

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

FORM 10-K

ý Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2016 or

“ 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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered	Title of each class	Name of each exchange on which registered
Common Stock, \$1.00 par value	New York Stock Exchange	0.750% Notes due 2024	New York Stock Exchange
Floating Rate Notes due 2018	New York Stock Exchange	2.000% Notes due 2025	New York Stock Exchange
1.500% Notes due 2020	New York Stock Exchange	1.375% Notes due 2028	New York Stock Exchange
2.150% Notes due 2022	New York Stock Exchange		
		Securities registered pursuant to Section 12(g) of the Act: None	

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes o No ý

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý

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

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

As of July 1, 2016, the aggregate market value of the voting stock held by nonaffiliates of the Registrant was approximately \$58,745,127,000 (based on the last reported sale of common stock on the New York Stock Exchange Composite Tape reporting system on July 1, 2016).

As of February 4, 2017, the Registrant had 390,391,061 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Sections of Thermo Fisher's definitive Proxy Statement for the 2017 Annual Meeting of Shareholders are incorporated by reference into Parts II and III of this report.

THERMO FISHER SCIENTIFIC INC.
ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

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PART I

Item 1. Business

General Development of Business

Thermo Fisher Scientific Inc. (also referred to in this document as “Thermo Fisher,” “we,” the “company,” or the “registrant”) is the world leader in serving science. Our mission is to enable our customers to make the world healthier, cleaner and safer. We help our customers accelerate life sciences research, solve complex analytical challenges, improve patient diagnostics and increase laboratory productivity.

Thermo Fisher has approximately 55,000 employees and serves more than 400,000 customers within pharmaceutical and biotech companies, hospitals and clinical diagnostic labs, universities, research institutions and government agencies, as well as environmental, industrial quality and process control settings.

We serve our customers through our premier brands, Thermo Scientific, Applied Biosystems, Invitrogen, Fisher Scientific and Unity Lab Services:

- The Thermo Scientific brand offers customers in research, diagnostics, industrial, and applied markets a complete range of high-end analytical instruments as well as laboratory equipment, software, services, consumables and reagents. Our portfolio of products includes innovative technologies for mass spectrometry, chromatography, elemental analysis, molecular spectroscopy, sample preparation, informatics, chemical research and analysis, cell culture, bioprocess production, cellular, protein and molecular biology research, allergy testing, drugs-of-abuse testing, therapeutic drug monitoring testing, microbiology, anatomical pathology, as well as environmental monitoring and process control.
- The Applied Biosystems brand offers customers in research, clinical and applied markets integrated instrument systems, reagents, and software for genetic analysis. Our portfolio includes innovative technologies for genetic sequencing and real-time, digital and end point polymerase chain reaction (PCR), that are used to determine meaningful genetic information in applications such as cancer diagnostics, human identification testing, and animal health, as well as inherited and infectious disease.
- The Invitrogen brand offers life science customers a broad range of consumables and instruments that accelerate research and ensure consistency of results. Our portfolio of products includes innovative solutions for cellular analysis and biology, flow cytometry, cell culture, protein expression, synthetic biology, molecular biology and protein biology.
- Fisher Scientific is our channels brand, offering customers a complete portfolio of laboratory equipment, chemicals, supplies and services used in scientific research, healthcare, safety, and education markets. These products are offered through an extensive network of direct sales professionals, industry-specific catalogs, e-commerce capabilities and supply-chain management services. We also offer a range of biopharma services for clinical trials management and biospecimen storage.
- Unity Lab Services is our services brand, offering a complete portfolio of services from enterprise level engagements to individual instruments and laboratory equipment, regardless of the original manufacturer. Through our network of world-class service and support personnel, we provide services that are designed to help our customers improve productivity, reduce costs, and drive decisions with better data.

We continuously increase our depth of capabilities in technologies, software and services, and leverage our extensive global channels to address our customers’ emerging needs. Our goal is to make our customers more productive in an increasingly competitive business environment, and to allow them to solve their challenges, from complex research to improved patient care, environmental and process monitoring, and consumer safety.

Thermo Fisher is a Delaware corporation and was incorporated in 1956. The company completed its initial public offering in 1967 and was listed on the New York Stock Exchange in 1980.

On March 31, 2016, the company acquired, within its Life Sciences Solutions segment, Affymetrix, Inc., expanding its existing portfolio of antibodies and assays for flow cytometry and single-cell biology applications, and its genetic analysis portfolio through the addition of microarrays.

On September 19, 2016, the company acquired, within its Analytical Instruments segment, FEI Company, a provider of high-performance electron microscopy, strengthening the company’s analytical instrument portfolio with the addition of high-end electron microscopes.

Business (continued)

Forward-looking Statements

Forward-looking statements, within the meaning of Section 21E of the Securities Exchange Act of 1934 (the Exchange Act), are made throughout this Annual Report on Form 10-K. 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 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 I, Item 1A.

Business Segments and Products

We report our business in four segments – Life Sciences Solutions, Analytical Instruments, Specialty Diagnostics, and Laboratory Products and Services. For financial information about these segments, including domestic and international operations, see Note 3 to our Consolidated Financial Statements, which begin on page F-1 of this report.

Life Sciences Solutions Segment

Through our Life Sciences Solutions segment, we provide 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. Life Sciences Solutions includes four primary businesses – Biosciences, Genetic Sciences, Clinical Next-Generation Sequencing, and BioProduction.

Biosciences

Our biosciences business includes reagents, instruments and consumables that help our customers conduct biological and medical research, discover new drugs and vaccines, and, in the case of some specific products, the diagnosis of disease.

Our biosciences offerings include:

- Reagents, instruments, and consumables used for protein biology, molecular biology, and cell imaging and analysis. The portfolio includes antibodies and products for protein purification, detection, modification, and analysis; and sequencing, detection and purification products used for high content analysis of nucleic acids. Many of these products are also used in applied markets, including agriculture, forensics, diagnostics product development, and toxicology research.
- Tools used for genetic engineering, amplification, quantification and analysis as well as RNA isolation, including stem cell reprogramming kits, transfection reagents, RNA interference reagents, along with gene editing tools and gene synthesis products.
- Cell culture media and reagents for preserving and growing mammalian cells which are used in many life science research applications.
- Fluorescence-based technologies, which facilitate the labeling of molecules for biological research and drug discovery. These technologies include a wide range of cell analysis instruments, including flow cytometers and imaging platforms that enable fluorescence microscopy.
- Protein analysis products, including pre-cast electrophoresis gels for separating nucleic acids and proteins, and western blotting and staining tools.

Business (continued)

Genetic Sciences

Our genetic sciences business combines a wide variety of instruments and related reagents used to provide high-value genomic solutions to assist customer decisions in the research, clinical and applied markets.

Our offerings include real-time PCR technology used to identify changes in gene expression, genotyping or proteins on an individual gene-by-gene basis; Capillary Electrophoresis (CE) Sequencing, core technology used in DNA sequencing and fragment analysis applications; and Microarray technology, used in gene expression, genotyping and reproductive health.

Our genetic analyzers served as the foundational platform used to sequence the first human genome. These systems are used in a variety of basic, commercial and clinical research applications.

Clinical Next-Generation Sequencing

Our Clinical Next-Generation Sequencing (NGS) business focuses on delivering simple, fast and cost-effective NGS technology for a range of applications. The business is focused on targeted sequencing solutions for research use; the application of NGS in oncology; and is an enabling technology and service provider for other businesses within Thermo Fisher.

BioProduction

Our bioproduction business supports developers and manufacturers of biological-based therapeutics and vaccines with a portfolio of premium solutions and services focused on upstream cell culture, downstream purification, analytics for detection and quantitation of process/product impurities, and a suite of single-use solutions spanning the biologics workflow.

Our bioproduction offerings include:

- Single-use bioproduction solutions that provide our customers with faster turnaround and set-up times, minimal validation requirements, reduced investment and running costs, and increased flexibility of manufacturing capacity.
- Production cell culture media solutions, which are used by leading biotechnology and pharmaceutical companies to grow cells in controlled conditions and enable large scale cGMP (Current Good Manufacturing Processes) manufacturing of drugs and vaccines. We also provide our customers with the associated services to optimize the productivity of these production platforms.
- Chromatography products, which deliver unmatched capacity and resolution for process-scale bioseparations, and offer a broad set of scalable options for the purification of antibodies, antibody fragments and proteins.
- Rapid molecular products that deliver accurate results in less than four hours for contaminant detection, identification and quantitation.
- Scalable solutions for the manufacture of cell therapy based drugs.

Analytical Instruments Segment

Through our Analytical Instruments segment, we provide 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. This segment includes three primary businesses – Chromatography and Mass Spectrometry, Chemical Analysis, and Materials and Structural Analysis.

Chromatography and Mass Spectrometry

Our chromatography and mass spectrometry (MS) business provides analytical instrumentation for organic and inorganic sample analysis across both applied technologies and life science research. These products are complemented by laboratory information management systems (LIMS); chromatography data systems (CDS); database analytical tools; automation systems; a range of consumables, such as a full line of chromatography columns; and a range of sample preparation and separation products including auto-samplers and multiplexing systems.

Chromatography is a technique for separating, identifying and quantifying individual chemical components of substances based on their specific physical and chemical characteristics. Our chromatography product line includes high performance liquid chromatography, ion chromatography and gas chromatography systems, all of which are supported by our Chromeleon chromatography data system software.

- *Liquid Chromatography (LC) Systems* analyze complex sample matrices in liquids. Our high pressure liquid chromatography (HPLC) and ultrahigh pressure liquid chromatography (UHPLC) systems offer high throughput and sensitivity and are sold either as stand-alone systems or integrated with our mass spectrometers (LC/MS and LC/MS/

Business (continued)

MS). These systems are used for a range of applications, from complex proteomic analyses to routine industrial quality assurance and quality control (QA/QC).

- *Ion Chromatography (IC) Systems* separate ionic (charged) or highly polar molecules (e.g., sugars and carbohydrates), usually found in water-based solutions, and typically detect them based on their electrical conductivity. Our IC products are used in a wide range of applications, including scientific research, and environmental testing, as well as quality control in pharmaceutical, food and beverage, and other industrial processes.
- *Gas Chromatography (GC) Systems* analyze complex sample matrices in gases, comprising both separation and detection technology. Separation technology is common to all gas chromatography analyzers, and is paired with either a conventional detector (GC) or with different types of mass spectrometers (GC/MS). Our GC/MS offering includes a triple stage quadrupole, a single stage quadrupole, an Orbitrap, and an ion trap, for a range of applications, including food safety testing, quantitative screening of environmental samples, and complex molecular analyses.
- *Elemental Analysis Spectrometers* use atomic spectroscopy techniques to identify trace concentrations of elements in liquid and solid samples primarily in environmental, petrochemical, food safety, metallurgical, geochemical and clinical/toxicology research applications. These products are widely used in growth markets such as China, India and Latin America to support compliance with increasingly stringent international environmental and consumer safety regulations.

Mass spectrometry is a technique for analyzing chemical compounds, individually or in complex mixtures, by forming charged ions that are then analyzed according to their mass-to-charge ratios. In addition to molecular information, each discrete chemical compound generates a pattern that provides structurally identifiable information. Our comprehensive offering includes life sciences mass spectrometry systems; and inorganic mass spectrometry systems; as well as a range of sample preparation and separation products including auto-samplers and multiplexing systems.

- *Life Sciences Mass Spectrometers* include three major technologies: triple quadrupole, ion trap and Orbitrap technology. Our triple quadrupole systems provide high performance quantitative analysis of chemicals in biological fluids, environmental samples and food matrices. They are also used by the pharmaceutical industry for targeted quantitation during drug discovery. Our ion trap systems are used for in-depth structural analysis of large biomolecules, such as proteins, as well as structural characterization of small molecules, such as drugs and drug metabolites. Our Orbitrap technologies provide high resolution and accurate mass capabilities for both research and applied markets and are well suited for drug metabolism, proteomics, environmental analysis, food safety, toxicology and clinical research applications. We also offer a comprehensive portfolio of instrument control and data analysis software to help customers simplify their workflows and obtain knowledge from often complex data.
- *Inorganic Mass Spectrometers* include four product lines: isotope ratio mass spectrometry (IRMS); multi-collector mass spectrometry (MC/IRMS); inductively coupled plasma mass spectrometry (ICP/MS); and high resolution trace mass spectrometry (HR Trace/MS). These products are primarily used for qualitative and quantitative analysis of inorganic matter in a range of applications, including environmental analysis, materials science and earth sciences.

Chemical Analysis

Our chemical analysis products fall into four main categories: materials and minerals; portable analytical instruments; radiation measurement and security instruments; and environmental and process instruments. Customers use these products to quickly and accurately analyze the composition of materials to optimize workflows primarily in industrial applications or to help them comply with governmental regulations and industry safety standards. Our product lines range from those used on production lines to improve quality and efficiency, to portable systems for rapid and real-time chemical identification in the field or to analyze, measure or respond to hazardous situations.

- *Materials and Minerals Instruments* include production line process monitoring, and control systems for a range of industrial applications. For example, we offer on line instruments that analyze bulk materials non-invasively and in real time to improve quality control and ensure safe operation in a mine or cement manufacturing plant, as well as systems that enable high-speed weighing during bulk materials handling. We also offer gauging systems that employ ionizing and non-ionizing technologies to measure the total thickness, basis weight and coating thickness of flat-sheet materials, such as steel, plastics, foil, rubber and glass. We also offer on line analyzers based on a variety of technologies such as X-ray imaging and ultra-trace chemical detection, to inspect packaged goods for physical contaminants, validate fill quantities, or check for missing or broken parts on line and at high speeds in the food and beverage, pharmaceutical production and packaging industries to maintain safety and quality standards.

Business (continued)

- *Portable Analytical Instruments* are rugged handheld products that provide rapid, precise, real-time analysis at the point of need. Our two main product categories are elemental and optical analyzers. Our portable elemental analyzers use X-ray fluorescence (XRF) technology for identifying metal alloys in scrap metal recycling; QA/QC; precious metals analysis; environmental analysis; and lead screening in a range of consumer products. Our portable optical analyzers utilize Raman, Fourier transform infrared (FTIR) and near-infrared (NIR) technologies for use in the field by first responders, and law enforcement and military personnel who need to quickly and accurately identify chemicals and explosives in critical safety and security situations. Other applications include QA/QC in pharmaceutical production and identification of counterfeit drugs.
- *Radiation Measurement and Security Products* are used to monitor, detect and identify specific forms of radiation in nuclear power, environmental, industrial, medical, and security applications. Our primary customers include national, regional, and local government agencies responsible for monitoring cargo, vehicles and people traveling across borders. These products are also used by first-responders in safety and security situations, and for worker safety in the nuclear power and other industrial markets.
- *Environmental and Process Instruments* include fixed and portable instrumentation that help our customers protect people and the environment as well as comply with government regulations and industry safety standards. Our products are used by environmental regulatory agencies and power plant operators to measure ambient air, and stack gas emissions for compliance with regulated emissions standards for criteria pollutant gases. Our products are also used in ambient particulate monitoring applications by customers in mining environments to provide continuous measurements and logging of real-time concentrations and median particle sizes of airborne dust, smoke, mist and fumes to improve efficiency and increase worker safety.

In addition to our broad product offerings, we offer a variety of specialized services to our customers, including equipment servicing, instrument calibration services, asset management and training.

Materials and Structural Analysis

Our materials and structural analysis business, primarily comprised of our FEI acquisition, includes electron microscopy, molecular spectroscopy and laboratory elemental analysis instruments that are used by customers in life sciences, materials sciences and industrial markets to accelerate breakthrough discoveries.

- *Electron Microscopy Instruments* include transmission electron microscopes which provide imaging and characterization at the atomic scale, with applications in semiconductor development, materials science research and the characterization of protein structure and function. We also offer scanning electron microscopes which resolve features from the optical regime down to the nanometer length scale and are used for a wide variety of applications from materials characterization in science and engineering to applications in natural resources, manufacturing, and biological systems. Our dual beam focused ion beam-scanning electron microscope systems are used for sample preparation, 3D characterization, nanoprototyping, and industrial failure analysis. Our focused ion beam microscopes are used in a range of process control, failure analysis, and materials research applications. We also offer electrical failure analysis instruments which are used in root cause failure analysis and quality control, microCT instruments which are micro-computed tomography solutions for quantitative analysis of a broad range of materials, providing 3D visualization of large volumes non-destructively and 3D visualization software that turns the data and images generated by a broad range of instruments into 3D visualizations of the microscopic sample, allowing quantitative analysis of material properties.
- *Molecular Spectroscopy Instruments* are divided into four primary techniques: FTIR, Raman, NIR and ultraviolet/visible (UV/Vis) spectroscopy. These technologies are typically used in the laboratory to provide information on the structure of molecules to identify, verify and quantify organic materials in pharmaceutical, biotechnology, polymer, chemical, and forensic sciences. Our material characterization instruments include rheometers and extruders that measure viscosity, elasticity, processability, and temperature-related mechanical changes of various materials. We also provide a range of surface analysis instruments commonly used in the semiconductor, metals, coatings, and polymer industries as a product development and failure analysis tool.
- *Laboratory Elemental Analysis Instruments* and analyzers use XRF, X-ray diffraction (XRD), and arc spark optical emission (OES) techniques for accurate and precise analysis of bulk materials in the metals, cement, minerals, and petrochemicals industries.

Business (continued)

Specialty Diagnostics Segment

Our Specialty Diagnostics segment offers a wide range of diagnostic test kits, reagents, culture media, instruments and associated products in order to serve customers in healthcare, clinical, pharmaceutical, industrial, and food safety laboratories. Our healthcare products are used to increase the speed and accuracy of diagnoses, which improves patient care in a more cost efficient manner. This segment has six primary businesses – Clinical Diagnostics, ImmunoDiagnostics, Microbiology, Anatomical Pathology, Transplant Diagnostics and our Healthcare Market Channel.

Clinical Diagnostics

Our clinical diagnostics products include a broad offering of liquid, ready-to-use and lyophilized immunodiagnostic reagent kits, calibrators, controls and calibration verification fluids. In particular, we provide products used for drugs-of-abuse testing; therapeutic drug monitoring, including immunosuppressant drug testing; thyroid hormone testing; serum toxicology; clinical chemistry; immunology; hematology; coagulation; glucose tolerance testing; first trimester screening; tumor markers testing; and biomarkers testing for sepsis, acute myocardial infarction and congestive heart failure. We also private label many of our reagents and controls for major *in vitro* diagnostics companies through OEM arrangements. In many instances, we will work with customers or partners to develop new products and applications for their instrument platforms.

We have developed one of the broadest menus for drugs-of-abuse immunoassays. We also provide a broad offering of immunosuppressant drug immunoassays that can be used on a variety of clinical chemistry analyzers.

Our clinical chemistry systems include analyzers and reagents to analyze and measure routine blood and urine chemistry, such as glucose and cholesterol; and advanced testing for specific proteins, therapeutic drug monitoring and drugs-of-abuse. Our diagnostic test range currently covers approximately 80 different validated methods. We also provide pre- and post-analytical automation for preparation of blood specimens before and after analysis, and specialty diagnostic tests based on patented biomarkers for sepsis, cardiovascular and pulmonary diseases, as well as intensive care treatments and prenatal screening.

ImmunoDiagnostics

Our immunodiagnostics offerings include developing, manufacturing and marketing complete blood-test systems to support the clinical diagnosis and monitoring of allergy, asthma and autoimmune diseases. In addition, we offer antibody tests for approximately 20 indications to help diagnose autoimmune diseases such as rheumatoid arthritis, celiac disease, lupus and scleroderma. Our products include ImmunoCAP for allergy and asthma tests and EliA for autoimmunity tests.

Microbiology

Our microbiology offerings include dehydrated and prepared culture media, collection and transport systems, instrumentation and consumables to detect pathogens in blood, diagnostic and rapid direct specimen tests, quality-control products and associated products for the microbiology laboratory. Our products help customers worldwide to diagnose infectious disease; determine appropriate antimicrobial therapy; implement effective infection control programs; and detect microbial contamination of their products or manufacturing facilities.

Within the food and pharmaceutical industries, our products are used to assure the safety and quality of consumer products by monitoring production environments; raw materials and end products for bacterial contamination; and animal health in the dairy industry.

Anatomical Pathology

Our anatomical pathology offerings include a broad portfolio of products primarily for cancer diagnosis and medical research in histology, cytology and hematology applications. These products include a wide range of instruments, consumables and reagents for specimen collection and transport, tissue preparation, staining and immunohistochemistry assays and controls. Reagent and consumable products include sample collection and preservation products used to ensure specimen integrity; tissue cassettes and reagents necessary for same-day, high-quality specimen processing; blades and paraffin used to section tissue; and a wide range of leading stains. Also included are a full line of immunohistochemistry antibodies, detection systems, ancillaries and controls.

We also provide a complete range of anatomical pathology instruments including cassette and slide labeling systems, which enable on-demand slide and cassette printing; tissue processors for same-day tissue-processing; embedding stations, microtomes and cryostats used to section tissue; and automated staining and cover slip systems used for primary and immunohistochemistry staining. In cytology, we offer low-speed centrifugation technology coupled with patented EZ cytofunnels to deposit a thin layer of cells onto a microscope slide to ensure better cell capture and better preservation of cell morphology. We manufacture high-quality flat-sheet glass to produce medical disposable products such as microscope slides,

Business (continued)

plates, cover glass, and microarray substrates serving the medical, diagnostics, and scientific communities. We also offer specialized hydrophobic, adhesive, and fluorescent slides through proprietary coating techniques.

Transplant Diagnostics

Our transplant diagnostics products include human leukocyte antigen (HLA) typing and testing for the organ transplant market. Our diagnostic tests are used by transplant centers for tissue typing, primarily to determine the compatibility of donors and recipients pre-transplant, and to detect the presence of antibodies post-transplant that can lead to transplant rejection. These transplant diagnostic tests are widely used across the transplant-testing workflow to improve patient outcomes. Our transplant diagnostic offerings include several lines of HLA typing and antibody detection assays utilizing serological, molecular, enzyme-linked immunosorbent assays (ELISA), flow, and multiplexing technologies.

Healthcare Market Channel

Our Healthcare Market channel offerings include a broad array of consumables, diagnostic kits and reagents, equipment, instruments, solutions and services for hospitals, clinical laboratories, reference laboratories, physicians' offices and other clinical testing facilities. These products are manufactured by Thermo Fisher and third parties and are primarily used in clinical diagnosis.

Laboratory Products and Services Segment

Our Laboratory Products and Services segment offers virtually everything needed for the laboratory. Our unique combination of self-manufactured and sourced products and extensive service offering enables our customers to focus on their core activities and helps them to be more efficient, productive and cost effective. We serve the pharmaceutical, biotechnology, academic, government and other research and industrial markets, as well as the clinical laboratory through five key businesses: Laboratory Equipment, Laboratory Consumables, Global Chemicals, Research and Safety Market Channel, and BioPharma Services.

Laboratory Equipment

Our Laboratory Equipment products are used primarily by pharmaceutical companies for drug discovery and development and by biotechnology companies and universities for life science research to advance the prevention and cure of diseases and enhance quality of life. This offering consists of equipment, accessories, and services for sample preparation, storage and protection, and analysis:

- *Controlled Temperature Technologies Products* include our leading laboratory refrigerators and freezers, ultralow-temperature freezers and cryopreservation storage tanks for maintaining samples in a cold environment to protect them from degradation. We also offer temperature control products such as heated bath circulators, immersion coolers, recirculating chillers, water baths, and dry baths in a range of sizes, temperatures and configurations for life science, analytical chemistry, manufacturing and quality-control applications.
- *Growth Protection and Separation Products* include sample preparation and preservation equipment which protects our customers' chemical and biological samples and supports the growth of cells and organisms in optimal conditions such as temperature, carbon dioxide and humidity as well as incubators and related products. We also offer centrifugation products, which are used to separate biological matrices and inorganic materials, including microcentrifuges, general use bench-top centrifuges and floor models. Additionally, we offer biological safety cabinets, which enable technicians to handle samples without risk to themselves or their environment and without risk of cross-contamination of samples.
- *Water and Laboratory Products* include water analysis instruments such as meters, electrodes and solutions for the measurement of pH, ions, conductivity, dissolved oxygen, turbidity and other key parameters in the lab and production line. We also offer other laboratory equipment such as water purification systems, shakers, vacuum concentrators, microbiological incubators, ovens, furnaces, hotplates, stirrers, stirring hotplates, and other related products.

Laboratory Consumables

Our laboratory consumables products include plastics, glass and related equipment, which customers use every day to support their scientific research, drug discovery and development, quality and process control, and clinical and basic research and development needs. Our product categories include cell culture and bioproduction; sample preparation and storage; liquid handling; detection instruments; and specialty products and services.

- *Laboratory and Specialty Plastics* include cell culture and bioproduction products which support customers in research to production-scale activities. We offer a broad range of surface technologies for different application needs,

Business (continued)

including applications with traditional stem cell and human stem cell lines. Products include chamber slides, dishes, multidishes, flasks and gas permeable technologies. We also offer a complete line of serological pipettes and conical tubes to address cell-culture sample handling, as well as cell factories and roller bottles, and research serum and media products. These products are widely used in research and in the manufacture of vaccines and biotherapeutics. We also offer sample preparation and storage products such as centrifugation consumables as well as vials and organization systems for ultralow temperature and cryogenic storage, with specific products designed for low protein binding and low DNA binding and containers for packaging life science and diagnostic reagents as well for the storage and transport of bulk intermediates and active pharmaceutical ingredients. Additionally, our offerings include a complete selection of clinical specimen collection, drug-of-abuse collection kits and environmental and food-safety glass and plastic vials, bottles and containers, plastic transfer pipettes, general purpose clinical laboratory consumables and containers for breast milk collection, storage and feeding primarily used in neo-natal units and by lactation specialists. We also provide OEM and custom kit assembly services for clinical and drugs-of-abuse test kits.

- *Liquid Handling Consumables* include a leading offering of laboratory pipette tips and a complementary range of handheld and automated pipetting systems, supporting low- through high-throughput activity. These products optimize productivity and ergonomics, and ensure accurate results. We also offer detection instruments such as microplate readers, washers and purification systems. These instruments offer researchers in the fields of cancer research, drug development, proteomics, and genomics efficiency, high-quality performance and accurate results.

