amortization:				
Analytical Technologies	$ 56.7	$ 6.5	$ 109.3	$ 13.0
Laboratory Products and Services	85.4	19.1	172.1	38.2
Consolidated amortization	$ 142.1	$ 25.6	$ 281.4	$ 51.2
Depreciation:				
Analytical Technologies	$ 20.4	$ 7.5	$ 40.8	$ 14.7
Laboratory Products and Services	24.6	5.9	50.2	10.5

Consolidated depreciation	$ 45.0	$ 13.4	$ 91.0	$ 25.2

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

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

THERMO FISHER SCIENTIFIC INC.

4. Other Expense, Net

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

(In millions)	Three Months Ended June 30, 2007	Three Months Ended July 1, 2006	Six Months Ended June 30, 2007	Six Months Ended July 1, 2006
Interest Income	$ 10.6	$ 3.4	$ 19.5	$ 6.9
Interest Expense	(33.2)	(8.0)	(70.4)	(15.7)
Other Items, Net	1.9	1.2	3.5	1.7
	$ (20.7)	$ (3.4)	$ (47.4)	$ (7.1)

5. Earnings per Share

Basic and diluted earnings per share were calculated as follows:

(In millions)	Three Months Ended June 30, 2007	Three Months Ended July 1, 2006	Six Months Ended June 30, 2007	Six Months Ended July 1, 2006
Income from Continuing Operations	$ 187.9	$ 49.0	$ 326.7	$ 92.6
Income from Discontinued Operations	—	—	0.1	—
(Loss) Gain on Disposal of Discontinued Operations	(24.0)	(1.1)	(24.0)	2.2
Net Income for Basic Earnings per Share	163.9	47.9	302.8	94.8
Effect of Convertible Debentures	—	0.4	—	0.8
Income Available to Common Shareholders, as Adjusted for Diluted Earnings per Share	$ 163.9	$ 48.3	$ 302.8	$ 95.6
Basic Weighted Average Shares	424.0	161.3	422.0	162.2
Effect of:				
Convertible debentures	13.7	1.8	12.7	1.8
Stock options, restricted stock awards and warrants	8.8	2.4	9.1	2.3
Diluted Weighted Average Shares	446.5	165.5	443.8	166.3
Basic Earnings per Share:				
Continuing operations	$ .44	$ .30	$ .77	$ .57
Discontinued operations	(.06)	(.01)	(.06)	.01
	$ .39	$ .30	$ .72	$ .58
Diluted Earnings per Share:				
Continuing operations	$ .42	$ .30	$ .74	$ .56
Discontinued operations	(.05)	(.01)	(.05)	.01

$ .37	$ .29	$ .68	$ .57

Options to purchase 5.8 million, 3.0 million, 5.8 million and 3.1 million shares of common stock were not included in the computation of diluted earnings per share for the second quarter of 2007 and 2006 and the first six months of 2007 and 2006, respectively, because their effect would have been antidilutive.

THERMO FISHER SCIENTIFIC INC.

6. Comprehensive Income

Comprehensive income combines net income and other comprehensive items. Other comprehensive items represents 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 2007 and 2006, the company had comprehensive income of $168 million and $77 million, respectively. During the first six months of 2007 and 2006, the company had comprehensive income of $372 million and $128 million, respectively.

7. Equity-based Compensation Expense

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

	Three Months Ended		Six Months Ended	
(In millions)	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
Stock Option Awards	$ 8.3	$ 6.4	$ 17.6	$ 11.8
Restricted Share/Unit Awards	4.0	0.5	8.5	1.2
Total Equity-based Compensation Expense	$ 12.3	$ 6.9	$ 26.1	$ 13.0

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

	Three Months Ended		Six Months Ended	
(In millions)	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
Cost of Revenues	$ 0.8	$ 0.7	$ 2.1	$ 1.3
Selling, General and Administrative Expenses	10.9	5.8	22.9	11.0
Research and Development Expenses	0.6	0.4	1.1	0.7
Total Equity-based Compensation Expense	$ 12.3	$ 6.9	$ 26.1	$ 13.0

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

Equity-based compensation reduced diluted earnings per share by $.02, $.03, $.04 and $.05 in the second quarter of 2007 and 2006 and the first six months of 2007 and 2006, respectively.

Unrecognized compensation cost related to unvested stock options and restricted stock total approximately $46 million and $19 million, respectively, as of June 30, 2007, and is expected to be recognized over weighted average periods of 3 years and 2 years, respectively.

During the first six months of 2007, the company made equity compensation grants to employees consisting of 5,000 restricted shares and options to purchase 301,000 shares.

15

THERMO FISHER SCIENTIFIC INC.

8. Defined Benefit Pension Plans

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

(In millions)	Three Months Ended June 30, 2007	Three Months Ended July 1, 2006	Six Months Ended June 30, 2007	Six Months Ended July 1, 2006
Service Cost	$ 4.1	$ 1.5	$ 8.2	$ 2.9
Interest Cost on Benefit Obligation	14.0	3.7	27.9	7.2
Expected Return on Plan Assets	(14.7)	(3.0)	(29.3)	(6.0)
Amortization of Net Loss	0.9	0.9	1.8	1.8
Amortization of Prior Service Costs	—	—	—	0.1
Net Periodic Benefit Cost	$ 4.3	$ 3.1	$ 8.6	$ 6.0

Net periodic benefit costs for the company's other postretirement benefit plans (which were assumed in the Fisher merger) include the following components:

(In millions)	Three Months Ended June 30, 2007	Six Months Ended June 30, 2007
Service Cost	$ 0.2	$ 0.4
Interest Cost on Benefit Obligation	0.4	0.8
Net Periodic Benefit Cost	$ 0.6	$ 1.2

9. Swap Arrangement

During 2002, the company entered into interest-rate swap arrangements for its $128.7 million principal amount 7 5/8% senior notes, due in 2008, with the objective of reducing interest costs. The arrangements provide that the company will receive a fixed interest rate of 7 5/8% and will pay a variable rate of 90-day LIBOR plus 2.19% (7.55% as of June 30, 2007). The swaps have terms expiring at the maturity of the debt. The swaps are designated as fair-value hedges and as such, are carried at fair value, which resulted in an immaterial decrease in other long-term assets and long-term debt at June 30, 2007. The swap arrangements are with different counterparties than the holders of the underlying debt. Management believes that any credit risk associated with the swaps is remote based on the creditworthiness of the financial institutions issuing the swaps.

THERMO FISHER SCIENTIFIC INC.

10. Warranty Obligations

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

(In millions)	Six Months Ended June 30, 2007	July 1, 2006
Beginning Balance	$ 45.5	$ 33.4
Provision charged to income	21.8	21.2
Usage	(18.8)	(18.2)
Acquisitions	0.6	—
Adjustments to previously provided warranties, net	—	(1.2)
Other, net (a)	1.1	1.1
Ending Balance	$ 50.2	$ 36.3

(a) Primarily represents the effects of currency translation.

