

THERMO FISHER SCIENTIFIC INC.  
Form 10-Q  
November 03, 2017

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

FORM 10-Q

ý Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Quarter Ended September 30, 2017

¨ 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.)

168 Third Avenue

Waltham, Massachusetts 02451

(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 ý No o

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

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

Large accelerated filer ý Accelerated filer o Non-accelerated filer o

Smaller reporting company o Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. 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 ý

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

Class Outstanding at September 30, 2017

Common Stock, \$1.00 par value 400,995,357

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THERMO FISHER SCIENTIFIC INC.  
QUARTERLY REPORT ON FORM 10-Q  
FOR THE QUARTER ENDED SEPTEMBER 30, 2017  
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## THERMO FISHER SCIENTIFIC INC.

## PART I FINANCIAL INFORMATION

## Item 1. Financial Statements

## CONSOLIDATED BALANCE SHEET

(Unaudited)

	September 30, 2017	December 31, 2016
(In millions except share and per share amounts)		
Assets		
Current Assets:		
Cash and cash equivalents	\$741.1	\$786.2
Accounts receivable, less allowances of \$105.7 and \$77.3	3,657.0	3,048.5
Inventories	3,125.5	2,213.3
Refundable income taxes	552.1	378.3
Other current assets	768.3	594.7
Total current assets	8,844.0	7,021.0
Property, Plant and Equipment, Net	3,931.6	2,577.8
Acquisition-related Intangible Assets, Net	17,029.6	13,969.0
Other Assets	1,051.2	1,011.9
Goodwill	25,128.9	21,327.8
Total Assets	\$55,985.3	\$45,907.5
Liabilities and Shareholders' Equity		
Current Liabilities:		
Short-term obligations and current maturities of long-term obligations	\$2,762.3	\$1,255.5
Accounts payable	1,123.8	926.2
Accrued payroll and employee benefits	771.1	708.7
Accrued income taxes	125.7	165.4
Deferred revenue	747.3	485.9
Other accrued expenses	1,501.1	1,324.1
Total current liabilities	7,031.3	4,865.8
Deferred Income Taxes	3,134.6	2,557.4
Other Long-term Liabilities	1,887.2	1,572.6
Long-term Obligations	19,230.4	15,372.4
Shareholders' Equity:		
Preferred stock, \$100 par value, 50,000 shares authorized; none issued		
Common stock, \$1 par value, 1,200,000,000 shares authorized; 427,997,169 and 415,138,564 shares issued	428.0	415.1
Capital in excess of par value	14,112.0	12,139.6
Retained earnings	15,445.8	13,926.9
Treasury stock at cost, 27,001,812 and 21,690,679 shares	(3,101.1 )	(2,306.0 )
Accumulated other comprehensive items	(2,182.9 )	(2,636.3 )

Total shareholders' equity	24,701.8	21,539.3
Total Liabilities and Shareholders' Equity	\$55,985.3	\$45,907.5

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

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## THERMO FISHER SCIENTIFIC INC.

CONSOLIDATED STATEMENT OF INCOME  
(Unaudited)

(In millions except per share amounts)	Three Months Ended		Nine Months Ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Revenues				
Product revenues	\$4,232.0	\$3,866.5	\$12,632.2	\$11,453.0
Service revenues	884.2	624.4	2,239.0	1,867.9
Total revenues	5,116.2	4,490.9	14,871.2	13,320.9
Costs and Operating Expenses:				
Cost of product revenues	2,173.7	2,024.3	6,547.7	5,997.2
Cost of service revenues	642.3	412.7	1,547.7	1,233.4
Selling, general and administrative expenses	1,396.8	1,274.6	4,015.5	3,710.6
Research and development expenses	218.1	183.3	655.1	542.2
Restructuring and other costs, net	49.1	54.9	95.1	140.9
Total costs and operating expenses	4,480.0	3,949.8	12,861.1	11,624.3
Operating Income	636.2	541.1	2,010.1	1,696.6
Other Expense, Net	(155.6 )	(113.2 )	(401.0 )	(324.6 )
Income from Continuing Operations Before Income Taxes	480.6	427.9	1,609.1	1,372.0
Benefit from Income Taxes	53.3	45.6	88.4	20.6
Income from Continuing Operations	533.9	473.5	1,697.5	1,392.6
Loss from Discontinued Operations (net of income tax benefit of \$0.0, \$0.0, \$0.3 and \$0.2)	—	—	(0.6 )	(0.3 )
Net Income	\$533.9	\$473.5	\$1,696.9	\$1,392.3
Earnings per Share from Continuing Operations				
Basic	\$1.35	\$1.20	\$4.33	\$3.53
Diluted	\$1.34	\$1.19	\$4.29	\$3.50
Earnings per Share				
Basic	\$1.35	\$1.20	\$4.32	\$3.53
Diluted	\$1.34	\$1.19	\$4.29	\$3.50
Weighted Average Shares				
Basic	396.2	394.7	392.4	394.8
Diluted	399.6	397.4	395.6	397.6
Cash Dividends Declared per Common Share	\$0.15	\$0.15	\$0.45	\$0.45

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

## THERMO FISHER SCIENTIFIC INC.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(Unaudited)

(In millions)	Three Months Ended		Nine Months Ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Comprehensive Income				
Net Income	\$533.9	\$473.5	\$1,696.9	\$1,392.3
Other Comprehensive Items:				
Currency translation adjustment	72.8	(77.0 )	452.3	(127.8 )
Unrealized gains and losses on available-for-sale investments:				
Unrealized holding (losses) gains arising during the period (net of tax (benefit) provision of (\$0.2), \$0.1, \$0.2 and (\$0.2))	(1.3 )	0.5	0.6	(1.0 )
Reclassification adjustment for losses (gains) included in net income (net of tax benefit (provision) of \$0.0, \$0.2, (\$0.6) and \$0.2)	—	0.7	(1.0 )	0.7
Unrealized gains and losses on hedging instruments:				
Unrealized losses on hedging instruments (net of tax benefit of \$22.4)	—	—	—	(36.6 )
Reclassification adjustment for losses included in net income (net of tax benefit of \$1.1, \$1.2, \$3.4 and \$2.6)	1.9	1.8	5.6	4.3
Pension and other postretirement benefit liability adjustments:				
Pension and other postretirement benefit liability adjustments arising during the period (net of tax benefit (provision) of \$1.0, (\$0.1), \$4.6 and \$0.0)	(2.2 )	—	(11.3 )	(1.1 )
Amortization of net loss and prior service benefit included in net periodic pension cost (net of tax benefit of \$0.7, \$0.5, \$2.8 and \$1.4)	2.0	1.4	7.2	4.1
Total other comprehensive items	73.2	(72.6 )	453.4	(157.4 )
Comprehensive Income	\$607.1	\$400.9	\$2,150.3	\$1,234.9

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



## THERMO FISHER SCIENTIFIC INC.

CONSOLIDATED STATEMENT OF CASH FLOWS  
(Unaudited)

(In millions)	Nine Months Ended	
	September 30, 2017	October 1, 2016
<b>Operating Activities</b>		
Net income	\$1,696.9	\$1,392.3
Loss from discontinued operations	0.6	0.3
Income from continuing operations	1,697.5	1,392.6
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	1,459.5	1,284.2
Change in deferred income taxes	(483.6 )	(514.8 )
Non-cash stock-based compensation	115.9	102.0
Non-cash charges for sale of inventories revalued at the date of acquisition	47.3	38.7
Other non-cash expenses, net	66.7	49.0
Changes in assets and liabilities, excluding the effects of acquisitions and dispositions:		
Accounts receivable	(160.7 )	(112.4 )
Inventories	(208.3 )	22.3
Other assets	(232.8 )	(92.3 )
Accounts payable	(0.1 )	66.1
Other liabilities	23.4	(146.6 )
Contributions to retirement plans	(184.5 )	(33.1 )
Net cash provided by continuing operations	2,140.3	2,055.7
Net cash used in discontinued operations	(1.8 )	(3.0 )
Net cash provided by operating activities	2,138.5	2,052.7
<b>Investing Activities</b>		
Acquisitions, net of cash acquired	(7,160.2 )	(5,143.0 )
Purchase of property, plant and equipment	(292.8 )	(310.9 )
Proceeds from sale of property, plant and equipment	4.3	23.1
Proceeds from sale of investments	18.5	11.7
Other investing activities, net	(15.4 )	(8.8 )
Net cash used in investing activities	\$(7,445.6)	\$(5,427.9)

## THERMO FISHER SCIENTIFIC INC.

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)  
(Unaudited)

(In millions)	Nine Months Ended	
	September 30, 2017	October 1, 2016
<b>Financing Activities</b>		
Net proceeds from issuance of debt	\$6,459.0	\$7,605.8
Repayment of debt	(2,551.7 )	(2,307.1 )
Net proceeds from issuance of commercial paper	6,030.2	5,628.0
Repayments of commercial paper	(5,809.1 )	(4,859.2 )
Purchases of company common stock	(750.0 )	(1,000.0 )
Dividends paid	(177.1 )	(179.2 )
Net proceeds from issuance of company common stock	1,690.3	—
Net proceeds from issuance of company common stock under employee stock plans	107.7	75.1
Other financing activities, net	(1.0 )	(13.6 )
Net cash provided by financing activities	4,998.3	4,949.8
Exchange Rate Effect on Cash	256.1	(40.7 )
(Decrease) Increase in Cash, Cash Equivalents and Restricted Cash	(52.7 )	1,533.9
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	810.8	466.3
Cash, Cash Equivalents and Restricted Cash at End of Period	\$758.1	\$2,000.2

See Note 12 for supplemental cash flow information.

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

## THERMO FISHER SCIENTIFIC INC.

## CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(Unaudited)

(In millions)	Common Stock		Capital in Excess of Par Value	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Items	Total Shareholders' Equity
	Shares	Amount			Shares	Amount		
Balance at December 31, 2015	411.9	\$ 411.9	\$ 11,801.2	\$ 12,142.3	12.3	\$(1,007.9)	\$( 1,997.3 )	\$ 21,350.2
Issuance of shares under employees' and directors' stock plans	3.1	3.1	139.7	—	0.3	(47.4 )	—	95.4
Stock-based compensation	—	—	102.0	—	—	—	—	102.0
Tax benefit related to employees' and directors' stock plans	—	—	54.2	—	—	—	—	54.2
Purchases of company common stock	—	—	—	—	7.3	(1,000.0 )	—	(1,000.0 )
Dividends declared	—	—	—	(178.1 )	—	—	—	(178.1 )
Net income	—	—	—	1,392.3	—	—	—	1,392.3
Other comprehensive items	—	—	—	—	—	—	(157.4 )	(157.4 )
Balance at October 1, 2016	415.0	\$ 415.0	\$ 12,097.1	\$ 13,356.5	19.9	\$(2,055.3)	\$( 2,154.7 )	\$ 21,658.6
Balance at December 31, 2016	415.1	\$ 415.1	\$ 12,139.6	\$ 13,926.9	21.7	\$(2,306.0)	\$( 2,636.3 )	\$ 21,539.3
Issuance of shares under employees' and directors' stock plans	2.8	2.8	173.3	—	0.3	(45.1 )	—	131.0
Issuance of shares	10.1	10.1	1,680.2	—	—	—	—	1,690.3
Stock-based compensation	—	—	115.9	—	—	—	—	115.9
Purchases of company common stock	—	—	—	—	5.0	(750.0 )	—	(750.0 )
Dividends declared	—	—	—	(178.0 )	—	—	—	(178.0 )
Net income	—	—	—	1,696.9	—	—	—	1,696.9
Other comprehensive items	—	—	—	—	—	—	453.4	453.4
Other	—	—	3.0	—	—	—	—	3.0
Balance at September 30, 2017	428.0	\$ 428.0	\$ 14,112.0	\$ 15,445.8	27.0	\$(3,101.1)	\$( 2,182.9 )	\$ 24,701.8

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

THERMO FISHER SCIENTIFIC INC.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 (Unaudited)

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

Nature of Operations

Thermo Fisher Scientific Inc. (the company or Thermo Fisher) enables customers to make the world healthier, cleaner and safer by providing analytical instruments, equipment, reagents and consumables, software and services for research, manufacturing, analysis, discovery and diagnostics. Markets served include pharmaceutical and biotech, academic and government, industrial and applied, as well as healthcare and diagnostics.

Interim Financial Statements

The interim consolidated financial statements presented herein have been prepared by the company, are unaudited and, in the opinion of management, reflect all adjustments of a normal recurring nature necessary for a fair statement of the financial position at September 30, 2017, the results of operations for the three- and nine-month periods ended September 30, 2017 and October 1, 2016, and the cash flows for the nine-month periods ended September 30, 2017 and October 1, 2016. Interim results are not necessarily indicative of results for a full year.

The consolidated balance sheet presented as of December 31, 2016, has been derived from the audited consolidated financial statements as of that date. The consolidated financial statements and notes are presented as permitted by Form 10-Q and do not contain all information that is included in the annual financial statements and notes thereto of the company. The consolidated financial statements and notes included in this report should be read in conjunction with the 2016 financial statements and notes included in the company's Current Report on Form 8-K filed with the Securities and Exchange Commission (SEC) on May 5, 2017.

Note 1 to the consolidated financial statements for 2016 describes the significant accounting estimates and policies used in preparation of the consolidated financial statements. Except for the accounting for tax benefits from stock-based compensation as noted below under the caption Recent Accounting Pronouncements, there have been no material changes in the company's significant accounting policies during the nine months ended September 30, 2017.

Inventories

The components of inventories are as follows:

	September 30, 2017	December 31, 2016
(In millions)		
Raw Materials	\$ 732.6	\$ 466.3
Work in Process	532.3	327.9
Finished Goods	1,860.6	1,419.1

Inventories \$ 3,125.5 \$ 2,213.3

Property, Plant and Equipment

Property, plant and equipment consists of the following:

	September 30, 2017	December 31, 2016
(In millions)		
Land	\$ 395.1	\$ 305.6
Buildings and Improvements	1,622.1	1,154.2
Machinery, Equipment and Leasehold Improvements	4,068.5	2,955.7
Property, Plant and Equipment, at Cost	6,085.7	4,415.5
Less: Accumulated Depreciation and Amortization	2,154.1	1,837.7

Property, Plant and Equipment, Net	\$ 3,931.6	\$ 2,577.8
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## THERMO FISHER SCIENTIFIC INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

## Acquisition-related Intangible Assets

Acquisition-related intangible assets are as follows:

(In millions)	Balance at September 30, 2017			Balance at December 31, 2016		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
<b>Definite Lived:</b>						
Customer relationships	\$17,288.4	\$ (5,614.4 )	\$11,674.0	\$13,167.3	\$ (4,821.4 )	\$8,345.9
Product technology	5,999.6	(2,676.1 )	3,323.5	5,679.7	(2,204.2 )	3,475.5
Tradenames	1,531.5	(774.6 )	756.9	1,452.2	(646.0 )	806.2
Other	34.4	(34.3 )	0.1	33.0	(33.0 )	—
	24,853.9	(9,099.4 )	15,754.5	20,332.2	(7,704.6 )	12,627.6
<b>Indefinite Lived:</b>						
Tradenames	1,234.8	—	1,234.8	1,234.8	—	1,234.8
In-process research and development	40.3	—	40.3	106.6	—	106.6
	1,275.1	—	1,275.1	1,341.4	—	1,341.4

Acquisition-related Intangible Assets \$26,129.0 \$ (9,099.4 ) \$17,029.6 \$21,673.6 \$ (7,704.6 ) \$13,969.0  
Warranty Obligations

The liability for warranties is included in other accrued expenses in the accompanying balance sheet. The changes in the carrying amount of standard product warranty obligations are as follows:

(In millions)	Nine Months Ended	
	September 30, 2017	October 1, 2016
Beginning Balance	\$77.9	\$55.8
Provision charged to income	76.5	68.6
Usage	(74.7 )	(64.5 )
Acquisitions	0.5	16.8
Adjustments to previously provided warranties, net	(2.3 )	(1.8 )
Currency translation	3.3	0.5
Ending Balance	\$81.2	\$75.4

## Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In addition, significant estimates were made in estimating future cash flows to assess potential impairment of assets and in determining the fair value of acquired intangible assets (Note 2) and the ultimate loss from abandoning leases at facilities being exited (Note 13). Actual results could differ from those estimates.