Global Chemicals

Global Chemicals comprises a broad range of chemicals, solvents and reagents supporting virtually every laboratory application – from research to drug discovery and development and manufacturing. This portfolio includes organic chemicals used to synthesize new materials; essential laboratory chemicals used by scientists to purify, extract, separate, identify and manufacture products; high purity analytical reagents, bioreagents used in many different applications, from cell growth to detailed protein analysis; novel chemical building blocks, reactive intermediates and screening libraries used to accelerate drug discovery; and precious metals, salts and solutions used in a broad range of applications where highly specific reactions are desired. We provide bulk volumes of many products for scale-up from research to development and customized services for chemical procurement, processing, production, testing, and packaging.

Research and Safety Market Channel

Our Research and Safety Market channel serves academic, pharmaceutical, biotechnology, government and industrial customers. We go to market through our broad sales force, printed catalogs in eight different languages, a state-of-the-art website, www.fishersci.com, containing full product content for more than 650,000 products, and our global network of resellers and distributors. The Fisher Scientific catalog has been published for more than 100 years and is an internationally recognized scientific supply resource.

We have an international network of warehouses in our primary markets through which we maintain inventory and coordinate product delivery. With specialized product vaults and warehouse management systems, we are able to handle the complete range of products we offer to our customers. Our transportation capabilities include our dedicated fleet of delivery vehicles as well as parcel shipping capabilities that are closely integrated with our third-party parcel carriers. Throughout the product delivery process, we provide our customers with convenient access to comprehensive electronic systems that offer automated catalog search, product order and invoicing, and payment capabilities.

Our channel offers a mix of products that are manufactured by Thermo Fisher, by third parties for us on a private-label basis, and by third parties under their brand but offered for sale exclusively through us. We also offer a broad range of third-party products representing leading industry brand names on a non-exclusive basis.

Our research products include a complete offering of laboratory products, ranging from capital equipment and instruments to chemicals to consumable products. Our safety products include clean-room and controlled-environment supplies, personal protective equipment, firefighting, military, and first responder equipment and supplies, and environmental monitoring and sampling equipment. Our education products include science-related and laboratory products for the K-12 and secondary education market.

Our Doe & Ingalls offerings include chemical distribution and supply chain services that help life science and advanced technology manufacturers have reliable, secure supply chains for their chemical raw materials.

In addition to our broad product offerings, we offer a variety of specialized services to our customers through our Unity Lab Services team, including training, equipment servicing and asset management, and dedicated supply management

THERMO FISHER SCIENTIFIC INC.

Business (continued)

personnel. We also offer scientific support services including desktop delivery, coordination of instrument calibration and service, and on-site customer service.

BioPharma Services

Our BioPharma Services offerings include global services for pharmaceutical and biotechnology companies engaged in clinical trials, including comparator sourcing; specialized packaging; over-encapsulation; multi-lingual and specialized labeling and distribution for phase I through phase IV clinical trials; biological-specimen management; specialty pharmaceutical logistics; and clinical supply-chain planning and management. Thermo Fisher's biobanking business provides temperature-controlled repository services for pharmaceutical, biotechnology, university, government, clinical and blood-processing customers. Our biobanking services business stores pharmacological and biospecimen samples at commercial sites. Additional services include inventory management, validation, business continuity, and repository management and transportation capabilities, resulting in a complete cold chain sample management solution.

Sales and Marketing

We market and sell our products and services through a direct sales force, customer-service professionals, electronic commerce, third-party distributors and various catalogs.

We have approximately 11,000 sales personnel including highly trained technical specialists who enable us to better meet the needs of our more technical end-users. We also provide customers with product standardization and other supply-chain-management services to reduce procurement costs.

New Products and Research and Development

Our business includes the development and introduction of new products and may include entry into new business segments. During 2016, 2015 and 2014, we spent \$755 million, \$692 million and \$691 million, respectively, on research and development. We anticipate that we will continue to make significant expenditures for research and development as we seek to provide a continuing flow of innovative products to maintain and improve our competitive position.

Raw Materials

Our management team believes that we have a readily available supply of raw materials for all of our significant products from various sources. We do not anticipate any difficulties obtaining the raw materials essential to our business.

Raw material and fuel prices are subject to fluctuations due to market conditions. We employ many strategies, including the use of alternative materials, to mitigate the effect of these fluctuations on our results.

Patents, Licenses and Trademarks

Patents are important in many aspects of our business. No particular patent, or related group of patents, is so important, however, that its loss would significantly affect our operations as a whole. Where appropriate, we seek patent protection for inventions and developments made by our personnel that are incorporated into our products or otherwise fall within our fields of interest. Patent rights resulting from work sponsored by outside parties do not always accrue exclusively to the company and may be limited by agreements or contracts.

We protect some of our technology as trade secrets and, where appropriate, we use trademarks or register trademarks used in connection with products. We also enter into license agreements with others to grant and/or receive rights to patents and know-how.

Seasonal Influences

Revenues in the fourth quarter are historically stronger than in other quarters due to the capital spending patterns of industrial, pharmaceutical and government customers. Sales of flu tests and related diagnostic products vary quarter to quarter and year to year based on the severity and duration of each period's flu season. Sales of allergy tests vary quarter to quarter and year to year based on the severity and duration of each period's airborne pollen allergens.

Working Capital Requirements

There are no special inventory requirements or credit terms extended to customers that would have a material adverse effect on our working capital.

Dependency on a Single Customer

There is no single customer the loss of which would have a material adverse effect on our business. No customer accounted for more than 5% of our total revenues in any of the past three years.

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Business (continued)

Backlog

Our backlog of firm orders at year-end 2016 and 2015 was as follows:

(In millions)	2016	2015
Life Sciences Solutions	\$ 470.9	\$ 400.8
Analytical Instruments	1,701.2	892.2
Specialty Diagnostics	171.1	165.1
Laboratory Products and Services	473.0	456.6
Eliminations	(23.2)	(28.5)
	<hr/> <hr/> \$ 2,793.0	<hr/> <hr/> \$ 1,886.2

We believe that virtually all of our backlog at the end of 2016 will be filled during 2017.

Government Contracts

Although the company transacts business with various government agencies, no government contract is of such magnitude that a renegotiation of profits or termination of the contract at the election of the government agency would have a material adverse effect on the company's financial results.

Competition

The company encounters aggressive and able competition in virtually all of the markets we serve. Because of the diversity of our products and services, we face many different types of competitors and competition. Our competitors include a broad range of manufacturers and third-party distributors. Competitive climates in many of the markets we serve are characterized by changing technology and customer demands that require continuing research and development. Our success primarily depends on the following factors:

- technical performance and advances in technology that result in new products and improved price/performance ratios;
- product differentiation, availability and reliability;
- the depth of our capabilities;
- our reputation among customers as a quality provider of products and services;
- customer service and support;
- active research and application-development programs; and
- relative prices of our products and services.

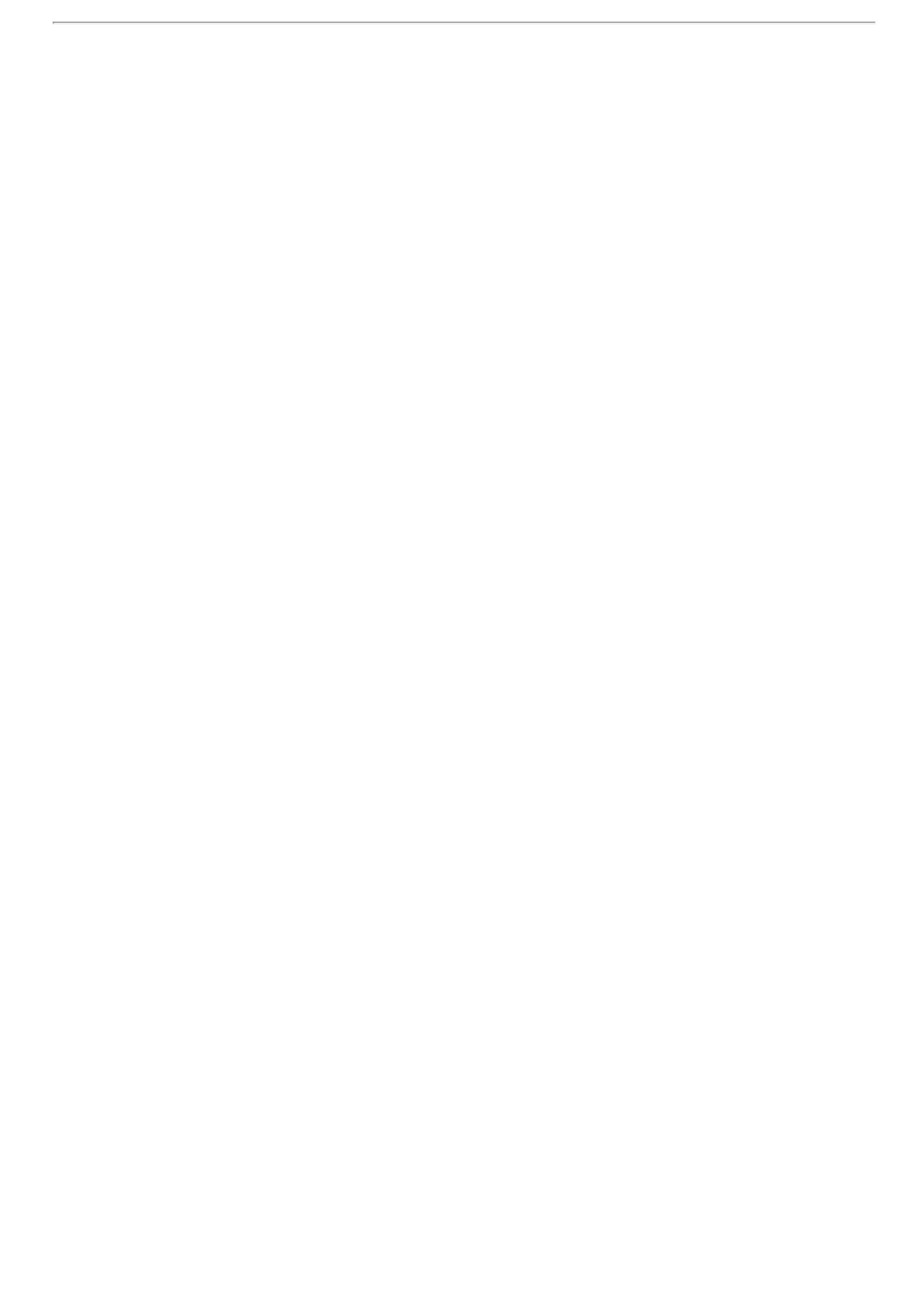
Environmental Matters

We are subject to various laws and governmental regulations concerning environmental matters and employee safety and health in the United States and other countries. U.S. federal environmental legislation that affects us includes the Toxic Substances Control Act, the Resource Conservation and Recovery Act, the Clean Air Act, the Clean Water Act, the Safe Drinking Water Act, and the Comprehensive Environmental Response Compensation and Liability Act (CERCLA). We are also subject to regulation by the Occupational Safety and Health Administration (OSHA) concerning employee safety and health matters. The United States Environmental Protection Agency (EPA), OSHA, and other federal agencies have the authority to promulgate regulations that have an effect on our operations.

In addition to these federal activities, various states have been delegated certain authority under the aforementioned federal statutes as well as having authority over these matters under state laws. Many state and local governments have adopted environmental and employee safety and health laws and regulations, some of which are similar to federal requirements.

A number of our operations involve the handling, manufacturing, use or sale of substances that are or could be classified as toxic or hazardous materials within the meaning of applicable laws. Consequently, some risk of environmental harm is inherent in our operations and products, as it is with other companies engaged in similar businesses.

Our expenses for environmental requirements are incurred generally for ongoing compliance and historical remediation matters. Based on current information, we believe that these compliance costs are not material. For historical remediation obligations, our expenditures relate primarily to the cost of permitting, installing, and operating and maintaining groundwater-treatment systems and other remedial measures.



THERMO FISHER SCIENTIFIC INC.

Business (continued)

Our Fair Lawn and Somerville, New Jersey facilities entered into administrative consent orders with the New Jersey Department of Environmental Protection in 1984 to maintain groundwater-remediation activities at these sites, and are currently under the State's Licensed Site Remediation Professional Program. As the owner of the Fair Lawn facility, we are listed as a potentially responsible party for remediation within an area called the Fair Lawn Wellfields Superfund Site, and, in 2008, the company and certain other parties entered into a consent order with the U.S. Environmental Protection Agency (USEPA) to complete a Remedial Investigation/Feasibility Study. In 2011, our Life Technologies subsidiary entered into a consent decree with the USEPA and other responsible parties to implement a groundwater remedy at the former Davis Landfill Superfund site in Smithfield, Rhode Island.

We record accruals for environmental 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. We calculate estimates based upon several factors, including reports prepared by environmental specialists and management's knowledge and experience with these environmental matters. We include in these estimates potential costs for investigation, remediation and operation and maintenance of cleanup sites. Accrued liabilities for environmental matters totaled \$49 million at December 31, 2016.

These environmental liabilities do not include third-party recoveries to which we may be entitled. We believe that our accrual is adequate for the environmental liabilities we currently expect to incur. As a result we believe that our ultimate liability with respect to environmental matters will not have a material adverse effect on our financial position, results of operations or cash flows. However, we may be subject to 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, changes in the conduct of our operations, and the effect of changes in accounting rules, which could have a material adverse effect on our financial position, results of operations or cash flows.

Regulatory Affairs

Our operations, and some of the products we offer, are subject to a number of complex and stringent laws and regulations governing the production, handling, transportation and distribution of chemicals, drugs and other similar products, including the operating and security standards of the Food and Drug Administration, the Drug Enforcement Administration, the Bureau of Alcohol, Tobacco, Firearms and Explosives, and various state boards of pharmacy as well as comparable state and foreign agencies. As Thermo Fisher's businesses also include export and import activities, we are subject to pertinent laws enforced by the U.S. Departments of Commerce, State and Treasury. In addition, our logistics activities must comply with the rules and regulations of the Department of Transportation, the Federal Aviation Administration and similar foreign agencies. While we believe we are in compliance in all material respects with such laws and regulations, any noncompliance could result in substantial fines or otherwise restrict our ability to provide competitive distribution services and thereby have an adverse effect on our financial condition. To date, none has had a material impact on our operations.

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. 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.

Number of Employees

We have approximately 55,000 employees.

Financial Information About Geographic Areas

Financial information about geographic areas is summarized in Note 3 to our Consolidated Financial Statements, which begin on page F-1 of this report.

Available Information

The company files annual, quarterly and current reports, proxy statements and other documents with the Securities and Exchange Commission (SEC) under the Exchange Act. The public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street NE, Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Also, the SEC maintains a website that contains reports, proxy and information statements and other information that issuers, including the company, file electronically with the SEC. The public can obtain any documents that we file with the SEC at www.sec.gov. We also make available free of charge on or through our own website at www.thermofisher.com our Annual Report on Form 10-K, Quarterly Reports on Form

THERMO FISHER SCIENTIFIC INC.

Business (continued)

10-Q, Current Reports on Form 8-K and, if applicable, amendments to those reports filed or furnished pursuant to Section 13(a) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. In addition, paper copies of these documents may be obtained free of charge by writing to the company care of its Investor Relations Department at our principal executive office located at 168 Third Avenue, Waltham, Massachusetts 02451.

Executive Officers of the Registrant

Name	Age	Present Title (Fiscal Year First Became Executive Officer)
Marc N. Casper	48	President and Chief Executive Officer (2001)
Mark P. Stevenson	54	Executive Vice President (2014)
Peter M. Wilver	57	Executive Vice President and Chief Administrative Officer (2003)
Patrick M. Durbin	50	Senior Vice President (2015)
Seth H. Hoogasian	62	Senior Vice President, General Counsel and Secretary (2001)
Thomas W. Loewald	53	Senior Vice President and Chief Commercial Officer (2012)
Daniel P. Shine	48	Senior Vice President (2016)
Stephen Williamson	50	Senior Vice President and Chief Financial Officer (2015)
Peter E. Hornstra	57	Vice President and Chief Accounting Officer (2001)

Mr. Casper was appointed President and Chief Executive Officer in October 2009. He was Chief Operating Officer from May 2008 to October 2009 and Executive Vice President from November 2006 to October 2009. He was Senior Vice President from December 2003 to November 2006. From December 2001 to December 2003 he was Vice President.

Mr. Stevenson was appointed Executive Vice President and President, Life Sciences Solutions in February 2014. Prior to the acquisition of Life Technologies Corporation (“Life Technologies”), Mr. Stevenson was President and Chief Operating Officer of Life Technologies from November 2008 to February 2014 and previously President and Chief Operating Officer of Applied Biosystems, Life Technologies’ predecessor entity, from December 2007 to November 2008.

Mr. Wilver was appointed Executive Vice President and Chief Administrative Officer in August 2015. He was Senior Vice President and Chief Financial Officer from November 2006 to August 2015. He was Vice President and Chief Financial Officer from October 2004 to November 2006. Mr. Wilver is retiring from the company on March 31, 2017.

Mr. Durbin was appointed Senior Vice President of Thermo Fisher Scientific and President, Specialty Diagnostics in October 2015. He was President of the BioPharma Services business from January 2010 to October 2015.

Mr. Hoogasian was appointed Senior Vice President in November 2006, Secretary in 2001 and General Counsel in 1992. He was Vice President from 1996 to November 2006.

Mr. Loewald was appointed Chief Commercial Officer in January 2016 and Senior Vice President of Thermo Fisher Scientific in January 2012. He was President, Analytical Instruments from January 2014 to January 2016 and President, Laboratory Products from January 2012 to January 2014. He was President of the Laboratory Equipment business from August 2008 to December 2011 and was President of the Environmental Instruments business from October 2006 until August 2008.

Mr. Shine was appointed Senior Vice President of Thermo Fisher Scientific and President, Analytical Instruments in January 2016. He was President of the Chromatography and Mass Spectrometry business from November 2012 to January 2016. He was President of the Chemical Analysis business from July 2011 to November 2012 and President of the Process Instruments business from April 2007 to July 2011.

Mr. Williamson was appointed Senior Vice President and Chief Financial Officer in August 2015. He was Vice President of Financial Operations from May 2008 to August 2015.

Mr. Hornstra was appointed Vice President in February 2007 and Chief Accounting Officer in January 2001. He was Corporate Controller from January 1996 to February 2007.

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 in Item 1. Business under the caption "Forward-looking Statements".

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

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

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

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

Risk Factors (continued)

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 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 2016, currency translation had an unfavorable effect of \$145 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 10). 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.

Risk Factors (continued)

However, we may be unable to obtain these licenses on commercially reasonable terms, if at all, and our challenge of the patents may be unsuccessful. Our failure to obtain the necessary licenses or other rights could prevent the sale, manufacture, or distribution of our products and, therefore, could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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 \$21.33 billion and \$1.34 billion, respectively, as of December 31, 2016. In addition, we have definite-lived intangible assets totaling \$12.63 billion as of December 31, 2016. 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 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

Risk Factors (continued)

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

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

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

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

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



Risk Factors (continued)

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 December 31, 2016, we had approximately \$16.63 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.

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 and our term facility (each, a "Facility" and together, the "Facilities") include a total debt-to-Consolidated EBITDA ratio and an interest coverage ratio. Specifically, the company has agreed that, so long as any lender has any commitment under the revolving credit facility, any letter of credit is outstanding under the revolving credit facility, or any loan or other obligation is outstanding under the revolving credit facility, it will not permit (as the following terms are defined in the credit agreement governing the revolving credit facility) the Consolidated Leverage Ratio (the ratio of consolidated Indebtedness to Consolidated EBITDA) to be greater than 4.5 to 1.0 as of the last day of any fiscal quarter for the first two consecutive quarters following the acquisition of FEI (see Note 2), with such ratio stepping down to 4.0 to 1.0 for the two immediately following fiscal quarters and then stepping down to 3.5 to 1.0 for each fiscal quarter thereafter. The company's term facility includes Consolidated Leverage Ratio covenants substantively the same as the covenant included in the revolving credit facility.

The company has also agreed that so long as any lender has any commitment under the revolving credit facility or any letter of credit is outstanding under the revolving credit facility, or any loan or other obligation is outstanding under any Facility (including the term loan and bridge facilities), it will not permit the Consolidated Interest Coverage Ratio (the ratio of Consolidated EBITDA to Consolidated Interest Expense) to be less than 3.0 to 1.0 as at 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 1B. Unresolved Staff Comments

Not applicable.

THERMO FISHER SCIENTIFIC INC.

Item 2. Properties

The location and general character of our principal properties by segment are as follows:

Life Sciences Solutions

We own approximately 4.9 million square feet of office, engineering, laboratory and production space, principally in New York, California, New Jersey, North Carolina, Ohio, Maryland and Illinois, within the U.S., and in Germany, the U.K., China, Lithuania, Denmark and Belgium. We lease approximately 4.9 million square feet of office, engineering, laboratory and production space, principally in California, New York, Massachusetts, Ohio, Utah, Nevada, Texas and North Carolina, within the U.S., and in Singapore, China, the U.K., Germany, Mexico, India, Netherlands and South Korea, under various leases that expire between 2017 and 2050.

Analytical Instruments

We own approximately 2.3 million square feet of office, engineering, laboratory and production space, principally in California, Massachusetts, Wisconsin, Oregon and Minnesota, within the U.S., and in Germany, Netherlands and Italy. We lease approximately 2.0 million square feet of office, engineering, laboratory and production space, principally in California, Texas, Tennessee, Massachusetts, Illinois, Pennsylvania and Florida, within the U.S., and in Czech Republic, China, Germany, the U.K., Japan, and Australia, under various leases that expire between 2017 and 2034.

Specialty Diagnostics

We own approximately 2.1 million square feet of office, engineering, laboratory and production space, principally in Virginia, Kansas and California, within the U.S., and in Sweden, Germany, the U.K. and Switzerland. We lease approximately 1.4 million square feet of office, engineering, laboratory and production space, principally in California, Kansas and Michigan, within the U.S., and in Finland, China, the U.K., France, Canada and Japan under various leases that expire between 2017 and 2024.

Laboratory Products and Services

We own approximately 2.5 million square feet of office, engineering, laboratory, warehouse and production space, principally in Pennsylvania, Illinois, Georgia, Kentucky and Massachusetts within the U.S., and in the U.K., Canada and France. We lease approximately 1.3 million square feet of office, engineering, laboratory, warehouse and production space, principally in California, Texas, Massachusetts, North Carolina and Georgia within the U.S., and in Australia, Germany, New Zealand and Sweden under various leases that expire between 2017 and 2031.

Corporate Headquarters

We own approximately 127,000 square feet of office space in Massachusetts.

We believe that all of the facilities that we are currently using are in good condition and are suitable and adequate to meet our current needs. If we are unable to renew any of the leases that are due to expire in 2017 or 2018, we believe that suitable replacement properties are available on commercially reasonable terms.

Item 3. Legal Proceedings

There are various lawsuits and claims against the company involving product liability, intellectual property, employment and commercial issues. See "Note 10 to our Consolidated Financial Statements – Commitments and Contingencies."

Item 4. Mine Safety Disclosures

Not applicable.

THERMO FISHER SCIENTIFIC INC.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Price of Common Stock

Our common stock is traded on the New York Stock Exchange under the symbol TMO. The following table sets forth the high and low sale prices of the company's common stock for 2016 and 2015, as reported in the consolidated transaction reporting system.

	2016		2015	
	High	Low	High	Low
First Quarter	\$ 142.99	\$ 119.75	\$ 139.03	\$ 121.54
Second Quarter	154.81	140.21	136.24	125.25
Third Quarter	160.68	143.01	141.25	117.98
Fourth Quarter	160.10	139.07	143.65	117.10

The closing price of the company's common stock on December 31, 2016 and 2015, was \$141.10 and \$141.85, respectively.

The following table sets forth the per share dividends declared on the company's common stock for 2016 and 2015.

	2016	2015
First Quarter	\$ 0.15	\$ 0.15
Second Quarter	0.15	0.15
Third Quarter	0.15	0.15
Fourth Quarter	0.15	0.15

Our payment of dividends in the future will be determined by our Board of Directors and will depend upon our earnings, financial condition and other factors.

Holders of Common Stock

As of February 4, 2017, the company had 3,937 holders of record of its common stock. This does not include holdings in street or nominee names.

Issuer Purchases of Equity Securities

A summary of the share repurchase activity for the company's fourth quarter of 2016 follows:

Period	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Average Price Paid per Share	Total Number of Shares Purchased	Maximum Dollar Amount of Shares That May Yet Be Purchased Under the Plans or Programs(1) (in millions)
Fiscal October (Oct. 2 - Nov. 5)	—	\$ —	—	\$ 1,500.0
Fiscal November (Nov. 6 - Dec. 3)	600,000	141.83	600,000	1,414.9
Fiscal December (Dec. 4 - Dec. 31)	1,153,466	142.96	1,153,466	1,250.0
Total Fourth Quarter	<u>1,753,466</u>	<u>\$ 142.58</u>	<u>1,753,466</u>	<u>\$ 1,250.0</u>

- (1) On July 7, 2016, the Board of Directors authorized the repurchase of up to \$1.50 billion of the company's common stock. All of the shares of common stock repurchased by the company during the fourth quarter of 2016 were purchased under this program.

THERMO FISHER SCIENTIFIC INC.

Item 6. Selected Financial Data

(In millions except per share amounts)	2016 (a)	2015 (b)	2014 (c)	2013 (d)	2012 (e)
Statement of Income Data					
Revenues	\$ 18,274.1	\$ 16,965.4	\$ 16,889.6	\$ 13,090.3	\$ 12,509.9
Operating Income	2,449.2	2,336.2	2,503.0	1,609.6	1,482.1
Income from Continuing Operations	2,025.3	1,980.3	1,895.5	1,279.1	1,258.4
Net Income	2,021.8	1,975.4	1,894.4	1,273.3	1,177.9
Earnings per Share from Continuing Operations:					
Basic	5.13	4.97	4.76	3.55	3.46
Diluted	5.10	4.93	4.71	3.50	3.43
Earnings per Share:					
Basic	5.12	4.96	4.76	3.53	3.24
Diluted	5.09	4.92	4.71	3.48	3.21
Cash Dividends Declared per Share	0.60	0.60	0.60	0.60	0.54
Balance Sheet Data					
Working Capital	\$ 2,155.2	\$ 1,594.9	\$ 1,190.0	\$ 6,754.7	\$ 2,741.5
Total Assets	45,907.5	40,834.3	42,852.1	31,863.4	27,444.6
Long-term Obligations	15,372.4	11,420.2	12,351.6	9,499.6	7,031.2
Shareholders' Equity	21,539.3	21,350.2	20,548.1	16,856.1	15,464.7

The caption "restructuring and other costs/income" in the notes below includes amounts charged to cost of revenues, primarily for the sale of inventories revalued at the date of acquisition, and charges/credits to selling, general and administrative expense primarily for significant acquisition transaction costs.