11. Restructuring and Other Costs, Net

Restructuring costs prior to 2006 primarily related to actions to reduce costs and redundancies, principally through headcount reductions and consolidation of facilities. Restructuring costs in 2006 included charges to close a plant in Massachusetts and consolidate its operations with those of an acquired Kendro facility in North Carolina, charges for consolidation of a U.K. facility into an existing factory in Germany, the move of manufacturing operations in New Mexico to other plants in the U.S. and Europe and remaining costs of prior actions. Restructuring costs in 2007 include charges for the consolidation of anatomical pathology operations currently in Pennsylvania with a Fisher site in Michigan, as well as consolidation of other U.S. operations and consolidation of a process control equipment site in the UK with a plant in Germany. The company is finalizing its plan for potential restructuring actions that may be undertaken at Fisher or within existing businesses with which Fisher is being integrated. Such actions may include rationalization of product lines, consolidation of facilities and reductions in staffing levels. The cost of actions at Fisher businesses is being charged to the cost of the acquisition while the cost of actions at existing businesses being integrated with Fisher is charged to restructuring expense. The company expects to finalize its restructuring plans related to the Fisher merger no later than one year from the date of merger.

During the second quarter of 2007, 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	$ 11.2	$ —	$ —	$ 11.2
Restructuring and Other Costs, Net	4.9	0.7	2.7	8.3
	$ 16.1	$ 0.7	$ 2.7	$ 19.5

17

THERMO FISHER SCIENTIFIC INC.

11. Restructuring and Other Costs, Net (continued)

During the first six months of 2007, 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	$ 40.3	$ 7.3	$ —	$ 47.6
Restructuring and Other Costs, Net	8.0	1.3	6.4	15.7
	$ 48.3	$ 8.6	$ 6.4	$ 63.3

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

Analytical Technologies

The Analytical Technologies segment recorded $16.1 million of net restructuring and other charges in the second quarter of 2007. The segment recorded charges to cost of revenues of $11.2 million, primarily for the sale of inventories revalued at the date of acquisition, and $4.9 million of other costs, net. These other costs consisted of $4.8 million of cash costs, principally associated with facility consolidations, including $2.2 million of severance for approximately 215 employees across all functions; $0.5 million of abandoned-facility costs; and $2.1 million of other cash costs, primarily relocation expenses associated with facility consolidations.

In the first quarter of 2007, this segment recorded $32.2 million of net restructuring and other charges. This amount consisted of charges to cost of revenues of $29.1 million, primarily for the sale of inventories revalued at the date of acquisition, and $3.1 million of other costs, net. These other costs consisted of $3.0 million of cash costs, principally associated with facility consolidations, including $2.0 million of severance for 10 employees across all functions; $0.4 million of abandoned-facility costs, primarily for charges associated with facilities vacated in prior periods where estimates of sub-tenant rental income have changed or for costs that could not be recorded until incurred; and $0.6 million of other cash costs, primarily relocation expenses associated with facility consolidations.

Laboratory Products and Services

The Laboratory Products and Services segment recorded $0.7 million of net restructuring and other charges in the second quarter of 2007. These costs consisted of $0.5 million of cash costs, including $0.2 million of severance for 35 employees primarily in sales, service and manufacturing functions, and $0.3 million of other cash costs.

In the first quarter of 2007, this segment recorded $7.9 million of net restructuring and other charges. This amount consisted of charges to cost of revenues of $7.3 million, primarily for the sale of inventories revalued at the date of acquisition; and $0.6 million of other costs, net, all of which were cash costs. These cash costs consisted of $0.3 million of severance for 10 employees primarily in sales and service functions; $0.2 million of abandoned-facility costs; and $0.1 million of other cash costs.

THERMO FISHER SCIENTIFIC INC.

11. Restructuring and Other Costs, Net (continued)

Corporate

The company recorded $2.7 million of restructuring and other charges at its corporate offices in the second quarter of 2007, all of which were cash costs. These cash costs were primarily for merger-related expenses and retention agreements with certain Fisher employees. Retention costs are accrued ratably over the period the employees must work to qualify for the payment, generally through November 2007.

In the first quarter of 2007, the company recorded $3.7 million of restructuring and other charges at its corporate office, all of which were cash costs. These cash costs were primarily for merger-related expenses and retention agreements with certain Fisher employees.

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 2007 statement of income have been summarized in the notes to the table. Accrued restructuring costs are included in other accrued expenses in the accompanying balance sheet.

(In millions)	Severance	Employee Retention (a)	Abandonment of Excess Facilities	Other	Total
Pre-2006 Restructuring Plans					
Balance at December 31, 2006	$ 1.8	$ 0.3	$ 9.4	$ 0.6	$ 12.1
Costs incurred in 2007 (b)	1.2	—	0.4	0.1	1.7
Reserves reversed	(0.4)	—	—	—	(0.4)
Payments	(0.8)	(0.3)	(6.9)	(0.1)	(8.1)
Balance at June 30, 2007	$ 1.8	$ —	$ 2.9	$ 0.6	$ 5.3
2006 Restructuring Plans					
Balance at December 31, 2006	$ 4.0	$ 0.8	$ 2.7	$ —	$ 7.5
Costs incurred in 2007 (b)	0.3	2.5	0.9	1.3	5.0
Reserves reversed	(1.1)	—	(0.2)	—	(1.3)
Payments	(2.5)	(1.2)	(1.8)	(1.3)	(6.8)
Balance at June 30, 2007	$ 0.7	$ 2.1	$ 1.6	$ —	$ 4.4
2007 Restructuring Plans					
Costs incurred in 2007 (b)	$ 5.1	$ 0.6	$ 0.2	$ 4.4	$ 10.3
Payments	(3.9)	(0.2)	—	(4.0)	(8.1)
Balance at June 30, 2007	$ 1.2	$ 0.4	$ 0.2	$ 0.4	$ 2.2

(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 $0.2 million and $0.2 million of asset write downs in the Analytical Technologies and the Laboratory Products segments, respectively.

The company expects to pay accrued restructuring costs as follows: severance, employee-retention obligations and other costs, primarily through 2007; and abandoned-facility payments, over lease terms expiring through 2011.

THERMO FISHER SCIENTIFIC INC.

12. Litigation and Related Contingencies

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

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

The company has a reserve for environmental costs of approximately $24 million at June 30, 2007. Management believes that this accrual is adequate for environmental 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 or results of operations or cash flows in any quarterly or annual period. However, the company may be subject to additional remedial or compliance costs due to future events, such as changes in existing laws and regulations, changes in agency direction or enforcement policies, developments in remediation technologies or changes in the conduct of the company's operations, which could have a material adverse effect on the company's financial position, results of operations or cash flows. Although these environmental remediation liabilities do not include third-party recoveries, the company may be able to bring indemnification claims against third parties for liabilities relating to certain sites.