## Recent Accounting Pronouncements

In August 2017, the FASB issued new guidance to simplify the application of hedge accounting guidance. Among other things, the new guidance will permit more hedging strategies to qualify for hedge accounting, allow for additional time to perform an initial assessment of a hedge's effectiveness, and permit a qualitative effectiveness test for certain hedges after

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THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

initial qualification. The guidance is effective for the company in 2019. Early adoption is permitted. The company is currently evaluating the impact this guidance will have on its consolidated financial statements.

In March 2017, the FASB issued new guidance intended to improve the presentation of net periodic pension cost and net periodic postretirement benefit cost. The new guidance requires the service cost component of net periodic cost be reported in the same line item(s) as other employee compensation costs and all other components of the net periodic cost be reported in the income statement below operating income. The guidance is effective for the company in 2018. The adoption of this guidance is not expected to have a material impact on the company's consolidated financial statements.

In January 2017, the FASB issued new guidance that eliminates the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. Instead, the new guidance will require entities to record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value. The guidance is effective for the company no later than 2020. The company plans to adopt this guidance early when it performs its annual goodwill impairment test in the fourth quarter of 2017. The adoption of this guidance is not expected to have a material impact on the company's consolidated financial statements.

In January 2017, the FASB issued new guidance clarifying the definition of a business and providing criteria to determine when an integrated set of assets and activities is not defined as a business. The new guidance requires such integrated sets to be defined as an asset (and not a business) if substantially all of the fair value of the gross assets acquired or disposed is concentrated in a single identifiable asset or a group of similar identifiable assets. The guidance is effective for the company in 2018. The adoption of this guidance is not expected to have a material impact on the company's consolidated financial statements.

In November 2016, the FASB issued new guidance intended to reduce diversity in practice in the classification and presentation of changes in restricted cash on the statement of cash flows. The company adopted this guidance on January 1, 2017 and applied the changes to the statement of cash flows retrospectively, as required. The table below summarizes the impact of adopting this and related guidance on the company's consolidated statement of cash flows for the nine months ended October 1, 2016.

In October 2016, the FASB issued new guidance eliminating the deferral of the tax effects of intra-entity asset transfers. The guidance is effective for the company in 2018. The impact of this guidance will be dependent on the extent of future asset transfers which usually occur in connection with planning around acquisitions and other business structuring activities.

In August 2016, the FASB issued new guidance intended to reduce diversity in practice in how certain transactions are classified on the statement of cash flows. The company adopted this guidance on January 1, 2017 and applied the changes to the statement of cash flows retrospectively, as required. The table below summarizes the impact of adopting this and related guidance on the company's consolidated statement of cash flows for the nine months ended October 1, 2016.

In March 2016, the FASB issued new guidance which affects the accounting for stock-based compensation. The new guidance simplifies the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The company adopted this guidance on January 1, 2017 and applied the changes to the statement of cash flows retrospectively. The table below summarizes the impact of adopting this and related guidance on the company's consolidated statement of cash flows. Adoption of this guidance decreased the company's tax provision in the first nine months of 2017 by \$51 million and increased diluted earnings per share for the same period by \$0.13. The impact in future periods will be dependent upon changes in the company's stock price, the volume of employee stock option exercises and the timing of service- and performance-based restricted unit vesting.

The guidance issued in November 2016, August 2016 and the provisions of the guidance issued in March 2016 which affected classification on the statement of cash flows were applied retrospectively. As a result of adoption of this guidance, the accompanying statement of cash flows for the first nine months of 2016 reflect the following changes



from previously reported amounts:

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## THERMO FISHER SCIENTIFIC INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

(In millions) Nine  
Months  
Ended  
October 1,  
2016

Increase in Net Cash Provided by Operating Activities	\$ 102.3
Decrease in Net Cash Used in Investing Activities	16.1
Decrease in Net Cash Provided by Financing Activities	(102.3 )

In February 2016, the FASB issued new guidance which requires lessees to record most leases on their balance sheets as lease liabilities, initially measured at the present value of the future lease payments, with corresponding right-of-use assets. The new guidance also sets forth new disclosure requirements related to leases. The company plans to adopt the guidance in 2019 using a modified retrospective method. The company is currently evaluating the impact this guidance will have on its consolidated financial statements, however, assets and liabilities will increase upon adoption for right-of-use assets and lease liabilities. The company's future commitments under lease obligations are summarized in Note 10 to the consolidated financial statements for 2016 included in the company's Annual Report on Form 10-K, filed with the SEC.

In January 2016, the FASB issued new guidance which affects the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. This guidance retains the current accounting for classifying and measuring investments in debt securities and loans, but requires equity investments to be measured at fair value with subsequent changes recognized in net income, except for those accounted for under the equity method or requiring consolidation. The guidance also changes the accounting for investments without a readily determinable fair value and that do not qualify for the practical expedient permitted by the guidance to estimate fair value. A policy election can be made for these investments whereby estimated fair value may be measured at cost and adjusted in subsequent periods for any impairment or changes in observable prices of identical or similar investments. The guidance is effective for the company in 2018. The adoption of this guidance is not expected to have a material impact on the company's consolidated financial statements.

In July 2015, the FASB issued new guidance which requires an entity to measure inventory at the lower of cost and net realizable value. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. This guidance does not apply to inventory that is measured using last-in, first-out (LIFO). The guidance was effective for the company in 2017. Adoption of this guidance did not have a material impact on the company's consolidated financial statements.

In May 2014, the FASB issued new revenue recognition guidance which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will supersede most current revenue recognition guidance. The new standard also requires significantly expanded disclosures regarding the qualitative and quantitative information of an entity's nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. During 2016, the FASB issued additional guidance and clarification. The guidance is currently effective for the company in 2018. The company will adopt this guidance through application of the modified retrospective method.

The company is continuing to evaluate the standard's impact on its consolidated financial statements, including the impact on the recently acquired Patheon business, by finalizing operating site surveys, reviewing unique customer contract terms, and developing processes to manage the changes in the revenue recognition guidance and gather information for the required disclosures. The company expects this undertaking will be complete in the fourth quarter of 2017.

Applying the new guidance to the majority of the company's revenue arrangements based on its most commonly used customer terms and conditions and routine sales transactions, which generally consist of a single performance

obligation to transfer promised goods or services, is not expected to have a material impact to the company's consolidated financial statements. While the timing of revenue recognition for some of the company's other sales transactions will be affected by the new guidance, the impact is not expected to be material.

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Note 2. Acquisitions

The company's acquisitions have historically been made at prices above the determined fair value of the acquired identifiable net assets, resulting in goodwill, due to expectations of the synergies that will be realized by combining the businesses. These synergies include the elimination of redundant facilities, functions and staffing; use of the company's existing commercial infrastructure to expand sales of the acquired businesses' products; and use of the commercial infrastructure of the acquired businesses to cost-effectively expand sales of company products. Acquisitions have been accounted for using the purchase method of accounting, and the acquired companies' results have been included in the accompanying financial statements from their respective dates of acquisition. Acquisition transaction costs are recorded in selling, general and administrative expenses as incurred.

2017

On August 28, 2017, the company acquired, within the Laboratory Products and Services segment, substantially all of the issued and outstanding shares of Patheon N.V., a leading global provider of high-quality drug development and delivery solutions to the pharmaceutical and biopharma sectors, for \$35.00 per share in cash, or \$7.36 billion, including the assumption of net debt. The company financed the purchase price, including the repayment of indebtedness of Patheon, with issuances of debt and equity (Notes 8 and 10).

Patheon provides comprehensive, integrated and highly customizable solutions as well as the expertise to help biopharmaceutical companies of all sizes satisfy complex development and manufacturing needs. The acquisition provided entry into the contract development and manufacturing organization market and added a complementary service to the company's existing portfolio. Patheon's revenues totaled \$1.87 billion for the year ended October 31, 2016. The purchase price exceeded the fair market value of the identifiable net assets and, accordingly, \$3.17 billion was allocated to goodwill, none of which is tax deductible.

On March 2, 2017, the company acquired, within the Analytical Instruments segment, Core Informatics, a North America-based provider of cloud-based platforms supporting scientific data management, for a total purchase price of \$94 million, net of cash acquired. The acquisition enhanced the company's existing informatics solutions. Revenues of Core Informatics were approximately \$10 million in 2016. The purchase price exceeded the fair market value of the identifiable net assets and, accordingly, \$63 million was allocated to goodwill, \$50 million of which is tax deductible.

On February 14, 2017, the company acquired, within the Life Sciences Solutions segment, Finesse Solutions, Inc., a North America-based developer of scalable control automation systems and software for bioproduction, for a total purchase price of \$221 million, net of cash acquired. The acquisition expanded the company's bioproduction offerings. Revenues of Finesse Solutions were approximately \$50 million in 2016. The purchase price exceeded the fair market value of the identifiable net assets and, accordingly, \$135 million was allocated to goodwill, none of which is tax deductible.

In addition, in 2017 the company acquired, within the Specialty Diagnostics segment, a North America-based molecular diagnostics company offering qPCR tests to the transplant community, for an aggregate purchase price of \$43 million.

## THERMO FISHER SCIENTIFIC INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

The components of the purchase price and net assets acquired for 2017 acquisitions are as follows:

(In millions)	Patheon	Core Informatics	Finesse Solutions	Other	Total
<b>Purchase Price</b>					
Cash paid	\$6,861.1	\$ 94.6	\$ 223.1	\$45.6	\$7,224.4
Debt assumed	488.1	—	—	0.2	488.3
Fair value of contingent consideration	—	9.1	—	3.1	12.2
Fair value of equity awards exchanged	6.1	—	—	—	6.1
Purchase price payable	49.9	—	—	—	49.9
Cash acquired	(47.5 )	(10.1 )	(2.1 )	(6.0 )	(65.7 )
	\$7,357.7	\$ 93.6	\$ 221.0	\$42.9	\$7,715.2
<b>Net Assets Acquired</b>					
Current assets	\$1,060.3	\$ 2.0	\$ 18.0	\$4.3	\$1,084.6
Property, plant and equipment	1,306.9	0.2	1.6	0.7	1,309.4
Definite-lived intangible assets:					
Customer relationships	3,607.0	6.3	67.7	15.1	3,696.1
Product technology	—	29.1	32.0	5.0	66.1
Tradenames and other	109.6	2.7	2.2	—	114.5
Indefinite-lived intangible assets:					
In-process research and development	—	—	1.6	—	1.6
Goodwill	3,168.9	62.5	134.7	27.2	3,393.3
Other assets	58.8	—	—	—	58.8
Deferred tax liabilities	(1,029.7 )	(3.7 )	(22.3 )	(7.7 )	(1,063.4 )
Other liabilities assumed	(924.1 )	(5.5 )	(14.5 )	(1.7 )	(945.8 )
	\$7,357.7	\$ 93.6	\$ 221.0	\$42.9	\$7,715.2

The weighted-average amortization periods for definite-lived intangible assets acquired in 2017 are 17 years for customer relationships, 10 years for product technology and 4 years for tradenames and other. The weighted average amortization period for all definite-lived intangible assets acquired in 2017 is 16 years.

The preliminary allocation of the purchase price for Patheon was based on estimates of the fair value of the net assets acquired and is subject to adjustment upon finalization of the valuation of the acquired intangible assets, property, plant and equipment and the related deferred taxes. Measurements of these items inherently require significant estimates and assumptions.

## Unaudited Pro Forma Information

The following unaudited pro forma information provides the effect of the company's acquisition of Patheon as if the acquisition had occurred on January 1, 2016, and the effects of the company's 2016 acquisitions of FEI Company and Affymetrix, Inc. as if the acquisitions had occurred on January 1, 2015:

	Three Months Ended		Nine Months Ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
(In millions except per share amounts)				

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Revenues	\$5,392.9	\$5,113.1	\$16,075.9	\$15,379.4
Net Income	\$522.0	\$446.6	\$1,671.1	\$1,133.4

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THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

The historical consolidated financial information of the company, Patheon, FEI, and Affymetrix has been adjusted in the pro forma information to give effect to pro forma events that are directly attributable to the acquisitions and related financing arrangements, are expected to have a continuing impact on the company, and are factually supportable.

To reflect the acquisition of Patheon as if it had occurred on January 1, 2016, the unaudited pro forma results include adjustments to reflect, among other things, the incremental intangible asset amortization to be incurred based on the preliminary values of each identifiable intangible asset and the interest expense from debt financing obtained to partially fund the cash consideration transferred. Pro forma adjustments were tax effected at the company's historical statutory rates in effect for the respective periods. The unaudited pro forma amounts are not necessarily indicative of the combined results of operations that would have been realized had the acquisition of Patheon and related financing occurred on January 1, 2016, nor are they meant to be indicative of any anticipated combined results of operations that the company will experience after the transaction. In addition, the amounts do not include any adjustments for actions that may be taken following the completion of the transaction, such as expected cost savings, operating synergies, or revenue enhancements that may be realized subsequent to the transaction.

Pro forma net income for the nine months ended September 30, 2017, excludes certain items associated with the Patheon acquisition that were included in the determination of net income for that period. These items have been included in the determination of pro forma net income for the nine months ended October 1, 2016 and are as follows: \$42 million of direct transaction costs, \$33 million of accounting policy conformity adjustments, \$18 million of initial restructuring costs, \$18 million reduction of revenues for revaluing the deferred revenue obligations to fair value, and \$15 million of expense related to the fair value adjustment to acquisition-date inventories.

The company's results would not have been materially different from its pro forma results had the company's other 2016 or 2017 acquisitions occurred at the beginning of 2015 or 2016, respectively.

Revenues of Patheon in 2017, subsequent to the date of acquisition, were \$190 million. Operating losses for the same period totaled \$53 million, primarily due to acquisition-related charges and restructuring charges related to synergy planning.

Revenues and operating income of the FEI acquisition in the first nine months of 2017 were \$928 million and \$71 million, respectively. Operating results include significant acquisition-related and restructuring costs related to synergy planning.

### Note 3. Business Segment Information

The company's financial performance is reported in four segments. A description of each segment follows.

**Life Sciences Solutions:** provides an extensive portfolio of reagents, instruments and consumables used in biological and medical research, discovery and production of new drugs and vaccines as well as diagnosis of disease. These products and services are used by customers in pharmaceutical, biotechnology, agricultural, clinical, academic, and government markets.

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

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

**Laboratory Products and Services:** provides virtually everything needed for the laboratory, including a combination of self-manufactured and sourced products for customers in research, academic and government settings. The segment also includes a comprehensive offering of outsourced services used by the pharmaceutical and biotech industries for drug development, clinical trials logistics and commercial drug manufacturing.

In January 2017, in connection with a change in management responsibility for certain product lines, the company transferred its plastics for cell culture and vaccines/biologics; sample preparation and analysis; and production chemicals product lines to the Life Sciences Solutions segment from the Laboratory Products and Services segment and transferred its biochemical product line from the Life Sciences Solutions segment to the Laboratory Products and Services segment. These moves are consistent with the company's historical practice of moving a product line between segments when a shift in strategic focus of either the product line or a segment more closely aligns the product line with a segment different than that in which it had previously been reported. Prior period segment information has been reclassified to reflect these transfers.