- (a) Reflects \$395 million of pre-tax charges for restructuring and other costs and the repurchase of \$1.25 billion of the company's common stock. Also reflects the acquisitions of Affymetrix, Inc. in March 2016 and FEI Company in September 2016.
- (b) Reflects \$171 million of pre-tax charges for restructuring and other costs and the repurchase of \$500 million of the company's common stock.
- (c) Reflects \$140 million of pre-tax income from gains on sale of businesses, net of restructuring and other costs. Also reflects the acquisition of Life Technologies Corporation in February 2014.
- (d) Reflects \$180 million of pre-tax charges for restructuring and other costs and the repurchase of \$90 million of the company's common stock. Also reflects the issuance of \$3.20 billion of long-term debt in December 2013 to fund the acquisition of Life Technologies in February 2014.
- (e) Reflects \$150 million of pre-tax charges for restructuring and other costs; after-tax income of \$81 million related to the company's discontinued operations; and the repurchase of \$1.15 billion of the company's common stock.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Reference is made throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations to Notes to Consolidated Financial Statements, which begin on page F-1 of this report.

Overview

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

Recent Acquisitions and Divestitures

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

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

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

On August 15, 2014, the company sold its Cole-Parmer specialty channel business, part of the Laboratory Products and Services segment, for \$480 million in cash, net of cash divested. The sale of this business resulted in a pre-tax gain of approximately \$134 million, included in restructuring and other costs (income), net. Revenues and operating income of the business sold were approximately \$232 million and \$43 million, respectively, for the year ended December 31, 2013 and \$149 million and \$28 million, respectively, in 2014 through the date of sale.

In February 2015, the company acquired, within the Life Sciences Solutions segment, Advanced Scientifics, Inc., a North America-based global provider of single-use systems and process equipment for bioprocess production, for approximately \$289 million. The acquisition expanded the company's bioprocessing offerings. Revenues of Advanced Scientifics were approximately \$80 million in 2014.

On September 30, 2015, the company acquired, within the Laboratory Products and Services segment, Alfa Aesar, a U.K.-based global manufacturer of research chemicals from Johnson Matthey Plc, for £257 million (\$393 million) in cash. The acquisition expanded the company's existing portfolio of chemicals, solvents and reagents. Revenues of Alfa Aesar were approximately £78 million in 2014.

On March 31, 2016, the company acquired, 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.

THERMO FISHER SCIENTIFIC INC.

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

Overview of Results of Operations and Liquidity

(Dollars in millions)	2016		2015	
Revenues				
Life Sciences Solutions	\$ 4,978.1	27.2 %	\$ 4,439.4	26.2 %
Analytical Instruments	3,668.2	20.1 %	3,208.2	18.9 %
Specialty Diagnostics	3,339.2	18.3 %	3,243.9	19.1 %
Laboratory Products and Services	7,030.0	38.5 %	6,661.5	39.3 %
Eliminations	(741.4)	(4.1)%	(587.6)	(3.5)%
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 18,274.1	100 %	\$ 16,965.4	100 %

Sales in 2016 were \$18.27 billion, an increase of \$1.31 billion from 2015. Sales increased \$733 million due to acquisitions. The unfavorable effects of currency translation resulted in a decrease in revenues of \$145 million in 2016. Aside from the effects of currency translation and acquisitions, revenues increased \$721 million (4%) primarily due to increased demand. Sales to customers in the company's primary end markets grew. Demand from customers in pharmaceutical and biotech industries was particularly strong. Sales growth was strong in Asia, moderate in Europe and modest in North America. Based on the weakening of currency exchange rates against the U.S. dollar that occurred in 2016, the company currently expects that there will be a continued adverse effect on reported amounts of revenue and operating income in 2017 as a result of the stronger U.S. dollar.

In 2016, total company operating income and operating income margin were \$2.45 billion and 13.4%, respectively, compared with \$2.34 billion and 13.8%, respectively, in 2015. The increase in operating income was primarily due to profit on higher sales in local currencies, productivity improvements, net of inflationary cost increases, and, to a lesser extent, acquisitions. These increases were offset in part by higher restructuring and acquisition-related charges in the 2016 period, strategic growth investments and unfavorable sales mix. 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 benefit from income taxes in 2016. In 2016, the company continued to implement 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 \$91 million, offset in part by additional U.S. taxes of \$37 million on the related foreign income (which reduced the benefit from the foreign rate differential in 2016) for a net benefit of \$54 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 company intends to make similar types of distributions from non-U.S. subsidiaries when they can be made at no net tax cost. 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. The company also implemented foreign tax credit planning in Sweden which resulted in \$100 million of foreign tax credits, with no related incremental U.S. income tax expense. In addition, the company recorded discrete benefits in 2016 totaling \$39 million related to prior year tax filings and net charges of \$12 million related to tax audits.

The company recorded a benefit from income taxes in 2015. In 2015, 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 \$111 million, offset in part by additional U.S. taxes of \$46 million on the related foreign income (which reduced the benefit from the foreign rate differential in 2015) for a net benefit of \$66 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 company also implemented foreign tax credit planning in Sweden which resulted in \$80 million of foreign tax credits, with no related

THERMO FISHER SCIENTIFIC INC.

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

Overview of Results of Operations and Liquidity (continued)

incremental U.S. income tax expense. In addition, the company recorded discrete benefits totaling \$54 million related to additional prior year foreign tax and other credits as well as restructuring and other costs associated with the 2014 acquisition of Life Technologies. The tax provision in the 2015 period was favorably affected by \$37 million as a result of adjustments to deferred tax balances due to changes in tax rates. The effective tax rate in both 2016 and 2015 was also affected by relatively significant earnings in lower tax jurisdictions. Due primarily to the non-deductibility of intangible asset amortization for tax purposes, the company's cash payments for income taxes were higher than its income tax expense for financial reporting purposes and totaled \$663 million and \$477 million in 2016 and 2015, respectively.

The company expects its effective tax rate in 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.

Income from continuing operations increased to \$2.03 billion in 2016, from \$1.98 billion in 2015. The increase in operating income in the 2016 period (discussed above) was offset in part by an increase in interest expense of \$55 million primarily due to increases in outstanding debt to fund acquisitions and a lower tax benefit from income taxes in 2016.

During 2016, the company's cash flow from operations totaled \$3.16 billion compared with \$2.82 billion for 2015. The increase primarily resulted from lower investments in working capital and higher income before amortization and depreciation in the 2016 period.

As of December 31, 2016, the company's short-term debt totaled \$1.26 billion, including \$300 million due within the next twelve months under a 3-year term loan agreement and \$953 million of commercial paper obligations. 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 December 31, 2016, no borrowings were outstanding under the company's revolving credit facility, although available capacity was reduced by approximately \$72 million as a result of outstanding letters of credit.

The company believes that its existing cash and cash equivalents of \$786 million as of December 31, 2016 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.

The company believes the following represent its critical accounting policies and estimates used in the preparation of its financial statements:

(a) Accounts Receivable

The company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to pay amounts due. Such allowances totaled \$77 million at December 31, 2016. The company estimates the amount of customer receivables that are uncollectible based on the age of the receivable, the creditworthiness of the customer and any other information that is relevant to the judgment. If the financial condition of the company's customers were to deteriorate, reducing their ability to make payments, additional allowances would be required.

(b) Inventories

The company writes down its inventories for estimated excess quantities and obsolescence based on differences between the cost and estimated net realizable value taking into consideration usage in the preceding 12 months,

THERMO FISHER SCIENTIFIC INC.

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

Critical Accounting Policies and Estimates (continued)

expected demand and any other information that is relevant to the judgment. If ultimate usage or demand varies significantly from expected usage or demand, additional writedowns may be required.

(c) Intangible Assets and Goodwill

The company uses assumptions and estimates in determining the fair value of assets acquired and liabilities assumed in a business combination. The determination of the fair value of intangible assets, which represent a significant portion of the purchase price in many of the company's acquisitions, requires the use of significant judgment with regard to (i) the fair value; and (ii) whether such intangibles are amortizable or non-amortizable and, if the former, the period and the method by which the intangible asset will be amortized. The company estimates the fair value of acquisition-related intangible assets principally based on projections of cash flows that will arise from identifiable intangible assets of acquired businesses. The projected cash flows are discounted to determine the present value of the assets at the dates of acquisition. Definite-lived intangible assets totaled \$12.63 billion at December 31, 2016. The company reviews definite-lived intangible assets for impairment when indication of potential impairment exists, such as a significant reduction in cash flows associated with the assets. Actual cash flows arising from a particular intangible asset could vary from projected cash flows which could imply different carrying values from those established at the dates of acquisition and which could result in impairment of such asset.

The company evaluates goodwill and indefinite-lived intangible assets for impairment annually and when events occur or circumstances change that may reduce the fair value of the asset below its carrying amount. Events or circumstances that might require an interim evaluation include unexpected adverse business conditions, economic factors, unanticipated technological changes or competitive activities, loss of key personnel and acts by governments and courts. Goodwill and indefinite-lived intangible assets totaled \$21.33 billion and \$1.34 billion, respectively, at December 31, 2016. Estimates of future cash flows require assumptions related to revenue and operating income growth, asset-related expenditures, working capital levels and other factors. Different assumptions from those made in the company's analysis could materially affect projected cash flows and the company's evaluation of goodwill and indefinite-lived intangible assets for impairment.

Indications of fair value based on projections of profitability for 2017 and thereafter and on peer revenues and earnings trading multiples were sufficient to conclude that no impairment of goodwill or indefinite-lived intangible assets existed at the end of the tenth fiscal month of 2016, the date of the company's impairment testing. There can be no assurance, however, that an economic downturn will not materially adversely affect peer trading multiples and the company's businesses such that they do not achieve their forecasted profitability and these assets become impaired. Should the fair value of the company's goodwill or indefinite-lived intangible assets decline because of reduced operating performance, market declines, or other indicators of impairment, or as a result of changes in the discount rate, charges for impairment may be necessary.

With the completion of the FEI acquisition in September 2016, the company established a new reporting unit called Materials and Structural Analysis, which consists of the former FEI business. Because this reporting unit consists solely of the acquired business, the book value of which equaled its fair value as of the acquisition date, no cushion of fair value over book value existed at the acquisition date. During its 2016 goodwill impairment testing, the company determined that the Materials and Structural Analysis reporting unit's cushion of fair value over book value was nominal as of November 5, 2016. Given that the fair value is not substantially in excess of the book value, relatively small decreases in future cash flows from forecasted results or changes in discount rates or other assumptions could result in impairment of goodwill. The key variables that drive the cash flows of the reporting unit are levels of profitability and terminal value growth rate assumptions, as well as the weighted average cost of capital (WACC) rate applied. The estimates used for these assumptions represent management's best estimates, which the company believes are reasonable. These assumptions, however, are subject to uncertainty, including the degree to which the acquired business will grow revenue and profitability levels. The Materials and Structural Analysis reporting unit had \$1.99 billion of goodwill, and had an overall carrying value of \$3.93 billion as of December 31, 2016.

(d) Revenues

In instances where the company sells equipment with a related installation obligation, the company generally recognizes revenue related to the equipment when title passes. The company recognizes revenue related to the installation when it performs the installation. The allocation of revenue between the equipment and the installation is based on relative selling price at the time of sale. Should the relative value of either the equipment or the installation change, the company's revenue recognition would be affected.

THERMO FISHER SCIENTIFIC INC.

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

Critical Accounting Policies and Estimates (continued)

In instances where the company sells equipment with customer-specified acceptance criteria, the company must assess whether it can demonstrate adherence to the acceptance criteria prior to the customer's acceptance testing to determine the timing of revenue recognition. If the nature of customer-specified acceptance criteria were to change or grow in complexity such that the company could not demonstrate adherence, the company would be required to defer additional revenues upon shipment of its products until completion of customer acceptance testing.

The company records reductions to revenue for estimated product returns by customers. Should a greater or lesser number of products be returned, additional adjustments to revenue may be required.

(e) Income Taxes

In the ordinary course of business there is inherent uncertainty in quantifying the company's income tax positions. The company assesses income tax positions and records tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances and information available at the reporting date. For those tax positions where it is more likely than not that a tax benefit will be sustained, the company has recorded the largest amount of tax benefit with a greater than 50 percent likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements. The company's reserve for these matters totaled \$802 million at December 31, 2016. Where applicable, associated interest expense has also been recognized as a component of the provision for income taxes.

The company operates in numerous countries under many legal forms and, as a result, is subject to the jurisdiction of numerous domestic and non-U.S. tax authorities, as well as to tax agreements and treaties among these governments. Determination of taxable income in any jurisdiction requires the interpretation of the related tax laws and regulations and the use of estimates and assumptions regarding significant future events, such as the amount, timing and character of deductions, permissible revenue recognition methods under the tax law and the sources and character of income and tax credits. Changes in tax laws, regulations, agreements and treaties, currency exchange restrictions or the company's level of operations or profitability in each taxing jurisdiction could have an impact upon the amount of current and deferred tax balances and hence the company's net income.

The company estimates the degree to which tax assets and loss carryforwards will result in a benefit, based on expected profitability by tax jurisdiction, and provides a valuation allowance for tax assets and loss carryforwards that it believes will more likely than not go unused. If it becomes more likely than not that a tax asset or loss carryforward will be used, the company reverses the related valuation allowance. Any such reversals are recorded as a reduction of the company's tax provision. The company's tax valuation allowance totaled \$113 million at December 31, 2016. Should the company's actual future taxable income by tax jurisdiction vary from estimates, additional allowances or reversals thereof may be necessary.

The company provides a liability for future income tax payments in the worldwide tax jurisdictions in which it operates. Should tax return positions that the company expects are sustainable not be sustained upon audit, the company could be required to record an incremental tax provision for such taxes. Should previously unrecognized tax benefits ultimately be sustained, a reduction in the company's tax provision would result.

The company operates in various jurisdictions around the world. With the exception of its Affymetrix Singapore subsidiary, the company has not provided income taxes on the undistributed earnings of its non-U.S. subsidiaries due to its intention to permanently reinvest such earnings unless the company can remit such earnings to the U.S. without associated net tax cost. The company recorded a deferred tax liability of \$156 million in acquisition accounting for the outside basis difference of Affymetrix Singapore as the company intends to integrate it with the company's existing Singapore operations within the next twelve months. Aside from this plan, the company's intent is to only make distributions from non-U.S. subsidiaries in the future when they can be made at no net tax cost.

(f) Contingencies and Litigation

The company records accruals for various contingencies, including legal proceedings, environmental, workers' compensation, product, general and auto liabilities, and other claims that arise in the normal course of business. The accruals are based on management's judgment, historical claims experience, the probability of losses and, where applicable, the consideration of opinions of internal and or external legal counsel and actuarial estimates. Accruals of acquired businesses, including product liability and environmental accruals, were initially recorded at fair value and

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Critical Accounting Policies and Estimates (continued)

discounted to their net present value. Additionally, the company records receivables from third-party insurers when recovery has been determined to be probable.

(g) Pension and Other Retiree Benefits

Several of the company's U.S. and non-U.S. subsidiaries sponsor defined benefit pension and other retiree benefit plans. The cost and obligations of these arrangements are calculated using many assumptions to estimate the benefits that the employee earns while working, the amount of which cannot be completely determined until the benefit payments cease. Major assumptions used in the accounting for these employee benefit plans include the discount rate, expected return on plan assets and rate of increase in employee compensation levels. Assumptions are determined based on company data and appropriate market indicators in consultation with third-party actuaries, and are evaluated each year as of the plans' measurement date. Net periodic pension costs for the company's pension and other postretirement benefit plans totaled \$34 million in 2016. The company's unfunded benefit obligation totaled \$610 million at year-end 2016 compared with \$528 million at year-end 2015. Should any of these assumptions change, they would have an effect on net periodic pension costs and the unfunded benefit obligation. For example, a 10% decrease in the discount rate would result in an annual increase in pension and other postretirement benefit expense of approximately \$2 million and an increase in the benefit obligation of approximately \$93 million.

As of December 31, 2016, the company expects to contribute between \$215 and \$235 million to its existing defined benefit pension plans in 2017.

As of January 1, 2017, the company changed the method it uses to estimate the service and interest components of net periodic benefit cost for pension and other retiree benefit plans. Historically, the company estimated these service and interest cost components utilizing the single weighted-average discount rate used to measure each plan's benefit obligation at the beginning of the year. Beginning in 2017, the company will utilize a full yield curve approach in the estimation of these components by applying the specific spot-rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows. The company has made this change to provide a more precise measurement of the service and interest costs by improving the correlation between projected benefit cash flows to the corresponding spot yield curve rates. The company has accounted for this change as a change in accounting estimate and will account for it prospectively starting in January 2017. The reduction in service and interest costs for 2017 associated with this change in estimate will be approximately \$10 million.

Results of Operations

2016 Compared With 2015

(In millions)	2016	2015	Total Change	Currency Translation	Acquisitions/ Divestitures	Operations
Revenues						
Life Sciences Solutions	\$ 4,978.1	\$ 4,439.4	\$ 538.7	\$ (37.5)	\$ 261.1	\$ 315.1
Analytical Instruments	3,668.2	3,208.2	460.0	(26.8)	386.9	99.9
Specialty Diagnostics	3,339.2	3,243.9	95.3	(19.7)	0.2	114.8
Laboratory Products and Services	7,030.0	6,661.5	368.5	(75.5)	89.6	354.4
Eliminations	(741.4)	(587.6)	(153.8)	14.6	(5.2)	(163.2)
Consolidated Revenues	<u>\$ 18,274.1</u>	<u>\$ 16,965.4</u>	<u>\$ 1,308.7</u>	<u>\$ (144.9)</u>	<u>\$ 732.6</u>	<u>\$ 721.0</u>

Sales in 2016 were \$18.27 billion, an increase of \$1.31 billion from 2015. The unfavorable effects of currency translation resulted in a decrease in revenues of \$145 million in 2016. Sales increased \$733 million due to acquisitions. Aside from the effects of currency translation and acquisitions, revenues increased \$721 million (4%) primarily due to increased demand. Sales to customers in the company's primary end markets grew. Demand from customers in pharmaceutical and biotech industries was particularly strong. Sales growth was strong in Asia, moderate in Europe and modest in North America.

In 2016, total company operating income and operating income margin were \$2.45 billion and 13.4%, respectively, compared with \$2.34 billion and 13.8%, respectively, in 2015. The increase in operating income was primarily due to profit on higher sales in local currencies, productivity improvements, net of inflationary cost increases, and, to a lesser extent,

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Results of Operations (continued)

acquisitions. These increases were offset in part by higher restructuring and acquisition-related charges in the 2016 period, strategic growth investments and unfavorable sales mix.

In 2016, the company recorded restructuring and other costs, net, of \$395 million, including \$102 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; \$104 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 \$164 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 (see Note 14). The company also recorded charges for litigation and environmental remediation matters. These costs were partially offset by gains on the sales of real estate.

In 2015, the company recorded restructuring and other costs, net, of \$171 million, including \$9 million of charges to cost of revenues for the sale of inventories revalued at the date of acquisition and, to a lesser extent, accelerated depreciation at facilities closing due to real estate consolidation; \$46 million of charges to selling, general and administrative expenses primarily for charges associated with product liability litigation, third-party transaction and integration costs primarily related to the acquisitions of Life Technologies and Alfa Aesar, and accelerated depreciation at facilities closing due to real estate consolidation. In addition, the company recorded \$82 million of cash restructuring costs primarily for actions to achieve synergies from the Life Technologies acquisition and for abandoned facilities costs associated with a manufacturing facility 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, including the consolidation of operations within several facilities in the U.S., Europe and Asia. The company also recorded charges for litigation-related matters associated with acquired businesses and impairment of acquired technology in development. These costs were partially offset by gains on the sale of a small product line and real estate.

As of February 28, 2017, the company has identified restructuring actions that will result in additional charges of approximately \$85 million in 2017 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. Approximately 45% of the additional charges will be incurred in the Life Sciences Solutions segment, 35% in the Analytical Instruments segment, with the remainder incurred across the company's remaining segments. The restructuring projects for which charges were incurred in 2016 are expected to result in annual cost savings of approximately \$100 million beginning in part in 2016 and, to a greater extent, in 2017, including \$60 million in the Life Sciences Solutions segment, \$25 million in the Analytical Instruments segment, \$5 million in the Specialty Diagnostics segment and \$10 million in the Laboratory Products and Services segment. The restructuring actions for which charges were incurred in 2015 resulted in annual cost savings of approximately \$100 million beginning in part in 2015 and to a greater extent in 2016, including \$50 million in the Life Sciences Solutions segment, \$25 million in the Analytical Instruments segment, \$10 million in the Specialty Diagnostics segment and \$15 million in the Laboratory Products and Services segment.

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.

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Results of Operations (continued)

(Dollars in millions)	2016	2015	Change
Revenues			
Life Sciences Solutions	\$ 4,978.1	\$ 4,439.4	12%
Analytical Instruments	3,668.2	3,208.2	14%
Specialty Diagnostics	3,339.2	3,243.9	3%
Laboratory Products and Services	7,030.0	6,661.5	6%
Eliminations	(741.4)	(587.6)	26%
Consolidated Revenues	<u>\$ 18,274.1</u>	<u>\$ 16,965.4</u>	8%
Segment Income			
Life Sciences Solutions	\$ 1,514.7	\$ 1,336.9	13%
Analytical Instruments	745.2	612.8	22%
Specialty Diagnostics	909.8	872.9	4%
Laboratory Products and Services	1,052.1	999.1	5%
Subtotal Reportable Segments	4,221.8	3,821.7	10%
Cost of Revenues Charges	(101.5)	(9.1)	
Selling, General and Administrative Charges, Net	(103.9)	(46.3)	
Restructuring and Other (Costs) Income, Net	(189.2)	(115.3)	
Amortization of Acquisition-related Intangible Assets	(1,378.0)	(1,314.8)	
Consolidated Operating Income	<u>\$ 2,449.2</u>	<u>\$ 2,336.2</u>	5%
Reportable Segments Operating Income Margin	23.1%	22.5%	
Consolidated Operating Income Margin	13.4%	13.8%	
Income from the company's reportable segments increased 10% to \$4.22 billion in 2016 due primarily to profit on higher sales in local currencies and productivity improvements, net of inflationary cost increases. These increases were offset in part by strategic growth investments and unfavorable sales mix.			
<i>Life Sciences Solutions</i>			
(Dollars in millions)	2016	2015	Change
Revenues	<u>\$ 4,978.1</u>	<u>\$ 4,439.4</u>	<u>12%</u>
Operating Income Margin	<u>30.4%</u>	<u>30.1%</u>	<u>0.3 pt</u>

Sales in the Life Sciences Solutions segment increased \$539 million to \$4.98 billion in 2016. Sales increased \$315 million (7%) due to higher revenues at existing businesses and \$261 million due to acquisitions, offset in part by a decrease of \$38 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 bioprocess production products and, to a lesser extent, next generation sequencing products.

Operating income margin was 30.4% in 2016 compared to 30.1% in 2015. The increase in operating margin resulted from productivity improvements, net of inflationary cost increases, profit on higher sales in local currencies and, to a lesser extent, price increases. These increases were offset in part by unfavorable sales mix, acquisition dilution and strategic growth investments.

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Results of Operations (continued)

Analytical Instruments

(Dollars in millions)	2016	2015	Change
Revenues	\$ 3,668.2	\$ 3,208.2	14%
Operating Income Margin	20.3%	19.1%	1.2 pt

Sales in the Analytical Instruments segment increased \$460 million to \$3.67 billion in 2016. Sales increased \$387 million due to acquisitions and \$100 million (3%) due to higher revenues at existing businesses, offset in part by a decrease of \$27 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, sales of environmental instruments. These increases were offset in part by lower sales of chemical analysis products due primarily to softness in certain industrial end markets.

Operating income margin was 20.3% in 2016 compared to 19.1% in 2015. The increase resulted primarily from productivity improvements, net of inflationary cost increases, profit on higher sales in local currencies and, to a lesser extent, favorable foreign currency exchange. These increases were offset in part by unfavorable sales mix and strategic growth investments.

Specialty Diagnostics

(Dollars in millions)	2016	2015	Change
Revenues	\$ 3,339.2	\$ 3,243.9	3%
Operating Income Margin	27.2%	26.9%	0.3 pt

Sales in the Specialty Diagnostics segment increased \$95 million to \$3.34 billion in 2016. Sales increased \$115 million (4%) due to higher revenues at existing businesses, offset in part by a decrease of \$20 million due to the unfavorable effects of currency translation. The increase in revenue at existing businesses was primarily due to increased demand for products in each of the segment's principal businesses with particular strength in the segment's healthcare market channel and sales of immunodiagnostics products and clinical diagnostics products.

Operating income margin was 27.2% in 2016 and 26.9% in 2015. The increase resulted primarily from productivity improvements, net of inflationary cost increases, and profit on higher sales in local currencies, offset in part by strategic growth investments.

Laboratory Products and Services

(Dollars in millions)	2016	2015	Change
Revenues	\$ 7,030.0	\$ 6,661.5	6%
Operating Income Margin	15.0%	15.0%	0.0 pt

Sales in the Laboratory Products and Services segment increased \$369 million to \$7.03 billion in 2016. Sales increased \$354 million (5%) due to higher revenues at existing businesses and \$90 million due to an acquisition. These increases were offset in part by \$76 million due to the unfavorable effects of currency translation. The increase in revenue at existing businesses was primarily due to increased demand for products in each of the segment's principal businesses.

Operating income margin was 15.0% in both 2016 and 2015. Increases due to productivity improvements, net of inflationary cost increases, and profit on higher sales in local currencies, were offset by strategic growth investments and unfavorable sales mix.

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Results of Operations (continued)

Other Expense, Net

The company reported other expense, net, of \$425 million and \$400 million in 2016 and 2015, respectively (Note 4). Interest expense increased \$55 million primarily due to an increase in outstanding debt. In 2016, other items, net includes \$22 million of charges related to the amortization of fees paid to obtain bridge financing commitments for the acquisition of FEI and \$9 million of losses on the early extinguishment of debt, offset in part by \$12.5 million of gains on investments. In 2015, other items, net includes losses of \$12 million on the early extinguishment of debt and costs of \$7.5 million associated with entering into interest rate swap arrangements.