The company accrues the most likely amount or at least the minimum of the range of probable loss when a range of probable loss can be estimated. The range of probable loss for matters at Fisher related to workers compensation, general, automobile and product liabilities at June 30, 2007, was approximately $168 million to $302 million on an undiscounted basis. Having assumed these liabilities in the merger with Fisher, the company was required to discount the estimate of loss to fair (present) value, $107 million at June 30, 2007. This reserve includes estimated defense costs and is gross of estimated amounts due from insurers of $53 million at June 30, 2007, also recorded at their fair value at the date of merger. The assets and liabilities assumed at the acquisition date were ascribed a fair value based on the present value of expected future cash flows, using a discount rate equivalent to the risk free rate of interest for monetary assets with comparable maturities (weighted average discount rate of 4.67%). The discount on the liabilities of approximately $64 million and the discount on the assets of approximately $37 million (net discount $27 million) will be accreted to interest expense over the expected settlement period which is estimated to be between 10 and 20 years. In addition to the reserves recorded due to the merger with Fisher, as of June 30, 2007, the company had product liability reserves of $23 million (undiscounted) relating to divested businesses. Although the company believes that the amounts reserved and estimated recoveries are appropriate based on available information, the process of estimating losses and insurance recoveries involves a considerable degree of judgment by management and the ultimate amounts could vary. For example, there are pending lawsuits with certain of Fisher's insurers concerning which state's laws should apply to the insurance policies and how such laws affect the policies. Should these actions resolve unfavorably, the estimated amount due from insurers of $53 million would require adjustment that could be material to the company's results of operations.

There are various other lawsuits and claims pending against the company involving contract, product liability 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.

THERMO FISHER SCIENTIFIC INC.

13. Adoption of FASB Interpretation No. 48

In July 2006, the FASB released FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement No. 109" (FIN 48). FIN 48 prescribes a comprehensive model for how a company should recognize, measure, present and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. Under FIN 48, the financial statements reflect expected future tax consequences of such positions presuming the taxing authorities' full knowledge of the position and all relevant facts, but without discounting for the time value of money. FIN 48 also revises disclosure requirements and introduces a prescriptive, annual, tabular roll-forward of the unrecognized tax benefits.

The company adopted the provisions of FIN 48 on January 1, 2007. As a result of the implementation of FIN 48, the company recognized no material adjustment in the liability for unrecognized tax benefits. As of the adoption date of January 1, 2007, the company had $88 million of unrecognized tax benefits, of which $38 million, if recognized, would affect the effective tax rate and the remaining $50 million, if recognized, would decrease goodwill. As of the adoption date the company had accrued interest expense and penalties related to the unrecognized tax benefits of $5 million which is included in the $88 million of unrecognized tax benefits. The company recognizes interest and penalties related to unrecognized tax benefits as a component of tax expense.

The company conducts business globally and, as a result, Thermo Fisher or one or more of its subsidiaries files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. In the normal course of business, the company is subject to examination by taxing authorities throughout the world, including such major jurisdictions as Australia, Canada, China, Denmark, Finland, France, Germany, Italy, Japan, the United Kingdom and the United States. With few exceptions, the company is no longer subject to U.S. federal, state and local, or non-U.S., income tax examinations for years before 2001.

The company is currently under audit by the Internal Revenue Service for the 2001 to 2004 tax years. The IRS is also auditing the 2003, 2004 and 2005 pre-acquisition tax years of certain Fisher subsidiaries. It is likely that the examination phase of these audits will be completed within twelve months. There have been no significant changes to the status of these examinations during the quarter ended June 30, 2007 and the company does not currently expect any significant increases to previously recorded uncertain tax positions.

14. Discontinued Operations

Subsequent to the 2006 acquisition of GVI, the UK Office of Fair Trading (OFT) commenced an investigation of the transaction to determine whether it qualified for consideration under the UK Enterprise Act. On December 15, 2006, the OFT referred the transaction to the UK Competition Commission for further investigation under the Enterprise Act to determine whether the transaction had resulted in, or may be expected to result in, a substantial lessening of competition within any market in the UK for goods or services, particularly gas isotope ratio mass spectrometers (Gas IRMS), thermal ionization mass spectrometers (TIMS) and multicollector inductively coupled plasma mass spectrometers. The Competition Commission published its final report on May 30, 2007, concluding that the company's acquisition of GVI would lead to a substantial lessening of competition in the UK in the markets for Gas IRMS and TIMS products. The Competition Commission has also concluded that a divestiture remedy is therefore appropriate and has determined that the company be required to divest of either GVI as a whole, or its Gas IRMS and TIMS assets, to a purchaser approved by the Competition Commission. As a result of the requirement to divest of GVI, the company has recorded a non-cash after-tax impairment charge of $27 million. The loss primarily represents the carrying value of the business in excess of estimated disposal value. Due to the immateriality of the operating results of this business relative to consolidated results, the company has not reclassified the historical results and accounts of this business to discontinued operations.

THERMO FISHER SCIENTIFIC INC.

14. Discontinued Operations (continued)

During the second quarter of 2007, the company received additional proceeds relating to the sale of a business divested in 2000 and recorded an after-tax gain of $3 million.

During 2006, the company committed to a plan to dispose of Genevac Limited (Genevac), a legacy Fisher business that is a manufacturer of solvent evaporation technology. The decision followed the U.S. Federal Trade Commission (FTC) consent order that required divesture of Genevac for FTC approval of the Thermo Fisher merger under the Hart-Scott-Rodino Antitrust Improvements Act. Genevac was sold on April 3, 2007, for net proceeds of $22 million in cash, subject to a post-closing adjustment. The results of discontinued operations also include the results of Systems Manufacturing Corporation (SMC), a legacy Fisher business that provides consoles, workstations and server enclosures for information technology operations and data centers. The operating results of Genevac and SMC and the assets and liabilities of SMC were not material at June 30, 2007, or for the period then ended. SMC was sold in July 2007 for cash proceeds of $2.5 million.

In the second quarter of 2006, the company recorded an after-tax loss of $1 million from the disposal of discontinued operations, substantially as a result of settling an indemnification claim that had arisen in a divested business.

In the first quarter of 2006, the company recorded after-tax gains of $3 million, from the disposal of discontinued operations. The gains represented additional proceeds from the sale of several businesses prior to 2004.

15. 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 is effective for the company in 2008. The company is currently evaluating the potential impact of adopting SFAS No. 157.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities - including an Amendment of FASB Statement No. 115.” SFAS No. 159 permits entities to measure eligible financial assets, financial liabilities and certain other assets and liabilities at fair value on an instrument-by-instrument basis. The fair value measurement election is irrevocable once made and subsequent changes in fair value must be recorded in earnings. The effect of adoption will be reported as a cumulative-effect adjustment to beginning retained earnings. SFAS No. 159 is effective for the company beginning January 1, 2008. The company is currently evaluating the impact of adopting this standard.

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. There are a number of important factors that could cause the actual results of the company to differ materially from those indicated by such

forward-looking statements, including those detailed under the heading “Risk Factors” in this report on Form 10-Q.

THERMO FISHER SCIENTIFIC INC.

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 core technologies and by making strategic acquisitions of complementary businesses. Following the November 2006 merger with Fisher Scientific International Inc., the company's continuing operations fall into two business segments: Analytical Technologies and Laboratory Products and Services.