THERMO FISHER SCIENTIFIC INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
(Unaudited)

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

Business Segment Information

(In millions)	Three Months Ended		Nine Months Ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Revenues				
Life Sciences Solutions	\$1,382.0	\$1,312.3	\$4,150.1	\$3,897.9
Analytical Instruments	1,189.6	898.0	3,407.4	2,451.2
Specialty Diagnostics	843.7	798.9	2,571.9	2,504.8
Laboratory Products and Services	1,933.0	1,674.5	5,424.5	5,043.0
Eliminations	(232.1 )	(192.8 )	(682.7 )	(576.0 )
Consolidated revenues	5,116.2	4,490.9	14,871.2	13,320.9
Segment Income (a)				
Life Sciences Solutions	453.0	387.9	1,335.0	1,128.8
Analytical Instruments	256.6	190.1	681.0	446.7
Specialty Diagnostics	218.8	214.4	687.7	682.4
Laboratory Products and Services	243.4	240.1	706.3	736.8
Subtotal reportable segments (a)	1,171.8	1,032.5	3,410.0	2,994.7
Cost of revenues charges	(45.1 )	(32.4 )	(76.7 )	(60.4 )
Selling, general and administrative charges, net	(36.4 )	(62.5 )	(74.7 )	(95.2 )
Restructuring and other costs, net	(49.1 )	(54.9 )	(95.1 )	(140.9 )
Amortization of acquisition-related intangible assets	(405.0 )	(341.6 )	(1,153.4 )	(1,001.6 )
Consolidated operating income	636.2	541.1	2,010.1	1,696.6
Other expense, net (b)	(155.6 )	(113.2 )	(401.0 )	(324.6 )
Income from continuing operations before income taxes	\$480.6	\$427.9	\$1,609.1	\$1,372.0
Depreciation				
Life Sciences Solutions	\$31.7	\$34.4	\$96.9	\$109.0
Analytical Instruments	17.4	11.4	51.5	30.9
Specialty Diagnostics	18.5	17.3	53.8	53.5
Laboratory Products and Services	44.2	28.3	103.9	89.2

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Consolidated depreciation	\$111.8	\$91.4	\$306.1	\$282.6
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(a) Represents operating income before certain charges to cost of revenues and selling, general and administrative expenses; restructuring and other costs, net; and amortization of acquisition-related intangibles.

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

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## THERMO FISHER SCIENTIFIC INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

## Note 4. Other Expense, Net

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

(In millions)	Three Months		Nine Months	
	Ended		Ended	
	September	October	September	October
	30,	1,	30,	1,
	2017	2016	2017	2016
Interest Income	\$24.4	\$10.4	\$60.7	\$34.4
Interest Expense	(156.7 )	(113.3 )	(425.7 )	(338.3 )
Other Items, Net	(23.3 )	(10.3 )	(36.0 )	(20.7 )

Other Expense, Net \$(155.6) \$(113.2) \$(401.0) \$(324.6)

In the first nine months of 2017, other items, net includes \$32 million of charges related to amortization of fees paid to obtain bridge financing commitments related to the Patheon acquisition (Note 2) and \$4 million of losses on the early extinguishment of debt, offset in part by \$6 million of gains on investments.

In the first nine months of 2016, other items, net includes \$22 million of charges related to amortization of fees paid to obtain bridge financing commitments for the acquisition of FEI and \$7 million of losses on the early extinguishment of debt, offset in part by \$4 million of gains on investments.

## Note 5. Stock-based Compensation Expense

The components of stock-based compensation expense are primarily included in selling, general and administrative expenses and are as follows:

(In millions)	Three Months		Nine Months	
	Ended		Ended	
	September	October	September	October
	30,	1,	30,	1,
	2017	2016	2017	2016
Stock Option Awards	\$18.1	\$10.4	\$39.5	\$31.0
Restricted Unit Awards	26.6	24.5	76.4	71.0

Total Stock-based Compensation Expense \$44.7 \$34.9 \$115.9 \$102.0

During the first nine months of 2017, the company made equity compensation grants to employees consisting of 0.8 million service- and performance-based restricted stock units and options to purchase 2.5 million shares.

As a result of the acquisition of Patheon (Note 2), unvested Patheon restricted stock units were converted into 0.2 million of company restricted stock units and unvested options to purchase shares of Patheon common stock were converted into options to purchase 0.3 million shares of company common stock. These awards had an aggregate fair value at the date of the acquisition of \$61 million, of which \$6 million was recorded as part of the acquisition consideration and the remainder will be recorded as compensation cost over the requisite service periods.

As of September 30, 2017, there was \$114 million of total unrecognized compensation cost related to unvested stock options. The cost is expected to be recognized through 2021 with a weighted average amortization period of 2.7 years.

As of September 30, 2017, there was \$174 million of total unrecognized compensation cost related to unvested restricted stock unit awards. The cost is expected to be recognized through 2021 with a weighted average amortization period of 2.2 years.



THERMO FISHER SCIENTIFIC INC.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
 (Unaudited)

Note 6. Income Taxes

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

(In millions)	Nine Months Ended	
	September 30, 2017	October 1, 2016
Provision for Income Taxes at Statutory Rate	\$563.2	\$480.2
Increases (Decreases) Resulting From:		
Foreign rate differential	(287.0 )	(189.7 )
Foreign exchange loss on inter-company debt refinancing	(236.8 )	—
Income tax credits	(100.5 )	(233.6 )
Manufacturing deduction	(5.7 )	(25.5 )
Withholding taxes	48.7	—
Singapore tax holiday	(16.7 )	(14.0 )
Impact of change in tax laws and apportionment on deferred taxes	(60.1 )	0.3
Nondeductible expenses	9.1	6.3
Provision of tax reserves, net	12.5	—
Excess tax benefits from stock options and restricted stock units	(50.7 )	—
Tax return reassessments and settlements	4.8	(41.0 )
Valuation allowance	49.8	—
State income taxes, net of federal tax	(14.5 )	(6.3 )
Other, net	(4.5 )	2.7
Benefit from income taxes	\$(88.4 )	\$(20.6 )

The company has operations and a taxable presence in approximately 50 countries outside the U.S. All of these countries except one have a lower tax rate than the U.S. The countries in which the company has a material presence that have significantly lower tax rates than the U.S. include Germany, the Netherlands, Singapore, Sweden, Switzerland and the United Kingdom. The company's ability to obtain a benefit from lower tax rates outside the U.S. is dependent on its relative levels of income in countries outside the U.S. and on the statutory tax rates in those countries.

In the third quarter of 2017 the company refinanced certain long term inter-company debt which resulted in an income tax benefit of \$237 million related to a foreign exchange loss recognized for income tax purposes. As a result of this foreign exchange loss, the company has reduced its forecasted benefit from foreign tax credits by \$100 million as this loss reduces expected U.S. taxes that these credits would have offset for 2017.

In 2017, the company continued to implement tax planning initiatives related to non U.S. subsidiaries. The company implemented foreign tax credit planning in Sweden which resulted in \$20 million of foreign tax credits, with no related incremental U.S. income tax expense.

The company receives a tax deduction upon exercise of non-qualified stock options by employees, or the vesting of restricted stock units held by employees, for the difference between the exercise price and the market price of the underlying common stock on the date of exercise. Prior to 2017, the amount of the tax deduction in excess of compensation cost recognized was allocated to capital in excess of par value. Beginning in 2017, these excess tax

benefits reduce the tax provision as described in Note 1. In the first nine months of 2017, the company's tax provision was reduced by \$51 million of such benefits.

The company has significant activities in Singapore and has received considerable tax incentives. The local taxing authority granted the company pioneer company status which provides an incentive encouraging companies to undertake activities that have the effect of promoting economic or technological development in Singapore. This incentive equates to a tax exemption on earnings associated with most of the company's manufacturing activities in Singapore and continues through December 31, 2026. In 2017 and 2016, the impact of this tax holiday decreased the annual effective tax rates by 1.0 percentage

## THERMO FISHER SCIENTIFIC INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

point and 1.0 percentage point, respectively, and increased diluted earnings per share by approximately \$0.04 and \$0.04, respectively. In connection with the March 2017 extension of this agreement until 2026, the company recorded a benefit in Q1 2017 of approximately \$65 million (\$0.16 per diluted share) for the effect on deferred tax balances of the extended tax holiday.

The company's unrecognized tax benefits increased to \$866 million at September 30, 2017, from \$802 million at December 31, 2016. Increases of \$43 million, as a result of a prior year foreign exchange loss recognized on the refinancing of certain long term inter-company debt, and \$15 million, due to the acquisition of Patheon, were offset in part by a decrease of \$12 million as a result of an adjustment to a prior year amended tax filing.

## Note 7. Earnings per Share

	Three Months Ended		Nine Months Ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
(In millions except per share amounts)				
Income from Continuing Operations	\$ 533.9	\$ 473.5	\$ 1,697.5	\$ 1,392.6
Loss from Discontinued Operations	—	—	(0.6 )	(0.3 )
Net Income	\$ 533.9	\$ 473.5	\$ 1,696.9	\$ 1,392.3
Basic Weighted Average Shares	396.2	394.7	392.4	394.8
Plus Effect of:				
Stock options and restricted units	3.4	2.7	3.2	2.8
Diluted Weighted Average Shares	399.6	397.4	395.6	397.6
Basic Earnings per Share:				
Continuing operations	\$ 1.35	\$ 1.20	\$ 4.33	\$ 3.53
Discontinued operations	—	—	—	—
Basic Earnings per Share	\$ 1.35	\$ 1.20	\$ 4.32	\$ 3.53
Diluted Earnings per Share:				
Continuing operations	\$ 1.34	\$ 1.19	\$ 4.29	\$ 3.50
Discontinued operations	—	—	—	—
Diluted Earnings per Share	\$ 1.34	\$ 1.19	\$ 4.29	\$ 3.50

Options to purchase 2.1 million, 0.1 million, 2.2 million and 1.8 million shares of common stock were not included in the computation of diluted earnings per share for the third quarter of 2017 and 2016 and the first nine months of 2017 and 2016, respectively, because their effect would have been antidilutive.

THERMO FISHER SCIENTIFIC INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
(Unaudited)

## Note 8. Debt and Other Financing Arrangements

(Dollars in millions)	Effective Interest Rate at September 30, 2017	September 30, 2017	December 31, 2016
Commercial Paper	(0.20	)% \$1,299.5	\$953.3
Term Loan	2.32	% 750.0	825.0
1.85% 5-Year Senior Notes, Due 1/15/2018		—	500.0
Floating Rate 2-Year Senior Notes, Due 8/9/2018 (euro-denominated)	0.37	% 708.8	631.0
2.15% 3-Year Senior Notes, Due 12/14/2018	2.35	% 450.0	450.0
2.40% 5-Year Senior Notes, Due 2/1/2019	2.59	% 900.0	900.0
Floating Rate 2-Year Senior Notes, Due 7/24/2019 (euro-denominated)	0.09	% 590.7	—
6.00% 10-Year Senior Notes, Due 3/1/2020	2.98	% 750.0	750.0
4.70% 10-Year Senior Notes, Due 5/1/2020	4.23	% 300.0	300.0
1.50% 5-Year Senior Notes, Due 12/1/2020 (euro-denominated)	1.62	% 502.1	447.0
5.00% 10-Year Senior Notes, Due 1/15/2021	3.24	% 400.0	400.0
4.50% 10-Year Senior Notes, Due 3/1/2021	4.97	% 1,000.0	1,000.0
3.60% 10-Year Senior Notes, Due 8/15/2021	4.68	% 1,100.0	1,100.0
3.30% 7-Year Senior Notes, Due 2/15/2022	3.43	% 800.0	800.0
2.15% 7-Year Senior Notes, Due 7/21/2022 (euro-denominated)	2.28	% 590.7	525.9
3.15% 10-Year Senior Notes, Due 1/15/2023	3.30	% 800.0	800.0
3.00% 7-Year Senior Notes, Due 4/15/2023	4.90	% 1,000.0	1,000.0
4.15% 10-Year Senior Notes, Due 2/1/2024	4.16	% 1,000.0	1,000.0
0.75% 8-Year Senior Notes, Due 9/12/2024 (euro-denominated)	0.94	% 1,181.4	1,051.7
2.00% 10-Year Senior Notes, Due 4/15/2025 (euro-denominated)	2.10	% 756.1	673.1
3.65% 10-Year Senior Notes, Due 12/15/2025	3.77	% 350.0	350.0
1.40% 8.5-Year Senior Notes, Due 1/23/2026 (euro-denominated)	1.53	% 827.0	—
2.95% 10-Year Senior Notes, Due 9/19/2026	3.19	% 1,200.0	1,200.0
1.45% 10-Year Senior Notes, Due 3/16/2027 (euro-denominated)	1.66	% 590.7	—
3.20% 10-Year Senior Notes, Due 8/15/2027	3.38	% 750.0	—
1.375% 12-Year Senior Notes, Due 9/12/2028 (euro-denominated)	1.46	% 708.8	631.0
1.95% 12-Year Senior Notes, Due 7/24/2029 (euro-denominated)	2.08	% 827.0	—
2.875% 20-Year Senior Notes, Due 7/24/2037 (euro-denominated)	2.94	% 827.0	—
5.30% 30-Year Senior Notes, Due 2/1/2044	5.37	% 400.0	400.0
4.10% 30-Year Senior Notes, Due 8/15/2047	4.23	% 750.0	—



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Other	21.2	13.0
Total Borrowings at Par Value	22,131.0	16,701.0
Fair Value Hedge Accounting Adjustments	(43.2 )	(49.3 )
Unamortized Premium, Net	3.3	52.2
Unamortized Debt Issuance Costs	(98.4 )	(76.0 )
Total Borrowings at Carrying Value	21,992.7	16,627.9
Less: Short-term Obligations and Current Maturities	2,762.3	1,255.5

Long-term Obligations \$19,230.4 \$15,372.4

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

See Note 11 for fair value information pertaining to the company's long-term obligations.

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Credit Facilities

The company has a revolving credit facility with a bank group that provides for up to \$2.50 billion of unsecured multi-currency revolving credit. The facility expires in July 2021. The agreement calls for interest at either a LIBOR-based rate, a EURIBOR-based rate (for funds drawn in Euro) or a rate based on the prime lending rate of the agent bank, at the company's option. The agreement contains affirmative, negative and financial covenants, and events of default customary for financings of this type. The covenants in our revolving credit facility (the Facility) include a Consolidated Leverage Ratio (total debt-to-Consolidated EBITDA) and a Consolidated Interest Coverage ratio (Consolidated EBITDA to Consolidated Interest Expense), as such terms are defined in the Facility. Specifically, the company has agreed that, so long as any lender has any commitment under the Facility, any letter of credit is outstanding under the Facility, or any loan or other obligation is outstanding under the Facility, it will maintain a maximum Consolidated Leverage Ratio of 4.5:1.0 for the third and fourth quarter of 2017, with such maximum ratio stepping down to 4.0:1.0 for the first and second quarters of 2018 and then stepping down to 3.5:1.0 for the third quarter of 2018 and thereafter. The company has also agreed that so long as any lender has any commitment under the Facility or any letter of credit is outstanding under the Facility, or any loan or other obligation is outstanding under the Facility, it will maintain a minimum Consolidated Interest Coverage Ratio of 3.0:1.0 as of the last day of any fiscal quarter. As of September 30, 2017, no borrowings were outstanding under the facility, although available capacity was reduced by approximately \$73 million as a result of outstanding letters of credit.

Commercial Paper Programs

The company has commercial paper programs pursuant to which it may issue and sell unsecured, short-term promissory notes (CP Notes). Under the U.S. program, a) maturities may not exceed 397 days from the date of issue and b) the CP Notes are issued on a private placement basis under customary terms in the commercial paper market and are not redeemable prior to maturity nor subject to voluntary prepayment. Under the euro program, maturities may not exceed 183 days and may be denominated in euro, U.S. dollars, Japanese yen, British pounds sterling, Swiss franc, Canadian dollars or other currencies. Under both programs, the CP Notes are issued at a discount from par (or premium to par, in the case of negative interest rates), or, alternatively, are sold at par and bear varying interest rates on a fixed or floating basis. As of September 30, 2017, outstanding borrowings under these programs were \$1.30 billion, with a weighted average remaining period to maturity of 41 days and are classified as short-term obligations in the accompanying balance sheet.