Provision for Income Taxes

The company recorded a benefit from income taxes in 2016. In 2016, the company continued to implement 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 \$91 million, offset in part by additional U.S. taxes of \$37 million on the related foreign income (which reduced the benefit from the foreign rate differential in 2016) for a net benefit of \$54 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 company intends to make similar types of distributions from non-U.S. subsidiaries when they can be made at no net tax cost. 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. The company also implemented foreign tax credit planning in Sweden which resulted in \$100 million of foreign tax credits, with no related incremental U.S. income tax expense. In addition, the company recorded discrete benefits in 2016 totaling \$39 million related to prior year tax filings and net charges of \$12 million related to tax audits.

The company recorded a benefit from income taxes in 2015. In 2015, 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 \$111 million, offset in part by additional U.S. taxes of \$46 million on the related foreign income (which reduced the benefit from the foreign rate differential in 2015) for a net benefit of \$66 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 company also implemented foreign tax credit planning in Sweden which resulted in \$80 million of foreign tax credits, with no related incremental U.S. income tax expense. In addition, the company recorded discrete benefits totaling \$54 million related to additional prior year foreign tax and other credits as well as restructuring and other costs associated with the 2014 acquisition of Life Technologies. The tax provision in the 2015 period was favorably affected by \$37 million as a result of adjustments to deferred tax balances due to changes in tax rates. The effective tax rate in both 2016 and 2015 was also affected by relatively significant earnings in lower tax jurisdictions. Due primarily to the non-deductibility of intangible asset amortization for tax purposes, the company's cash payments for income taxes were higher than its income tax expense for financial reporting purposes and totaled \$663 million and \$477 million in 2016 and 2015, respectively.

The company expects its effective tax rate in 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.

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.

Recent Accounting Pronouncements

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

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Results of Operations (continued)

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 10 could have a material adverse effect on the company's financial position as well as its results of operations and cash flows.

2015 Compared With 2014

(In millions)	2015	2014	Total Change	Currency Translation	Acquisitions/ Divestitures	Operations
Revenues						
Life Sciences Solutions	\$ 4,439.4	\$ 4,195.7	\$ 243.7	\$ (263.8)	\$ 305.9	\$ 201.6
Analytical Instruments	3,208.2	3,252.2	(44.0)	(188.8)	4.1	140.7
Specialty Diagnostics	3,243.9	3,343.6	(99.7)	(196.6)	10.8	86.1
Laboratory Products and Services	6,661.5	6,601.5	60.0	(302.9)	(101.9)	464.8
Eliminations	(587.6)	(503.4)	(84.2)	13.8	(7.4)	(90.6)
Consolidated Revenues	\$ 16,965.4	\$ 16,889.6	\$ 75.8	\$ (938.3)	\$ 211.5	\$ 802.6

Sales in 2015 were \$16.97 billion, an increase of \$76 million from 2014. The unfavorable effects of currency translation resulted in a decrease in revenues of \$938 million in 2015. Sales increased \$212 million due to acquisitions, principally Life Technologies, net of divestitures. Aside from the effects of currency translation and acquisitions/divestitures, revenues increased \$803 million (5%) primarily due to increased demand. Sales to customers in the company's primary end markets grew. Demand from customers in pharmaceutical and biotech industries was particularly strong. Sales growth was moderate in North America and Europe and strong in Asia.

In 2015, total company operating income and operating income margin were \$2.34 billion and 13.8%, respectively, compared with \$2.50 billion and 14.8%, respectively, in 2014. The decrease in operating income and operating income margin was primarily due to net gains of \$895 million on the sale of businesses in 2014, offset in part by \$450 million of charges in 2014 associated with the February 2014 acquisition of Life Technologies. The unfavorable impact of foreign currency exchange also contributed to the decrease in profitability. These factors that reduced operating income in 2015 were offset in part by productivity improvements, net of inflationary cost increases and, to a lesser extent, profit on higher sales in local currencies.

In 2015, the company recorded restructuring and other costs, net, of \$171 million, including \$9 million of charges to cost of revenues for the sale of inventories revalued at the date of acquisition and, to a lesser extent, accelerated depreciation at facilities closing due to real estate consolidation; \$46 million of charges to selling, general and administrative expenses primarily for charges associated with product liability litigation, third-party transaction and integration costs primarily related to the acquisitions of Life Technologies and Alfa Aesar, and accelerated depreciation at facilities closing due to real estate consolidation. In addition, the company recorded \$82 million of cash restructuring costs primarily for actions to achieve synergies from the Life Technologies acquisition and for abandoned facilities costs associated with a manufacturing facility 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, including the consolidation of operations within several facilities in the U.S., Europe and Asia. The company also recorded charges for litigation-related matters associated with acquired businesses and impairment of acquired technology in development. These costs were partially offset by gains on the sale of a small product line and real estate (see Note 14).

In 2014, the company recorded restructuring and other income, net, of \$140 million, including net gains on the sale of businesses and real estate of \$895 million and \$15 million, respectively, offset in part by \$328 million of charges to cost of revenues primarily for the sale of inventories revalued at the date of acquisition; \$131 million of charges to selling, general and administrative expenses primarily for transaction costs related to the acquisition of Life Technologies; and \$29 million of charges for pension settlements. The company incurred \$268 million of cash restructuring costs primarily associated with the Life Technologies acquisition including cash compensation to monetize certain equity awards held by Life Technologies

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Results of Operations (continued)

employees at the date of acquisition and severance obligations to former executives and employees of Life Technologies. In addition, the company's other businesses incurred costs for continued headcount reductions and facility consolidations in an effort to streamline operations, including severance at several businesses and abandoned facility expenses at businesses that have been or are being consolidated, including the consolidation of operations within several facilities in the U.S., Europe and Asia.

The restructuring actions for which charges were incurred in 2014 resulted in annual cost savings of approximately \$120 million beginning in part in 2014 and to a greater extent in 2015, including \$80 million in the Life Sciences Solutions segment, \$10 million in the Analytical Instruments segment, \$10 million in the Specialty Diagnostics segment and \$20 million in the Laboratory Products and Services segment.

Segment Results

(Dollars in millions)	2015	2014	Change
Revenues			
Life Sciences Solutions	\$ 4,439.4	\$ 4,195.7	6 %
Analytical Instruments	3,208.2	3,252.2	(1)%
Specialty Diagnostics	3,243.9	3,343.6	(3)%
Laboratory Products and Services	6,661.5	6,601.5	1 %
Eliminations	(587.6)	(503.4)	17 %
Consolidated Revenues	<u>\$ 16,965.4</u>	<u>\$ 16,889.6</u>	0 %
Segment Income			
Life Sciences Solutions	\$ 1,336.9	\$ 1,214.9	10 %
Analytical Instruments	612.8	581.1	5 %
Specialty Diagnostics	872.9	916.0	(5)%
Laboratory Products and Services	999.1	982.8	2 %
Subtotal Reportable Segments	3,821.7	3,694.8	3 %
Cost of Revenues Charges	(9.1)	(327.6)	
Selling, General and Administrative Costs, Net	(46.3)	(130.7)	
Restructuring and Other Income (Costs), Net	(115.3)	598.2	
Amortization of Acquisition-related Intangible Assets	(1,314.8)	(1,331.7)	
Consolidated Operating Income	<u>\$ 2,336.2</u>	<u>\$ 2,503.0</u>	(7)%
Reportable Segments Operating Income Margin	22.5%	21.9%	
Consolidated Operating Income Margin	13.8%	14.8%	

Income from the company's reportable segments increased 3% to \$3.82 billion in 2015 due primarily to productivity improvements, net of inflationary cost increases, and, to a lesser extent, profit on higher sales in local currencies, offset in part by the unfavorable impact of foreign currency exchange and strategic growth investments.

Life Sciences Solutions

(Dollars in millions)	2015	2014	Change
Revenues	<u>\$ 4,439.4</u>	<u>\$ 4,195.7</u>	6%

Operating Income Margin

30.1%

29.0%

1.1 pt

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Sales in the Life Sciences Solutions segment increased \$244 million to \$4.44 billion in 2015 primarily due to the acquisition of Life Technologies, net of divestitures. Had the acquisition of Life Technologies been completed at the beginning of 2013, revenues for the 2015 period would have decreased \$25 million compared to pro forma 2014 revenues, including a decrease of \$278 million due to the unfavorable effects of currency translation, offset in part by an increase of \$213 million (5%) due to higher revenues at existing businesses and an increase of \$40 million due to other acquisitions, net of dispositions. The increase in pro forma revenue at existing businesses was primarily due to increased demand for bioprocess production products as well as biosciences products.

Operating income margin was 30.1% in 2015 compared to 29.0% in 2014. The increase resulted primarily from productivity improvements (including acquisition cost synergies), net of inflationary cost increases and favorable sales mix. These increases were offset in part by the unfavorable impact of foreign currency exchange and, to a lesser extent, by exclusion in 2014 of January's lower margin results for Life Technologies. Results for January commonly have a lower margin rate than results for the balance of the quarter, due to the phasing of revenue and costs.

Analytical Instruments

(Dollars in millions)	2015	2014	Change
Revenues	\$ 3,208.2	\$ 3,252.2	(1)%
Operating Income Margin	19.1%	17.9%	1.2 pt

Sales in the Analytical Instruments segment decreased \$44 million to \$3.21 billion in 2015. Sales decreased \$189 million due to the unfavorable effects of currency translation, offset in part by increases of \$141 million (4%) due to higher revenues at existing businesses and \$4 million due to acquisitions. The increase in revenue at existing businesses was primarily due to increased demand for chromatography products and, to a lesser extent, sales of service offerings and increased demand for mass spectrometry instruments. These increases were offset in part by modestly lower sales of chemical analysis products due primarily to softness in certain commodity materials markets.

Operating income margin was 19.1% in 2015 compared to 17.9% in 2014. The increase resulted primarily from productivity improvements, net of inflationary cost increases and profit on incremental sales in local currencies, offset in part by strategic growth investments and the impact of unfavorable foreign currency exchange.

Specialty Diagnostics

(Dollars in millions)	2015	2014	Change
Revenues	\$ 3,243.9	\$ 3,343.6	(3)%
Operating Income Margin	26.9%	27.4%	-0.5 pt

Sales in the Specialty Diagnostics segment decreased \$100 million to \$3.24 billion in 2015. Sales decreased \$197 million due to the unfavorable effects of currency translation offset in part by \$86 million (3%) due to higher revenues at existing businesses and \$11 million due to an acquisition net of a divestiture. The increase in revenue at existing businesses was primarily due to increased demand for clinical diagnostics products, products sold through the segment's healthcare market channel and immunodiagnostics products. These increases were offset in part by lower sales due to the expiration, in late 2014, of an OEM contract following the acquisition of the customer by a competitor.

Operating income margin was 26.9% in 2015 and 27.4% in 2014. The decrease resulted primarily from strategic growth investments and unfavorable foreign currency exchange, offset in part by productivity improvements, net of inflationary cost increases.

THERMO FISHER SCIENTIFIC INC.

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

Results of Operations (continued)

Laboratory Products and Services

(Dollars in millions)	2015	2014	Change
Revenues	\$ 6,661.5	\$ 6,601.5	1%
Operating Income Margin	15.0%	14.9%	0.1 pt

Sales in the Laboratory Products and Services segment increased \$60 million to \$6.66 billion in 2015. Sales increased \$465 million (7%) due to higher revenues at existing businesses. This increase was offset in part by \$303 million due to the unfavorable effects of currency translation and \$102 million due to a disposition, net of an acquisition. The increase in revenue at existing businesses was primarily due to increased demand for products in each of the segment's principal businesses.

Operating income margin was 15.0% in 2015 and 14.9% in 2014. The increase was primarily due to productivity improvements, net of inflationary cost increases as well as profit on incremental sales in local currencies offset in part by unfavorable sales mix and strategic growth investments.

Other Expense, Net

The company reported other expense, net, of \$400 million and \$416 million in 2015 and 2014, respectively (Note 4). Interest expense decreased \$65 million primarily due to a reduction in outstanding debt and effective interest rates. In 2015, other items, net includes losses of \$12 million on the early extinguishment of debt and costs of \$7.5 million associated with entering into interest rate swap arrangements. In 2014, other items, net includes net gains of \$9 million on the sale of investments.

Provision for Income Taxes

The company recorded a benefit from income taxes in 2015. In 2015, 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 \$111 million, offset in part by additional U.S. taxes of \$46 million on the related foreign income (which reduced the benefit from the foreign rate differential in 2015) for a net benefit of \$66 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 company also implemented foreign tax credit planning in Sweden which resulted in \$80 million of foreign tax credits, with no related incremental U.S. income tax expense. In addition, the company recorded discrete benefits totaling \$54 million related to additional prior year foreign tax and other credits as well as restructuring and other costs associated with the 2014 acquisition of Life Technologies. The tax provision in the 2015 period was favorably affected by \$37 million as a result of adjustments to deferred tax balances due to changes in tax rates.

The company's effective tax rate was 9.2% in 2014. The 2014 provision for income taxes included \$390 million related to gains on the sales of businesses. Aside from the discrete tax on the gains, the company had a benefit from income taxes primarily due to restructuring and other costs associated with the acquisition of Life Technologies as well as an increase in the expected benefit from foreign tax credits. In 2014, 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 \$172 million, offset in part by additional U.S. taxes of \$55 million on the related foreign income (which reduced the benefit from the foreign rate differential in 2014) for a net benefit of \$117 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 federal tax credit for 2014 research and development activities favorably affected the tax provision in 2014 by \$20 million. In 2014, the company recognized a discrete tax benefit of \$15 million attributable to tax rulings related to non-U.S. subsidiaries. The tax provision in the 2014 period was favorably affected by \$5.5 million as a result of adjustments to deferred tax balances due to changes in tax rates. The effective tax rate in both 2015 and 2014 was also affected by relatively significant earnings in lower tax jurisdictions. Due primarily to the non-deductibility of intangible asset amortization for tax purposes, the company's cash payments for income taxes were higher than its income tax expense for financial reporting purposes and totaled \$477 million and \$586 million in 2015 and 2014, respectively.

THERMO FISHER SCIENTIFIC INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

Consolidated working capital was \$2.16 billion at December 31, 2016, compared with \$1.59 billion at December 31, 2015. Included in working capital were cash and cash equivalents of \$786 million at December 31, 2016 and \$452 million at December 31, 2015.

2016

Cash provided by operating activities was \$3.16 billion during 2016. An increase in accounts receivable used cash of \$352 million primarily to support growth in sales in local currencies and due to the mid-month timing of the acquisition of FEI when receivables are commonly lower than at quarter-end. Inventories provided cash of \$98 million due to a reduction associated with fourth quarter 2016 sales. An increase in other assets used cash of \$153 million primarily due to the timing of payments. An increase in other liabilities provided cash of \$168 million primarily due to the timing of payments for income taxes and incentive compensation. Cash payments for income taxes increased to \$663 million during 2016, compared with \$477 million in 2015. The company made cash contributions to its pension and postretirement benefit plans totaling \$43 million during 2016. Payments for restructuring actions, principally severance costs and lease and other expenses of real estate consolidation, used cash of \$122 million during 2016.

During 2016, the company's investing activities used \$5.53 billion of cash. Acquisitions used cash of \$5.19 billion. The company's investing activities also included the purchase of \$444 million of property, plant and equipment. In February 2017, the company completed an acquisition for approximately \$225 million in cash (Note 16).

The company's financing activities provided \$2.86 billion of cash during 2016. Issuance of senior notes and borrowings under term loans provided cash of \$7.60 billion and an increase in commercial paper obligations provided cash of \$904 million. Repayment of senior notes, the 364-day term loan and acquired debt used cash of \$4.33 billion. The company's financing activities also included the repurchase of \$1.25 billion of the company's common stock and the payment of \$238 million in cash dividends, offset in part by \$135 million of 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 December 31, 2016, \$1.25 billion was available for future repurchases of the company's common stock under this authorization. Early in the first quarter of 2017, the company repurchased \$500 million of the company's common stock which reduced the availability under this authorization to \$750 million as of February 28, 2017.

As of December 31, 2016, the company's short-term debt totaled \$1.26 billion, including \$300 million due within the next twelve months under a 3-year term loan agreement and \$953 million of commercial paper obligations. 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 December 31, 2016, no borrowings were outstanding under the company's revolving credit facility, although available capacity was reduced by approximately \$72 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 \$786 million as of December 31, 2016 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.

2015

Cash provided by operating activities was \$2.82 billion during 2015. Increases in accounts receivable and inventories used cash of \$149 million and \$141 million, respectively, primarily to support growth in sales in local currencies. An increase in other assets used cash of \$254 million primarily related to the timing of tax payments/refunds. An increase in other liabilities provided cash of \$148 million primarily due to the timing of payments for income taxes and incentive compensation. Cash payments for income taxes decreased to \$477 million during 2015, compared with \$586 million in 2014 that included taxes associated with gains on divestitures. The company made cash contributions to its pension and postretirement benefit plans

THERMO FISHER SCIENTIFIC INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

Liquidity and Capital Resources (continued)

totaling \$38 million during 2015. Payments for restructuring actions, principally severance costs and lease and other expenses of real estate consolidation, used cash of \$97 million during 2015.

During 2015, the company's investing activities used \$1.09 billion of cash. Acquisitions used cash of \$695 million. The company's investing activities also included the purchase of \$423 million of property, plant and equipment.

The company's financing activities used \$2.49 billion of cash during 2015. Repayments of long-term debt totaled \$3.78 billion. Issuance of senior notes provided cash of \$1.80 billion and an increase in commercial paper obligations provided cash of \$50 million. The company's financing activities also included the repurchase of \$500 million of the company's common stock and the payment of \$241 million in cash dividends, offset in part by \$124 million of proceeds from employee stock option exercises.

2014

Cash provided by operating activities was \$2.62 billion during 2014 primarily from the company's earnings. Increases in accounts receivable and inventories used cash of \$145 million and \$110 million, respectively, primarily to support growth in sales. Other assets decreased by \$163 million primarily due to collection of tax refunds including those related to legacy Life Technologies' operations. Other liabilities increased by \$308 million primarily due to the timing of payments for incentive compensation and income taxes. In 2014, the company made cash payments including monetizing certain equity awards, severance obligations and transaction costs totaling \$325 million related to the acquisition of Life Technologies. The company made cash contributions to its pension and postretirement benefit plans totaling \$50 million during 2014. Cash payments for income taxes totaled \$586 million.

During 2014, the company's investing activities used \$11.78 billion of cash, principally for the acquisition of Life Technologies. Acquisitions used cash of \$13.06 billion. Proceeds from the sale of businesses provided \$1.52 billion. The company's investing activities also included the purchase of \$428 million of property, plant and equipment.

The company's financing activities provided \$4.80 billion of cash during 2014. To partially fund the acquisition of Life Technologies, the company borrowed \$5.00 billion under an unsecured term loan and issued 34.9 million shares of its common stock for net proceeds of \$2.94 billion in cash (Note 11). Other long-term borrowings totaled \$1.59 billion. Repayments of long-term debt, principally the term loan, totaled \$4.43 billion. A decrease in commercial paper obligations used cash of \$250 million. The company's financing activities also included the receipt of \$155 million of proceeds from employee stock option exercises offset by the payment of \$235 million in cash dividends.

Off-Balance Sheet Arrangements

The company did not use special purpose entities or other off-balance-sheet financing arrangements in 2014, 2015 or 2016, except for letters of credit, bank guarantees, residual value guarantees under three lease agreements, surety bonds and other guarantees disclosed in the table or discussed below. The amounts disclosed in the table below for letters of credit, bank guarantees, surety bonds and other guarantees relate to guarantees of the company's performance, primarily in the ordinary course of business.

THERMO FISHER SCIENTIFIC INC.

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

Liquidity and Capital Resources (continued)

Contractual Obligations and Other Commercial Commitments

The table below summarizes, by period due or expiration of commitment, the company's contractual obligations and other commercial commitments as of December 31, 2016.

(In millions)	Payments due by Period or Expiration of Commitment				
	2017	2018 and 2019	2020 and 2021	2022 and Thereafter	Total
Contractual Obligations and Other Commercial Commitments					
Debt principal, including short-term debt (a)	\$ 1,253.8	\$ 3,006.5	\$ 3,997.0	\$ 8,431.7	\$ 16,689.0
Interest	0.9	1.5	1.1	1.1	4.6
Capital lease obligations	1.7	3.7	3.9	2.7	12.0
Operating lease obligations	163.7	235.6	139.7	176.5	715.5
Unconditional purchase obligations (b)	362.2	14.3	1.2	0.3	378.0
Letters of credit and bank guarantees	162.6	12.8	3.2	0.7	179.3
Surety bonds and other guarantees	22.9	0.9	—	—	23.8
Pension obligations on balance sheet	41.4	84.4	83.0	468.0	676.8
Asset retirement obligations accrued on balance sheet	2.8	13.5	9.9	16.3	42.5
Acquisition-related contingent consideration accrued on balance sheet	3.4	—	—	—	3.4
Other (c)	<u>1.4</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1.4</u>
	<u>\$ 2,016.8</u>	<u>\$ 3,373.2</u>	<u>\$ 4,239.0</u>	<u>\$ 9,097.3</u>	<u>\$ 18,726.3</u>

- (a) Amounts represent the expected cash payments for debt and do not include any deferred issuance costs.
- (b) Unconditional purchase obligations include agreements to purchase goods, services or fixed assets that are enforceable and legally binding and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Purchase obligations exclude agreements that are cancelable at any time without penalty.
- (c) Obligation represents funding commitments pursuant to investments held by the company.

Reserves for unrecognized tax benefits of \$802 million have not been included in the above table due to the inability to predict the timing of tax audit resolutions.

The company has no material commitments for purchases of property, plant and equipment, other than those included in the above table, but expects that for 2017, such expenditures will approximate \$500 million.

Guarantees of residual value under lease arrangements for three facilities have not been included in the above table due to the inability to predict if and when the guarantees may require payment (see Note 10). The residual value guarantees become operative at the end of the leases for up to a maximum of \$155 million. The initial terms of these leases end in 2019, 2020 and 2022, although renewal options exist for each.

A guarantee of pension plan obligations of a divested business has not been included in the preceding table due to the inability to predict if and when the guarantee may require payment. The purchaser of the divested business has agreed to pay for the pension benefits, however the company was required to guarantee payment of these pension benefits should the purchaser fail to do so. The amount of the guarantee at December 31, 2016 was \$40 million.

In disposing of assets or businesses, the company often provides representations, warranties and/or indemnities to cover various risks including, for example, unknown damage to the assets, environmental risks involved in the sale of real estate, liability to investigate and remediate environmental contamination at waste facilities, and unidentified tax liabilities and related legal fees. The company does not have the ability to estimate the potential liability from such indemnities because they relate to unknown conditions. However, the company has no reason to believe that these uncertainties would have a material adverse effect on its financial position, annual results of operations or cash flows.

THERMO FISHER SCIENTIFIC INC.

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

Liquidity and Capital Resources (continued)

The company has recorded liabilities for known indemnifications included as part of environmental liabilities. See Item 1. Business – Environmental Matters for a discussion of these liabilities.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The company is exposed to market risk from changes in interest rates and currency exchange rates, which could affect its future results of operations and financial condition. The company manages its exposure to these risks through its regular operating and financing activities. The company has periodically hedged interest rate risks of fixed-rate instruments with offsetting interest rate swaps. Additionally, the company uses short-term forward and option contracts primarily to hedge certain balance sheet and operational exposures resulting from changes in currency exchange rates. Such exposures result from purchases, sales, cash and intercompany loans that are denominated in currencies other than the functional currencies of the respective operations. The currency-exchange contracts principally hedge transactions denominated in euro, British pounds sterling, Swiss franc, Japanese yen, Norwegian kroner, and Swedish kronor. Income and losses arising from these derivative contracts are recognized as offsets to losses and income resulting from the underlying exposure being hedged. The company does not enter into speculative derivative agreements.

Interest Rates

The company is exposed to changes in interest rates while conducting normal business operations as a result of ongoing investing and financing activities, which affect the company's debt as well as cash and cash equivalents. As of December 31, 2016, the company's debt portfolio was comprised primarily of fixed rate borrowings. The fair market value of the company's fixed interest rate debt is subject to interest rate risk. Generally, the fair market value of fixed interest rate debt will increase as interest rates fall and decrease as interest rates rise. The total estimated fair value of the company's debt at December 31, 2016 was \$16.98 billion (see Note 12). Fair values were determined from available market prices using current interest rates and terms to maturity. If interest rates were to decrease by 100 basis points, the fair value of the company's debt at December 31, 2016 would increase by approximately \$840 million. If interest rates were to increase by 100 basis points, the fair value of the company's debt at December 31, 2016 would decrease by approximately \$802 million.

In addition, interest rate changes would result in a change in the company's interest expense due to variable-rate debt instruments including swap arrangements. In 2016, a 100 basis point increase in interest rates on the swap arrangements and variable-rate debt would have increased the company's annual pre-tax interest expense by approximately \$42 million.

Currency Exchange Rates

The company views its investment in international subsidiaries with a functional currency other than the U.S. dollar as permanent. The company's investment in international subsidiaries is sensitive to fluctuations in currency exchange rates. The functional currencies of the company's international subsidiaries are principally denominated in British pounds sterling, Swedish kronor, euro, Danish kroner, Canadian dollars and Swiss franc. The effect of a change in the period ending currency exchange rates on the company's net investment in international subsidiaries is reflected in the "accumulated other comprehensive items" component of shareholders' equity. The company also uses foreign currency-denominated debt to partially hedge its net investments in foreign operations against adverse movements in exchange rates. A 10% depreciation in year-end 2016 functional currencies, relative to the U.S. dollar, would result in a reduction of shareholders' equity of \$1.19 billion.

The fair value of forward currency-exchange contracts is sensitive to changes in currency exchange rates. The fair value of forward currency-exchange contracts is the estimated amount that the company would pay or receive upon termination of the contract, taking into account the change in currency exchange rates. A 10% depreciation in year-end 2016 non-functional currency exchange rates related to the company's contracts would result in an unrealized gain on forward currency-exchange contracts of \$126 million. A 10% appreciation in year-end 2016 non-functional currency exchange rates related to the company's contracts would result in an increase in the unrealized loss on forward currency-exchange contracts of \$117 million. The unrealized gains or losses on forward currency-exchange contracts resulting from changes in currency exchange rates are expected to approximately offset losses or gains on the exposures being hedged.