Revenues

	Three Months Ended				Six Months Ended			
(Dollars in millions)	June 30, 2007		July 1, 2006		June 30, 2007		July 1, 2006	
Analytical Technologies	$ 1,038.5	43.5%	$ 531.5	74.5%	$ 2,044.7	43.3%	$ 1,036.1	74.1%
Laboratory Products and Services	1,433.7	60.1%	182.0	25.5%	2,850.2	60.3%	361.7	25.9%
Eliminations	(86.3)	(3.6%)	—	0.0%	(170.8)	(3.6%)	—	0.0%
	$ 2,385.9	100%	$ 713.5	100%	$ 4,724.1	100%	$ 1,397.8	100%

Sales in the second quarter of 2007 were $2.39 billion, an increase of $1.67 billion from the second quarter of 2006. Sales increased principally due to the merger with Fisher as well as other acquisitions and, to a lesser extent, increased demand and the favorable effect of currency translation. If the merger with Fisher had occurred on January 1, 2006, revenues would have increased $197 million (9%), over pro forma 2006 revenues. Aside from the effects of acquisitions and divestitures made by both companies and currency translation (discussed in total and by segment below), revenues increased over pro forma 2006 revenues by $123 million (6%) due to higher revenues at existing businesses as a result of increased demand, discussed below, and, to a lesser extent, price increases.

The company's strategy is to augment internal growth at existing businesses with complementary acquisitions such as those completed in 2007 and 2006. In addition to the merger with Fisher, the principal acquisitions included the Spectronex AG and Flux AG businesses of Swiss Analytic Group AG, a distributor of mass spectrometry, chromatography and surface science instruments and a manufacturer of high performance liquid chromography pumps and software in January 2007; Cohesive Technologies Inc., a provider of advanced sample extraction and liquid chromatography products in December 2006; and EGS Gauging, Inc., a provider of flat polymer web gauging products, which was acquired in June 2006.

In the second quarter of 2007, the company's operating income and operating income margin were $243 million and 10.2%, respectively, compared with $72 million and 10.1%, respectively, in 2006. (Operating income margin is operating income divided by revenues.) The increase in operating income was due to the Fisher merger and, to a lesser extent, higher profitability at existing businesses resulting from incremental revenues, price increases and productivity improvements. These increases were offset in part by $116 million of higher amortization expense as a result of acquisition-related intangible assets from the Fisher merger and other acquisitions and $11 million of charges for the sale of inventories revalued at the date of the merger.

The company's effective tax rate was 15.5% and 28.9% in the second quarter of 2007 and 2006, respectively. The decrease in the effective tax rate in the second quarter of 2007 compared with the second quarter of 2006 was primarily due to geographic changes in profits, in particular lower income in the United States due to charges and amortization associated with the Fisher merger, together with the impact of an enhanced tax credit for qualifying U.S. research costs and growth in lower tax regions such as Asia. The company currently expects its tax rate for the full

year to be approximately 16%.

THERMO FISHER SCIENTIFIC INC.

Overview of Results of Operations and Liquidity (continued)

Income from continuing operations increased to $188 million in the second quarter of 2007, from $49 million in the second quarter of 2006, primarily due to the items discussed above that increased operating income in 2007, offset in part by higher interest expense, primarily associated with debt assumed in the Fisher merger.

During the first six months of 2007, the company's cash flow from operations totaled $554 million, compared with $98 million for the first six months of 2006. The increase resulted from cash flow from the Fisher businesses and, to a lesser extent, improved cash flow at existing businesses.

As of June 30, 2007, the company's outstanding debt totaled $2.20 billion, of which approximately 93% is due in 2009 and thereafter. The company expects that its existing cash and short-term investments of $974 million as of June 30, 2007, and the company's future cash flow from operations together with available unsecured borrowing capacity of up to $953 million under its existing 5-year revolving credit agreement, are sufficient to meet the working capital requirements of its existing businesses for the foreseeable future, including at least the next 24 months.

Critical Accounting Policies

Preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management believes the most complex and sensitive judgments, because of their significance to the consolidated financial statements, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Management's Discussion and Analysis and Note 1 to the Consolidated Financial Statements in the company's Form 10-K for 2006, 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. As discussed below and in Note 13, the company adopted the provisions of Financial Accounting Standards Board (FASB) Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" on January 1, 2007. Other than this change, there have been no significant changes in the company's critical accounting policies during the first six months of 2007.

In the ordinary course of business there is inherent uncertainty in quantifying the company's income tax positions. The company assesses income tax positions and records tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances and information available at the reporting date. For those tax positions where it is more likely than not that a tax benefit will be sustained, the company has recorded the largest amount of tax benefit with a greater than 50 percent likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements. Where applicable, associated interest expense has also been recognized.

Results of Operations

Second Quarter 2007 Compared With Second Quarter 2006

Continuing Operations

Sales in the second quarter of 2007 were $2.39 billion, an increase of $1.67 billion from the second quarter of 2006. Sales increased principally due to the merger with Fisher as well as other acquisitions and, to a lesser extent, increased demand and the favorable effect of currency translation. If the merger with Fisher had occurred on January 1, 2006, revenues would have increased $197 million (9%) over pro forma 2006 revenues, including increases of a) $29

million due to acquisitions made by the combined companies, net of divestitures, b) $45 million due to the favorable effect of currency translation and c) $123 million (6%) due to higher revenues at existing businesses as a result of increased demand and, to a lesser extent, price increases. Growth was strong in Asia and Europe and, to a lesser extent, in North America.

THERMO FISHER SCIENTIFIC INC.

Second Quarter 2007 Compared With Second Quarter 2006 (continued)

In the second quarter of 2007, operating income and operating income margin were $243 million and 10.2%, respectively, compared with $72 million and 10.1%, respectively, in the second quarter of 2006. The increase in operating income was due to inclusion of the Fisher businesses and, to a lesser extent, higher profitability at existing businesses resulting from incremental revenues, price increases and productivity improvements. These increases were offset in part by $116 million of higher amortization expense as a result of acquisition-related intangible assets from the Fisher merger and $11 million of charges for the sale of inventories revalued at the date of the merger.

Restructuring and other costs were recorded during the second quarter of 2007 and 2006. Restructuring costs in the 2007 period include merger-related exit costs at existing businesses. The company is finalizing its plan for potential restructuring actions that may be undertaken at Fisher or within existing businesses with which Fisher is being integrated. Such actions may include rationalization of product lines, consolidation of facilities and reductions in staffing levels. The cost of actions at Fisher businesses is being charged to the cost of the acquisition, while the cost of actions at existing businesses being integrated with Fisher is charged to restructuring expense. The company expects to finalize its restructuring plans for Fisher no later than one year from the date of merger.

In the second quarter of 2007, the company recorded restructuring and other costs, net, of $19 million, including $11 million of charges to cost of revenues, substantially all related to the sale of inventories revalued at the date of acquisition (principally Fisher). The company incurred $8 million of cash costs, primarily for severance, abandoned facilities and relocation expenses at businesses that have been consolidated as well as merger-related costs, recorded as incurred (Note 11). In the second quarter of 2006, the company recorded restructuring and other costs, net, of $6 million, including $1 million of charges to cost of revenues for accelerated depreciation on fixed assets abandoned due to facility consolidations and $5 million of cash costs, primarily for severance, abandoned facilities and relocation expenses at businesses that have been consolidated.