Term Loan

In connection with the acquisition of Patheon (Note 2), the company entered into a \$1.50 billion 364-day unsecured term loan facility. The term loan agreement calls for interest at either a LIBOR-based rate or a rate based on the prime lending rate of the agent bank, at the company's option. The term loan agreement contains affirmative, negative and financial covenants, and events of default customary for financings of this type. The financial covenants are consistent with those in the revolving credit facility described above.

Senior Notes

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

Thermo Fisher Scientific (Finance I) B.V., a wholly-owned finance subsidiary of the company issued the Floating Rate Senior Notes due 2018 included in the table above. This subsidiary has no independent function other than financing activities. The Floating Rate Senior Notes due 2018 are fully and unconditionally guaranteed by the company and no other subsidiaries of the company have guaranteed the obligations.

During the third quarter of 2017, the company issued the Floating Rate Senior Notes due 2019, the 1.40% Senior Notes due 2026, the 3.20% Senior Notes due 2027, the 1.95% Senior Notes due 2029, the 2.875% Senior Notes due 2037 and the 4.10% Senior Notes due 2047, included in the table above. The proceeds from these issuances, along with the proceeds of the term loan described above and the stock issuance described in Note 10, were used to fund the acquisition of Patheon (Note 2).

#### Interest Rate Swap Arrangements

The company has entered into LIBOR-based interest rate swap arrangements with various banks on several of its outstanding senior notes. The aggregate amounts of the swaps are equal to the principal amounts of the notes and the payment

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dates of the swaps coincide with the interest payment dates of the notes. The swap contracts provide for the company to pay a variable interest rate and receive a fixed rate. The variable interest rates reset monthly. The swaps have been accounted for as fair value hedges of the notes. See Note 11 for additional information. The following table summarizes the outstanding interest rate swap arrangements on the company's senior notes at September 30, 2017:

(Dollars in millions)	Aggregate Notional Amount	Pay Rate	Pay Rate as of September 30, 2017	Receive Rate	
4.50% Senior Notes due 2021	1,000.0	1-month LIBOR + 3.4420%	4.6792	% 4.50	%
3.60% Senior Notes due 2021	1,100.0	1-month LIBOR + 2.5150%	3.7494	% 3.60	%
3.00% Senior Notes due 2023	1,000.0	1-month LIBOR + 1.7640%	2.9984	% 3.00	%

#### Note 9. Commitments and Contingencies

##### Environmental Matters

The company is currently involved in various stages of investigation and remediation related to environmental matters. The company cannot predict all potential costs related to environmental remediation matters and the possible impact on future operations given the uncertainties regarding the extent of the required cleanup, the complexity and interpretation of applicable laws and regulations, the varying costs of alternative cleanup methods and the extent of the company's responsibility. Expenses for environmental remediation matters related to the costs of installing, operating and maintaining groundwater-treatment systems and other remedial activities related to historical environmental contamination at the company's domestic and international facilities were not material in any period presented. The company records accruals for environmental remediation liabilities, based on current interpretations of environmental laws and regulations, when it is probable that a liability has been incurred and the amount of such liability can be reasonably estimated. The company calculates estimates based upon several factors, including reports prepared by environmental specialists and management's knowledge of and experience with these environmental matters. The company includes in these estimates potential costs for investigation, remediation and operation and maintenance of cleanup sites. At September 30, 2017, the company's total environmental liability was approximately \$46 million. While management believes the accruals for environmental remediation are adequate based on current estimates of remediation costs, 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.

##### Litigation and Related Contingencies

There are various lawsuits and claims pending against the company including matters involving product liability, intellectual property, employment and commercial issues. The company determines the probability and range of possible loss based on the current status of each of these matters. A liability is recorded in the financial statements if it is believed to be probable that a loss has been incurred and the amount of the loss can be reasonably estimated. The company establishes a liability that is an estimate of amounts expected to be paid in the future for events that have already occurred. The company accrues the most likely amount or at least the minimum of the range of probable loss when a range of probable loss can be estimated. The accrued liabilities are based on management's judgment as to the probability of losses for asserted and unasserted claims and, where applicable, actuarially determined estimates. Accrual estimates are adjusted as additional information becomes known or payments are made. The amount of ultimate loss may differ from these estimates. Due to the inherent uncertainties associated with pending litigation or

claims, the company cannot predict the outcome, nor, with respect to certain pending litigation or claims where no liability has been accrued, make a meaningful estimate of the reasonably possible loss or range of loss that could result from an unfavorable outcome. The company has no material accruals for pending litigation or claims for which accrual amounts are not disclosed below or in the company's 2016 financial statements and notes included in the company's Current Report on 8-K filed with the SEC on May 5, 2017, nor are material losses deemed probable for such matters. It is reasonably possible, however, that an unfavorable outcome that exceeds the company's current accrual estimate, if any, for one or more of the matters described below could have a material adverse effect on the company's results of operations, financial position and cash flows.

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Product Liability, Workers Compensation and Other Personal Injury Matters

For product liability, workers compensation and other personal injury matters, the company accrues the most likely amount or at least the minimum of the range of possible loss when a range of possible loss can be estimated. The company records estimated amounts due from insurers related to certain product liabilities as an asset. Although the company believes that the amounts accrued and estimated recoveries are probable and appropriate based on available information, including actuarial studies of loss estimates, the process of estimating losses and insurance recoveries involves a considerable degree of judgment by management and the ultimate amounts could vary materially.

Insurance contracts do not relieve the company of its primary obligation with respect to any losses incurred. The collectability of amounts due from its insurers is subject to the solvency and willingness of the insurer to pay, as well as the legal sufficiency of the insurance claims. Management monitors the payment history as well as the financial condition and ratings of its insurers on an ongoing basis.

Intellectual Property Matters

On June 6, 2004, Enzo Biochem, Enzo Life Sciences and Yale University filed a complaint against Life Technologies in United States District Court for the District of Connecticut. The plaintiffs allege patent infringement by Applera's labeled DNA terminator products used in DNA sequencing and fragment analysis. The plaintiff sought damages for alleged willful infringement, attorneys' fees, costs, prejudgment interest, and injunctive relief. In November 2012, the jury awarded damages of \$49 million. Prejudgment interest of \$12 million was also granted. The \$61 million judgment and interest was accrued by Life Technologies and the liability was assumed by the company as of the date of the acquisition. In March 2015 the United States Court of Appeals for the Federal Circuit vacated the judgment and returned the case to the District Court for further proceedings. In February 2016, the District Court granted the company's motion for summary judgment of non-infringement and entered judgment in its favor. Enzo appealed that decision to the Federal Circuit in March 2016. In August 2017, the Federal Circuit affirmed the District Court's judgment that the company's products at issue in the litigation do not infringe Enzo's patent. Enzo may seek rehearing at the Federal Circuit or petition to the United States Supreme Court. The company has maintained the \$61 million accrual, pending appeals.

On May 26, 2010, Promega Corp. & Max-Planck-Gesellschaft Zur Forderung Der Wissenschaften EV filed a complaint against Life Technologies in the United States District Court for the Western District of Wisconsin. The plaintiffs allege patent infringement by sales and uses of Applied Biosystems' short tandem repeat DNA identification products outside the scope of a 2006 license agreement. The plaintiff sought damages for alleged willful infringement, attorneys' fees, costs, prejudgment interest, and injunctive relief. Although a jury initially found willful infringement and assessed damages at \$52 million the District Court subsequently overturned the verdict on the grounds that the plaintiff had failed to prove infringement. The District Court entered judgment in favor of Life Technologies; and plaintiffs and Life Technologies filed cross-appeals with the United States Court of Appeals for the Federal Circuit. The \$52 million award was accrued by Life Technologies and the liability was assumed by the company as of the date of the acquisition. On December 15, 2014, the Court of Appeals issued a decision invalidating four of the plaintiffs' patents, but finding infringement by Life Technologies of the remaining fifth patent. The Court of Appeals also ordered a new trial on damages in the District Court. Life Technologies' petition to the U.S. Supreme Court seeking review of the Court of Appeals' judgment was granted on June 27, 2016, and the case was stayed in the District Court pending the outcome of the Supreme Court's review. On February 22, 2017, the Supreme Court issued a decision reversing the Court of Appeals' judgment and remanding the case to the Court of Appeals for further proceedings in view of the Supreme Court's legal interpretation of the patent law statute in question. The company has maintained the \$52 million accrual, pending conclusion of this matter.

On June 3, 2013, Unisone Strategic IP filed a complaint against Life Technologies in the United States District Court for the Southern District of California alleging patent infringement by Life Technologies' supply chain management system software, which operates with product "supply centers" installed at customer sites. Plaintiff seeks damages for alleged willful infringement, attorneys' fees, costs, and injunctive relief. On August 24, 2017, Unisone filed an appeal

from a decision by the Patent Trial and Appeal Board that found the challenged patent claims invalid.

Commercial Matters

On May 5, 2015, and February 12, 2016, the Academy of Allergy & Asthma in Primary Care and United Biologics, LLC d/b/a United Allergy Services, a provider of on-site services to physicians in the delivery of testing and treatment of allergies, filed a complaint against Phadia U.S. Inc. (a subsidiary of the company) and Thermo Fisher Scientific Inc., respectively, in the United States District Court for the Western District of Texas. The plaintiffs allege various claims of anticompetitive activities in violation of antitrust laws, tortious interference with contracts and existing and prospective business relations, and civil

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conspiracy. The plaintiffs seek damages, attorneys' fees, costs, and injunctive relief. The case is scheduled for trial on March 5, 2018.

Note 10. Comprehensive Income and Shareholders' Equity

Comprehensive Income (Loss)

Comprehensive income (loss) combines net income and other comprehensive items. Other comprehensive items represent certain amounts that are reported as components of shareholders' equity in the accompanying balance sheet. Changes in each component of accumulated other comprehensive items, net of tax are as follows:

(In millions)	Currency Translation Adjustment	Unrealized Gains on Available-for- Sale Investments	Unrealized Losses on Hedging Instruments	Pension and Other Postretirement Benefit Liability Adjustment	Total
Balance at December 31, 2016	\$(2,343.4 )	\$ 0.9	\$ (57.1 )	\$ (236.7 )	\$(2,636.3)
Other comprehensive income (loss) before reclassifications	452.3	0.6	—	(11.3 )	441.6
Amounts reclassified from accumulated other comprehensive items	—	(1.0 )	5.6	7.2	11.8
Net other comprehensive items	452.3	(0.4 )	5.6	(4.1 )	453.4
Balance at September 30, 2017	\$(1,891.1 )	\$ 0.5	\$ (51.5 )	\$ (240.8 )	\$(2,182.9)

Shareholders' Equity

On August 11, 2017, the company sold 10.1 million shares of its common stock at \$171.00 per share, before the underwriting discount and offering expenses. The company used the net proceeds, along with the proceeds from debt issuances (Note 8), to fund the acquisition of Patheon (Note 2).

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

Fair Value Measurements

The company uses the market approach technique to value its financial instruments and there were no changes in valuation techniques during 2017. The company's financial assets and liabilities carried at fair value are primarily comprised of insurance contracts, investments in money market funds, derivative contracts, mutual funds holding publicly traded securities and other investments in unit trusts held as assets to satisfy outstanding deferred compensation and retirement liabilities; and acquisition-related contingent consideration.

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

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

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

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





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The following tables present information about the company's financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2017 and December 31, 2016:

(In millions)	September 30, 2017	Quoted	Significant	Significant
		Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<b>Assets</b>				
Cash equivalents	\$ 80.2	\$ 80.2	\$ —	\$ —
Bank time deposits	2.0	2.0	—	—
Investments in mutual funds and other similar instruments	13.9	13.9	—	—
Warrants	4.3	—	4.3	—
Insurance contracts	114.7	—	114.7	—
Derivative contracts	7.3	—	7.3	—
<b>Total Assets</b>	<b>\$ 222.4</b>	<b>\$ 96.1</b>	<b>\$ 126.3</b>	<b>\$ —</b>
<b>Liabilities</b>				
Derivative contracts	\$ 121.0	\$ —	\$ 121.0	\$ —
Contingent consideration	42.8	—	—	42.8
<b>Total Liabilities</b>	<b>\$ 163.8</b>	<b>\$ —</b>	<b>\$ 121.0</b>	<b>\$ 42.8</b>
(In millions)	December 31, 2016	Quoted	Significant	Significant
		Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<b>Assets</b>				
Cash equivalents	\$ 64.8	\$ 64.8	\$ —	\$ —
Bank time deposits	2.0	2.0	—	—
Investments in mutual funds and other similar instruments	15.5	15.5	—	—
Warrants	2.0	—	2.0	—
Insurance contracts	102.1	—	102.1	—
Derivative contracts	15.8	—	15.8	—
<b>Total Assets</b>	<b>\$ 202.2</b>	<b>\$ 82.3</b>	<b>\$ 119.9</b>	<b>\$ —</b>
<b>Liabilities</b>				
Derivative contracts	\$ 121.9	\$ —	\$ 121.9	\$ —
Contingent consideration	3.4	—	—	3.4

Total Liabilities \$ 125.3 \$ — \$ 121.9 \$ 3.4

The company determines the fair value of its insurance contracts by obtaining the cash surrender value of the contracts from the issuer. The fair value of derivative contracts is the estimated amount that the company would receive/pay upon liquidation of the contracts, taking into account the change in interest rates and currency exchange rates. The company determines the fair value of acquisition-related contingent consideration based on the probability-weighted discounted cash flows associated with such future payments. Changes to the fair value of contingent consideration are recorded in selling, general and administrative expense.

The notional amounts of derivative contracts outstanding, consisting of interest rate swaps and currency exchange contracts, totaled \$6.36 billion and \$6.70 billion at September 30, 2017 and December 31, 2016, respectively.

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

	Fair Value – Assets		Fair Value – Liabilities	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
(In millions)				

Derivatives Designated as

Hedging Instruments

Interest rate swaps (a)	\$ —	\$ —	—\$97.6	\$ 109.5
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Derivatives Not Designated as

Hedging Instruments

Currency exchange contracts (b)	7.3	15.8	23.4	12.4
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(a) The fair value of the interest rate swaps is included in the consolidated balance sheet under the caption other long-term liabilities.

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

	Gain (Loss) Recognized			
	Three Months Ended		Nine Months Ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
(In millions)				

Derivatives Designated as Fair Value Hedges

Interest rate swaps - effective portion	\$ (1.0)	\$ 4.9	\$ 1.9	\$ 17.0
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Interest rate swaps - ineffective portion	1.9	1.1	(3.2 )	1.6
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Derivatives Not Designated as Hedging Instruments

Currency exchange contracts

Included in cost of revenues	\$ 3.7	\$ (3.7 )	\$ 1.6	\$ (18.7)
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Included in other expense, net	32.3	1.2	103.6	(42.9 )
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Gains and losses recognized on currency exchange contracts and the effective portion of interest rate swaps are included in the consolidated statement of income together with the corresponding, offsetting losses and gains on the underlying hedged transactions. Gains and losses recognized on the ineffective portion of interest rate swaps are included in other expense, net in the accompanying statement of income.

The company also uses foreign currency-denominated debt to partially hedge its net investments in foreign operations against adverse movements in exchange rates. The company's euro-denominated senior notes have been designated as, and are effective as, economic hedges of part of the net investment in a foreign operation. Accordingly, foreign currency transaction gains or losses due to spot rate fluctuations on the euro-denominated debt instruments are included in currency translation adjustment within other comprehensive income and shareholders' equity. In the first nine months of 2017 and 2016, pre-tax net losses of \$545 million and \$54 million, respectively, from the euro-denominated notes were included in currency translation adjustment.