Certain of the company's cash and cash equivalents are denominated in currencies other than the functional currency of the depositor and are sensitive to changes in currency exchange rates. A 10% depreciation in the related year-end 2016 non-functional currency exchange rates applied to such cash balances would result in a negative impact of \$36 million on the company's net income.

THERMO FISHER SCIENTIFIC INC.

Item 8. Financial Statements and Supplementary Data

This data is submitted as a separate section to this report. See Item 15 “Exhibits and Financial Statement Schedules.”

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. 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 December 31, 2016. 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 December 31, 2016, 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 December 31, 2016, that have materially affected or are reasonably likely to materially affect the company’s internal control over financial reporting.

Management's Annual Report on Internal Control Over Financial Reporting

The company’s management, including the company’s chief executive officer and chief financial officer, is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The company’s management conducted an assessment of the effectiveness of the company’s internal control over financial reporting as of December 31, 2016 based on criteria established in “Internal Control - Integrated Framework” (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, the company’s management concluded that, as of December 31, 2016, the company’s internal control over financial reporting was effective.

The company’s independent registered public accounting firm, PricewaterhouseCoopers LLP, has audited the effectiveness of the company’s internal control over financial reporting as of December 31, 2016, as stated in their report that appears on page F-2 of this Annual Report on Form 10-K.

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information with respect to directors required by this Item will be contained in our definitive proxy statement to be filed with the SEC not later than 120 days after the close of business of the fiscal year (2017 Definitive Proxy Statement) and is incorporated in this report by reference.

The information with respect to executive officers required by this Item is included in Item 1 of Part I of this report.

The other information required by this Item will be contained in our 2017 Definitive Proxy Statement and is incorporated in this report by reference.

Item 11. Executive Compensation

The information required by this Item will be contained in our 2017 Definitive Proxy Statement and is incorporated in this report by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item will be contained in our 2017 Definitive Proxy Statement and is incorporated in this report by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item will be contained in our 2017 Definitive Proxy Statement and is incorporated in this report by reference.

Item 14. Principal Accountant Fees and Services

The information required by this Item will be contained in our 2017 Definitive Proxy Statement and is incorporated in this report by reference.

THERMO FISHER SCIENTIFIC INC.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this report:

(1) Consolidated Financial Statements (see Index on page F-1 of this report)

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheet

Consolidated Statement of Income

Consolidated Statement of Comprehensive Income

Consolidated Statement of Cash Flows

Consolidated Statement of Shareholders' Equity

Notes to Consolidated Financial Statements

(2) All schedules are omitted because they are not applicable or not required, or because the required information is included either in the consolidated financial statements or in the notes thereto.

(b) Exhibits

See the Exhibit Index on page 45.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: February 28, 2017

THERMO FISHER SCIENTIFIC INC.

By: /s/ Marc N. Casper

Marc N. Casper

President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated, as of February 28, 2017.

Signature

Title

By: /s/ Marc N. Casper
Marc N. Casper

President, Chief Executive Officer and Director
(Principal Executive Officer)

By: /s/ Jim P. Manzi
Jim P. Manzi

Chairman of the Board and Director

By: /s/ Stephen Williamson
Stephen Williamson

Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

By: /s/ Peter E. Hornstra
Peter E. Hornstra

Vice President and Chief Accounting Officer
(Principal Accounting Officer)

By: /s/ Nelson J. Chai
Nelson J. Chai

Director

By: /s/ C. Martin Harris
C. Martin Harris

Director

By: /s/ Tyler E. Jacks
Tyler E. Jacks

Director

By: /s/ Judy C. Lewent
Judy C. Lewent

Director

By: /s/ Thomas J. Lynch
Thomas J. Lynch

Director

By: /s/ William G. Parrett
William G. Parrett

Director

By: /s/ Lars R. Sørensen
Lars R. Sørensen

Director

By: /s/ Scott M. Sperling
Scott M. Sperling

Director

By: /s/ Elaine S. Ullian
Elaine S. Ullian

Director

THERMO FISHER SCIENTIFIC INC.

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
3.1	Amended and Restated Certificate of Incorporation of the Registrant (filed as Exhibit 3.1 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2005 [File No. 1-8002] and incorporated in this document by reference).
3.2	Amendment to Thermo Fisher Scientific Inc.'s Third Amended and Restated Certificate of Incorporation (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed November 14, 2006 [File No. 1-8002] and incorporated in this document by reference).
3.3	Certificate of Elimination of the Series B Junior Participating Preferred Stock of the Company, dated November 13, 2015 (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed November 16, 2015 [File No. 1-8002] and incorporated in this document by reference).
3.4	Bylaws of the Registrant, as amended and effective as of July 12, 2011 (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed July 14, 2011 [File No. 1-8002] and incorporated in this document by reference).
<p style="text-align: center;"><i><u>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.</u></i></p>	
4.1	Indenture dated as of November 20, 2009 between the Company and The Bank of New York Mellon Trust Company, N.A. (filed as Exhibit 99.1 to the Registrant's Current Report on Form 8-K with the SEC on November 20, 2009 [File No. 1-8002] and incorporated in this document by reference).
4.2	First Supplemental Indenture dated as of November 20, 2009 between the Company and The Bank of New York Mellon Trust Company, N.A. (filed as Exhibit 99.2 to the Registrant's Current Report on Form 8-K with the SEC on November 20, 2009 [File No. 1-8002] and incorporated in this document by reference).
4.3	Second Supplemental Indenture dated as of April 27, 2010 between the Company and The Bank of New York Mellon Trust Company, N.A. (filed as Exhibit 99.2 to the Registrant's Current Report on Form 8-K with the SEC on April 27, 2010 [File No. 1-8002] and incorporated in this document by reference).
4.4	Third Supplemental Indenture dated as of February 22, 2011 between the Company and The Bank of New York Mellon Trust Company, N.A. (filed as Exhibit 99.2 to the Registrant's Current Report on Form 8-K with the SEC on February 22, 2011 [File No. 1-8002] and incorporated in this document by reference).
4.5	Fourth Supplemental Indenture dated as of August 16, 2011 between the Company and The Bank of New York Mellon Trust Company, N.A. (filed as Exhibit 99.2 to the Registrant's Current Report on Form 8-K filed August 16, 2011 [File No. 1-8002] and incorporated in this document by reference).
4.6	Fifth Supplemental Indenture dated as of August 22, 2012 between the Company and The Bank of New York Mellon Trust Company, N.A. (filed as Exhibit 99.2 to the Registrant's Current Report on Form 8-K filed August 22, 2012 [File No. 1-8002] and incorporated in this document by reference).
4.7	Sixth Supplemental Indenture, dated as of December 11, 2013, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed as Exhibit 99.2 to the Registrant's Current Report on Form 8-K filed December 11, 2013 [File No. 1-8002] and incorporated in this document by reference).
4.8	Seventh Supplemental Indenture, dated as of November 14, 2014, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed as Exhibit 99.2 to the Registrant's Current Report on Form 8-K filed November 14, 2014 [File No. 1-8002] and incorporated in this document by reference).
4.9	Eighth Supplemental Indenture, dated as of November 24, 2014, among the Company, The Bank of New York Mellon Trust Company, N.A., as trustee, and The Bank of New York Mellon, London Branch, as paying agent (filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed November 24, 2014 [File No. 1-8002] and incorporated in this document by reference).

- 4.10 Ninth Supplemental Indenture, dated as of July 21, 2015, among the Company, The Bank of New York Mellon Trust Company, N.A., as trustee, and The Bank of New York Mellon, London Branch, as paying agent (filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed July 21, 2015 [File No. 1-8002] and incorporated in this document by reference).
- 4.11 Tenth Supplemental Indenture, dated as of November 24, 2015, among the Company, The Bank of New York Mellon Trust Company, N.A., as trustee, and The Bank of New York Mellon, London Branch, as paying agent (filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed November 24, 2015 [File No. 1-8002] and incorporated in this document by reference).
- 4.12 Eleventh Supplemental Indenture, dated as of December 9, 2015, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed December 9, 2015 [File No. 1-8002] and incorporated in this document by reference).

THERMO FISHER SCIENTIFIC INC.**EXHIBIT INDEX**

Exhibit Number	Description of Exhibit
4.13	Twelfth Supplemental Indenture, dated as of April 13, 2016, between the Company and The Bank of New York Mellon Trust Company, N.A. (filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed April 13, 2016 [File No. 1-8002] and incorporated in this document by reference).
4.14	Thirteenth Supplemental Indenture, dated as of September 12, 2016, between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee (filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed September 12, 2016 [File No. 1-8002] and incorporated in this document by reference).
4.15	Fourteenth Supplemental Indenture, dated as of September 19, 2016, between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee (filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed September 19, 2016 [File No. 1-8002] and incorporated in this document by reference).
4.16	Indenture, dated as of August 9, 2016, among Thermo Fisher Scientific (Finance I) B.V., as issuer, the Company, as guarantor, and The Bank of New York Mellon Trust Company, N.A., as trustee (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed August 9, 2016 [File No. 1-8002] and incorporated in this document by reference).
4.17	First Supplemental Indenture, dated as of August 9, 2016, among Thermo Fisher Scientific (Finance I) B.V., as issuer, the Company, as guarantor, and The Bank of New York Mellon Trust Company, N.A., as trustee (filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed August 9, 2016 [File No. 1-8002] and incorporated in this document by reference).
4.18	Indenture between Life Technologies and U.S. Bank National Association., as trustee, dated as of February 19, 2010 (filed as Exhibit 4.1 to Life Technologies Corporation's Current Report on Form 8-K, filed on February 19, 2010 [File No. 000-25317] and incorporated in this document by reference).
4.19	First Supplemental Indenture between Life Technologies and U.S. Bank National Association., as trustee, dated as of February 19, 2010, including the forms of the Life Technologies 3.375% Senior Notes due 2013, 4.400% Senior Notes due 2015 and 6.000% Senior Notes due 2020 (filed as Exhibit 4.2 to Life Technologies Corporation's Current Report on Form 8-K, filed on February 19, 2010 [File No. 000-25317] and incorporated in this document by reference).
4.20	Second Supplemental Indenture between Life Technologies and U.S. Bank National Association., as trustee, dated as of December 14, 2010, including the forms of the Life Technologies 3.50% Senior Notes due 2016 and 5.00% Senior Notes due 2021 (filed as Exhibit 4.2 to Life Technologies Corporation's Current Report on Form 8-K, filed on December 14, 2010 [File No. 000-25317] and incorporated in this document by reference).
10.1	Thermo Fisher Scientific Inc. Deferred Compensation Plan for Directors of the Registrant, as amended and restated on September 12, 2007 (filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 29, 2007 [File No. 1-8002] and incorporated in this document by reference).*
10.2	Thermo Electron Corporation Deferred Compensation Plan, effective November 1, 2001 (filed as Exhibit 10.13 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 29, 2001 [File No. 1-8002] and incorporated in this document by reference).*
10.3	Form of Amended and Restated Indemnification Agreement between the Registrant and its directors and officers (filed as Exhibit 10.2 to the Registrant's Registration Statement on Form S-4 [Reg. No. 333-90661] and incorporated in this document by reference).*
10.4	Executive Registry Program at the Massachusetts General Hospital (filed as Exhibit 10.74 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 28, 2002 [File No. 1-8002] and incorporated in this document by reference).*
10.5	Form of Executive Change in Control Retention Agreement for Officers (other than Marc Casper) (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed May 3, 2013 [File No. 1-8002] and incorporated in this document by reference).*
10.6	Thermo Fisher Scientific Inc. Executive Severance Policy (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed May 19, 2008 [File No. 1-8002] and incorporated in this document by reference).*
10.7	Summary of Thermo Fisher Scientific Inc. Annual Director Compensation.*

- 10.8 Summary of Annual Incentive Program of Thermo Electron Corporation (filed as Exhibit 10.66 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2004 [File No. 1-8002] and incorporated in this document by reference).*
- 10.9 Summary of 2016 Annual Cash Incentive Plan Matters (set forth in Item 5.02 to the Registrant's Current Report on Form 8-K filed February 25, 2016 [File No. 1-8002] under the heading "Annual Cash Incentive Plans - Establishment of Criteria for 2016 Bonus" and incorporated in this document by reference).*

THERMO FISHER SCIENTIFIC INC.**EXHIBIT INDEX**

Exhibit Number	Description of Exhibit
10.10	Form of Noncompetition Agreement between the Registrant and certain key employees and executive officers (filed as Exhibit 10.25 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2009 [File No. 1-8002] and incorporated in this document by reference).*
10.11	Retirement Plan for Non-Employee Directors of Fisher Scientific International Inc. (filed as Exhibit 10.12 to Fisher Scientific International Inc.'s Annual Report on Form 10-K for the year ended December 31, 1992, filed March 24, 1993 [File No. 1-10920] and incorporated in this document by reference).*
10.12	First Amendment to the Fisher Scientific International Inc. Retirement Plan for Non-Employee Directors (filed as Exhibit 10.04 to Fisher Scientific International Inc.'s Quarterly Report on Form 10-Q filed May 10, 2005 [File No. 1-10920] and incorporated in this document by reference).*
10.13	Amendment to Retirement Plan for Non-Employee Directors of Fisher Scientific International Inc. (filed as Exhibit 10.02 to Fisher Scientific International Inc.'s Current Report on Form 8-K filed March 7, 2006 [File No. 1-10920] and incorporated in this document by reference).*
10.14	Thermo Fisher Scientific Inc. Amended and Restated 2005 Deferred Compensation Plan, effective January 1, 2009 (filed as Exhibit 10.43 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008 [File No. 1-8002] and incorporated in this document by reference).*
10.15	Thermo Fisher Scientific Inc. 2008 Stock Incentive Plan (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed May 22, 2008 [File No. 1-8002] and incorporated in this document by reference).*
10.16	Amendment No. 1 to Thermo Fisher Scientific Inc. Amended and Restated 2005 Deferred Compensation Plan (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 27, 2009 [File No. 1-8002] and incorporated in this document by reference).*
10.17	Stock Option Agreement, between Marc Casper and the Registrant, dated November 21, 2009 (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed November 25, 2009 [File No. 1-8002] and incorporated in this document by reference).*
10.18	Stock Option Agreement, between Marc Casper and the Registrant, dated November 21, 2009 (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed November 25, 2009 [File No. 1-8002] and incorporated in this document by reference).*
10.19	2009 Restatement of Executive Severance Agreement, between Marc Casper and the Registrant, dated November 21, 2009 (filed as Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed November 25, 2009 [File No. 1-8002] and incorporated in this document by reference).*
10.20	Executive Change In Control Retention Agreement, between Marc Casper and the Registrant, dated November 21, 2009 (filed as Exhibit 10.6 to the Registrant's Current Report on Form 8-K filed November 25, 2009 [File No. 1-8002] and incorporated in this document by reference).*
10.21	Noncompetition Agreement, between Marc Casper and the Registrant, dated November 21, 2009 (filed as Exhibit 10.7 to the Registrant's Current Report on Form 8-K filed November 25, 2009 [File No. 1-8002] and incorporated in this document by reference).*
10.22	Amendment No. 1 to Executive Severance Policy, dated February 25, 2010 (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed February 25, 2010 [File No. 1-8002] and incorporated in this document by reference).*
10.23	Amendment No. 1 to 2009 Restatement of Executive Severance Agreement, dated February 25, 2010, between the Registrant and Marc N. Casper (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed February 25, 2010 [File No. 1-8002] and incorporated in this document by reference).*
10.24	Amendment No. 2 to Executive Severance Policy, dated November 10, 2010 (filed as Exhibit 10.54 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2010 [File No. 1-8002] and incorporated in this document by reference).*

- 10.25 Amendment No. 2 to 2009 Restatement of Executive Severance Agreement, dated November 10, 2010, between the Registrant and Marc N. Casper (filed as Exhibit 10.55 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2010 [File No. 1-8002] and incorporated in this document by reference).*
- 10.26 Amendment No. 1 to Executive Change In Control Retention Agreement, dated November 10, 2010, between Marc N. Casper and the Registrant (filed as Exhibit 10.56 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2010 [File No. 1-8002] and incorporated in this document by reference).*

THERMO FISHER SCIENTIFIC INC.**EXHIBIT INDEX**

Exhibit Number	Description of Exhibit
10.27	Amendment to 2008 Stock Incentive Plan dated November 10, 2010 (filed as Exhibit 10.57 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2010 [File No. 1-8002] and incorporated in this document by reference).*
10.28	Form of Thermo Fisher Scientific Inc.'s February 2011 Restricted Stock Unit Agreement for Directors (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 2, 2011 [File No. 1-8002] and incorporated in this document by reference).*
10.29	Form of Thermo Fisher Scientific Inc.'s Performance Restricted Stock Unit Agreement (filed as Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed February 27, 2013 [File No. 1-8002] and incorporated in this document by reference).*
10.30	Form of Thermo Fisher Scientific Inc.'s Restricted Stock Unit Agreement (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed February 27, 2013 [File No. 1-8002] and incorporated in this document by reference).*
10.31	Form of Thermo Fisher Scientific Inc.'s Stock Option Agreement (filed as Exhibit 10.6 to the Registrant's Current Report on Form 8-K filed February 27, 2013 [File No. 1-8002] and incorporated in this document by reference).*
10.32	Performance Restricted Stock Unit Agreement between Thermo Fisher Scientific Inc. and Marc Casper dated February 26, 2013 (filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed February 27, 2013 [File No. 1-8002] and incorporated in this document by reference).*
10.33	Form of Restricted Stock Unit Agreement between Thermo Fisher Scientific Inc. and Marc Casper (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed February 27, 2013 [File No. 1-8002] and incorporated in this document by reference).*
10.34	Form of Stock Option Agreement between Thermo Fisher Scientific Inc. and Marc Casper (filed as Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed February 27, 2013 [File No. 1-8002] and incorporated in this document by reference).*
10.35	Thermo Fisher Scientific Inc. 2013 Stock Incentive Plan (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed May 23, 2013 [File No. 1-8002] and incorporated in this document by reference).*
10.36	Thermo Fisher Scientific Inc. 2013 Annual Incentive Award Plan (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed May 23, 2013 [File No. 1-8002] and incorporated in this document by reference).*
10.37	Performance Restricted Stock Unit Agreement between Thermo Fisher Scientific Inc. and Marc Casper dated February 26, 2014, (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed February 27, 2014 [File No. 1-8002] and incorporated in this document by reference).*
10.38	Offer Letter dated December 31, 2013, between the Company and Mark Stevenson (filed as Exhibit 10.55 to the Registrant's Annual Report on Form 10-K filed February 26, 2015 [File No. 1-8002] and incorporated in this document by reference).*
10.39	Restricted Stock Unit Award Agreement between Life Technologies Corporation and Mark Stevenson dated April 2, 2012 (filed as Exhibit 10.57 to the Registrant's Annual Report on Form 10-K filed February 26, 2015 [File No. 1-8002] and incorporated in this document by reference).*
10.40	Restricted Stock Unit Award Agreement between Life Technologies Corporation and Mark Stevenson dated April 1, 2013 (filed as Exhibit 10.58 to the Registrant's Annual Report on Form 10-K filed February 26, 2015 [File No. 1-8002] and incorporated in this document by reference).*
10.41	Supplemental Executive Retirement Plan effective as of December 31, 2005, as amended and restated as of August 28, 2006 (filed as Exhibit 10.3 to Applera Corporation's Quarterly Report on Form 10-Q filed November 6, 2006 [File No. 1-04389] and incorporated in this document by reference).*
10.42	Amendment to Supplemental Executive Retirement Plan, effective as of January 1, 2010 (filed as Exhibit 10.1 to Life Technologies Corporation's Current Report on Form 8-K filed December 8, 2009 [File No. 000-25317] and incorporated in this document by reference).*
10.43	Noncompetition Agreement between the Registrant and Mark Stevenson, dated September 10, 2015 (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed October 30, 2015 [File No. 1-8002] and incorporated in this document by reference).*

- 10.44 Form of Thermo Fisher Scientific Inc.'s Stock Option Agreement for Officers.*
- 10.45 Bridge Credit Agreement, dated July 1, 2016, among the Company, each lender from time to time party thereto, and JPMorgan Chase Bank, N.A. (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed July 1, 2016 [File No. 1-8002] and incorporated in this document by reference).

THERMO FISHER SCIENTIFIC INC.

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
10.46	Term Loan Agreement, dated July 1, 2016, among the Company, a Subsidiary of the Company party thereto, each lender from time to time party thereto, and JPMorgan Chase Bank, N.A. (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed July 1, 2016 [File No. 1-8002] and incorporated in this document by reference).
10.47	Credit Agreement, dated July 1, 2016, among the Company, certain Subsidiaries of the Company from time to time party thereto, each lender from time to time party thereto, and Bank of America, N.A. (filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed July 1, 2016 [File No. 1-8002] and incorporated in this document by reference).
21	Subsidiaries of the Registrant.
23.1	Consent of PricewaterhouseCoopers LLP, an Independent Registered Public Accounting Firm.
31.1	Certification of Chief Executive Officer required by Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer required by Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer required by Exchange Act Rules 13a-14(b) and 15d-14(b), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
32.2	Certification of Chief Financial Officer required by Exchange Act Rules 13a-14(b) and 15d-14(b), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Definition Linkbase Document.
101.LAB	XBRL Taxonomy Label Linkbase Document.
101.PRE	XBRL Taxonomy Presentation Linkbase Document.

*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 December 31, 2016, and 2015, (ii) Consolidated Statement of Income for the years ended December 31, 2016, 2015 and 2014, (iii) Consolidated Statement of Comprehensive Income for the years ended December 31, 2016, 2015 and 2014 (iv) Consolidated Statement of Cash Flows for the years ended December 31, 2016, 2015 and 2014, (v) Consolidated Statement of Shareholders' Equity for the years ended December 31, 2016, 2015 and 2014 and (vi) Notes to Consolidated Financial Statements.

THERMO FISHER SCIENTIFIC INC.

INDEX OF CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE

The following Consolidated Financial Statements of the Registrant and its subsidiaries are required to be included in Item 15:

	<u>Page</u>
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheet as of December 31, 2016 and 2015	F-3
Consolidated Statement of Income for the years ended December 31, 2016, 2015 and 2014	F-4
Consolidated Statement of Comprehensive Income for the years ended December 31, 2016, 2015 and 2014	F-5
Consolidated Statement of Cash Flows for the years ended December 31, 2016, 2015 and 2014	F-6
Consolidated Statement of Shareholders' Equity for the years ended December 31, 2016, 2015 and 2014	F-8
Notes to Consolidated Financial Statements	F-9

THERMO FISHER SCIENTIFIC INC.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Thermo Fisher Scientific Inc.:

In our opinion, the consolidated balance sheets, and the related consolidated statements of income, of comprehensive income, of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Thermo Fisher Scientific Inc. and its subsidiaries at December 31, 2016 and December 31, 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 9A of Thermo Fisher Scientific Inc.'s Annual Report on Form 10-K. Our responsibility is to express opinions on these financial statements, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts

February 28, 2017

THERMO FISHER SCIENTIFIC INC.

CONSOLIDATED BALANCE SHEET

(In millions except share and per share amounts)	December 31, 2016	December 31, 2015
Assets		
Current Assets:		
Cash and cash equivalents	\$ 786.2	\$ 452.1
Accounts receivable, less allowances of \$77.3 and \$70.1	3,048.5	2,544.9
Inventories	2,213.3	1,991.7
Refundable income taxes	378.3	218.1
Other current assets	594.7	534.4
Total current assets	7,021.0	5,741.2
Property, Plant and Equipment, Net	2,577.8	2,448.8
Acquisition-related Intangible Assets, Net	13,969.0	12,758.3
Other Assets	1,011.9	1,058.4
Goodwill	21,327.8	18,827.6
Total Assets	\$ 45,907.5	\$ 40,834.3
Liabilities and Shareholders' Equity		
Current Liabilities:		
Short-term obligations and current maturities of long-term obligations	\$ 1,255.5	\$ 1,051.8
Accounts payable	926.2	822.2
Accrued payroll and employee benefits	708.7	598.2
Accrued income taxes	165.4	212.5
Deferred revenue	485.9	317.9
Other accrued expenses	1,324.1	1,143.7
Total current liabilities	4,865.8	4,146.3
Deferred Income Taxes	2,557.4	2,622.6
Other Long-term Liabilities	1,572.6	1,295.0
Long-term Obligations	15,372.4	11,420.2
Commitments and Contingencies (Note 10)		
Shareholders' Equity:		
Preferred stock, \$100 par value, 50,000 shares authorized; none issued		
Common stock, \$1 par value, 1,200,000,000 shares authorized; 415,138,564 and 411,944,301 shares issued	415.1	411.9
Capital in excess of par value	12,139.6	11,801.2
Retained earnings	13,926.9	12,142.3
Treasury stock at cost, 21,690,679 and 12,314,200 shares	(2,306.0)	(1,007.9)
Accumulated other comprehensive items	(2,636.3)	(1,997.3)
Total shareholders' equity	21,539.3	21,350.2

Total Liabilities and Shareholders' Equity

\$ 45,907.5 \$ 40,834.3

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

THERMO FISHER SCIENTIFIC INC.