In addition to the charges above, the Laboratory Products and Services segment is contemplating closure of a manufacturing facility in France and is negotiating the terms of severance that would be payable to employees with the applicable works council. The operations of the factory would be consolidated with those of existing factories. The company estimates future charges for real estate abandonment, moving costs, severance and asset write-offs associated with this action will total $16-18 million, although the exact amount and timing are dependent on the outcome of negotiations with the works council.

THERMO FISHER SCIENTIFIC INC.

Second Quarter 2007 Compared With Second Quarter 2006 (continued)

Segment Results

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

	Three Months Ended	
(In millions)	June 30, 2007	July 1, 2006
Revenues:		
Analytical Technologies	$ 1,038.5	$ 531.5
Laboratory Products and Services	1,433.7	182.0
Eliminations	(86.3)	—
Consolidated Revenues	$ 2,385.9	$ 713.5
Operating Income:		
Analytical Technologies	$ 205.7	$ 77.5
Laboratory Products and Services	198.9	26.4
Subtotal Reportable Segments	404.6	103.9
Cost of Revenues Charges	(11.2)	(1.3)
Restructuring and Other Costs, Net	(8.3)	(4.8)
Amortization of Acquisition-related Intangible Assets	(142.1)	(25.6)
Consolidated Operating Income	$ 243.0	$ 72.2

Analytical Technologies

	Three Months Ended		
(Dollars in millions)	June 30, 2007	July 1, 2006	Change
Revenues	$ 1,038.5	$ 531.5	95%
Operating Income Margin	19.8%	14.6%	5.2 pts.

THERMO FISHER SCIENTIFIC INC.

Second Quarter 2007 Compared With Second Quarter 2006 (continued)

Sales in the Analytical Technologies segment increased $507 million to $1.04 billion in the second quarter of 2007 primarily due to the merger with Fisher and other acquisitions and, to a lesser extent, increased revenues at existing businesses and favorable currency translation. Had the Fisher merger occurred on January 1, 2006, revenues would have increased $123 million over pro forma 2006 revenues, including increases of a) $25 million due to acquisitions made by the combined companies, net of divestitures, b) $27 million due to the favorable effect of currency translation and c) $71 million (8%) due to higher revenues at existing businesses as a result of increased demand and, to a lesser extent, higher prices. The increase in demand was from life science and industrial customers in part due to strong market response to new products. Growth was particularly strong in sales of mass spectrometry and spectroscopy instruments as well as environmental monitoring instruments and, to a lesser extent, bioscience reagents and diagnostic tools.

Operating income margin was 19.8% in the second quarter of 2007 and 14.6% in the second quarter of 2006. The increase resulted from profit on incremental revenues and, to a lesser extent, price increases and productivity improvements, including cost-reduction measures following restructuring actions. Had the merger with Fisher occurred on January 1, 2006, operating income margin would have been 17.0% in the second quarter of 2006.

Laboratory Products and Services

	Three Months Ended		
(Dollars in millions)	June 30, 2007	July 1, 2006	Change
Revenues	$ 1,433.7	$ 182.0	688%
Operating Income Margin	13.9%	14.5%	(0.6) pts.

Sales in the Laboratory Products and Services segment increased $1.25 billion to $1.43 billion in the second quarter of 2007 primarily due to the merger with Fisher and other acquisitions and, to a lesser extent, increased revenues at existing businesses and favorable currency translation. Had the Fisher merger occurred on January 1, 2006, revenues would have increased $83 million over pro forma 2006 revenues, including increases of a) $5 million due to acquisitions made by the combined companies, net of divestitures, b) $19 million due to the favorable effect of currency translation and c) $59 million (4%) due to increased revenue at existing businesses as a result of increased demand and, to a lesser extent, higher prices. Sales made through the segment's research market channel and revenues from the company's biopharma outsourcing offerings were particularly strong.

Operating income margin decreased to 13.9% in the second quarter of 2007 from 14.5% in the second quarter of 2006, primarily due to the inclusion of Fisher revenues, which have a slightly lower operating margin than the company's legacy laboratory equipment business, offset in part by price increases and productivity improvements, including restructuring actions. Had the merger with Fisher occurred on January 1, 2006, operating income margin would have been 12.5% in the second quarter of 2006.

Other Expense, Net

The company reported other expense, net, of $21 million and $3 million in the second quarter of 2007 and 2006, respectively (Note 4). Other expense, net, includes interest income, interest expense, equity in earnings of unconsolidated subsidiaries and other items, net. Interest income increased to $11 million in the second quarter of

2007 from $3 million in the same period of 2006, primarily due to higher invested cash balances from operating cash flow and, to a lesser extent, increased market interest rates. Interest expense increased to $33 million in the second quarter of 2007 from $8 million in the second quarter of 2006, primarily as a result of debt assumed in the merger with Fisher. The FASB is expected to issue proposed guidance on accounting for convertible debt instruments that, if enacted, could increase the company's reported interest expense in a manner that reflects interest rates of similar nonconvertible debt. The change would not affect the company's cash interest payments. There can be no assurance at this time, however, as to the content of any final FASB rules on this topic.

THERMO FISHER SCIENTIFIC INC.

Second Quarter 2007 Compared With Second Quarter 2006 (continued)

Provision for Income Taxes

The company's effective tax rate was 15.5% and 28.9% in the second quarter of 2007 and 2006, respectively. The decrease in the effective tax rate in 2007 compared with 2006 was primarily due to geographic changes in profits, in particular lower income in the United States due to charges and amortization associated with the Fisher merger, together with the impact of an enhanced tax credit for qualifying U.S. research costs and growth in lower tax regions such as Asia. The company currently expects its tax rate for the full year to be approximately 16% prior to the adjustment discussed in the following paragraph.

On July 19, 2007, the United Kingdom enacted new tax legislation that will become effective on April 1, 2008, lowering its corporate tax rate. As a result of the enactment, the deferred tax balances of all the company's UK entities will be adjusted to reflect the new tax rate in the third quarter of 2007. The company expects that Germany will enact new tax legislation in the third quarter of 2007, with an effective date of January 1, 2008, that will reduce the corporate tax rate. Upon enactment, the deferred tax balances of all the company's German entities will be adjusted. As a result of the new tax rates in Germany and the UK, the company anticipates it will record a one-time reduction to its income tax provision of approximately $15 to $20 million in the third quarter of 2007.

Contingent Liabilities

At the end of the second quarter of 2007, the company was contingently liable with respect to certain legal proceedings and related matters. As described under "Litigation and Related Contingencies" in Note 12, an unfavorable outcome in the matters described therein could materially affect the company's financial position as well as its results of operations and cash flows.