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Fair Value of Other Financial Instruments

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

(In millions)	September 30, 2017		December 31, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Notes Receivable	\$75.0	\$79.6	\$56.5	\$58.7

Debt Obligations:

Senior notes	\$19,922.4	\$20,563.0	\$14,838.3	\$15,184.4
Term loan	749.6	750.0	823.3	825.0
Commercial paper	1,299.5	1,299.5	953.3	953.3
Other	21.2	21.2	13.0	13.0

\$21,992.7 \$22,633.7 \$16,627.9 \$16,975.7

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

Note 12. Supplemental Cash Flow Information

(In millions)	Nine Months Ended	
	September 30, 2017	October 1, 2016
Non-cash Activities		
Fair value of assets of acquired businesses	\$9,790.1	\$6,969.7
Cash paid for acquired businesses	(7,224.4 )	(5,599.2 )
Fair value of equity awards exchanged in business combination	(6.1 )	—
Liabilities assumed of acquired businesses	\$2,559.6	\$1,370.5
Declared but unpaid dividends	\$60.9	\$60.2
Issuance of stock upon vesting of restricted stock units	\$119.6	\$125.2

Cash, cash equivalents and restricted cash is included in the consolidated balance sheet as follows:

(In millions)	September 30, 2017	December 31, 2016
	Cash and Cash Equivalents	\$ 741.1
Restricted Cash Included in Other Current Assets	14.6	18.0
Restricted Cash Included in Other Assets	2.4	6.6

Cash, Cash Equivalents and Restricted Cash \$ 758.1 \$ 810.8

Amounts included in restricted cash represent funds held as collateral for bank guarantees and incoming cash in China awaiting government administrative clearance.



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## Note 13. Restructuring and Other Costs, Net

Restructuring and other costs in the first nine months of 2017 included continuing charges for headcount reductions and facility consolidations in an effort to streamline operations, including the closure and consolidation of operations within several facilities in the U.S., Europe and Asia; costs to achieve synergies related to acquisitions, including severance and abandoned facility costs; third-party acquisition transaction and integration costs primarily associated with the acquisitions of FEI and Patheon; sales of inventories revalued at the date of acquisition; charges to conform the accounting policies of Patheon to the company's accounting policies; charges for changes in estimates of acquisition contingent consideration; and net charges for litigation matters. In the first nine months of 2017, severance actions associated with facility consolidations and cost reduction measures affected approximately 1% of the company's workforce.

As of November 3, 2017, the company has identified restructuring actions that will result in additional charges of approximately \$85 million, primarily in 2017 and 2018, which will be recorded when specified criteria are met, such as communication of benefit arrangements and abandonment of leased facilities.

## Third Quarter of 2017

During the third quarter of 2017, the company recorded net restructuring and other costs by segment as follows:

(In millions)	Cost of Revenues	Selling, General and Administrative Expenses	Restructuring and Other Costs, Net	Total
Life Sciences Solutions	\$ 0.4	\$ 0.2	\$ 6.4	\$7.0
Analytical Instruments	—	1.5	5.9	7.4
Specialty Diagnostics	0.6	—	15.5	16.1
Laboratory Products and Services	44.1	42.7	20.5	107.3
Corporate	—	(8.0	) 0.8	(7.2 )
	\$ 45.1	\$ 36.4	\$ 49.1	\$130.6

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

## Life Sciences Solutions

In the third quarter of 2017, the Life Sciences Solutions segment recorded \$7 million of net restructuring and other charges, principally cash restructuring costs for employee severance and other costs associated with facility consolidations in the U.S. and Europe.

## Analytical Instruments

In the third quarter of 2017, the Analytical Instruments segment recorded \$7 million of net restructuring and other charges, principally cash restructuring costs for employee severance and other costs to achieve acquisition synergies in Europe. The segment recorded \$2 million of selling, general, and administrative expenses for third-party transaction and integration costs related to recent acquisitions.

## Specialty Diagnostics

In the third quarter of 2017, the Specialty Diagnostics segment recorded \$16 million of net restructuring and other charges, primarily charges for litigation-related matters.

## Laboratory Products and Services

In the third quarter of 2017, the Laboratory Products and Services segment recorded \$107 million of net restructuring and other charges. The segment recorded charges to cost of revenues of \$44 million, including \$27 million to conform the accounting policies of Patheon to the company's accounting policies, \$15 million for sales of inventory revalued at the date of acquisition, and \$2 million for accelerated depreciation at facilities closing due to real estate consolidation. The segment recorded \$43 million of charges to selling, general, and administrative expenses, including \$37 million



for third party acquisition transaction costs, as well as \$6 million to confirm the accounting policies of Patheon to the company's accounting

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## THERMO FISHER SCIENTIFIC INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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policies. The segment also recorded \$21 million of restructuring and other costs, net, primarily for employee severance and compensation due at Patheon on the date of acquisition.

## Corporate

In the third quarter of 2017, the company recorded \$7 million of net restructuring and other income principally \$8 million of income within selling, general, and administrative expenses for favorable results of product liability litigation. The company also recorded \$1 million of cash restructuring costs for severance at its corporate operations.

## First Nine Months of 2017

During the first nine months of 2017, the company recorded net restructuring and other costs by segment as follows:

(In millions)	Cost of Revenues	Selling, General and Administrative Expenses	Restructuring and Other Costs, Net	Total
Life Sciences Solutions	\$ 1.1	\$ 28.5	\$ 37.4	\$67.0
Analytical Instruments	30.6	6.1	12.7	49.4
Specialty Diagnostics	0.6	—	18.5	19.1
Laboratory Products and Services	44.4	48.1	24.3	116.8
Corporate	—	(8.0 )	2.2	(5.8 )
	\$ 76.7	\$ 74.7	\$ 95.1	\$246.5

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

## Life Sciences Solutions

In the first nine months of 2017, the Life Sciences Solutions segment recorded \$67 million of net restructuring and other charges. The segment recorded \$29 million of charges to selling, general and administrative expenses, principally for changes in estimates of acquisition contingent consideration. In addition, the segment recorded \$37 million of restructuring and other costs, including \$20 million of severance and related costs primarily to achieve acquisition synergies, \$16 million of abandoned facilities costs principally for the consolidation of facilities in the U.S, and \$2 million of net charges for litigation-related matters at acquired businesses.

## Analytical Instruments

In the first nine months of 2017, the Analytical Instruments segment recorded \$49 million of net restructuring and other charges. The segment recorded charges to cost of revenues of \$31 million for the sales of inventory revalued at the date of acquisition; \$6 million of charges to selling, general, and administrative expense for third-party transaction and integration costs related to recent acquisitions; and \$13 million of restructuring and other costs, primarily for severance and other costs to achieve acquisition synergies.

## Specialty Diagnostics

In the first nine months of 2017, the Specialty Diagnostics segment recorded \$19 million of net restructuring and other charges, principally charges for litigation-related matters, and, to a lesser extent, cash costs for employee severance and other costs associated with headcount reductions in the U.S. and Europe.

## Laboratory Products and Services

In the first nine months of 2017, the Laboratory Products and Services segment recorded \$117 million of net restructuring and other charges. The segment recorded charges to cost of revenues of \$44 million, including \$27 million to conform the accounting policies of Patheon to the company's accounting policies, \$15 million for sales of inventory revalued at the date of acquisition, and \$2 million for accelerated depreciation at facilities closing due to real estate consolidation. The segment also recorded \$48 million of charges to selling, general, and administrative expenses, including \$42 million for third-party acquisition transaction costs, as well as \$6 million to conform the accounting policies of Patheon to the company's accounting policies. The segment also recorded \$24 million of

restructuring and other costs, primarily for employee severance and compensation due at Patheon on the date of acquisition.

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## THERMO FISHER SCIENTIFIC INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

## Corporate

In the first nine months of 2017, the company recorded \$6 million of net restructuring and other income, principally \$8 million of income for favorable results of product liability litigation, partially offset by charges for the settlement of a retirement plan and severance at its corporate operations.

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

(In millions)	Severance	Abandonment of Excess Facilities	Other (a)	Total
Balance at December 31, 2016	\$ 38.2	\$ 31.9	\$2.2	\$72.3
Costs incurred in 2017 (c)	49.3	15.8	9.3	74.4
Reserves reversed (b)	(8.4 )	(0.2 )	(0.3 )	(8.9 )
Payments	(48.0 )	(13.6 )	(9.3 )	(70.9 )
Currency translation	0.9	0.1	0.7	1.7
Balance at September 30, 2017	\$ 32.0	\$ 34.0	\$2.6	\$68.6

Other includes relocation and moving expenses associated with facility consolidations, as well as employee (a) retention costs which are accrued ratably over the period through which employees must work to qualify for a payment.

(b) Represents reductions in cost of plans.

(c) Excludes \$30 million of charges, net, primarily associated with litigation-related matters, non-cash compensation due at an acquired business, and the settlement of retirement plans.

The company expects to pay accrued restructuring costs as follows: severance, employee-retention obligations and other costs, primarily through 2017; and abandoned-facility payments, over lease terms expiring through 2027.

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

Forward-looking statements, within the meaning of Section 21E of the Securities Exchange Act of 1934 are made throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements, including without limitation statements regarding: projections of revenue, expenses, earnings, margins, tax rates, tax provisions, cash flows, pension and benefit obligations and funding requirements, our liquidity position; cost reductions, restructuring activities, new product and service developments, competitive strengths or market position, acquisitions or divestitures; growth, declines and other trends in markets we sell into; new or modified laws, regulations and accounting pronouncements; outstanding claims, legal proceedings, tax audits and assessments and other contingent liabilities; foreign currency exchange rates and fluctuations in those rates; general economic and capital markets conditions; the timing of any of the foregoing; assumptions underlying any of the foregoing; and any other statements that address events or developments that Thermo Fisher intends or believes will or may occur in the future. Without limiting the foregoing, the words "believes," "anticipates," "plans," "expects," "seeks," "estimates," and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements are accompanied by such words. While the company may elect to update forward-looking statements in the future, it specifically disclaims any obligation to do so, even if the company's estimates change, and readers should not rely on those forward-looking statements as representing the company's views as of any date subsequent to the date of the filing of this Quarterly Report.

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

Overview

The company develops, manufactures and sells a broad range of products that are sold worldwide. The company expands the product lines and services it offers by developing and commercializing its own technologies and by making strategic acquisitions of complementary businesses. The company's continuing operations fall into four business segments (see Note 3): Life Sciences Solutions, Analytical Instruments, Specialty Diagnostics and Laboratory Products and Services.

In January 2017, in connection with a change in management responsibility for certain product lines, the company transferred its plastics for cell culture and vaccines/biologics; sample preparation and analysis; and production chemicals product lines to the Life Sciences Solutions segment from the Laboratory Products and Services segment and transferred its biochemical product line from the Life Sciences Solutions segment to the Laboratory Products and Services segment. These moves are consistent with the company's historical practice of moving a product line between segments when a shift in strategic focus of either the product line or a segment more closely aligns the product line with a segment different than that in which it had previously been reported. Prior period segment information has been reclassified to reflect these transfers.

Recent Acquisitions

The company's strategy is to augment internal growth at existing businesses with complementary acquisitions. The company's principal recent acquisitions and divestitures are described below.

On March 31, 2016, the company acquired, primarily within the Life Sciences Solutions segment, Affymetrix, Inc., a North America-based provider of cellular and genetic analysis products, for a total purchase price of \$1.34 billion, net of cash acquired, including the assumption of \$254 million of debt. The acquisition expanded the company's existing portfolio of antibodies and assays for flow cytometry and single-cell biology applications. Additionally, the acquisition expanded the company's genetic analysis portfolio through the addition of microarrays. Revenues of Affymetrix were \$360 million in 2015.

On September 19, 2016, the company acquired, within the Analytical Instruments segment, FEI Company, a North America-based provider of high-performance electron microscopy, for a total purchase price of \$4.08 billion, net of cash acquired. The acquisition strengthened the company's analytical instrument portfolio with the addition of high-end electron microscopes. Revenues of FEI were \$930 million in 2015.

On February 14, 2017, the company acquired, within the Life Sciences Solutions segment, Finesse Solutions, Inc., a North America-based developer of scalable control automation systems and software for bioproduction, for a total purchase price of \$221 million, net of cash acquired. The acquisition expanded the company's bioproduction offerings. Revenues of Finesse Solutions were approximately \$50 million in 2016.

On March 2, 2017, the company acquired, within the Analytical Instruments segment, Core Informatics, a North America-based provider of cloud-based platforms supporting scientific data management, for a total purchase price of \$94 million, net of

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cash acquired. The acquisition enhanced the company's existing informatics solutions. Revenues of Core Informatics were approximately \$10 million in 2016.

On August 28, 2017, the company acquired, within the Laboratory Products and Services segment, substantially all of the issued and outstanding shares of Patheon N.V., a leading global provider of high-quality drug development and delivery solutions to the pharmaceutical and biopharma sectors, for \$35.00 per share in cash, or \$7.36 billion, including the assumption of net debt. The company financed the purchase price, including the repayment of indebtedness of Patheon, with issuances of debt and equity (Notes 8 and 10).

Patheon provides comprehensive, integrated and highly customizable solutions as well as the expertise to help biopharmaceutical companies of all sizes satisfy complex development and manufacturing needs. The acquisition provided entry into the contract development and manufacturing organization market and added a complementary service to the company's existing portfolio. Patheon's revenues totaled \$1.87 billion for the year ended October 31, 2016.

Overview of Results of Operations and Liquidity

(Dollars in millions)	Three Months Ended		Nine Months Ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Revenues				
Life Sciences Solutions	\$1,382.0	27.0 %	\$1,312.3	29.2 %
Analytical Instruments	1,189.6	23.3 %	898.0	20.0 %
Specialty Diagnostics	843.7	16.5 %	798.9	17.8 %
Laboratory Products and Services	1,933.0	37.8 %	1,674.5	37.3 %
Eliminations	(232.1 )	(4.6 )%	(192.8 )	(4.3 )%
	\$5,116.2	100 %	\$4,490.9	100 %
	\$14,871.2	100 %	\$13,320.9	100 %

Sales in the third quarter of 2017 were \$5.12 billion, an increase of \$625 million from 2016. Sales increased \$378 million due to acquisitions. The favorable effects of currency translation resulted in an increase in revenues of \$44 million in the third quarter of 2017. Aside from the effects of acquisitions and currency translation, revenues increased \$203 million (5%) primarily due to increased demand in the quarter compared to the 2016 quarter. Sales to customers in each of the company's primary end markets grew. Sales growth was modest in North America, strong in Europe and particularly strong in Asia.

In the third quarter of 2017, total company operating income and operating income margin were \$636 million and 12.4%, respectively, compared with \$541 million and 12.0%, respectively, in 2016. The increase in operating income was primarily due to the effect of acquisitions, profit on higher sales in local currencies and productivity improvements, net of inflationary cost increases, offset in part by an increase in amortization of acquisition-related intangible assets, due to recent acquisitions, and strategic growth investments. The company's references to strategic growth investments generally refer to targeted spending for enhancing commercial capabilities, including expansion of geographic sales reach and e-commerce platforms, marketing initiatives, focused research projects and other expenditures to enhance the customer experience. The company's references throughout this discussion to productivity improvements generally refer to improved cost efficiencies from its Practical Process Improvement (PPI) business system, reduced costs resulting from global sourcing initiatives, a lower cost structure following restructuring actions, including headcount reductions and consolidation of facilities, and low cost region manufacturing.