CONSOLIDATED STATEMENT OF INCOME

(In millions except per share amounts)	Year Ended		
	December 31, 2016	December 31, 2015	December 31, 2014
Revenues			
Product revenues	\$ 15,712.3	\$ 14,667.8	\$ 14,715.1
Service revenues	2,561.8	2,297.6	2,174.5
Total revenues	18,274.1	16,965.4	16,889.6
Costs and Operating Expenses:			
Cost of product revenues	8,213.9	7,583.8	7,934.7
Cost of service revenues	1,691.1	1,625.7	1,462.9
Selling, general and administrative expenses	4,975.9	4,612.1	4,896.1
Research and development expenses	754.8	692.3	691.1
Restructuring and other costs (income), net	189.2	115.3	(598.2)
Total costs and operating expenses	15,824.9	14,629.2	14,386.6
Operating Income	2,449.2	2,336.2	2,503.0
Other Expense, Net	(425.3)	(399.8)	(415.8)
Income from Continuing Operations Before Income Taxes	2,023.9	1,936.4	2,087.2
Benefit from (Provision for) Income Taxes	1.4	43.9	(191.7)
Income from Continuing Operations	2,025.3	1,980.3	1,895.5
Loss from Discontinued Operations (net of income tax benefit of \$2.2, \$2.9 and \$0.6)	(3.5)	(4.9)	(1.1)
Net Income	\$ 2,021.8	\$ 1,975.4	\$ 1,894.4
Earnings per Share from Continuing Operations			
Basic	\$ 5.13	\$ 4.97	\$ 4.76
Diluted	\$ 5.10	\$ 4.93	\$ 4.71
Earnings per Share			
Basic	\$ 5.12	\$ 4.96	\$ 4.76
Diluted	\$ 5.09	\$ 4.92	\$ 4.71
Weighted Average Shares			
Basic	394.8	398.7	398.2
Diluted	397.4	401.9	402.3
Cash Dividends Declared per Common Share	\$ 0.60	\$ 0.60	\$ 0.60

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

THERMO FISHER SCIENTIFIC INC.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year Ended		
	December 31, 2016	December 31, 2015	December 31, 2014
(In millions)			
Comprehensive Income			
Net Income	\$ 2,021.8	\$ 1,975.4	\$ 1,894.4
Other Comprehensive Items:			
Currency translation adjustment	(566.7)	(706.1)	(1,182.6)
Unrealized gains and losses on available-for-sale investments:			
Unrealized holding (losses) gains arising during the period (net of tax (benefit) provision of (\$0.3), \$0.0 and \$0.1)	(1.6)	0.5	1.7
Reclassification adjustment for losses (gains) included in net income (net of tax benefit (provision) of \$0.2 and (\$0.2))	0.7	—	(1.7)
Unrealized gains and losses on hedging instruments:			
Unrealized losses on hedging instruments (net of tax benefit of \$22.4 and \$5.5)	(36.6)	(9.0)	—
Reclassification adjustment for losses included in net income (net of tax benefit of \$3.7, \$1.5 and \$1.8)	6.1	3.3	3.0
Pension and other postretirement benefit liability adjustments:			
Pension and other postretirement benefit liability adjustments arising during the period (net of tax benefit of \$16.6, \$5.0 and \$26.5)	(46.9)	(9.0)	(52.2)
Amortization of net loss and prior service benefit included in net periodic pension cost (net of tax benefit of \$2.0, \$2.9 and \$13.3)	6.0	8.0	24.0
Total other comprehensive items	(639.0)	(712.3)	(1,207.8)
Comprehensive Income	<u>\$ 1,382.8</u>	<u>\$ 1,263.1</u>	<u>\$ 686.6</u>

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

THERMO FISHER SCIENTIFIC INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

(In millions)	Year Ended		
	December 31,	December 31,	December 31,
	2016	2015	2014
Operating Activities			
Net income	\$ 2,021.8	\$ 1,975.4	\$ 1,894.4
Loss from discontinued operations	3.5	4.9	1.1
Income from continuing operations	2,025.3	1,980.3	1,895.5
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Depreciation and amortization	1,758.0	1,688.2	1,684.8
Change in deferred income taxes	(620.0)	(524.8)	(621.8)
Net gains on sale of businesses	—	(7.6)	(895.4)
Non-cash stock-based compensation	133.5	125.0	117.1
Tax benefits from stock-based compensation awards	(53.5)	(64.1)	(65.6)
Non-cash charges for sale of inventories revalued at the date of acquisition	75.0	6.9	303.4
Other non-cash expenses, net	66.8	58.6	38.0
Changes in assets and liabilities, excluding the effects of acquisitions and dispositions:			
Accounts receivable	(352.2)	(149.4)	(145.4)
Inventories	97.8	(140.7)	(109.8)
Other assets	(152.8)	(254.3)	163.1
Accounts payable	55.5	(2.7)	1.2
Other liabilities	167.6	147.7	308.4
Contributions to retirement plans	(42.7)	(37.5)	(49.6)
Net cash provided by continuing operations	3,158.3	2,825.6	2,623.9
Net cash used in discontinued operations	(2.0)	(8.7)	(4.3)
Net cash provided by operating activities	3,156.3	2,816.9	2,619.6
Investing Activities			
Acquisitions, net of cash acquired	(5,188.4)	(694.6)	(13,060.1)
Proceeds from sale of businesses, net of cash divested	—	—	1,521.8
Purchase of property, plant and equipment	(444.4)	(422.9)	(427.6)
Proceeds from sale of property, plant and equipment	26.3	18.1	49.3
Proceeds from sale of investments	81.2	12.0	88.6
(Increase) decrease in restricted cash	(1.5)	5.8	48.6
Other investing activities, net	(5.3)	(5.8)	(3.3)
Net cash used in investing activities	\$ (5,532.1)	\$ (1,087.4)	\$ (11,782.7)

THERMO FISHER SCIENTIFIC INC.

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(In millions)	Year Ended		
	December 31, 2016	December 31, 2015	December 31, 2014
Financing Activities			
Net proceeds from issuance of debt	\$ 7,604.0	\$ 1,798.0	\$ 6,592.3
Repayment of debt	(4,334.2)	(3,780.2)	(4,466.0)
Increase (decrease) in commercial paper, net	904.1	49.5	(249.9)
Purchases of company common stock	(1,250.0)	(500.0)	—
Dividends paid	(238.4)	(240.6)	(234.8)
Net proceeds from issuance of company common stock	—	—	2,942.0
Net proceeds from issuance of company common stock under employee stock plans	135.3	124.0	155.4
Tax benefits from stock-based compensation awards	53.5	64.1	65.6
Other financing activities, net	(13.7)	(6.1)	(8.5)
Net cash provided by (used in) financing activities	<u>2,860.6</u>	<u>(2,491.3)</u>	<u>4,796.1</u>
Exchange Rate Effect on Cash	(150.7)	(129.6)	(115.5)
Increase (Decrease) in Cash and Cash Equivalents	334.1	(891.4)	(4,482.5)
Cash and Cash Equivalents at Beginning of Period	452.1	1,343.5	5,826.0
Cash and Cash Equivalents at End of Period	<u>\$ 786.2</u>	<u>\$ 452.1</u>	<u>\$ 1,343.5</u>

See Note 13 for supplemental cash flow information.

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

THERMO FISHER SCIENTIFIC INC.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(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, 2013	369.6	\$ 369.6	\$ 8,222.6	\$ 8,753.3	7.6	\$ (412.2)	\$ (77.2)	\$ 16,856.1
Issuance of shares under employees' and directors' stock plans	4.0	4.0	161.3	—	0.4	(43.7)	—	121.6
Issuance of shares	34.9	34.9	2,907.4	—	—	—	—	2,942.3
Stock-based compensation	—	—	117.1	—	—	—	—	117.1
Tax benefit related to employees' and directors' stock plans	—	—	65.4	—	—	—	—	65.4
Dividends declared	—	—	—	(240.8)	—	—	—	(240.8)
Net income	—	—	—	1,894.4	—	—	—	1,894.4
Other comprehensive items	—	—	—	—	—	—	(1,207.8)	(1,207.8)
Other	—	—	(0.2)	—	—	—	—	(0.2)
Balance at December 31, 2014	408.5	408.5	11,473.6	10,406.9	8.0	(455.9)	(1,285.0)	20,548.1
Issuance of shares under employees' and directors' stock plans	3.4	3.4	139.4	—	0.4	(52.0)	—	90.8
Stock-based compensation	—	—	125.0	—	—	—	—	125.0
Tax benefit related to employees' and directors' stock plans	—	—	63.2	—	—	—	—	63.2
Purchases of company common stock	—	—	—	—	3.9	(500.0)	—	(500.0)
Dividends declared	—	—	—	(240.0)	—	—	—	(240.0)
Net income	—	—	—	1,975.4	—	—	—	1,975.4
Other comprehensive items	—	—	—	—	—	—	(712.3)	(712.3)
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	3.2	3.2	152.2	—	0.4	(48.1)	—	107.3
Stock-based compensation	—	—	133.5	—	—	—	—	133.5
Tax benefit related to employees' and directors' stock plans	—	—	52.7	—	—	—	—	52.7
Purchases of company common stock	—	—	—	—	9.0	(1,250.0)	—	(1,250.0)
Dividends declared	—	—	—	(237.2)	—	—	—	(237.2)
Net income	—	—	—	2,021.8	—	—	—	2,021.8
Other comprehensive items	—	—	—	—	—	—	(639.0)	(639.0)
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

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

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

Principles of Consolidation

The accompanying financial statements include the accounts of the company and its wholly and majority-owned subsidiaries. All material intercompany accounts and transactions have been eliminated. The company accounts for investments in businesses using the equity method when it has significant influence but not control (generally between 20% and 50% ownership) and is not the primary beneficiary.

Revenue Recognition and Accounts Receivable

Revenue is recognized after all significant obligations have been met, collectability is probable and title has passed, which typically occurs upon shipment or delivery or completion of services. If customer-specific acceptance criteria exist, the company recognizes revenue after demonstrating adherence to the acceptance criteria. The company recognizes revenue and related costs for arrangements with multiple deliverables, such as equipment and installation, as each element is delivered or completed based upon its relative fair value. When a portion of the customer's payment is not due until installation or other deliverable occurs, the company defers that portion of the revenue until completion of installation or transfer of the deliverable. Provisions for discounts, warranties, rebates to customers, returns and other adjustments are provided for in the period the related sales are recorded. Sales taxes, value-added taxes and certain excise taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from revenue.

Royalty revenue is recognized when the amounts are earned and determinable during the applicable period based on historical activity. For those arrangements where royalties cannot be reasonably estimated, revenue is recognized upon the receipt of cash or royalty statements from licensees.

Service revenues represent the company's service offerings including clinical trial logistics, asset management, diagnostic testing, training, service contracts, and field service including related time and materials. Service revenues are recognized as the service is performed. Revenues for service contracts are recognized ratably over the contract period.

The company records shipping and handling charges billed to customers in net sales and records shipping and handling costs in cost of product revenues for all periods presented.

Accounts receivable are recorded at the invoiced amount and do not bear interest. The company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to pay amounts due. The allowance for doubtful accounts is the company's best estimate of the amount of probable credit losses in existing accounts receivable. The company determines the allowance based on the age of the receivable, the creditworthiness of the customer and any other information that is relevant to the judgment. Account balances are charged off against the allowance when the company believes it is probable the receivable will not be recovered. The company does not have any off-balance-sheet credit exposure related to customers.

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The changes in the allowance for doubtful accounts are as follows:

(In millions)	Year Ended December 31,		
	2016	2015	2014
Beginning Balance	\$ 70.1	\$ 74.1	\$ 54.1
Provision charged to expense (a)	15.9	5.5	20.4
Accounts recovered	0.2	0.2	1.0
Accounts written off	(9.2)	(4.8)	(11.2)
Other (b)	<u>0.3</u>	<u>(4.9)</u>	9.8
Ending Balance	<u>\$ 77.3</u>	<u>\$ 70.1</u>	<u>\$ 74.1</u>

- (a) In 2016, includes \$8.5 million of charges to conform the accounting policies of FEI with the company's accounting policies. In 2014, includes \$16.2 million of charges to conform the accounting policies of Life Technologies with the company's accounting policies.
- (b) Includes allowance of businesses acquired and sold during the year as described in Note 2 and the effect of currency translation.

Deferred revenue in the accompanying balance sheet consists primarily of unearned revenue on service contracts, which is recognized ratably over the terms of the contracts. Substantially all of the deferred revenue in the accompanying 2016 balance sheet will be recognized within one year.

Warranty Obligations

The company provides for the estimated cost of standard product warranties, primarily from historical information, in cost of product revenues at the time product revenue is recognized. While the company engages in extensive product quality programs and processes, including actively monitoring and evaluating the quality of its component supplies, the company's warranty obligation is affected by product failure rates, utilization levels, material usage, service delivery costs incurred in correcting a product failure and supplier warranties on parts delivered to the company. Should actual product failure rates, utilization levels, material usage, service delivery costs or supplier warranties on parts differ from the company's estimates, revisions to the estimated warranty liability would be required. The liability for warranties is included in other accrued expenses in the accompanying balance sheet. Extended warranty agreements are considered service contracts which are discussed above. Costs of service contracts are recognized as incurred. The changes in the carrying amount of standard product warranty obligations are as follows:

(In millions)	Year Ended	
	December 31, 2016	December 31, 2015
Beginning Balance	\$ 55.8	\$ 57.5
Provision charged to income	96.2	85.4
Usage	(86.6)	(82.1)
Acquisitions	16.8	0.5
Adjustments to previously provided warranties, net	(2.5)	(2.6)
Currency translation	<u>(1.8)</u>	<u>(2.9)</u>
Ending Balance	<u>\$ 77.9</u>	<u>\$ 55.8</u>

Research and Development

The company conducts research and development activities to increase its depth of capabilities in technologies, software and services. Research and development costs include employee compensation and benefits, consultants, facilities related costs, material costs, depreciation and travel. Research and development costs are expensed as incurred.

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Income Taxes

The company recognizes deferred income taxes based on the expected future tax consequences of differences between the financial statement basis and the tax basis of assets and liabilities, calculated using enacted tax rates in effect for the year in which the differences are expected to be reflected in the tax return.

The financial statements reflect expected future tax consequences of uncertain tax positions that the company has taken or expects to take on a tax return presuming the taxing authorities' full knowledge of the positions and all relevant facts, but without discounting for the time value of money (Note 7).

Earnings per Share

Basic earnings per share has been computed by dividing net income by the weighted average number of shares outstanding during the year. Except where the result would be antidilutive to income from continuing operations, diluted earnings per share has been computed using the treasury stock method for the equity forward agreements and outstanding stock options and restricted units, as well as their related income tax effects (Note 8).

Cash and Cash Equivalents

Cash equivalents consists principally of money market funds, commercial paper and other marketable securities purchased with an original maturity of three months or less. These investments are carried at cost, which approximates market value.

Inventories

Inventories are valued at the lower of cost or market, cost being determined principally by the first-in, first-out (FIFO) method with certain of the company's businesses utilizing the last-in, first-out (LIFO) method. The company periodically reviews quantities of inventories on hand and compares these amounts to the expected use of each product or product line. In addition, the company has certain inventory that is subject to fluctuating market pricing. The company assesses the carrying value of this inventory based on a lower of cost or market analysis. The company records a charge to cost of sales for the amount required to reduce the carrying value of inventory to net realizable value. Costs associated with the procurement of inventories, such as inbound freight charges, purchasing and receiving costs, and internal transfer costs, are included in cost of revenues in the accompanying statement of income. The components of inventories are as follows:

(In millions)	December 31, 2016	December 31, 2015
Raw Materials	\$ 466.3	\$ 421.1
Work in Process	327.9	236.8
Finished Goods	<u>1,419.1</u>	<u>1,333.8</u>
 Inventories	 \$ 2,213.3	 \$ 1,991.7

The value of inventories maintained using the LIFO method was \$207 million and \$191 million at December 31, 2016 and 2015, respectively, which was below estimated replacement cost by \$29 million and \$28 million, respectively. Reductions to cost of revenues as a result of the liquidation of LIFO inventories were nominal during the three years ended December 31, 2016.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. The costs of additions and improvements are capitalized, while maintenance and repairs are charged to expense as incurred. The company provides for depreciation and amortization using the straight-line method over the estimated useful lives of the property as follows: buildings and improvements, 25 to 40 years; machinery and equipment (including software), 3 to 10 years; and leasehold improvements, the shorter of the term of the lease or the life of the asset. When assets are retired or otherwise disposed of, the assets and related accumulated depreciation are eliminated from the accounts and the resulting gain or loss is reflected in the accompanying statement of income. Property, plant and equipment consists of the following:

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In millions)	December 31, 2016	December 31, 2015
Land	\$ 305.6	\$ 276.4
Buildings and Improvements	1,154.2	1,050.5
Machinery, Equipment and Leasehold Improvements	2,955.7	2,786.8
Property, Plant and Equipment, at Cost	4,415.5	4,113.7
Less: Accumulated Depreciation and Amortization	1,837.7	1,664.9
Property, Plant and Equipment, Net	<u>\$ 2,577.8</u>	<u>\$ 2,448.8</u>

Depreciation and amortization expense of property, plant and equipment was \$380 million, \$373 million and \$353 million in 2016, 2015 and 2014, respectively.

Acquisition-related Intangible Assets

Acquisition-related intangible assets include the costs of acquired customer relationships, product technology, tradenames and other specifically identifiable intangible assets, and are being amortized using the straight-line method over their estimated useful lives, which range from 3 to 20 years. In addition, the company has tradenames and in-process research and development that have indefinite lives and which are not amortized. The company reviews intangible assets for impairment when indication of potential impairment exists, such as a significant reduction in cash flows associated with the assets. Intangible assets with indefinite lives are reviewed for impairment annually or whenever events or changes in circumstances indicate they may be impaired. Acquisition-related intangible assets are as follows:

(In millions)	Balance at December 31, 2016			Balance at December 31, 2015		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
<i>Definite Lived:</i>						
Customer relationships	\$ 13,167.3	\$ (4,821.4)	\$ 8,345.9	\$ 11,844.4	\$ (4,086.9)	\$ 7,757.5
Product technology	5,679.7	(2,204.2)	3,475.5	4,799.8	(1,819.0)	2,980.8
Tradenames	1,452.2	(646.0)	806.2	1,316.7	(548.2)	768.5
Other	33.0	(33.0)	—	33.2	(33.0)	0.2
	<u>20,332.2</u>	<u>(7,704.6)</u>	<u>12,627.6</u>	<u>17,994.1</u>	<u>(6,487.1)</u>	<u>11,507.0</u>
<i>Indefinite Lived:</i>						
Tradenames	1,234.8	—	1,234.8	1,234.8	—	1,234.8
In-process research and development	106.6	—	106.6	16.5	—	16.5
	<u>1,341.4</u>	<u>—</u>	<u>1,341.4</u>	<u>1,251.3</u>	<u>—</u>	<u>1,251.3</u>
Acquisition-related Intangible Assets	<u>\$ 21,673.6</u>	<u>\$ (7,704.6)</u>	<u>\$ 13,969.0</u>	<u>\$ 19,245.4</u>	<u>\$ (6,487.1)</u>	<u>\$ 12,758.3</u>

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The estimated future amortization expense of acquisition-related intangible assets with definite lives is as follows:

(In millions)

2017	\$ 1,465.7
2018	1,428.1
2019	1,397.1
2020	1,297.0
2021	1,199.6
2022 and Thereafter	5,840.1
 Estimated Future Amortization Expense of Definite-lived Intangible Assets	 <u>\$ 12,627.6</u>

Amortization of acquisition-related intangible assets was \$1.38 billion, \$1.31 billion and \$1.33 billion in 2016, 2015 and 2014, respectively.

Other Assets

Other assets in the accompanying balance sheet include deferred tax assets, cash surrender value of life insurance, insurance recovery receivables related to product liability matters, pension assets, cost-method and available-for-sale investments, notes receivable, restricted cash and other assets.

Investments for which there are not readily determinable market values are accounted for under the cost method of accounting. The company periodically evaluates the carrying value of its investments accounted for under the cost method of accounting, which provides that they are recorded at the lower of cost or estimated net realizable value. At December 31, 2016 and 2015, the company had cost method investments with carrying amounts of \$37 million and \$39 million, respectively, which are included in other assets.

Goodwill

The company assesses the realizability of goodwill annually and whenever events or changes in circumstances indicate it may be impaired. Such events or circumstances generally include the occurrence of operating losses or a significant decline in earnings associated with one or more of the company's reporting units. The company estimates the fair value of its reporting units by using forecasts of discounted future cash flows and peer market multiples. When an impairment is indicated, any excess of carrying value over the implied fair value of goodwill is recorded as an operating loss. The company completed quantitative annual tests for impairment at November 5, 2016 and October 31, 2015, and determined that goodwill was not impaired.

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The changes in the carrying amount of goodwill by segment are as follows:

(In millions)	Life Sciences Solutions	Analytical Instruments	Specialty Diagnostics	Laboratory Products and Services	Total
Balance at December 31, 2014	\$ 7,245.3	\$ 2,729.8	\$ 3,899.6	\$ 4,967.9	\$ 18,842.6
Acquisitions	125.1	1.7	4.7	120.8	252.3
Finalization of purchase price allocations for 2014 acquisitions	(3.3)	—	—	—	(3.3)
Sale of a product line	(5.8)	—	—	—	(5.8)
Currency translation	(80.4)	(24.1)	(132.8)	(22.4)	(259.7)
Other	8.3	(4.9)	(0.2)	(1.7)	1.5
Balance at December 31, 2015	7,289.2	2,702.5	3,771.3	5,064.6	18,827.6
Acquisitions	633.1	2,059.0	0.8	—	2,692.9
Finalization of purchase price allocations for 2015 acquisitions	—	—	—	6.8	6.8
Currency translation	(3.1)	(80.1)	(108.1)	(31.0)	(222.3)
Other	13.2	4.4	(5.0)	10.2	22.8
Balance at December 31, 2016	\$ 7,932.4	\$ 4,685.8	\$ 3,659.0	\$ 5,050.6	\$ 21,327.8

Loss Contingencies

Accruals are recorded for various contingencies, including legal proceedings, environmental, workers' compensation, product, general and auto liabilities, self-insurance and other claims that arise in the normal course of business. The accruals are based on management's judgment, historical claims experience, the probability of losses and, where applicable, the consideration of opinions of internal and/or external legal counsel and actuarial estimates. Additionally, the company records receivables from third-party insurers up to the amount of the loss when recovery has been determined to be probable. Liabilities acquired in acquisitions have been recorded at fair value and, as such, were discounted to present value at the dates of acquisition.

Currency Translation

All assets and liabilities of the company's non-U.S. subsidiaries are translated at year-end exchange rates. Resulting translation adjustments are reflected in the "accumulated other comprehensive items" component of shareholders' equity. Revenues and expenses are translated at average exchange rates for the year. Currency transaction gains (losses) are included in the accompanying statement of income and in aggregate were \$19 million, \$(11) million and \$33 million in 2016, 2015 and 2014, respectively.

Derivative Contracts

The company is exposed to certain risks relating to its ongoing business operations including changes to interest rates and currency exchange rates. The company uses derivative instruments primarily to manage currency exchange and interest rate risks. The company recognizes derivative instruments as either assets or liabilities and measures those instruments at fair value. If a derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative are either offset against the change in fair value of the hedged item through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. Derivatives that are not designated as hedges are recorded at fair value through earnings.

The company uses short-term forward and option currency exchange contracts primarily to hedge certain balance sheet and operational exposures resulting from changes in currency exchange rates, predominantly intercompany loans and cash balances that are denominated in currencies other than the functional currencies of the respective operations. The currency-exchange contracts principally hedge transactions denominated in euro, British pounds sterling, Swiss franc, Japanese yen, Norwegian kroner, and Swedish kronor. The company does not hold or engage in transactions involving derivative instruments for purposes other than risk management.

Cash flow hedges. For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings.



THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Fair value hedges. For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative, as well as the offsetting loss or gain on the hedged item attributable to the hedged risk, are recognized in earnings. During 2016, in connection with new debt issuances, the company entered into interest rate swap arrangements. The company includes the gain or loss on the hedged items (fixed-rate debt) in the same line item (interest expense) as the offsetting effective portion of the loss or gain on the related interest rate swaps.

Net investment hedges. 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.

Use of Estimates

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

Recent Accounting Pronouncements

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 in 2020. Early adoption is permitted. 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. Early adoption is permitted. 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. The adoption of this guidance is not expected to have a material impact on the company's consolidated statement of cash flows.

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 company is currently evaluating the impact this guidance will have on its consolidated financial statements.

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. The adoption of this guidance is not expected to have a material impact on the company's consolidated statement of cash flows.

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. Adoption of this guidance is not expected to have a material impact on the company's consolidated financial statements; however, the impact in any given period 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 vestings.

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 guidance is effective for the company in 2019 and must be adopted using a modified retrospective method. Early adoption is permitted. The company is currently evaluating the impact this guidance will have on its consolidated financial statements, however, assets and liabilities will increase upon

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

adoption for right-of-use assets and lease liabilities. The company's future commitments under lease obligations are summarized in Note 10.

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. Early adoption is permitted. The adoption of this guidance is not expected to have a material impact on the company's consolidated financial statements.

In September 2015, the FASB issued new guidance which eliminates the requirement for an acquirer in a business combination to restate prior period financial statements for measurement period adjustments. The new guidance requires that the cumulative impact of a measurement period adjustment (including the impact on prior periods) be recognized in the reporting period in which the adjustment is identified. The new guidance also sets forth new disclosure requirements related to the adjustments. The guidance was effective for the company in 2016. Adoption of this guidance did not have a material impact on the company's consolidated balance sheet.

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 is effective for the company in 2017. The adoption of this guidance is not expected to have a material impact on the company's consolidated financial statements.

In April 2015, the FASB issued new guidance which requires the presentation of debt issuance costs in the balance sheet as a deduction from the carrying amount of the related debt liability, consistent with the current treatment of debt discounts. The guidance was effective for the company in 2016. As a result of adoption of this standard, debt issuance costs of \$55 million were reclassified from other assets to reduce long-term debt as of December 31, 2015.

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. Early adoption is permitted. The company expects to adopt this guidance on January 1, 2018 through application of the modified retrospective method. The company's preliminary assessment of its most commonly used customer terms and conditions and routine sales transactions did not identify material impacts to its consolidated financial statements from the application of the guidance; however, a broad assessment is ongoing that includes surveying the company's major businesses concerning any unique customer contract terms or transactions that could have implications to the timing of revenue recognition under the new guidance. The company expects this undertaking will be complete in the second half of 2017.

Note 2. Acquisitions and Dispositions

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

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

2016

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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. The purchase price exceeded the fair value of the identifiable net assets and, accordingly, \$2.06 billion was allocated to goodwill, approximately \$65 million of which is tax deductible.

On March 31, 2016, the company acquired, 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. The purchase price exceeded the fair value of the identifiable net assets and, accordingly, \$615 million was allocated to goodwill, none of which is tax deductible.

In addition, in 2016, the company acquired, within the Life Sciences Solutions segment, a manufacturer of transfection reagents and cell-related products and selected assets of an existing channel partner, within the Analytical Instruments segment, a provider of X-ray diffraction solutions for material science and industrial applications and, within the Specialty Diagnostics segment, an existing channel partner for its microbiology media products, for an aggregate purchase price of \$33 million.