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This statement applies to other accounting pronouncements that require or permit fair value measurements. This statement does not require any new fair value measurements. SFAS No. 157 is effective for the company in 2008. The company is currently evaluating the potential impact of adopting SFAS No. 157.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - including an Amendment of FASB Statement No. 115." SFAS No. 159 permits entities to measure eligible financial assets, financial liabilities and certain other assets and liabilities at fair value on an instrument-by-instrument basis. The fair value measurement election is irrevocable once made and subsequent changes in fair value must be recorded in earnings. The effect of adoption will be reported as a cumulative-effect adjustment to beginning retained earnings. SFAS No. 159 is effective for the company beginning January 1, 2008. The company is currently evaluating the impact of adopting this standard.

THERMO FISHER SCIENTIFIC INC.

Second Quarter 2007 Compared With Second Quarter 2006 (continued)

Discontinued Operations

Subsequent to the 2006 acquisition of GVI, the UK Office of Fair Trading (OFT) commenced an investigation of the transaction to determine whether it qualified for consideration under the UK Enterprise Act. On December 15, 2006, the OFT referred the transaction to the UK Competition Commission for further investigation under the Enterprise Act to determine whether the transaction had resulted in, or may be expected to result in, a substantial lessening of competition within any market in the UK for goods or services, particularly gas isotope ratio mass spectrometers (Gas IRMS), thermal ionization mass spectrometers (TIMS) and multicollector inductively coupled plasma mass spectrometers. The Competition Commission published its final report on May 30, 2007, concluding that the company's acquisition of GVI would lead to a substantial lessening of competition in the UK in the markets for Gas IRMS and TIMS products. The Competition Commission has also concluded that a divestiture remedy is therefore appropriate and has determined that the company be required to divest of either GVI as a whole, or its Gas IRMS and TIMS assets, to a purchaser approved by the Competition Commission. As a result of the requirement to divest of GVI, the company has recorded a non-cash after-tax impairment charge of $27 million. The loss primarily represents the carrying value of the business in excess of estimated disposal value. Due to the immateriality of the operating results of this business relative to consolidated results, the company has not reclassified the historical results and accounts of this business to discontinued operations.

During the second quarter of 2007, the company received additional proceeds relating to the sale of a business divested in 2000 and recorded an after-tax gain of $3 million.

During 2006, the company committed to a plan to dispose of Genevac Limited (Genevac), a legacy Fisher business that is a manufacturer of solvent evaporation technology. The decision followed the U.S. Federal Trade Commission (FTC) consent order that required divesture of Genevac for FTC approval of the Thermo Fisher merger under the Hart-Scott-Rodino Antitrust Improvements Act. Genevac was sold on April 3, 2007, for net proceeds of $22 million in cash, subject to a post-closing adjustment. The results of discontinued operations also include the results of Systems Manufacturing Corporation (SMC), a legacy Fisher business that provides consoles, workstations and server enclosures for information technology operations and data centers. The operating results of Genevac and SMC and assets and liabilities of SMC were not material at June 30, 2007, or for the period then ended. SMC was sold in July 2007 for cash proceeds of $2.5 million.

The company recorded after-tax loss of $1 million in the second quarter of 2006. The loss represents the settlement of an indemnification claim that arose from a divested business.

First Six Months 2007 Compared With First Six Months 2006

Continuing Operations

Sales in the first six months of 2007 were $4.72 billion, an increase of $3.33 billion from the first six months of 2006. Sales increased principally due to the merger with Fisher as well as other acquisitions and, to a lesser extent, increased demand and the favorable effect of currency translation. If the merger with Fisher had occurred on January 1, 2006, revenues would have increased $439 million (10%) over pro forma 2006 revenues, including increases of a) $86 million due to acquisitions made by the combined companies, net of divestitures, b) $97 million due to the favorable effect of currency translation and c) $256 million (6%) due to higher revenues at existing businesses as a result of increased demand and, to a lesser extent, price increases. Growth was strong in Asia and Europe and, to a lesser extent, in North America.

THERMO FISHER SCIENTIFIC INC.

First Six Months 2007 Compared With First Six Months 2006 (continued)

In the first six months of 2007, operating income and operating income margin were $435 million and 9.2%, respectively, compared with $140 million and 10.0%, respectively, in the first six months of 2006. The increase in operating income was due to inclusion of the Fisher businesses and, to a lesser extent, higher profitability at existing businesses resulting from incremental revenues, price increases and productivity improvements. These increases were offset in part by $230 million of higher amortization expense as a result of acquisition-related intangible assets from the Fisher merger and $48 million of charges for the sale of inventories revalued at the date of the merger. The decrease in operating income margin was primarily due to the $48 million of charges to cost of revenues associated with inventories revalued at the date of merger.

Restructuring and other costs were recorded during the first six months of 2007 and 2006. Restructuring costs in the 2007 period include merger-related exit costs at existing businesses. In the first six months of 2007, the company recorded restructuring and other costs, net, of $63 million, including $48 million of charges to cost of revenues, substantially all related to the sale of inventories revalued at the date of acquisition (principally Fisher). The company incurred $15 million of cash costs, primarily for severance, abandoned facilities and relocation expenses at businesses that have been consolidated as well as merger-related costs, recorded as incurred (Note 11). In the first six months of 2006, the company recorded restructuring and other costs, net, of $9.6 million, including $1.3 million of charges to cost of revenues for accelerated depreciation on fixed assets abandoned due to facility consolidations and $9.0 million of cash costs, primarily for severance, abandoned facilities and relocation expenses at businesses that have been consolidated. In addition, the company recorded a net gain of $0.7 million from disposal of product lines and the sale of abandoned assets.

Segment Results

	Six Months Ended	
(In millions)	June 30, 2007	July 1, 2006
Revenues:		
Analytical Technologies	$ 2,044.7	$ 1,036.1
Laboratory Products and Services	2,850.2	361.7
Eliminations	(170.8)	—
Consolidated Revenues	$ 4,724.1	$ 1,397.8
Operating Income:		
Analytical Technologies	$ 395.5	$ 149.0
Laboratory Products and Services	384.6	51.9
Subtotal Reportable Segments	780.1	200.9
Cost of Revenues Charges	(47.6)	(1.3)
Restructuring and Other Costs, Net	(15.7)	(8.4)
Amortization of Acquisition-related Intangible Assets	(281.4)	(51.2)
Consolidated Operating Income	$ 435.4	$ 140.0

THERMO FISHER SCIENTIFIC INC.

First Six Months 2007 Compared With First Six Months 2006 (continued)

Analytical Technologies

(Dollars in millions)	Six Months Ended June 30, 2007	Six Months Ended July 1, 2006	Change
Revenues	$ 2,044.7	$ 1,036.1	97%
Operating Income Margin	19.3%	14.4%	4.9 pts.

Sales in the Analytical Technologies segment increased $1.01 billion to $2.04 billion in the first six months of 2007 primarily due to the merger with Fisher and other acquisitions and, to a lesser extent, increased revenues at existing businesses and favorable currency translation. Had the Fisher merger occurred on January 1, 2006, revenues would have increased $257 million over pro forma 2006 revenues, including increases of a) $64 million due to acquisitions made by the combined companies, net of divestitures, b) $57 million due to the favorable effect of currency translation and c) $136 million (8%) due to increased revenue at existing businesses as a result of increased demand and, to a lesser extent, higher prices. The increase in demand was from life science and industrial customers in part due to strong market response to new products. Growth was particularly strong in sales of mass spectrometry and spectroscopy instruments as well as environmental monitoring instruments and, to a lesser extent, bioscience reagents and diagnostic tools.