The company recorded a \$53 million benefit from income taxes in the third quarter of 2017. In the third quarter of 2017, the company refinanced certain long term inter-company debt which resulted in an income tax benefit of \$237 million related to a foreign exchange loss recognized for income tax purposes. As a result of this foreign exchange loss, the company has reduced its forecasted benefit from foreign tax credits by \$100 million as this loss reduces

expected U.S. taxes that these credits would have offset for 2017. In the third quarter of 2017, the company also recorded \$16 million of benefit associated with new required accounting for tax benefits from equity awards, as discussed in Note 1. The company expects its effective tax rate for all of 2017 will be less than 3% based on currently forecasted rates of profitability in the countries in which the company conducts business and expected generation of foreign tax credits. Due primarily to the non-deductibility of intangible asset amortization for tax purposes, the company's cash payments for income taxes are higher than its income tax expense for financial reporting purposes and are expected to total \$530 to \$560 million in 2017.

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Overview of Results of Operations and Liquidity (continued)

The company recorded a \$46 million benefit from income taxes in the third quarter of 2016 including discrete benefits totaling \$39 million related to prior year tax filings. The tax provision in the third quarter of 2016 was also favorably affected by \$9 million as a result of adjustments to deferred tax balances due to changes in tax rates. The effective rate in both periods was also affected by relatively significant earnings in lower tax jurisdictions.

Income from continuing operations increased to \$534 million in the third quarter of 2017 from \$474 million in the third quarter of 2016, primarily due to the increase in operating income in the 2017 period (discussed above) offset in part by higher interest expense due to an increase in outstanding debt.

During the first nine months of 2017, the company's cash flow from operations totaled \$2.14 billion compared with \$2.05 billion for 2016. The increase primarily resulted from higher income before amortization and depreciation in the 2017 period, offset in part by higher investment in working capital in 2017.

As of September 30, 2017, the company's short-term debt totaled \$2.76 billion including \$1.30 billion of commercial paper obligations, \$750 million of borrowings under a 364-day term loan and \$709 million of senior notes due within the next twelve months. The company has a revolving credit facility with a bank group that provides up to \$2.50 billion of unsecured multi-currency revolving credit. If the company borrows under this facility, it intends to leave undrawn an amount equivalent to outstanding commercial paper to provide a source of funds in the event that commercial paper markets are not available. As of September 30, 2017, no borrowings were outstanding under the company's revolving credit facility, although available capacity was reduced by approximately \$73 million as a result of outstanding letters of credit.

The company believes that its existing cash and cash equivalents of \$741 million as of September 30, 2017 and its future cash flow from operations together with available borrowing capacity under its revolving credit agreement will be sufficient to meet the cash requirements of its existing businesses for the foreseeable future, including at least the next 24 months.

Critical Accounting Policies and Estimates

The company's discussion and analysis of its financial condition and results of operations is based upon its financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosure of contingent liabilities. On an on-going basis, management evaluates its estimates, including those related to bad debts, inventories, business combinations, intangible assets and goodwill, sales returns, income taxes, contingencies and litigation, and pension costs. 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 bases its estimates on historical experience, current market and economic conditions and other assumptions that management believes are reasonable. The results of these estimates form the basis for judgments about the carrying value of assets and liabilities where the values are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Management's Discussion and Analysis and Note 1 to the Consolidated Financial Statements of the company's Form 10-K for 2016, describe the significant accounting estimates and policies used in preparation of the consolidated financial statements. There have been no significant changes in the company's critical accounting policies during the first nine months of 2017.

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## Results of Operations

## Third Quarter 2017 Compared With Third Quarter 2016

(In millions)	Three Months Ended		Total Change	Currency Translation	Acquisitions/ Divestitures	Operations
	September 2017	October 1, 2016				
<b>Revenues</b>						
Life Sciences Solutions	\$1,382.0	\$1,312.3	\$69.7	\$ 8.8	\$ 5.4	\$ 55.5
Analytical Instruments	1,189.6	898.0	291.6	10.8	177.8	103.0
Specialty Diagnostics	843.7	798.9	44.8	9.6	3.5	31.7
Laboratory Products and Services	1,933.0	1,674.5	258.5	15.6	191.7	51.2
Eliminations	(232.1 )	(192.8 )	(39.3 )	(0.5 )	—	(38.8 )
<b>Consolidated Revenues</b>	<b>\$5,116.2</b>	<b>\$4,490.9</b>	<b>\$625.3</b>	<b>\$ 44.3</b>	<b>\$ 378.4</b>	<b>\$ 202.6</b>

Sales in the third quarter of 2017 were \$5.12 billion, an increase of \$625 million from the third quarter of 2016. Sales increased \$378 million due to acquisitions. The favorable effects of currency translation resulted in an increase in revenues of \$44 million in 2017. Aside from the effects of acquisitions/divestitures and currency translation, revenues increased \$203 million (5%) primarily due to increased demand in the quarter compared to the 2016 quarter. Sales to customers in each of the company's primary end markets grew. Sales growth was modest in North America, strong in Europe and particularly strong in Asia.

In the third quarter of 2017, total company operating income and operating income margin were \$636 million and 12.4%, respectively, compared with \$541 million and 12.0%, respectively, in 2016. The increase in operating income was primarily due to the effect of acquisitions, profit on higher sales in local currencies and productivity improvements, net of inflationary cost increases, offset in part by an increase in amortization of acquisition-related intangible assets, due to recent acquisitions, and strategic growth investments.

In the third quarter of 2017, the company recorded restructuring and other costs, net, of \$131 million, including \$45 million of charges to cost of revenues primarily to conform the accounting policies of Patheon to the company's accounting policies and for the sale of inventories revalued at the date of acquisition. The company recorded \$36 million of charges to selling, general and administrative expenses, primarily for third-party transaction costs related to the acquisition of Patheon and charges to confirm the accounting policies of Patheon to the company's accounting policies, offset in part by income associated with favorable results of product liability litigation. The company recorded \$26 million of cash restructuring costs, primarily to achieve acquisition synergies, including severance and abandoned facilities costs associated with the closure and consolidation of facilities in the U.S. and Europe. The company's other businesses incurred costs for continued headcount reductions and facility consolidations in an effort to streamline operations including severance at several businesses and abandoned facility expenses at businesses that have been or are being consolidated in the U.S., Europe and Asia. The company also recorded \$23 million of other charges, net, principally for litigation-related matters, and compensation due at Patheon on the date of acquisition (see Note 13).

In the third quarter of 2016, the company recorded restructuring and other costs, net, of \$150 million, including \$32 million of charges to cost of revenues primarily for the sale of inventories revalued at the date of acquisition and to conform the accounting policies of FEI with the company's accounting policies. The company recorded \$63 million of charges to selling, general and administrative expenses, primarily for third-party transaction costs related to the acquisitions of FEI and Affymetrix as well as product liability litigation. In addition, the company recorded \$45 million of cash restructuring costs, primarily to achieve acquisition synergies, including severance and abandoned facilities costs associated with the closure and consolidation of facilities in the U.S. The company's other businesses incurred costs for continued headcount reductions and facility consolidations in an effort to streamline operations

including severance at several businesses and abandoned facility expenses at businesses that have been or are being consolidated in the U.S., Europe and Asia. The company also recorded \$10 million of other charges, net, principally associated with litigation-related matters.

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As of November 3, 2017, the company has identified restructuring actions that will result in additional charges of approximately \$85 million in 2017 and 2018, and expects to identify additional actions during 2017 which will be recorded when specified criteria are met, such as communication of benefit arrangements and abandonment of leased facilities.

Segment Results

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

(Dollars in millions)	Three Months Ended		Change	
	September 30, 2017	October 1, 2016		
<b>Revenues</b>				
Life Sciences Solutions	\$1,382.0	\$1,312.3	5	%
Analytical Instruments	1,189.6	898.0	32	%
Specialty Diagnostics	843.7	798.9	6	%
Laboratory Products and Services	1,933.0	1,674.5	15	%
Eliminations	(232.1 )	(192.8 )	20	%
<b>Consolidated Revenues</b>	<b>\$5,116.2</b>	<b>\$4,490.9</b>	<b>14</b>	<b>%</b>
<b>Segment Income</b>				
Life Sciences Solutions	\$453.0	\$387.9	17	%
Analytical Instruments	256.6	190.1	35	%
Specialty Diagnostics	218.8	214.4	2	%
Laboratory Products and Services	243.4	240.1	1	%
<b>Subtotal Reportable Segments</b>	<b>1,171.8</b>	<b>1,032.5</b>	<b>13</b>	<b>%</b>
Cost of Revenues Charges	(45.1 )	(32.4 )		
Selling, General and Administrative Charges, Net	(36.4 )	(62.5 )		
Restructuring and Other Costs, Net	(49.1 )	(54.9 )		
Amortization of Acquisition-related Intangible Assets	(405.0 )	(341.6 )		
<b>Consolidated Operating Income</b>	<b>\$636.2</b>	<b>\$541.1</b>	<b>18</b>	<b>%</b>
<b>Reportable Segments Operating Income Margin</b>	<b>22.9</b>	<b>% 23.0</b>	<b>%</b>	
<b>Consolidated Operating Income Margin</b>	<b>12.4</b>	<b>% 12.0</b>	<b>%</b>	

Income from the company's reportable segments increased 13% to \$1.17 billion in the third quarter of 2017 due primarily to the effect of acquisitions, profit on higher sales in local currencies and productivity improvements, net of inflationary cost increases, offset in part by strategic growth investments.

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## Life Sciences Solutions

	Three Months Ended		Change	
	September 30, 2017	October 1, 2016		
(Dollars in millions)				
Revenues	\$1,382.0	\$1,312.3	5	%

Operating Income Margin 32.8 % 29.6 % 3.2 pt

Sales in the Life Sciences Solutions segment increased \$70 million to \$1.38 billion in the third quarter of 2017. Sales increased \$56 million (4%) due to higher revenues at existing businesses, \$9 million due to the favorable effects of currency translation and \$5 million due to acquisitions. The increase in revenue at existing businesses was primarily due to increased demand for biosciences products and, to a lesser extent, genetic sciences products and bioprocess production products.

Operating income margin was 32.8% in the third quarter of 2017 compared to 29.6% in the third quarter of 2016. The increase resulted primarily from productivity improvements, net of inflationary cost increases, and, to a lesser extent, price increases, favorable sales mix and profit on higher sales in local currencies. These increases were offset in part by strategic growth investments.

## Analytical Instruments

	Three Months Ended		Change	
	September 30, 2017	October 1, 2016		
(Dollars in millions)				
Revenues	\$1,189.6	\$898.0	32	%

Operating Income Margin 21.6 % 21.2 % 0.4 pt

Sales in the Analytical Instruments segment increased \$292 million to \$1.19 billion in the third quarter of 2017. Sales increased \$178 million due to acquisitions, \$103 million (11%) due to higher revenues at existing businesses and \$11 million due to the favorable effects of currency translation. The increase in revenue at existing businesses was primarily due to increased demand for products sold by the segment's materials and structural analysis business and chromatography and mass spectrometry business.

Operating income margin was 21.6% in the third quarter of 2017 compared to 21.2% in the third quarter of 2016. The increase resulted primarily from the effect of acquisitions, profit on higher sales in local currencies and productivity improvements, net of inflationary cost increases, offset in part by strategic growth investments and, to a lesser extent, unfavorable sales mix and unfavorable foreign currency exchange.

## Specialty Diagnostics

	Three Months Ended		Change	
	September 30, 2017	October 1, 2016		
(Dollars in millions)				
Revenues	\$843.7	\$798.9	6	%

Operating Income Margin 25.9 % 26.8 % -0.9 pt

Sales in the Specialty Diagnostics segment increased \$45 million to \$844 million in the third quarter of 2017. Sales increased \$32 million (4%) due to higher revenues at existing businesses, \$10 million due to the favorable effects of currency translation and \$4 million due to an acquisition. The increase in revenue at existing businesses was due to broad based higher demand with particular strength in sales of immunodiagnostics products, products sold through the segment's healthcare market channel and, to a lesser extent, clinical diagnostics products and transplant diagnostics products.

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Operating income margin was 25.9% in the third quarter of 2017 and 26.8% in the third quarter of 2016. The decrease resulted primarily from strategic growth investments and, to a lesser extent, unfavorable sales mix, offset in part by profit on higher sales in local currencies.

Laboratory Products and Services

	Three Months Ended		Change	
	September 30, 2017	October 1, 2016		
(Dollars in millions)				
Revenues	\$1,933.0	\$1,674.5	15	%

Operating Income Margin 12.6 % 14.3 % -1.7 pt

Sales in the Laboratory Products and Services segment increased \$259 million to \$1.93 billion in the third quarter of 2017. Sales increased \$192 million due to acquisitions, \$51 million (3%) due to higher revenues at existing businesses and \$16 million due to the favorable effects of currency translation. The increase in revenue at existing businesses was primarily due to increased demand for products sold through the segment's channel business and, to a lesser extent, laboratory equipment and consumables.

Operating income margin was 12.6% in the third quarter of 2017 and 14.3% in the third quarter of 2016. The decrease was primarily due to unfavorable sales mix and, to a lesser extent, strategic investments offset in part by productivity improvements, net of inflationary cost increases and profit on higher sales in local currencies.

Other Expense, Net

The company reported other expense, net, of \$156 million and \$113 million in the third quarter of 2017 and 2016, respectively (Note 4). Interest expense increased \$43 million primarily due to increases in outstanding debt to fund acquisitions.

Provision for Income Taxes

The company recorded a \$53 million benefit from income taxes in the third quarter of 2017. In the third quarter of 2017, the company refinanced certain long term inter-company debt which resulted in an income tax benefit of \$237 million related to a foreign exchange loss recognized for income tax purposes. As a result of this foreign exchange loss, the company has reduced its forecasted benefit from foreign tax credits by \$100 million as this loss reduces expected U.S. taxes that these credits would have offset for 2017. In the third quarter of 2017, the company also recorded \$16 million of benefit associated with new required accounting for tax benefits from equity awards, as discussed in Note 1. The company expects its effective tax rate for all of 2017 will be less than 3% based on currently forecasted rates of profitability in the countries in which the company conducts business and expected generation of foreign tax credits. Due primarily to the non-deductibility of intangible asset amortization for tax purposes, the company's cash payments for income taxes are higher than its income tax expense for financial reporting purposes and are expected to total \$530 to \$560 million in 2017.

The company recorded a \$46 million benefit from income taxes in the third quarter of 2016 including discrete benefits totaling \$39 million related to prior year tax filings. The tax provision in the third quarter of 2016 was also favorably affected by \$9 million as a result of adjustments to deferred tax balances due to changes in tax rates. The effective rate in both periods was also affected by relatively significant earnings in lower tax jurisdictions.

The company has operations and a taxable presence in approximately 50 countries outside the U.S. All of these countries except one have a lower tax rate than the U.S. The countries in which the company has a material presence that have significantly lower tax rates than the U.S. include Germany, the Netherlands, Singapore, Sweden, Switzerland and the United Kingdom. The company's ability to obtain a benefit from lower tax rates outside the U.S. is dependent on its relative levels of income in countries outside the U.S. and on the statutory tax rates in those



countries. Based on the dispersion of the company's non-U.S. income tax provision among many countries, the company believes that a change in the statutory tax rate in any individual country is not likely to materially affect the company's income tax provision or net income, aside from any resulting one-time adjustment to the company's deferred tax balances to reflect a new rate.