The components of the purchase price and net assets acquired for 2016 acquisitions are as follows:

(In millions)	FEI	Affymetrix	Other	Total
Purchase Price				
Cash paid	\$ 4,440.4	\$ 1,165.0	\$ 29.5	\$ 5,634.9
Debt assumed	—	254.2	0.6	254.8
Purchase price payable	10.8	0.5	2.7	14.0
Cash acquired	(369.1)	(77.9)	(0.3)	(447.3)
	\$ 4,082.1	\$ 1,341.8	\$ 32.5	\$ 5,456.4
Net Assets Acquired				
Current assets	\$ 621.4	\$ 160.6	\$ 3.4	\$ 785.4
Property, plant and equipment	153.0	19.3	0.2	172.5
Definite-lived intangible assets:				
Customer relationships	1,051.1	500.5	8.7	1,560.3
Product technology	739.8	253.1	7.0	999.9
Tradenames and other	130.0	45.5	—	175.5
Indefinite-lived intangible assets:				
In-process research and development	104.7	14.4	—	119.1
Goodwill	2,057.1	615.2	20.6	2,692.9
Other assets	71.6	7.8	0.1	79.5
Liabilities assumed	(846.6)	(274.6)	(7.5)	(1,128.7)
	\$ 4,082.1	\$ 1,341.8	\$ 32.5	\$ 5,456.4

The weighted-average amortization periods for definite-lived intangible assets acquired in 2016 are 16 years for customer relationships, 8 years for product technology and 8 years for tradenames and other. The weighted average amortization period for all definite-lived intangible assets acquired in 2016 is 13 years.

The company recorded a deferred tax liability of \$156 million in the acquisition accounting related to the outside basis difference of the Affymetrix Singapore operations as the company does not intend to permanently reinvest the pre-acquisition Singapore earnings.

Revenues of Affymetrix and FEI in 2016, subsequent to the date of acquisition, were \$251 million and \$385 million, respectively. Operating losses totaled \$125 million and \$38 million, respectively, primarily due to acquisition-related charges and restructuring costs related to synergy planning.



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2015

On September 30, 2015, the company acquired, within the Laboratory Products and Services segment, Alfa Aesar, a U.K.-based global manufacturer of research chemicals from Johnson Matthey Plc, for £257 million (\$393 million) in cash. The acquisition expanded the company's existing portfolio of chemicals, solvents and reagents. Revenues of Alfa Aesar were approximately £78 million in 2014. The purchase price exceeded the fair value of the identifiable net assets and, accordingly, \$125 million was allocated to goodwill, \$41 million of which is tax deductible.

In February 2015, the company acquired, within the Life Sciences Solutions segment, Advanced Scientifics, Inc., a North America-based global provider of single-use systems and process equipment for bioprocess production, for approximately \$289 million. The acquisition expanded the company's bioprocessing offerings. Revenues of Advanced Scientifics were approximately \$80 million in 2014. The purchase price exceeded the fair value of the identifiable net assets and, accordingly, \$124 million was allocated to goodwill, all of which is tax deductible.

In addition, in 2015, the company acquired, within the Analytical Instruments segment, selected assets of certain existing channel partners for its chromatography and mass spectrometry products and, within the Specialty Diagnostics segment, an existing channel partner for its transplant diagnostics products, for an aggregate purchase price of \$19 million.

During 2015, the company made contingent purchase price payments totaling \$11 million for acquisitions completed prior to 2015. The contingent purchase price payments were contractually due to the sellers upon achievement of certain performance criteria at the acquired businesses.

The components of the purchase price and net assets acquired for 2015 acquisitions are as follows:

(In millions)	Alfa Aesar	Advanced Scientifics	Other	Total
Purchase Price				
Cash paid	\$ 393.0	\$ 289.1	\$ 18.5	\$ 700.6
Purchase price payable	—	—	1.3	1.3
Cash acquired	(3.5)	(0.3)	(1.3)	(5.1)
	\$ 389.5	\$ 288.8	\$ 18.5	\$ 696.8
Net Assets Acquired				
Current assets	\$ 96.8	\$ 28.7	\$ 4.6	\$ 130.1
Property, plant and equipment	39.0	10.6	0.1	49.7
Definite-lived intangible assets:				
Customer relationships	137.1	90.0	7.9	235.0
Product technology	—	36.5	—	36.5
Tradenames and other	15.6	2.3	—	17.9
Goodwill	125.1	124.4	8.9	258.4
Other assets	4.5	0.2	—	4.7
Liabilities assumed	(28.6)	(3.9)	(3.0)	(35.5)
	\$ 389.5	\$ 288.8	\$ 18.5	\$ 696.8

The weighted-average amortization periods for definite-lived intangible assets acquired in 2015 are 15 years for customer relationships, 10 years for product technology and 10 years for tradenames and other. The weighted average amortization period for all definite-lived intangible assets acquired in 2015 is 14 years.

2014

On February 3, 2014, the company completed the acquisition of Life Technologies Corporation, within the Life Sciences Solutions segment, for a total purchase price of \$15.30 billion, net of cash acquired, including the assumption of \$2.28 billion of debt. The company issued debt and common stock in late 2013 and early 2014 to partially fund the acquisition. Life Technologies provides innovative products and services to customers conducting scientific research and genetic analysis, as well as those in

applied markets, such as forensics and food safety testing. The acquisition of Life Technologies extends customer reach and broadens the company's offerings in biosciences; genetic, medical and applied sciences; and bioproduction.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Life Technologies' revenues totaled \$3.87 billion in 2013. The purchase price exceeded the fair value of the identifiable net assets and, accordingly, \$7.17 billion was allocated to goodwill, substantially none of which is tax deductible.

In addition, in 2014, the company acquired an animal health diagnostics company, within the Life Sciences Solutions segment, and a distributor of analytical instruments, within the Analytical Instruments segment, for an aggregate of \$36 million, net of cash acquired.

During 2014, the company made contingent purchase price payments totaling \$13 million for acquisitions completed prior to 2014. The contingent purchase price payments were contractually due to the sellers upon achievement of certain performance criteria at the acquired businesses.

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

(In millions)	Life Technologies	Other	Total
Purchase Price			
Cash paid	\$ 13,487.3	\$ 47.3	\$ 13,534.6
Debt assumed	2,279.5	—	2,279.5
Cash acquired	(463.0)	(11.5)	(474.5)
	<u>\$ 15,303.8</u>	<u>\$ 35.8</u>	<u>\$ 15,339.6</u>
Net Assets Acquired			
Current assets	\$ 1,755.5	\$ 18.5	\$ 1,774.0
Property, plant and equipment	748.1	1.1	749.2
Definite-lived intangible assets:			
Customer relationships	5,883.0	7.0	5,890.0
Product technology	2,626.9	5.5	2,632.4
Tradenames and other	619.1	—	619.1
Indefinite-lived intangible assets:			
In-process research and development	58.4	—	58.4
Goodwill	7,167.0	12.5	7,179.5
Other assets	246.7	0.1	246.8
Liabilities assumed	(3,800.9)	(8.9)	(3,809.8)
	<u>\$ 15,303.8</u>	<u>\$ 35.8</u>	<u>\$ 15,339.6</u>

The weighted-average amortization periods for intangible assets acquired in 2014 are 16 years for customer relationships, 11 years for product technology and 9 years for definite-lived tradenames and other. The weighted average amortization period for all definite-lived intangible assets acquired in 2014 is 14 years.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Unaudited Pro Forma Information

Had the acquisitions of FEI and Affymetrix been completed as of the beginning of 2015, the company's pro forma results for 2016 and 2015 would have been as follows:

(In millions except per share amounts)	2016	2015
Revenues	\$ 18,988.4	\$ 18,230.0
Income from Continuing Operations	\$ 2,045.8	\$ 1,688.8
Net Income	\$ 2,042.3	\$ 1,683.9
Earnings per Share from Continuing Operations:		
Basic	\$ 5.18	\$ 4.24
Diluted	\$ 5.15	\$ 4.20
Earnings per Share:		
Basic	\$ 5.17	\$ 4.22
Diluted	\$ 5.14	\$ 4.19

Pro forma results include non-recurring pro forma adjustments that were directly attributable to the business combinations to reflect amounts as if the acquisitions had been completed as of the beginning of 2015, as follows:

- Pre-tax charge to selling, general and administrative expenses of \$102 million in 2015, for acquisition-related transaction costs incurred by the company, Affymetrix and FEI;
- Pre-tax charge to cost of revenues of \$99 million in 2015, for the sale of Affymetrix and FEI inventories revalued at the date of acquisition;
- Pre-tax charge of \$46 million in 2015, for initial restructuring charges incurred by the company relating to the Affymetrix and FEI acquisitions.
- Pre-tax charge of \$33 million in 2015, to conform the accounting policies of Affymetrix and FEI with the company's accounting policies; and
- Pre-tax reduction of revenues of \$6 million and \$14 million in 2016 and 2015, respectively, for revaluing the Affymetrix and FEI deferred revenue obligations to fair value.

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

The company's results would not have been materially different from its pro forma results had the company's other 2015 or 2016 acquisitions occurred at the beginning of 2014 or 2015, respectively.

Dispositions

On August 15, 2014, the company sold its Cole-Parmer specialty channel business, part of the Laboratory Products and Services segment, for \$480 million in cash, net of cash divested. The sale of this business resulted in a pre-tax gain of approximately \$134 million, included in restructuring and other costs (income), net. Due to the low tax basis in the Cole-Parmer business, the tax provision related to the sale slightly exceeded the pre-tax gain, resulting in a \$4 million after-tax loss on the sale of the business. Revenues and operating income of the business sold were approximately \$232 million and \$43 million, respectively, for the year ended December 31, 2013 and \$149 million and \$28 million, respectively, in 2014 through the date of sale.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

Note 3. Business Segment and Geographical 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 and an extensive service offering. These products and services are used by customers in pharmaceutical, biotechnology, academic, government and other research and industrial markets, as well as the clinical laboratory.

The company's management evaluates segment operating performance based on operating income before certain charges/credits to cost of revenues and selling, general and administrative expenses, principally associated with acquisition accounting; restructuring and other costs/income including costs arising from facility consolidations such as severance and abandoned lease expense and gains and losses from the sale of real estate and product lines 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Business Segment Information

(In millions)	2016	2015	2014
Revenues			
Life Sciences Solutions	\$ 4,978.1	\$ 4,439.4	\$ 4,195.7
Analytical Instruments	3,668.2	3,208.2	3,252.2
Specialty Diagnostics	3,339.2	3,243.9	3,343.6
Laboratory Products and Services	7,030.0	6,661.5	6,601.5
Eliminations	(741.4)	(587.6)	(503.4)
Consolidated revenues	<u>18,274.1</u>	<u>16,965.4</u>	<u>16,889.6</u>
Segment Income (a)			
Life Sciences Solutions	1,514.7	1,336.9	1,214.9
Analytical Instruments	745.2	612.8	581.1
Specialty Diagnostics	909.8	872.9	916.0
Laboratory Products and Services	1,052.1	999.1	982.8
Subtotal reportable segments (a)	<u>4,221.8</u>	<u>3,821.7</u>	<u>3,694.8</u>
Cost of revenues charges	(101.5)	(9.1)	(327.6)
Selling, general and administrative charges, net	(103.9)	(46.3)	(130.7)
Restructuring and other (costs) income, net	(189.2)	(115.3)	598.2
Amortization of acquisition-related intangible assets	(1,378.0)	(1,314.8)	(1,331.7)
Consolidated operating income	<u>2,449.2</u>	<u>2,336.2</u>	<u>2,503.0</u>
Other expense, net (b)	<u>(425.3)</u>	<u>(399.8)</u>	<u>(415.8)</u>
Income from continuing operations before income taxes	<u>\$ 2,023.9</u>	<u>\$ 1,936.4</u>	<u>\$ 2,087.2</u>
Depreciation			
Life Sciences Solutions	\$ 141.4	\$ 146.3	\$ 131.6
Analytical Instruments	49.7	38.9	39.0
Specialty Diagnostics	70.4	73.7	76.7
Laboratory Products and Services	118.5	114.5	105.8
Consolidated depreciation	<u>\$ 380.0</u>	<u>\$ 373.4</u>	<u>\$ 353.1</u>

(a) Represents operating income before certain charges to cost of revenues and selling, general and administrative expenses;

restructuring and other costs, net; and amortization of acquisition-related intangibles.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In millions)	2016	2015	2014
Total Assets			
Life Sciences Solutions	\$ 18,454.3	\$ 17,884.3	\$ 19,257.0
Analytical Instruments	9,519.6	4,763.1	4,133.3
Specialty Diagnostics	6,801.6	7,183.2	8,047.7
Laboratory Products and Services	10,016.3	10,266.6	10,875.7
Corporate/Other (c)	1,115.7	737.1	538.4
Consolidated total assets	\$ 45,907.5	\$ 40,834.3	\$ 42,852.1
Capital Expenditures			
Life Sciences Solutions	\$ 116.7	\$ 85.1	\$ 104.4
Analytical Instruments	34.0	59.5	38.1
Specialty Diagnostics	72.3	75.9	84.7
Laboratory Products and Services	116.8	97.7	102.1
Corporate/Other	104.6	104.7	98.3
Consolidated capital expenditures	\$ 444.4	\$ 422.9	\$ 427.6

(c) Corporate assets consist primarily of cash and cash equivalents, short-term investments, property and equipment at the company's corporate offices.

Geographical Information

(In millions)	2016	2015	2014
Revenues (d)			
United States	\$ 9,085.6	\$ 8,607.3	\$ 8,147.7
China	1,729.6	1,376.4	1,223.1
Germany	995.8	899.7	1,005.9
United Kingdom	742.2	778.1	754.5
Japan	737.3	611.1	672.8
Other	4,983.6	4,692.8	5,085.6
Consolidated revenues	\$ 18,274.1	\$ 16,965.4	\$ 16,889.6
Long-lived Assets (e)			
United States	\$ 1,630.2	\$ 1,532.0	\$ 1,501.7
United Kingdom	216.8	261.1	265.5
Germany	157.6	169.4	170.3
Other	573.2	486.3	489.0
Consolidated long-lived assets	\$ 2,577.8	\$ 2,448.8	\$ 2,426.5

(d) Revenues are attributed to countries based on customer location.

(e) Includes property, plant and equipment, net.



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 4. Other Expense, Net

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

(In millions)	2016	2015	2014
Interest Income	\$ 48.4	\$ 30.6	\$ 47.7
Interest Expense	(469.6)	(414.9)	(479.9)
Other Items, Net	(4.1)	(15.5)	16.4
 Other Expense, Net	 \$ (425.3)	 \$ (399.8)	 \$ (415.8)

Other Items, Net

In all periods, other items, net includes currency transaction gains and losses on monetary assets and liabilities. In 2016, other items, net includes \$22 million of charges related to the amortization of fees paid to obtain bridge financing commitments for the acquisition of FEI (Note 2) and \$9 million of losses on the early extinguishment of debt, offset in part by \$12.5 million of gains on investments. The investment gains include an \$8 million gain on the sale of a joint venture for net proceeds of \$65 million.

In 2015, other items, net includes costs of \$7.5 million associated with entering into interest rate swap arrangements and losses of \$12 million for the early extinguishment of debt.

In 2014, other items, net includes \$9 million of net gains from equity and available-for-sale investments.

Note 5. Stock-based Compensation Expense

The company has stock-based compensation plans for its key employees, directors and others. These plans permit the grant of a variety of stock and stock-based awards, including restricted stock units, stock options or performance-based shares, as determined by the compensation committee of the company's Board of Directors or, for certain non-officer grants, by the company's employee equity committee, which consists of its chief executive officer. The company generally issues new shares of its common stock to satisfy option exercises and restricted unit vestings. Grants of stock options and restricted units generally provide that in the event of both a change in control of the company and a qualifying termination of an option or unit holder's employment, all options and service-based restricted unit awards held by the recipient become immediately vested (unless an employment or other agreement with the employee provides for different treatment).

Compensation cost is based on the grant-date fair value and is recognized ratably over the requisite vesting period or to the date based on qualifying retirement eligibility, if earlier.

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

(In millions)	2016	2015	2014
Stock Option Awards	\$ 41.3	\$ 43.7	\$ 45.7
Restricted Unit Awards	92.2	81.3	71.4
 Total Stock-based Compensation Expense	 \$ 133.5	 \$ 125.0	 \$ 117.1

The company has elected to recognize any excess income tax benefits from stock option exercises and restricted stock unit vestings in capital in excess of par value only if an incremental income tax benefit would be realized after considering all other tax attributes presently available to the company. The company measures the tax benefit associated with excess tax deductions related to stock-based compensation expense by multiplying the excess tax deductions by the statutory tax rates. The company uses the incremental tax benefit approach for utilization of tax attributes. Tax benefits recognized in capital in excess of par value in the accompanying balance sheet were \$53 million, \$63 million and \$65 million, respectively, in 2016, 2015 and 2014.

Stock Options

The company's practice is to grant stock options at fair market value. Options vest over 3-5 years with terms of 7-10 years, assuming continued employment with certain exceptions. Vesting of the option awards is contingent upon meeting certain

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

service conditions. The fair value of most option grants is estimated using the Black-Scholes option pricing model. For option grants that require the achievement of both service and market conditions, a lattice model is used to estimate fair value. The fair value is then amortized on a straight-line basis over the requisite service periods of the awards, which is generally the vesting period. Use of a valuation model requires management to make certain assumptions with respect to selected model inputs. Expected volatility was calculated based on the historical volatility of the company's stock. Historical data on exercise patterns is the basis for estimating the expected life of an option. The risk-free interest rate is based on U.S. Treasury zero-coupon issues with a remaining term which approximates the expected life assumed at the date of grant. The expected annual dividend rate was calculated by dividing the company's annual dividend, based on the most recent quarterly dividend rate, by the closing stock price on the grant date. The compensation expense recognized for all stock-based awards is net of estimated forfeitures. Forfeitures are estimated based on an analysis of actual option forfeitures.

The weighted average assumptions used in the Black-Scholes option pricing model are as follows:

	2016	2015	2014
Expected Stock Price Volatility	21%	24%	25%
Risk Free Interest Rate	1.2%	1.4%	1.3%
Expected Life of Options (years)	4.3	4.3	4.4
Expected Annual Dividend	0.5%	0.5%	0.5%

The weighted average per share grant-date fair values of options granted during 2016, 2015 and 2014 were \$24.54, \$27.04 and \$26.89, respectively. The total intrinsic value of options exercised during the same periods was \$176 million, \$181 million and \$208 million, respectively. The intrinsic value is the difference between the market value of the shares on the exercise date and the exercise price of the option.

A summary of the company's option activity for the year ended December 31, 2016 is presented below:

	Shares (in millions)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (a) (in millions)
Outstanding at December 31, 2015	9.6	\$ 85.30		
Granted	1.8	131.22		
Exercised	(2.2)	62.55		
Canceled/Expired	(0.4)	119.52		
Outstanding at December 31, 2016	8.8	\$ 98.69		3.9
Vested and Unvested Expected to Vest at December 31, 2016	8.5	\$ 97.50	3.8	\$ 371.7
Exercisable at December 31, 2016	4.6	\$ 75.05	2.7	\$ 307.1

(a) Market price per share on December 31, 2016 was \$141.10. The intrinsic value is zero for options with exercise prices above the market price.

As of December 31, 2016, there was \$66 million of total unrecognized compensation cost related to unvested stock options granted. The cost is expected to be recognized through 2020 with a weighted average amortization period of 2.2 years.

Restricted Share/Unit Awards

Awards of restricted units convert into an equivalent number of shares of common stock. The awards generally vest over 3-4 years, assuming continued employment, with some exceptions. Vesting of the awards is contingent upon meeting certain service conditions and may also be contingent upon meeting certain performance and/or market conditions. The fair market

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

value of the award at the time of the grant is amortized to expense over the requisite service period of the award, which is generally the vesting period. Recipients of restricted units have no voting rights but are entitled to accrue dividend equivalents. The fair value of service- and performance-based restricted unit awards is determined based on the number of units granted and the market value of the company's shares on the grant date. For awards with market-based vesting conditions, the company uses a lattice model to estimate the grant-date fair value of the award.

A summary of the company's restricted unit activity for the year ended December 31, 2016 is presented below:

	Units (in thousands)	Weighted Average Grant-Date Fair Value
Unvested at December 31, 2015	1,561	\$ 113.64
Granted	786	131.01
Vested	(885)	102.97
Forfeited	(125)	125.52
Unvested at December 31, 2016	1,337	\$ 129.80

The total fair value of shares vested during 2016, 2015 and 2014 was \$91 million, \$80 million and \$61 million, respectively.

As of December 31, 2016, there was \$112 million of total unrecognized compensation cost related to unvested restricted stock unit awards. The cost is expected to be recognized through 2020 with a weighted average amortization period of 1.9 years.

Employee Stock Purchase Plans

Qualifying employees are eligible to participate in an employee stock purchase plan sponsored by the company. Shares may be purchased under the program at 95% of the fair market value at the end of the purchase period and the shares purchased are not subject to a holding period. Shares are purchased through payroll deductions of up to 10% of each participating employee's gross wages. The company issued 152,000, 151,000 and 119,000 shares, respectively, of its common stock for the 2016, 2015 and 2014 plan years, which ended on December 31.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 6. Pension and Other Postretirement Benefit Plans

401(k) Savings Plan and Other Defined Contribution Plans

The company's 401(k) savings and other defined contribution plans cover the majority of the company's eligible U.S. and certain non-U.S. employees. Contributions to the plans are made by both the employee and the company. Company contributions are based on the level of employee contributions. Company contributions to these plans are based on formulas determined by the company. In 2016, 2015 and 2014, the company charged to expense \$140 million, \$131 million and \$118 million, respectively, related to its defined contribution plans.

Defined Benefit Pension Plans

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

The company recognizes the funded status of defined benefit pension and other postretirement benefit plans as an asset or liability. This amount is defined as the difference between the fair value of plan assets and the benefit obligation. The company is required to recognize as a component of other comprehensive income, net of tax, the actuarial gains/losses and prior service costs/credits that arise but were not previously required to be recognized as components of net periodic benefit cost. Other comprehensive income is adjusted as these amounts are later recognized in income as components of net periodic benefit cost.

When a company with a pension plan is acquired, any excess of projected benefit obligation over the plan assets is recognized as a liability and any excess of plan assets over the projected benefit obligation is recognized as an asset. The recognition of a new liability or a new asset results in the elimination of (a) previously existing unrecognized net gain or loss and (b) unrecognized prior service cost or credits.

The company funds annually, at a minimum, the statutorily required minimum amount as actuarially determined. During 2016, 2015 and 2014, the company made cash contributions of approximately \$43 million, \$38 million and \$50 million, respectively. Additionally, in 2016, the company contributed insurance contracts valued at \$16 million to two of its German defined benefit plans. Contributions to the plans included in the following table are estimated at between \$215 and \$235 million for 2017.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table provides a reconciliation of benefit obligations and plan assets of the company's domestic and non-U.S. pension plans and postretirement benefit plans:

(In millions)	Domestic Pension Benefits		Non-U.S. Pension Benefits		Postretirement Benefits	
	2016	2015	2016	2015	2016	2015
Change in Projected Benefit Obligations						
Benefit Obligation at Beginning of Year	\$ 1,213.1	\$ 1,291.1	\$ 1,036.0	\$ 1,075.4	\$ 48.8	\$ 55.3
Business combinations	33.4	—	1.2	52.7	—	—
Service costs	—	—	23.9	25.2	0.5	0.6
Interest costs	51.1	50.0	27.1	27.6	2.0	1.9
Settlements	—	—	(7.5)	(7.4)	—	—
Plan participants' contributions	—	—	4.5	4.6	1.3	1.3
Actuarial (gains) losses	29.8	(48.7)	149.9	(39.1)	1.4	(2.2)
Benefits paid	(78.3)	(79.3)	(30.2)	(29.6)	(3.9)	(5.4)
Currency translation and other	—	—	(88.4)	(73.4)	—	(2.7)
Benefit Obligation at End of Year	<u>\$ 1,249.1</u>	<u>\$ 1,213.1</u>	<u>\$ 1,116.5</u>	<u>\$ 1,036.0</u>	<u>\$ 50.1</u>	<u>\$ 48.8</u>
Change in Fair Value of Plan Assets						
Fair Value of Plan Assets at Beginning of Year	\$ 945.4	\$ 1,047.6	\$ 817.2	\$ 825.8	\$ 7.5	\$ 8.6
Business combinations	—	—	—	32.1	—	—
Actual return on plan assets	70.8	(28.3)	124.8	12.4	0.5	(1.1)
Employer contribution	6.4	5.4	49.5	28.0	2.7	4.1
Settlements	—	—	(7.5)	(7.4)	—	—
Plan participants' contributions	—	—	4.5	4.6	1.3	1.3
Benefits paid	(78.3)	(79.3)	(30.2)	(29.6)	(3.9)	(5.4)
Currency translation and other	—	—	(104.8)	(48.7)	—	—
Fair Value of Plan Assets at End of Year	<u>\$ 944.3</u>	<u>\$ 945.4</u>	<u>\$ 853.5</u>	<u>\$ 817.2</u>	<u>\$ 8.1</u>	<u>\$ 7.5</u>
Funded Status	\$ (304.8)	\$ (267.7)	\$ (263.0)	\$ (218.8)	\$ (42.0)	\$ (41.3)
Accumulated Benefit Obligation	<u>\$ 1,249.1</u>	<u>\$ 1,213.1</u>	<u>\$ 1,047.8</u>	<u>\$ 983.4</u>		
Amounts Recognized in Balance Sheet						
Non-current asset	\$ —	\$ —	\$ 62.7	\$ 72.7	\$ 4.3	\$ 3.8
Current liability	(9.8)	(2.9)	(5.7)	(5.7)	(2.7)	(2.6)
Non-current liability	(295.0)	(264.8)	(320.0)	(285.8)	(43.6)	(42.5)
Net amount recognized	<u>\$ (304.8)</u>	<u>\$ (267.7)</u>	<u>\$ (263.0)</u>	<u>\$ (218.8)</u>	<u>\$ (42.0)</u>	<u>\$ (41.3)</u>
Amounts Recognized in Accumulated Other Comprehensive Loss						
Net actuarial loss	\$ 171.3	\$ 163.0	\$ 169.6	\$ 133.1	\$ 5.8	\$ 4.7
Prior service credits	—	—	7.9	(1.6)	(0.1)	(0.2)

Net amount recognized

\$ 171.3 \$ 163.0 \$ 177.5 \$ 131.5 \$ 5.7 \$ 4.5

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The actuarial assumptions used to compute the funded status for the plans are based upon information available as of December 31, 2016 and 2015 and are as follows:

	Domestic Pension Benefits		Non-U.S. Pension Benefits		Postretirement Benefits	
	2016	2015	2016	2015	2016	2015
Weighted Average Assumptions Used to Determine Projected Benefit Obligations						
Discount rate	4.07%	4.25%	1.95%	2.83%	3.77%	4.12%
Average rate of increase in employee compensation	4.00%	4.00%	3.09%	3.06%	—	—
Initial healthcare cost trend rate					6.70%	6.82%
Ultimate healthcare cost trend rate					5.08%	5.21%

The actuarial assumptions used to compute the net periodic pension benefit cost (income) are based upon information available as of the beginning of the year, as presented in the following table:

	Domestic Pension Benefits			Non-U.S. Pension Benefits		
	2016	2015	2014	2016	2015	2014
Weighted Average Assumptions Used to Determine Net Benefit Cost (Income)						
Discount rate	4.25%	4.00%	4.46%	2.83%	2.69%	3.91%
Average rate of increase in employee compensation	4.00%	4.00%	4.00%	3.06%	3.03%	3.22%
Expected long-term rate of return on assets	7.00%	7.00%	7.00%	3.74%	4.21%	4.88%

The ultimate healthcare cost trend rates for the postretirement benefit plans are expected to be reached between 2017 and 2033.