Operating income margin was 19.3% in the first six months of 2007 and 14.4% in the first six months of 2006. The increase resulted from profit on incremental revenues and, to a lesser extent, price increases and productivity improvements, including cost-reduction measures following restructuring actions. Had the merger with Fisher occurred on January 1, 2006, operating income margin would have been 16.8% in the first six months of 2006.

Laboratory Products and Services

(Dollars in millions)	Six Months Ended June 30, 2007	Six Months Ended July 1, 2006	Change
Revenues	$ 2,850.2	$ 361.7	688%
Operating Income Margin	13.5%	14.3%	(0.8) pts.

Sales in the Laboratory Products and Services segment increased $2.49 billion to $2.85 billion in the first six months of 2007 primarily due to the merger with Fisher and other acquisitions and, to a lesser extent, increased revenues at existing businesses and favorable currency translation. Had the Fisher merger occurred on January 1, 2006, revenues would have increased $200 million over pro forma 2006 revenues, including increases of a) $22 million due to acquisitions made by the combined companies, net of divestitures, b) $41 million due to the favorable effect of currency translation and c) $137 million (5%) due to increased revenue at existing businesses as a result of increased demand and, to a lesser extent, higher prices. Sales made through the segment's research market channel and revenues from the company's biopharma outsourcing offerings were particularly strong.

Operating income margin decreased to 13.5% in the first six months of 2007 from 14.3% in the first six months of 2006, primarily due to the inclusion of Fisher revenues, which have a slightly lower operating margin than the

company's legacy laboratory equipment business, offset in part by price increases and productivity improvements, including restructuring actions. Had the merger with Fisher occurred on January 1, 2006, operating income margin would have been 11.5% in the first six months of 2006.

THERMO FISHER SCIENTIFIC INC.

First Six Months 2007 Compared With First Six Months 2006 (continued)

Other Expense, Net

The company reported other expense, net, of $47 million and $7 million in the first six months of 2007 and 2006, respectively (Note 4). Other expense, net, includes interest income, interest expense, equity in earnings of unconsolidated subsidiaries and other items, net. Interest income increased to $19 million in the first six months of 2007 from $7 million in the same period of 2006, primarily due to higher invested cash balances from operating cash flow and, to a lesser extent, increased market interest rates. Interest expense increased to $70 million in the first six months of 2007 from $16 million in the first six months of 2006, primarily as a result of debt assumed in the merger with Fisher.

Provision for Income Taxes

The company's effective tax rate was 15.8% and 30.3% in the first six months of 2007 and 2006, respectively. The decrease in the effective tax rate in 2007 compared with 2006 was primarily due to geographic changes in profits, in particular lower income in the United States due to charges and amortization associated with the Fisher merger, together with the impact of an enhanced tax credit for qualifying U.S. research costs, growth in lower tax regions such as Asia and, to a lesser extent, a tax gain in excess of the related book gain on the sale of a product line in 2006.

Discontinued Operations

As a result of the requirement to divest of GVI, the company has recorded a non-cash after-tax charge of $27 million as a loss on disposal of discontinued operations. The loss primarily represents the carrying value of the business in excess of estimated disposal value. During the second quarter of 2007, the company received additional proceeds relating to the sale of a business divested in 2000 and recorded an after tax gain of $3 million.

The company had after-tax gains of $2 million in 2006 from the disposal of discontinued operations. The gains represent additional proceeds from the sale of several businesses prior to 2004, net of a charge for the settlement of an indemnification claim that arose from a divested business.

Liquidity and Capital Resources

Consolidated working capital was $2.40 billion at June 30, 2007, compared with $1.51 billion at December 31, 2006. The increase was primarily due to a reduction in short-term borrowings and, to a lesser extent, an increase in cash. Included in working capital were cash, cash equivalents and short-term available-for-sale investments of $974 million at June 30, 2007 and $691 million at December 31, 2006.

First Six Months 2007

Cash provided by operating activities was $554 million during the first six months of 2007. A reduction in other current liabilities used cash of $83 million, primarily as a result of payment of annual incentive compensation as well as $51 million of merger-related payments. Cash payments for income taxes, net of refunds, totaled $59 million in the first six months of 2007. The company does not expect to make significant U.S. estimated tax payments in 2007, primarily due to tax deductions for merger-related equity-based compensation and net operating loss carryforwards. Cash of $58 million was used to replenish inventory levels following strong fourth quarter shipments. Payments for restructuring actions of the company's continuing operations, principally severance, lease costs and other expenses of real estate consolidation, used cash of $23 million during the first six months of 2007.

In connection with restructuring actions undertaken by continuing operations, the company had accrued $12 million for restructuring costs at June 30, 2007. The company expects to pay approximately $7 million of this amount for severance, retention and other costs, primarily through 2007. The balance of $5 million will be paid for lease obligations over the remaining terms of the leases, with approximately 23% to be paid through 2007 and the remainder through 2011. In addition, at June 30, 2007, the company had accrued $23 million for acquisition expenses. Accrued acquisition expenses included $15 million of severance and relocation obligations, which the company expects to pay primarily during 2007. The remaining balance primarily represents abandoned-facility payments that will be paid over the remaining terms of the leases through 2011.

THERMO FISHER SCIENTIFIC INC.

First Six Months 2007 (continued)

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

The company's financing activities used $221 million of cash during the first six months of 2007, principally for the repayment of $453 million of short-term debt, offset in part by proceeds of stock option exercises. The company had proceeds of $224 million from the exercise of employee stock options and $17 million of tax benefits from the exercise of stock options. In February 2007, the Board of Directors authorized the repurchase of up to $300 million of the company's common stock through February 28, 2008, none of which had been used as of August 9, 2007. On August 9, 2007, the Board of Directors authorized the repurchase of an additional $700 million of the company's common stock through August 8, 2008.

On July 26, 2007, the company entered into an agreement to acquire Qualigens Fine Chemicals, a division of GlaxoSmithKline Pharmaceuticals Ltd. (GSK India) based in Mumbai for 2.4 billion Indian Rupees (approximately $60 million). Qualigens is India's largest laboratory chemical manufacturer and supplier, serving customers in a variety of industries, including pharmaceutical, petrochemical, and food and beverage. The acquisition is expected to close early in the fourth quarter of 2007, subject to GSK India shareholder approval and other customary closing conditions.

The company has no material commitments for purchases of property, plant and equipment and expects that for all of 2007, such expenditures will approximate $200 - $250 million. The company's contractual obligations and other commercial commitments did not change materially between December 31, 2006 and June 30, 2007.

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

First Six Months 2006

Cash provided by operating activities was $98 million during the first six months of 2006, including $100 million provided by continuing operations and $2 million used by discontinued operations. The company used cash of $28 million to increase inventory levels. Cash of $37 million was provided by collections on accounts receivable. A reduction in other current liabilities used $65 million of cash in the first six months of 2006, primarily for payment of annual incentive compensation and income tax payments. Payments for restructuring actions of the company's continuing operations, principally severance, lease costs and other expenses of real estate consolidation, used cash of $14 million in the first six months of 2006.