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## First Nine Months of 2017 Compared With First Nine Months of 2016

(In millions)	Nine Months Ended		Total Change	Currency Translation	Acquisitions/ Divestitures	Operations
	September 30, 2017	October 1, 2016				
Revenues						
Life Sciences Solutions	\$4,150.1	\$3,897.9	\$252.2	\$ (24.4 )	\$ 94.1	\$ 182.5
Analytical Instruments	3,407.4	2,451.2	956.2	(11.8 )	776.8	191.2
Specialty Diagnostics	2,571.9	2,504.8	67.1	(9.8 )	5.3	71.6
Laboratory Products and Services	5,424.5	5,043.0	381.5	(26.8 )	197.5	210.8
Eliminations	(682.7 )	(576.0 )	(106.7 )	8.3	(3.6 )	(111.4 )
Consolidated Revenues	\$14,871.2	\$13,320.9	\$1,550.3	\$ (64.5 )	\$ 1,070.1	\$ 544.7

Sales in the first nine months of 2017 were \$14.87 billion, an increase of \$1.55 billion from the first nine months of 2016. Sales increased \$1.07 billion due to acquisitions. The unfavorable effects of currency translation resulted in a decrease in revenues of \$65 million in 2017. Aside from the effects of currency translation and acquisitions, revenues increased \$545 million (4%) primarily due to increased demand. Sales to customers in each of the company's primary end markets grew. Sales growth was modest in North America, moderate in Europe and strong in Asia.

In the first nine months of 2017, total company operating income and operating income margin were \$2.01 billion and 13.5%, respectively, compared with \$1.70 billion and 12.7%, respectively, in the first nine months of 2016. The increase in operating income was primarily due to the effects of acquisitions, profit on higher sales in local currencies and productivity improvements, net of inflationary cost increases, offset in part by an increase in amortization of acquisition-related intangible assets, due to recent acquisitions, and strategic growth investments.

In the first nine months of 2017, the company recorded restructuring and other costs, net, of \$247 million, including \$77 million of charges to cost of revenues primarily for the sale of inventories revalued at the date of acquisition, and, to a lesser extent, to conform the accounting policies of Patheon to the company's accounting policies. The company recorded \$75 million of charges to selling, general and administrative expenses, primarily for third-party transaction and integration costs associated with recent acquisitions and changes in estimates of acquisition contingent consideration. In addition, the company recorded \$66 million of cash restructuring costs, primarily to achieve acquisition synergies, including severance and abandoned facilities costs associated with the closure and consolidation of facilities in the U.S and Europe. The company's other businesses incurred costs for continued headcount reductions and facility consolidations in an effort to streamline operations including severance at several businesses and abandoned facility expenses at businesses that have been or are being consolidated in the U.S., Europe and Asia. The company also recorded \$30 million of other costs, net, principally charges for litigation-related matters, and compensation due at Patheon on the date of the acquisition (see Note 13).

In the first nine months of 2016, the company recorded restructuring and other costs, net, of \$297 million, including \$60 million of charges to cost of revenues for the sale of inventories revalued at the date of acquisition and to conform the accounting policies of FEI and Affymetrix with the company's accounting policies; \$95 million of charges to selling, general and administrative expenses, primarily for third-party transaction and integration costs related to the acquisitions of FEI and Affymetrix. In addition, the company recorded \$136 million of cash restructuring costs, primarily for actions to achieve acquisition synergies, including severance as well as abandoned facilities costs associated with the closure and consolidation of facilities in the U.S. The company's other businesses incurred costs for continued headcount reductions and facility consolidations in an effort to streamline operations, including severance at several businesses and abandoned facility expenses at businesses that have been or are being consolidated in the U.S., Europe and Asia.



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## Segment Results

(Dollars in millions)	Nine Months Ended		Change	
	September 30, 2017	October 1, 2016		
<b>Revenues</b>				
Life Sciences Solutions	\$4,150.1	\$3,897.9	6	%
Analytical Instruments	3,407.4	2,451.2	39	%
Specialty Diagnostics	2,571.9	2,504.8	3	%
Laboratory Products and Services	5,424.5	5,043.0	8	%
Eliminations	(682.7 )	(576.0 )	19	%
<b>Consolidated Revenues</b>	<b>\$14,871.2</b>	<b>\$13,320.9</b>	<b>12</b>	<b>%</b>
<b>Segment Income</b>				
Life Sciences Solutions	\$1,335.0	\$1,128.8	18	%
Analytical Instruments	681.0	446.7	52	%
Specialty Diagnostics	687.7	682.4	1	%
Laboratory Products and Services	706.3	736.8	(4)	)%
<b>Subtotal Reportable Segments</b>	<b>3,410.0</b>	<b>2,994.7</b>	<b>14</b>	<b>%</b>
Cost of Revenues Charges	(76.7 )	(60.4 )		
Selling, General and Administrative Charges, Net	(74.7 )	(95.2 )		
Restructuring and Other Costs, Net	(95.1 )	(140.9 )		
Amortization of Acquisition-related Intangible Assets	(1,153.4 )	(1,001.6 )		
<b>Consolidated Operating Income</b>	<b>\$2,010.1</b>	<b>\$1,696.6</b>	<b>18</b>	<b>%</b>
<b>Reportable Segments Operating Income Margin</b>	<b>22.9</b>	<b>% 22.5</b>	<b>%</b>	
<b>Consolidated Operating Income Margin</b>	<b>13.5</b>	<b>% 12.7</b>	<b>%</b>	

Income from the company's reportable segments increased 14% to \$3.41 billion in the first nine months of 2017 due primarily to the effects of acquisitions, profit on higher sales in local currencies and productivity improvements, net of inflationary cost increases, offset in part by strategic growth investments.

## Life Sciences Solutions

(Dollars in millions)	Nine Months Ended		Change	
	September 30, 2017	October 1, 2016		
Revenues	\$4,150.1	\$3,897.9	6	%
Operating Income Margin	32.2	% 29.0	% 3.2	pt

Sales in the Life Sciences Solutions segment increased \$252 million to \$4.15 billion in the first nine months of 2017. Sales increased \$183 million (5%) due to higher revenues at existing businesses and \$94 million due to acquisitions. These increases were offset in part by a decrease of \$24 million due to the unfavorable effects of currency translation. The increase in revenue at existing businesses was primarily due to increased demand for biosciences products and, to a lesser extent, bioprocess production products as well as genetic sciences products.

Operating income margin was 32.2% in the first nine months of 2017 compared to 29.0% in the first nine months of 2016. The increase resulted primarily from productivity improvements, net of inflationary cost increases, and, to a lesser extent, profit

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on higher sales in local currencies and price increases. These increases were offset in part by acquisition dilution and strategic growth investments.

Analytical Instruments

	Nine Months Ended		Change	
	September	October		
(Dollars in millions)	30,	1,		
	2017	2016		
Revenues	\$3,407.4	\$2,451.2	39	%

Operating Income Margin 20.0 % 18.2 % 1.8 pt

Sales in the Analytical Instruments segment increased \$956 million to \$3.41 billion in the first nine months of 2017. Sales increased \$777 million due to acquisitions and \$191 million (8%) due to higher revenues at existing businesses. These increases were offset in part by a decrease of \$12 million due to the unfavorable effects of currency translation. The increase in revenue at existing businesses was primarily due to increased demand for products sold by the segment's chromatography and mass spectrometry business and, to a lesser extent, the materials and structural analysis business.

Operating income margin was 20.0% in the first nine months of 2017 compared to 18.2% in the first nine months of 2016. The increase resulted primarily from the effect of acquisitions, profit on higher sales in local currencies and, to a lesser extent, productivity improvements, net of inflationary cost increases, offset in part by strategic growth investments, unfavorable foreign currency exchange and unfavorable sales mix.

Specialty Diagnostics

	Nine Months Ended		Change	
	September	October		
(Dollars in millions)	30,	1,		
	2017	2016		
Revenues	\$2,571.9	\$2,504.8	3	%

Operating Income Margin 26.7 % 27.2 % -0.5 pt

Sales in the Specialty Diagnostics segment increased \$67 million to \$2.57 billion in the first nine months of 2017. Sales increased \$72 million (3%) due to higher revenues at existing businesses and \$5 million due to an acquisition. These increases were offset in part by a decrease of \$10 million due to the unfavorable effects of currency translation. The increase in revenue at existing businesses was due to broad based higher demand with particular strength in sales of clinical diagnostics products, products sold through the segment's healthcare market channel and immunodiagnostics products.

Operating income margin was 26.7% in the first nine months of 2017 compared to 27.2% in the first nine months of 2016. The decrease resulted primarily from strategic growth investments offset in part by profit on higher sales in local currencies and productivity improvements, net of inflationary cost increases.

Laboratory Products and Services

	Nine Months Ended		Change	
	September	October		
(Dollars in millions)	30,	1,		
	2017	2016		

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Revenues \$5,424.5 \$5,043.0 8 %

Operating Income Margin 13.0 % 14.6 % -1.6 pt

Sales in the Laboratory Products and Services segment increased \$382 million to \$5.42 billion in 2017. Sales increased \$211 million (4%) due to higher revenues at existing businesses and \$198 million due to acquisitions. These increases were offset in part by \$27 million due to the unfavorable effects of currency translation. The increase in revenue at existing

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businesses was primarily due to increased demand for products sold through the segment's channel business and, to a lesser extent, laboratory equipment and consumables.

Operating income margin was 13.0% in the first nine months of 2017 compared to 14.6% in the first nine months of 2016. The decrease was primarily due to unfavorable sales mix and strategic growth investments offset in part by profit on higher sales in local currencies and productivity improvements, net of inflationary cost increases.

#### Other Expense, Net

The company reported other expense, net, of \$401 million and \$325 million in the first nine months of 2017 and 2016, respectively (Note 4). Interest expense increased \$87 million primarily due to an increase in outstanding debt.

#### Provision for Income Taxes

The company recorded a benefit from income taxes in the first nine months of 2017. In 2017, the company refinanced certain long term inter-company debt which resulted in an income tax benefit of \$237 million related to a foreign exchange loss recognized for income tax purposes. As a result of this foreign exchange loss, the company has reduced its forecasted benefit from foreign tax credits by \$100 million as this loss reduces expected U.S. taxes that these credits would have offset for 2017. In addition, in 2017 the company recorded a \$65 million favorable adjustment to deferred tax balances due to extension of a tax holiday agreement in Singapore and \$51 million of benefit associated with new required accounting for tax benefits from equity awards, as discussed in Note 1. The company implemented foreign tax credit planning in Sweden which resulted in \$20 million of foreign tax credits, with no related incremental U.S. income tax expense.

The company recorded a benefit from income taxes in the first nine months of 2016. In 2016, the company implemented tax planning initiatives related to non-U.S. subsidiaries. These non-U.S. subsidiaries incurred foreign tax obligations, and made cash and deemed distributions to the company's U.S. operations which resulted in no net tax cost. As a result of these distributions, the company benefitted from U.S. foreign tax credits of \$114 million, offset in part by additional U.S. taxes of \$40 million on the related foreign income (which reduced the benefit from the foreign rate differential in 2016) for a net benefit of \$74 million. The foreign tax credits are the result of foreign earnings remitted or deemed remitted to the U.S. during the reporting year and the U.S. treatment of taxes paid in the foreign jurisdictions in the years those profits were originally earned. The ability of the company to make distributions in future periods of similar type and magnitude will depend on the level of earnings and cash flow in various foreign jurisdictions and on the applicable tax laws in effect at that time. Accordingly, the impact of foreign tax credits on the company's effective tax rate in future periods is likely to vary. In addition, the company recorded discrete benefits totaling \$39 million related to prior year tax filings. The effective rate in both periods was also affected by relatively significant earnings in lower tax jurisdictions.

#### Recent Accounting Pronouncements

A description of recently issued accounting standards is included under the heading "Recent Accounting Pronouncements" in Note 1.

#### Contingent Liabilities

The company is contingently liable with respect to certain legal proceedings and related matters. An unfavorable outcome that differs materially from current accrual estimates, if any, for one or more of the matters described under the headings "Product Liability, Workers Compensation and Other Personal Injury Matters," "Intellectual Property Matters" and "Commercial Matters" in Note 9 could have a material adverse effect on the company's financial position as well as its results of operations and cash flows.

#### Liquidity and Capital Resources

Consolidated working capital was \$1.81 billion at September 30, 2017, compared with \$2.16 billion at December 31, 2016. Included in working capital were cash and cash equivalents of \$741 million at September 30, 2017 and \$786 million at December 31, 2016.

#### First Nine Months of 2017



Cash provided by operating activities was \$2.14 billion during the first nine months of 2017. Cash provided by income was offset in part by investments in working capital. Increases in accounts receivable and inventories used cash of \$161 million and \$208 million, respectively, primarily to support growth in sales in local currencies. An increase in other assets used cash of \$233 million primarily due to the timing of income tax refunds. Cash payments for income taxes decreased to \$504 million during the first nine months of 2017, compared with \$630 million in the first nine months of 2016. The company made cash

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contributions to its pension and postretirement benefit plans totaling \$185 million during the first nine months of 2017. Payments for restructuring actions, principally severance costs and lease and other expenses of real estate consolidation, used cash of \$71 million during the first nine months of 2017.

During the first nine months of 2017, the company's investing activities used \$7.45 billion of cash. Acquisitions used cash of \$7.16 billion. The company's investing activities also included the purchase of \$293 million of property, plant and equipment.

The company's financing activities provided \$5.00 billion of cash during the first nine months of 2017. Issuance of senior notes and borrowings under a term loan provided cash of \$6.46 billion and a net increase in commercial paper obligations provided cash of \$221 million. The company also issued 10.1 million shares of its common stock for net proceeds of \$1.69 billion. Repayment of senior notes and term loans used cash of \$2.55 billion. The company's financing activities also included the repurchase of \$750 million of the company's common stock and the payment of \$177 million in cash dividends, offset in part by \$108 million of net proceeds from employee stock option exercises. On July 7, 2016, the Board of Directors authorized the repurchase of up to \$1.50 billion of the company's common stock. At November 3, 2017, \$500 million was available for future repurchases of the company's common stock under this authorization. In October 2017, the company issued additional commercial paper obligations and used the proceeds and cash on hand to repay the remaining balance of \$750 million on its term loan.

The company's commitments for purchases of property, plant and equipment, contractual obligations and other commercial commitments did not change materially between December 31, 2016 and September 30, 2017, except for changes in debt (discussed above) and the assumption of unfunded pension obligations totaling approximately \$90 million in connection with the acquisition of Patheon. The company expects that for all of 2017, expenditures for property, plant and equipment, net of disposals, will approximate \$500 million.

As of September 30, 2017, the company's short-term debt totaled \$2.76 billion including \$1.30 billion of commercial paper obligations, \$750 million of borrowings under a 364-day term loan and \$709 million of senior notes due within the next twelve months. The company has a revolving credit facility with a bank group that provides up to \$2.50 billion of unsecured multi-currency revolving credit. If the company borrows under this facility, it intends to leave undrawn an amount equivalent to outstanding commercial paper to provide a source of funds in the event that commercial paper markets are not available. As of September 30, 2017, no borrowings were outstanding under the company's revolving credit facility, although available capacity was reduced by approximately \$73 million as a result of outstanding letters of credit.

Approximately half of the company's cash balances and cash flows from operations are from outside the U.S. The company uses its non-U.S. cash for needs outside of the U.S. including acquisitions and repayment of acquisition-related intercompany debt to the U.S. In addition, the company also transfers cash to the U.S. using non-taxable returns of capital as well as dividends where the related U.S. foreign tax credit equals or exceeds any tax cost arising from the dividends. As a result of using such means of transferring cash to the U.S., the company does not expect any material adverse liquidity effects from its significant non-U.S. cash balances for the foreseeable future. The company believes that its existing cash and cash equivalents of \$741 million as of September 30, 2017 and its future cash flow from operations together with available borrowing capacity under its revolving credit agreement will be sufficient to meet the cash requirements of its existing businesses for the foreseeable future, including at least the next 24 months.

First Nine Months of 2016

Cash provided by operating activities was \$2.05 billion during the first nine months of 2016. An increase in accounts receivable used cash of \$112 million primarily to support growth in sales in local currencies. An increase in other assets used cash of \$92 million primarily due to the timing of payments. Other liabilities decreased by \$147 million primarily due to the timing of payments for income taxes and incentive compensation. Cash payments for income taxes totaled \$630 million. The company made cash contributions to its pension and postretirement benefit plans

totaling \$33 million during the first nine months of 2016. Payments for restructuring actions, principally severance costs and lease and other expenses of real estate consolidation, used cash of \$62 million during the first nine months of 2016.

During the first nine months of 2016, the company's investing activities used \$5.43 billion of cash. Acquisitions used cash of \$5.14 billion. The company's investing activities also included the purchase of \$311 million of property, plant and equipment.

The company's financing activities provided \$4.95 billion of cash during the first nine months of 2016. Issuance of debt provided cash of \$7.61 billion and an increase in commercial paper obligations provided cash of \$769 million. Repayment of

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debt used cash of \$2.31 billion. The company's financing activities also included the repurchase of \$1.00 billion of the company's common stock and the payment of \$179 million in cash dividends, offset in part by \$75 million of net proceeds from employee stock option exercises.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The company's exposure to market risk from changes in interest rates and currency exchange rates has not changed materially from its exposure at year-end 2016.

Item 4. Controls and Procedures

Management's Evaluation of Disclosure Controls and Procedures

The company's management, with the participation of the company's chief executive officer and chief financial officer, evaluated the effectiveness of the company's disclosure controls and procedures as of September 30, 2017. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of the company's disclosure controls and procedures as of September 30, 2017, the company's chief executive officer and chief financial officer concluded that, as of such date, the company's disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There have been no changes in the company's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the fiscal quarter ended September 30, 2017, that have materially affected or are reasonably likely to materially affect the company's internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

There are various lawsuits and claims against the company involving product liability, intellectual property, employment and commercial issues. See "Note 9 to our Consolidated Financial Statements – Commitments and Contingencies."

Item 1A. Risk Factors

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

We must develop new products, adapt to rapid and significant technological change and respond to introductions of new products by competitors to remain competitive. Our growth strategy includes significant investment in and expenditures for product development. We sell our products in several industries that are characterized by rapid and significant technological changes, frequent new product and service introductions and enhancements and evolving industry standards. Competitive factors include technological innovation, price, service and delivery, breadth of

product line, customer support, e-business capabilities and the ability to meet the special requirements of customers. Our competitors may adapt more quickly to new technologies and changes in customers' requirements than we can. Without the timely introduction of new products, services

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Risk Factors (continued)

and enhancements, our products and services will likely become technologically obsolete over time, in which case our revenue and operating results would suffer.

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

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

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

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

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

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

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

Spending by some of these customers fluctuates based on budget allocations and the timely passage of the annual federal budget. An impasse in federal government budget decisions could lead to substantial delays or reductions in federal spending.

As a multinational corporation, we are exposed to fluctuations in currency exchange rates, which could adversely affect our cash flows and results of operations. International markets contribute a substantial portion of our revenues, and we intend to continue expanding our presence in these regions. The exposure to fluctuations in currency exchange rates takes on different forms. International revenues and costs are subject to the risk that fluctuations in exchange rates could adversely affect our reported revenues and profitability when translated into U.S. dollars for financial reporting purposes. These fluctuations could also adversely affect the demand for products and services provided by

us. 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

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currency"). Movements in the invoiced currency relative to the functional currency could adversely impact our cash flows and our results of operations. Should our international sales grow, exposure to fluctuations in currency exchange rates could have a larger effect on our financial results. In the first nine months of 2017, currency translation had an unfavorable effect of \$65 million on revenues due to the strengthening of the U.S. dollar relative to other currencies in which the company sells products and services.

Significant developments stemming from the recent U.S. presidential election or the U.K.'s referendum on membership in the EU could have an adverse effect on us. The new U.S. administration has called for substantial changes to trade agreements, such as the North American Free Trade Agreement (NAFTA), and has raised the possibility of imposing significant increases on tariffs on goods imported into the United States, particularly from China and Mexico. The new administration has also indicated an intention to request Congress to make significant changes, replacement or elimination of the Patient Protection and Affordable Care Act, and government negotiation/regulation of drug prices paid by government programs. Changes in U.S. social, political, regulatory and economic conditions or laws and policies governing the health care system and drug prices, foreign trade, manufacturing, and development and investment in the territories and countries where we or our customers operate could adversely affect our operating results and our business.

Additionally, on June 23, 2016, the United Kingdom held a referendum and voted in favor of leaving the European Union, or EU. This referendum has created political and economic uncertainty, particularly in the United Kingdom and the EU, and this uncertainty may last for years. Our business could be affected during this period of uncertainty, and perhaps longer, by the impact of the United Kingdom's referendum. In addition, our business could be negatively affected by new trade agreements between the United Kingdom and other countries, including the United States, and by the possible imposition of trade or other regulatory barriers in the United Kingdom. These possible negative impacts, and others resulting from the United Kingdom's actual or threatened withdrawal from the EU, may adversely affect our operating results and our customers' businesses.

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. Our Life Technologies subsidiary is party to several lawsuits in which plaintiffs claim we infringe their intellectual property (Note 9). 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.

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Risk Factors (continued)

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.

Our pharma services offerings are highly complex, and if we are unable to provide quality and timely offerings to our customers, our business could suffer. Our pharma services offerings are highly exacting and complex, due in part to strict quality and regulatory requirements. Our operating results in this business depend on our ability to execute and, when necessary, improve our quality management strategy and systems, and our ability to effectively train and maintain our employee base with respect to quality management. A failure of our quality control systems could result in problems with facility operations or preparation or provision of products. In each case, such problems could arise for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials or environmental factors and damage to, or loss of, manufacturing operations. Such problems could affect production of a particular batch or series of batches of products, requiring the destruction of such products or a halt of facility production altogether.

In addition, our failure to meet required quality standards may result in our failure to timely deliver products to our customers, which in turn could damage our reputation for quality and service. Any such failure could, among other things, lead to increased costs, lost revenue, reimbursement to customers for lost drug product, registered intermediates, registered starting materials, and active pharmaceutical ingredients, other customer claims, damage to and possibly termination of existing customer relationships, time and expense spent investigating the cause and, depending on the cause, similar losses with respect to other batches or products. Production problems in our drug and biologic manufacturing operations could be particularly significant because the cost of raw materials for such manufacturing is often high. If problems in preparation or manufacture of a product or failures to meet required quality standards for that product are not discovered before such product is released to the market, we may be subject to adverse regulatory actions, including product recalls, product seizures, injunctions to halt manufacture and distribution, restrictions on our operations, civil sanctions, including monetary sanctions, and criminal actions. In addition, such problems or failures could subject us to litigation claims, including claims from our customers for reimbursement for the cost of lost or damaged active pharmaceutical ingredients, the cost of which could be significant.

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

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

Moreover, we have acquired many companies and businesses. As a result of these acquisitions, we recorded significant goodwill and indefinite-lived intangible assets (primarily tradenames) on our balance sheet, which amount to approximately \$25.13 billion and \$1.28 billion, respectively, as of September 30, 2017. In addition, we have definite-lived intangible assets totaling \$15.75 billion as of September 30, 2017. We assess the realizability of goodwill and indefinite-lived intangible assets annually as well as whenever events or changes in circumstances indicate that these assets may be impaired. We assess the

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Risk Factors (continued)

realizability of definite-lived intangible assets whenever events or changes in circumstances indicate that these assets may be impaired. These events or circumstances would generally include operating losses or a significant decline in earnings associated with the acquired business or asset. Our ability to realize the value of the goodwill and intangible assets will depend on the future cash flows of these businesses. These cash flows in turn depend in part on how well we have integrated these businesses. If we are not able to realize the value of the goodwill and intangible assets, we may be required to incur material charges relating to the impairment of those assets.

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

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

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

We are required to comply with a wide variety of laws and regulations, and are subject to regulation by various federal, state and foreign agencies. We are subject to various local, state, federal, foreign and transnational laws and regulations, which include the operating and security standards of the U.S. Federal Drug Administration (the FDA), the U.S. Drug Enforcement Agency (the DEA), various state boards of pharmacy, state health departments, the U.S. Department of Health and Human Services (the DHHS), the European Medicines Agency (the EMA), in Europe, the EU member states and other comparable agencies and, in the future, any changes to such laws and regulations could adversely affect us. In particular, we are subject to laws and regulations concerning current good manufacturing practices and drug safety. Our subsidiaries may be required to register for permits and/or licenses with, and may be required to comply with the laws and regulations of the DEA, the FDA, the DHHS, foreign agencies including the EMA, and other various state boards of pharmacy, state health departments and/or comparable state agencies as well as certain accrediting bodies depending upon the type of operations and location of product distribution, manufacturing and sale.

The manufacture, distribution and marketing of many of our products and services, including medical devices and pharma services, are subject to extensive ongoing regulation by the FDA, the DEA, the EMA, and other equivalent local, state, federal and non-U.S. regulatory authorities. In addition, we are subject to inspections by these regulatory authorities. Failure by us or by our customers to comply with the requirements of these regulatory authorities, including without limitation, remediating any inspectional observations to the satisfaction of these regulatory authorities, could result in warning letters, product recalls or seizures, monetary sanctions, injunctions to halt manufacture and distribution, restrictions on our operations, civil or criminal sanctions, or withdrawal of existing or denial of pending approvals, including those relating to products or facilities. In addition, such a failure could expose us to contractual or product liability claims, contractual claims from our customers, including claims for reimbursement for lost or damaged active pharmaceutical ingredients, as well as ongoing remediation and increased compliance costs, any or all of which could be significant.

THERMO FISHER SCIENTIFIC INC.

Risk Factors (continued)

We are also subject to a variety of federal, state, local and international laws and regulations that govern, among other things, the importation and exportation of products, the handling, transportation and manufacture of substances that could be classified as hazardous, and our business practices in the U.S. and abroad such as anti-corruption and anti-competition laws. Any noncompliance by us with applicable laws and regulations or the failure to maintain, renew or obtain necessary permits and licenses could result in criminal, civil and administrative penalties and could have an adverse effect on our results of operations.

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

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

We may incur unexpected costs from increases in fuel and raw material prices, which could reduce our earnings and cash flow. Our primary commodity exposures are for fuel, petroleum-based resins and steel. While we may seek to minimize the impact of price increases through higher prices to customers and various cost-saving measures, our earnings and cash flows could be adversely affected in the event these measures are insufficient to cover our costs. A significant disruption in, or breach in security of, our information technology systems could adversely affect our business. As a part of our ongoing effort to upgrade our current information systems, we periodically implement new enterprise resource planning software and other software applications to manage certain of our business operations. As we implement and add functionality, problems could arise that we have not foreseen. Such problems could disrupt our ability to provide quotes, take customer orders and otherwise run our business in a timely manner. When we upgrade or change systems, we may suffer interruptions in service, loss of data or reduced functionality. In addition, if our new systems fail to provide accurate pricing and cost data our results of operations and cash flows could be adversely affected.

We also rely on our technology infrastructure, among other functions, to interact with suppliers, sell our products and services, fulfill orders and bill, collect and make payments, ship products, provide services and support to customers, track customers, fulfill contractual obligations and otherwise conduct business. Our systems may be vulnerable to damage or interruption from natural disasters, power loss, telecommunication failures, terrorist attacks, computer viruses, computer denial-of-service attacks, unauthorized access to customer or employee data or company trade secrets, and other attempts to harm our systems. Certain of our systems are not redundant, and our disaster recovery planning is not sufficient for every eventuality. Despite any precautions we may take, such problems could result in, among other consequences, interruptions in our services, which could harm our reputation and financial results. Any of the cyber-attacks, breaches or other disruptions or damage described above could interrupt our operations, delay production and shipments, result in theft of our and our customers' intellectual property and trade secrets, damage customer and business partner relationships and our reputation or result in defective products or services, legal claims

and proceedings, liability and penalties under privacy laws and increased cost for security and remediation, each of which could adversely affect our business and financial results.

Our debt may restrict our investment opportunities or limit our activities. As of September 30, 2017, we had approximately \$21.99 billion in outstanding indebtedness. In addition, we have availability to borrow under a revolving credit facility that provides for up to \$2.50 billion of unsecured multi-currency revolving credit. We may also obtain additional long-term debt and lines of credit to meet future financing needs, which would have the effect of increasing our total leverage.

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

THERMO FISHER SCIENTIFIC INC.

Risk Factors (continued)

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

Additionally, the agreements governing our debt require that we maintain certain financial ratios, and contain affirmative and negative covenants that restrict our activities by, among other limitations, limiting our ability to incur additional indebtedness, merge or consolidate with other entities, make investments, create liens, sell assets and enter into transactions with affiliates. The covenants in our revolving credit facility (the Facility) include a Consolidated Leverage Ratio (total debt-to-Consolidated EBITDA) and a Consolidated Interest Coverage ratio (Consolidated EBITDA to Consolidated Interest Expense), as such terms are defined in the Facility. Specifically, the company has agreed that, so long as any lender has any commitment under the Facility, any letter of credit is outstanding under the Facility, or any loan or other obligation is outstanding under the Facility, it will maintain a maximum Consolidated Leverage Ratio of 4.5:1.0 for the third and fourth quarter of 2017, with such maximum ratio stepping down to 4.0:1.0 for the first and second quarters of 2018 and then stepping down to 3.5:1.0 for the third quarter of 2018 and thereafter. The company has also agreed that so long as any lender has any commitment under the Facility or any letter of credit is outstanding under the Facility, or any loan or other obligation is outstanding under the Facility, it will maintain a minimum Consolidated Interest Coverage Ratio of 3.0:1.0 as of the last day of any fiscal quarter.

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

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

Issuer Purchases of Equity Securities

There was no share repurchase activity for the company's third quarter of 2017. On July 7, 2016, the Board of Directors authorized the repurchase of up to \$1.50 billion of the company's common stock. At September 30, 2017, \$500 million was available for future repurchases of the company's common stock under this authorization.

Item 6. Exhibits

See Exhibit Index on page 51.



SIGNATURES

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

Date: November 3, 2017 THERMO FISHER SCIENTIFIC INC.

/s/ Stephen Williamson  
Stephen Williamson  
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
4.1	<u>Seventeenth Supplemental Indenture, dated as of August 14, 2017, between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee</u> (filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed August 14, 2017 [File No. 1-8002] and incorporated in this document by reference).
10.1	<u>Term Loan Agreement, dated August 11, 2017, among the Company, the lenders party thereto, Bank of America, N.A., as administrative agent, and Merrill Lynch, Pierce, Fenner &amp; Smith Incorporated, as sole lead arranger and sole bookrunner</u> (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed August 11, 2017 [File No. 1-8002] and incorporated in this document by reference).
31.1	<u>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.</u>
31.2	<u>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.</u>
32.1	<u>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.**</u>
32.2	<u>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.**</u>
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Definition Linkbase Document.
101.LAB	XBRL Taxonomy Label Linkbase Document.
101.PRE	XBRL Taxonomy Presentation Linkbase Document.
	The Registrant agrees, pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, to furnish to the Commission, upon request, a copy of each instrument with respect to long-term debt of the Registrant or its consolidated subsidiaries.

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

\*\* Certification is not deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section. Such certification is not deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act except to the extent that the registrant specifically incorporates it by reference. Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheet at September 30, 2017 and December 31, 2016, (ii) Consolidated Statement of Income for the three and nine months ended September 30, 2017 and October 1, 2016, (iii) Consolidated Statement of Comprehensive Income for the three and nine months ended September 30, 2017 and October 1, 2016, (iv) Consolidated Statement of Cash Flows for the nine months ended September 30, 2017 and October 1, 2016, (v) Consolidated Statement of Shareholders' Equity for the nine months ended September 30, 2017 and October 1, 2016 and (vi) Notes to Consolidated Financial Statements.