During the first six months of 2006, the primary investing activities of the company's continuing operations, excluding available-for-sale investment activities, included acquisitions, the purchase and sale of property, plant and equipment and sale of a product line. The company expended $27 million on acquisitions and $22 million for purchases of property, plant and equipment. The company had proceeds from the sale of a product line of $9 million. Investing activities of the company's discontinued operations provided $5 million of cash in the first six months of 2006, primarily additional proceeds from a business divested prior to 2004.

The company's financing activities used $164 million of cash during the first six months of 2006, principally for the repurchase of $228 million of the company's common stock, offset in part by proceeds of $22 million from the exercise of employee stock options and $6 million of tax benefits from the exercise of stock options.

THERMO FISHER SCIENTIFIC INC.

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 2006.

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 30, 2007. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of the company's disclosure controls and procedures as of June 30, 2007, 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 30, 2007, 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 22.

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

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

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

THERMO FISHER SCIENTIFIC INC.

Risk Factors (continued)

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

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

- finding new markets for our products;
- developing new applications for our technologies;
- combining sales and marketing operations in appropriate markets to compete more effectively;
- allocating research and development funding to products with higher growth prospects;
- complexities associated with managing the combined businesses;
- continuing key customer initiatives;
- expanding our service offerings;
- strengthening our presence in selected geographic markets; and
- continuing the development of commercial tools and infrastructure to increase and support cross-selling opportunities of products and services to take advantage of our breadth in product offerings.

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

The company may be unable to integrate successfully the legacy businesses of Thermo Electron Corporation and Fisher Scientific International Inc. and may be unable to realize the anticipated benefits of the merger.

The merger involved the combination of two companies which previously operated as independent public companies. The company is required to devote significant management attention and resources to integrating its business practices and operations. Potential difficulties the company may encounter in the integration process include the following:

- if we are unable to successfully combine the businesses of Thermo and Fisher in a manner that permits the company to achieve the cost savings and operating synergies anticipated to result from the merger, such anticipated benefits of the merger may not be realized fully or at all or may take longer to realize than expected;
- lost sales and customers as a result of certain customers of either of the two former companies deciding not to do business with the company;

35

THERMO FISHER SCIENTIFIC INC.

Risk Factors (continued)

- complexities associated with managing the combined businesses;
- integrating personnel from diverse corporate cultures while maintaining focus on providing consistent, high quality products and customer service;
- potential unknown liabilities and unforeseen increased expenses or delays associated with the merger; and
- inability to successfully execute a branding campaign for the combined company.

In addition, it is possible that the integration process could result in the loss of key employees, the disruption or interruption of, or the loss of momentum in, the company's ongoing businesses or inconsistencies in standards, controls, procedures and policies, any of which could adversely affect our ability to maintain relationships with customers and employees or our ability to achieve the anticipated benefits of the merger, or could reduce our earnings or otherwise adversely affect the business and financial results of the company.

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.

THERMO FISHER SCIENTIFIC INC.

Risk Factors (continued)

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

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

Our business is impacted by general economic conditions and related uncertainties affecting markets in which we operate. Adverse economic conditions could adversely impact our business during 2007 and beyond, resulting in:

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

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

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

THERMO FISHER SCIENTIFIC INC.

Risk Factors (continued)

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 on our balance sheet, which amounts to approximately $8.55 billion as of June 30, 2007. We assess the realizability of the goodwill we have on our books annually as well as whenever events or changes in circumstances indicate that the goodwill 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 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, 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.

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 2006, our international revenues from continuing operations, including export revenues from the United States, accounted for approximately 46% of our total revenues. The exposure to fluctuations in currency exchange rates takes on different forms. International revenues are subject to the risk that fluctuations in exchange rates could adversely affect product demand and the profitability in U.S. dollars of products and services provided by us in international markets, where payment for our products and services is made in the local currency. As a multinational corporation, our businesses occasionally invoice third-party customers in currencies other than the one in which they primarily do business (the “functional currency”). Movements in the invoiced currency relative to the functional currency could adversely impact our cash flows and our results of operations. In addition, reported sales made in non-U.S. currencies by our international businesses, when translated into U.S. dollars for financial reporting purposes, fluctuate due to exchange rate movement. Should our international sales grow, exposure to fluctuations in currency exchange rates could have a larger effect on our financial results. In 2006, currency translation had a favorable effect on revenues of our continuing operations of $18 million due to a weakening of the U.S. dollar relative to other currencies in which the company sells products and services.

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

THERMO FISHER SCIENTIFIC INC.

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.

THERMO FISHER SCIENTIFIC INC.

Risk Factors (continued)

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

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

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

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

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

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

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

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

Unforeseen problems with the implementation and maintenance of our information systems 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.

Risk Factors (continued)

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

As of June 30, 2007, we had approximately $2.20 billion in outstanding indebtedness. In addition, we had the ability to incur an additional $953 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 new facility, it will not permit (as the following terms are defined in the new 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 4 — Submission of Matters to a Vote of Security Holders

At the company's Annual Meeting of Stockholders held on May 15, 2007, the stockholders elected a class of one incumbent director, Marijn E. Dekkers, to a three-year term expiring at the 2010 Annual Meeting of Stockholders. In addition, the stockholders approved the adoption of the Thermo Fisher Scientific Inc. 2007 Employees' Stock Purchase Plan and ratified the selection by the Audit Committee of the company's Board of Directors of PricewaterhouseCoopers LLP as the company's independent auditors for the fiscal year ended December 31, 2007. The results of the votes for each of these proposals were as follows:

Proposal 1— Election of one director, constituting the class of directors to be elected for a three-year term expiring in 2010:

Nominee: Marijn E. Dekkers

	For	Against	Abstained
	375,380,510	2,166,652	2,496,159

1,266,767 broker non-votes were recorded on the proposal.

Proposal 2— Approval and adoption of the Thermo Fisher Scientific Inc. 2007 Employees' Stock Purchase Plan:

	For	Against	Abstained
	341,318,277	11,449,103	2,465,254

25,977,454 broker non-votes were recorded on the proposal.

Proposal 3— Ratification of selection by the Audit Committee of the company's Board of Directors of PricewaterhouseCoopers LLP as the company's independent auditors for the fiscal year ending December 31, 2007:

	For	Against	Abstained
	377,033,039	720,462	2,289,825

1,266,762 broker non-votes were recorded on the proposal.

Item 6 — Exhibits

See Exhibit Index on page 44.

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 9th day of August 2007.

THERMO FISHER SCIENTIFIC INC.

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

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

THERMO FISHER SCIENTIFIC INC.

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
3.1	Amended and Restated Bylaws of the company, effective as of July 12, 2007.
31.1	Certification of Chief Executive Officer required by Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer required by Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer required by Exchange Act Rules 13a-14(b) and 15d-14(b), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.2	Certification of Chief Financial Officer required by Exchange Act Rules 13a-14(b) and 15d-14(b), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

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