The discount rate reflects the rate the company would have to pay to purchase high-quality investments that would provide cash sufficient to settle its current pension obligations. The discount rate is determined based on a range of factors, including the rates of return on high-quality, fixed-income corporate bonds and the related expected duration of the obligations or, in certain instances, the company has used a hypothetical portfolio of high quality instruments with maturities that mirror the benefit obligation in order to accurately estimate the discount rate relevant to a particular plan.

As of January 1, 2017, the company changed the method it uses to estimate the service and interest components of net periodic benefit cost for pension and other retiree benefit plans. Historically, the company estimated these service and interest cost components utilizing the single weighted-average discount rate used to measure each plan's benefit obligation at the beginning of the year. Beginning in 2017, the company will utilize a full yield curve approach in the estimation of these components by applying the specific spot-rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows. The company has made this change to provide a more precise measurement of the service and interest costs by improving the correlation between projected benefit cash flows to the corresponding spot yield curve rates. The company has accounted for this change as a change in accounting estimate and will account for it prospectively starting in January 2017. The reduction in service and interest costs for 2017 associated with this change in estimate will be approximately \$10 million.

The expected long-term rate of return on plan assets reflects the average rate of earnings expected on the funds invested, or to be invested, to provide for the benefits included in the projected benefit obligations. In determining the expected long-term rate of return on plan assets, the company considers the relative weighting of plan assets, the historical performance of total plan assets and individual asset classes and economic and other indicators of future performance. In addition, the company may consult with and consider the opinions of financial and other professionals in developing appropriate return benchmarks.

Asset management objectives include maintaining an adequate level of diversification to reduce interest rate and market risk and providing adequate liquidity to meet immediate and future benefit payment requirements.

The expected rate of compensation increase reflects the long-term average rate of salary increases and is based on historic salary increase experience and management's expectations of future salary increases.



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost in 2017 are not material.

The projected benefit obligation and fair value of plan assets for the company's qualified and non-qualified pension plans with projected benefit obligations in excess of plan assets are as follows:

(In millions)	Pension Plans	
	2016	2015
Pension Plans with Projected Benefit Obligations in Excess of Plan Assets		
Projected benefit obligation	\$ 1,906.6	\$ 1,739.2
Fair value of plan assets	1,276.1	1,180.0

The accumulated benefit obligation and fair value of plan assets for the company's qualified and non-qualified pension plans with accumulated benefit obligations in excess of plan assets are as follows:

(In millions)	Pension Plans	
	2016	2015
Pension Plans with Accumulated Benefit Obligations in Excess of Plan Assets		
Accumulated benefit obligation	\$ 1,846.7	\$ 1,694.3
Fair value of plan assets	1,275.7	1,179.7

The measurement date used to determine benefit information is December 31 for all plan assets and benefit obligations.

The net periodic pension benefit cost (income) includes the following components:

(In millions)	Domestic Pension Benefits			Non-U.S. Pension Benefits		
	2016	2015	2014	2016	2015	2014
Components of Net Benefit Cost (Income)						
Service cost-benefits earned	\$ —	\$ —	\$ 2.0	\$ 23.9	\$ 25.2	\$ 20.0
Interest cost on benefit obligation	51.1	50.0	53.1	27.1	27.6	36.7
Expected return on plan assets	(49.6)	(54.3)	(60.8)	(28.2)	(33.6)	(34.4)
Amortization of actuarial net loss	0.3	0.6	3.7	7.1	9.3	4.2
Amortization of prior service benefit	—	—	—	(0.2)	(0.2)	(0.1)
Settlement/curtailment loss	—	—	25.5	0.7	1.0	4.1
Special termination benefits	—	—	—	—	1.3	0.3
Net periodic benefit cost (income)	<u>\$ 1.8</u>	<u>\$ (3.7)</u>	<u>\$ 23.5</u>	<u>\$ 30.4</u>	<u>\$ 30.6</u>	<u>\$ 30.8</u>

The net periodic postretirement benefit cost was not material in 2016, 2015 and 2014. The company offered to settle pension obligations for former employee participants in certain defined benefit plans in 2014. The company recorded a charge of \$30 million in 2014 associated with those plan participants electing to accept the settlement offer.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Expected benefit payments are estimated using the same assumptions used in determining the company's benefit obligation at December 31, 2016. Benefit payments will depend on future employment and compensation levels, average years employed and average life spans, among other factors, and changes in any of these factors could significantly affect these estimated future benefit payments. Estimated future benefit payments during the next five years and in the aggregate for the five fiscal years thereafter, are as follows:

(In millions)	Domestic Pension Benefits	Non-U.S. Pension Benefits	Post- retirement Benefits
Expected Benefit Payments			
2017	\$ 85.9	\$ 28.6	\$ 3.0
2018	81.6	37.5	3.0
2019	81.3	30.8	2.9
2020	81.2	32.9	2.9
2021	82.1	33.3	2.8
2022-2026	393.7	192.7	12.7

A change in the assumed healthcare cost trend rate by one percentage point effective January 2016 would not have caused a material change in the accumulated postretirement benefit obligation as of December 31, 2016 and the 2016 aggregate of service and interest costs.

Domestic Pension Plan Assets

The company's overall objective is to manage the assets in a liability framework where investments are selected that are expected to have similar changes in fair value as the related liabilities will have upon changes in interest rates. The company invests in a portfolio of both return-seeking and liability-hedging assets, primarily through the use of institutional collective funds, to achieve long-term growth and to insulate the funded position from interest rate volatility. The strategic asset allocation uses a combination of risk controlled and index strategies in fixed income and global equities. The company also has a small portfolio (comprising less than 1% of invested assets) of private equity investments. The target allocations for the remaining investments are approximately 27% to funds investing in U.S. equities, including a sub-allocation of approximately 1% to real estate-related equities, approximately 25% to funds investing in international equities and approximately 48% to funds investing in fixed income securities. The portfolio maintains enough liquidity at all times to meet the near-term benefit payments.

Non-U.S. Pension Plan Assets

The company maintains specific plan assets for many of the individual pension plans outside the U.S. The investment strategy of each plan has been uniquely established based on the country specific standards and characteristics of the plans. Several of the plans have contracts with insurance companies whereby the market risks of the benefit obligations are borne by the insurance companies. When assets are held directly in investments, generally the objective is to invest in a portfolio of diversified assets with a variety of fund managers. For plans not currently managing the assets in a liability framework, the investments are substantially limited to funds investing in global equities and fixed income securities with target asset allocations of approximately 70% for equities and 30% for fixed income securities and cash. For plans managing the assets in a liability framework, the investments also include hedge funds, multi-asset funds and derivative funds with the target asset allocations ranging from approximately 0% - 25% for equities, 33% - 100% for fixed income, 0% - 20% for hedge funds, 0% - 3% for multi-asset funds and 0% - 20% for funds holding derivatives. The derivatives held by the funds are primarily interest rate swaps intended to match the movements in the plan liabilities as well as equity futures in a synthetic equity fund which provide targeted exposure to equity markets without the fund holding individual equity positions. Each plan maintains enough liquidity at all times to meet the near-term benefit payments.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The fair values of the company's plan assets at December 31, 2016 and 2015, by asset category are as follows:

(In millions)	December 31, 2016	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Not Subject to Leveling (1)
Domestic Pension Plan Assets					
U.S. equity funds	\$ 259.0	\$ —	\$ —	\$ —	\$ 259.0
International equity funds	229.5	—	—	—	229.5
Fixed income funds	436.9	—	—	—	436.9
Private equity funds	1.9	—	—	—	1.9
Money market funds	17.0	—	—	—	17.0
Total Domestic Pension Plans	\$ 944.3	\$ —	\$ —	\$ —	\$ 944.3
Non-U.S. Pension Plan Assets					
Equity funds	\$ 123.2	\$ 56.5	\$ —	\$ —	\$ 66.7
Fixed income funds	294.0	19.6	215.9	—	58.5
Hedge funds	80.1	—	—	—	80.1
Multi-asset funds	12.4	—	—	—	12.4
Derivative funds	157.7	—	157.7	—	—
Insurance contracts	177.3	—	177.3	—	—
Cash / money market funds	8.8	6.4	—	—	2.4
Total Non-U.S. Pension Plans	\$ 853.5	\$ 82.5	\$ 550.9	\$ —	\$ 220.1

(1) Investments measured at the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.

(In millions)	December 31, 2015	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Not Subject to Leveling (1)
Domestic Pension Plan Assets					
U.S. equity funds	\$ 252.3	\$ —	\$ —	\$ —	\$ 252.3
International equity funds	231.5	—	—	—	231.5
Fixed income funds	442.5	—	—	—	442.5
Private equity funds	3.3	—	—	—	3.3
Money market funds	15.8	—	—	—	15.8
Total Domestic Pension Plans	\$ 945.4	\$ —	\$ —	\$ —	\$ 945.4
Non-U.S. Pension Plan Assets					
Equity funds	\$ 122.8	\$ 57.3	\$ —	\$ —	\$ 65.5
Fixed income funds	287.7	20.3	210.0	—	57.4
Hedge funds	67.5	—	—	—	67.5
Multi-asset funds	17.4	—	—	—	17.4

Derivative funds	135.0	—	135.0	—	—
Insurance contracts	153.6	—	153.6	—	—
Cash / money market funds	33.2	32.8	—	—	0.4
Total Non-U.S. Pension Plans	\$ 817.2	\$ 110.4	\$ 498.6	\$ —	\$ 208.2

(1) Investments measured at the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The tables above present the fair value of the company's plan assets in accordance with the fair value hierarchy (Note 12). Certain pension plan assets are measured at net asset value per share and are reported as a level 2 investment above due to the company's ability to redeem its investment either at the balance sheet date or within limited time restrictions. Certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts of these investments presented in the above tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented for the total pension plan assets. These investments were also redeemable at the balance sheet date or within limited time restrictions.

Note 7. Income Taxes

The components of income from continuing operations before provision for income taxes are as follows:

(In millions)	2016	2015	2014
U.S.	\$ 493.2	\$ 851.7	\$ 1,153.3
Non-U.S.	1,530.7	1,084.7	933.9
Income from Continuing Operations	<u>\$ 2,023.9</u>	<u>\$ 1,936.4</u>	<u>\$ 2,087.2</u>

The components of the provision for income taxes of continuing operations are as follows:

(In millions)	2016	2015	2014
Current Income Tax Provision			
Federal	\$ 279.9	\$ 184.4	\$ 444.5
Non-U.S.	348.7	362.7	404.8
State	9.3	8.5	35.0
	<u>637.9</u>	<u>555.6</u>	<u>884.3</u>
Deferred Income Tax Provision (Benefit)			
Federal	\$ (510.1)	\$ (296.4)	\$ (362.4)
Non-U.S.	(103.9)	(288.2)	(297.3)
State	(25.3)	(14.9)	(32.9)
	<u>(639.3)</u>	<u>(599.5)</u>	<u>(692.6)</u>
(Benefit from) Provision for income taxes	<u>\$ (1.4)</u>	<u>\$ (43.9)</u>	<u>\$ 191.7</u>

The company receives a tax deduction upon the 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. The provision for income taxes that is currently payable does not reflect \$53 million, \$63 million and \$65 million of such benefits that have been allocated to capital in excess of par value in 2016, 2015 and 2014, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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)	2016	2015	2014
Provision for Income Taxes at Statutory Rate	\$ 708.4	\$ 677.7	\$ 730.5
Increases (Decreases) Resulting From:			
Foreign rate differential	(321.7)	(274.5)	(278.4)
Income tax credits	(318.2)	(316.4)	(239.9)
Manufacturing deduction	(37.9)	(37.9)	(45.9)
Singapore tax holiday	(22.7)	(20.8)	(34.0)
Impact of change in tax laws and apportionment on deferred taxes	1.5	(37.5)	(21.0)
Nondeductible expenses	12.3	9.4	23.4
Provision (reversal) of tax reserves, net	11.9	18.0	28.0
Basis difference on disposal of businesses	21.8	—	18.7
Tax return reassessments and settlements	(41.0)	(53.5)	(3.6)
State income taxes, net of federal tax	(15.9)	(7.4)	9.3
Other, net	0.1	(1.0)	4.6
(Benefit from) Provision for income taxes	\$ (1.4)	\$ (43.9)	\$ 191.7

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.

The foreign tax credits discussed below 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.

In 2016, the company continued to implement 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 \$91 million, offset in part by additional U.S. income taxes of \$37 million on the related foreign income (which reduced the benefit from the foreign rate differential in 2016). The company also implemented foreign tax credit planning in Sweden which resulted in \$100 million of foreign tax credits, with no related incremental U.S. income tax expense.

In 2015, 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 \$111 million, offset in part by additional U.S. income taxes of \$46 million on the related foreign income (which reduced the benefit from the foreign tax rate differential in 2015). The company also implemented foreign tax credit planning in Sweden which resulted in \$80 million of foreign tax credits, with no related incremental U.S. income tax expense. Also in 2015, the company recorded benefits totaling \$54 million related to additional prior year foreign tax and other credits as well as restructuring and other costs associated with the 2014 acquisition of Life Technologies.

In 2014, 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 \$172 million, offset in part by additional U.S. income taxes of \$55 million on the related foreign income (which reduced the benefit from the foreign tax rate differential in 2014).

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2021. In 2016, 2015 and 2014, the impact of this tax holiday decreased the annual effective tax rates by 1.1%, 1.1% and 1.6%, respectively, and increased diluted earnings per share by approximately \$0.06, \$0.05 and \$0.08, respectively.

Net deferred tax asset (liability) in the accompanying balance sheet consists of the following:

(In millions)	2016	2015
Deferred Tax Asset (Liability)		
Depreciation and amortization	\$ (4,218.6)	\$ (4,024.8)
Net operating loss and credit carryforwards	1,453.3	1,083.3
Reserves and accruals	191.6	185.9
Accrued compensation	371.5	312.9
Foreign undistributed earnings	(156.2)	—
Inventory basis difference	110.4	83.3
Other capitalized costs	83.9	167.9
Unrealized losses on hedging instruments	36.3	16.6
Other, net	<u>65.9</u>	<u>69.1</u>
Deferred tax assets (liabilities), net before valuation allowance	(2,061.9)	(2,105.8)
Less: Valuation allowance	<u>113.0</u>	<u>108.9</u>
Deferred tax assets (liabilities), net	<u><u>\$ (2,174.9)</u></u>	<u><u>\$ (2,214.7)</u></u>

The company estimates the degree to which tax assets and loss and credit carryforwards will result in a benefit based on expected profitability by tax jurisdiction and provides a valuation allowance for tax assets and loss and credit carryforwards that it believes will more likely than not expire unutilized. At December 31, 2016, all of the company's valuation allowance relates to deferred tax assets, primarily net operating losses, for which any subsequently recognized tax benefits will reduce income tax expense.

At December 31, 2016, the company had federal, state and non-U.S. net operating loss carryforwards of \$246 million, \$1.44 billion and \$2.38 billion, respectively. Use of the carryforwards is limited based on the future income of certain subsidiaries. The federal and state net operating loss carryforwards expire in the years 2017 through 2036. Of the non-U.S. net operating loss carryforwards, \$369 million expire in the years 2017 through 2036, and the remainder do not expire. The company also had \$620 million of federal foreign tax credit carryforwards as of December 31, 2016, which expire in the years 2017 through 2026.

The company operates in various jurisdictions around the world. With the exception of its Affymetrix Singapore subsidiary, the company has not provided income taxes on the undistributed earnings of its non-U.S. subsidiaries due to its intention to permanently reinvest such earnings unless the company can remit such earnings to the U.S. without associated net tax cost. The company recorded a deferred tax liability of \$156 million in acquisition accounting for the outside basis difference of Affymetrix Singapore as the company intends to integrate it with the company's existing Singapore operations within the next twelve months. Aside from this plan, the company's intent is to only make distributions from non-U.S. subsidiaries in the future when they can be made at no net tax cost.

A provision has not been made for U.S. or additional non-U.S. taxes on \$12.49 billion of undistributed earnings of international subsidiaries that could be subject to taxation if remitted to the U.S. It is not practicable to estimate the unrecognized tax liability due to i) the extent of uncertainty as to which remittance structure would be used (among several possibilities) should a decision be made to repatriate; ii) the availability and the complexity of calculating foreign tax credits; and iii) the implications of indirect taxes, including withholding taxes that could potentially be required depending on the repatriation structure.

Unrecognized Tax Benefits

As of December 31, 2016, the company had \$802 million of unrecognized tax benefits which, if recognized, would reduce the effective tax rate.

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows:

(In millions)	2016	2015	2014
Balance at beginning of year	\$ 349.7	\$ 214.1	\$ 134.2
Additions due to acquisitions	54.2	—	54.3
Additions for tax positions of current year	341.6	14.0	35.3
Additions for tax positions of prior years	94.1	121.2	38.3
Closure of tax years	(28.1)	(5.2)	—
Settlements	(9.8)	5.6	(48.0)
Balance at end of year	<u>\$ 801.7</u>	<u>\$ 349.7</u>	<u>\$ 214.1</u>

During 2016, the company's unrecognized tax benefits increased \$342 million due to the uncertainty around the deductibility of a foreign exchange loss on intercompany investments, \$54 million due to acquisitions, \$43 million due to tax planning related to prior years that resulted in amended tax filings, \$35 million relating to foreign tax positions and \$14 million due to the utilization of deferred tax assets. In 2016, the company also settled the Life Technologies tax audit for the 2012 to 2014 tax years which reduced the reserve on unrecognized tax benefits by \$10 million. Of the total \$802 million of liability, \$3 million is classified as a current liability and the remainder is long-term.

During 2015, the company's unrecognized tax benefits increased \$70 million due to the utilization of deferred tax assets and \$28 million relating to foreign net operating losses on which the company has a deferred tax asset established. This increase was offset in part by a reduction of \$10 million from a resolution of an IRS audit of Life Technologies for which a reserve had previously been established.

During 2014, the company acquired Life Technologies which resulted in an increase in the company's liability for unrecognized tax benefits of \$54 million. The liability also increased due to the provision of tax reserves, primarily related to the sale of the divested businesses and a tax matter in a foreign jurisdiction. During 2014, the company settled the IRS audit relating to the 2010 and 2011 tax years which resulted in a decrease in the company's liability for unrecognized tax benefits of \$48 million.

The company classified interest and penalties related to unrecognized tax benefits as income tax expense. The total amount of interest and penalties related to uncertain tax positions and recognized in the balance sheet as of December 31, 2016 and 2015 was \$24 million and \$19 million, respectively.

The company conducts business globally and, as a result, Thermo Fisher or one or more of its subsidiaries files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. In the normal course of business, the company is subject to examination by taxing authorities throughout the world, including such major jurisdictions as Australia, Canada, China, Denmark, Finland, France, Germany, Japan, Singapore, Sweden, the United Kingdom and the United States. With few exceptions, the company is no longer subject to U.S. federal, state and local, or non-U.S., income tax examinations for years before 2011.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 8. Earnings per Share

(In millions except per share amounts)	2016	2015	2014
Income from Continuing Operations	\$ 2,025.3	\$ 1,980.3	\$ 1,895.5
Loss from Discontinued Operations	(3.5)	(4.9)	(1.1)
Net Income	<u>\$ 2,021.8</u>	<u>\$ 1,975.4</u>	<u>\$ 1,894.4</u>
Basic Weighted Average Shares	394.8	398.7	398.2
Plus Effect of:			
Equity forward arrangement	—	—	0.2
Stock options and restricted units	2.6	3.2	3.9
Diluted Weighted Average Shares	<u>397.4</u>	<u>401.9</u>	<u>402.3</u>
Basic Earnings per Share:			
Continuing operations	\$ 5.13	\$ 4.97	\$ 4.76
Discontinued operations	(0.01)	(0.01)	—
Basic Earnings per Share	<u>\$ 5.12</u>	<u>\$ 4.96</u>	<u>\$ 4.76</u>
Diluted Earnings per Share:			
Continuing operations	\$ 5.10	\$ 4.93	\$ 4.71
Discontinued operations	(0.01)	(0.01)	—
Diluted Earnings per Share	<u>\$ 5.09</u>	<u>\$ 4.92</u>	<u>\$ 4.71</u>

Options to purchase 1.5 million, 3.4 million and 2.4 million shares of common stock were not included in the computation of diluted earnings per share for 2016, 2015 and 2014, respectively, because their effect would have been antidilutive.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 9. Debt and Other Financing Arrangements

(Dollars in millions)	Effective Interest Rate at December 31,	December 31, 2016	December 31, 2015
	2016	2016	2015
Commercial Paper	0.15%	\$ 953.3	\$ 49.6
Term Loan	1.96%	825.0	—
2.25% 5-Year Senior Notes, Due 8/15/2016		—	1,000.0
1.30% 3-Year Senior Notes, Due 2/1/2017		—	900.0
1.85% 5-Year Senior Notes, Due 1/15/2018	2.01%	500.0	500.0
Floating Rate 2-Year Senior Notes, Due 8/9/2018 (euro-denominated)	0.14%	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
6.00% 10-Year Senior Notes, Due 3/1/2020	2.97%	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%	447.0	461.6
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	4.33%	1,000.0	1,000.0
3.60% 10-Year Senior Notes, Due 8/15/2021	4.15%	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)	2.27%	525.9	543.1
3.15% 10-Year Senior Notes, Due 1/15/2023	3.31%	800.0	800.0
3.00% 7-Year Senior Notes Due 4/15/2023	4.37%	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)	0.93%	1,051.7	—
2.00% 10-Year Senior Notes, Due 4/15/2025 (euro-denominated)	2.09%	673.1	695.2
3.65% 10-Year Senior Notes, Due 12/15/2025	3.77%	350.0	350.0
2.95% 10-Year Senior Notes, Due 9/19/2026	3.19%	1,200.0	—
1.375% 12-Year Senior Notes, 9/12/2028 (euro-denominated)	1.46%	631.0	—
5.30% 30-Year Senior Notes, Due 2/1/2044	5.37%	400.0	400.0
Other		13.0	16.3
Total Borrowings at Par Value		16,701.0	12,415.8
Fair Value Hedge Accounting Adjustments		(49.3)	6.2
Unamortized Premium, Net		52.2	104.7
Unamortized Debt Issuance Costs		(76.0)	(54.7)
Total Borrowings at Carrying Value		16,627.9	12,472.0
Less: Short-term Obligations and Current Maturities		1,255.5	1,051.8
Long-term Obligations	\$	15,372.4	\$ 11,420.2

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of December 31, 2016, the annual repayment requirements for debt obligations are as follows:

(In millions)

2017	\$ 1,255.5
2018	1,983.3
2019	1,026.9
2020	1,498.9
2021	2,502.0
2022 and Thereafter	<u>8,434.4</u>
	<u><u>\$ 16,701.0</u></u>

As of December 31, 2016 and 2015, short-term obligations and current maturities of long-term obligations in the accompanying balance sheet included \$953 million and \$50 million, respectively, of commercial paper, short-term bank borrowings and borrowings under lines of credit of certain of the company's subsidiaries. The weighted average interest rate for short-term borrowings was 0.15% and 1.14% at December 31, 2016 and 2015, respectively. In addition to available borrowings under the company's revolving credit agreements, discussed below, the company had unused lines of credit of \$67 million as of December 31, 2016. These unused lines of credit generally provide for short-term unsecured borrowings at various interest rates.

Credit Facilities

In July 2016, the company replaced its existing revolving credit facility with a new 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 financial covenants require the company to maintain a Consolidated Leverage Ratio of debt to EBITDA (as defined in the agreement) below 4.5 to 1.0 for the first two consecutive quarters after the closing date of the acquisition of FEI (see Note 2), stepping down to 4.0 to 1.0 for the two immediately following fiscal quarters and then stepping down to 3.5 to 1.0 each fiscal quarter thereafter. The agreement also requires the company to maintain an Interest Coverage Ratio of EBITDA (as defined in the agreement) to interest expense of 3.0 to 1.0. The credit agreement permits the company to use the facility for working capital; acquisitions; repurchases of common stock, debentures and other securities; the refinancing of debt; and general corporate purposes. The credit agreement allows for the issuance of letters of credit, which reduces the amount available for borrowing. If the company borrows under this facility, it intends to leave undrawn an amount equivalent to outstanding commercial paper to provide a source of funds in the event that commercial paper markets are not available. As of December 31, 2016, no borrowings were outstanding under the facility, although available capacity was reduced by approximately \$72 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 December 31, 2016, outstanding borrowings under these programs were \$953 million, with a weighted average remaining period to maturity of 58 days and are classified as short-term obligations in the accompanying balance sheet.

Term Loans

In connection with the acquisition of FEI, the company entered into a term loan agreement. The term loan agreement is a 3-year unsecured \$2.00 billion term loan facility. The agreement calls for interest at either a LIBOR-based rate, a EURIBOR-based rate (for funds drawn under the term loan in Euro) or a rate based on the prime lending rate of the agent bank, at the company's option. The agreements contain 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In the first quarter of 2016, in connection with the acquisition of Affymetrix, the company entered into a 364-day \$1.00 billion unsecured term loan agreement. In August 2016, the company used the proceeds from the issuance of the floating rate senior notes due 2018 to repay all of this term loan.

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.

In 2016, 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.

Prior to issuing the 3.00% Senior Notes due 2023, the company had entered into an agreement to hedge its exposure related to the interest rate on the anticipated borrowings (described under the heading "*Cash Flow Hedge Arrangements*" in Note 12) that was terminated in April 2016. The company had a cash outlay of \$75 million in 2016 associated with termination of the arrangement, included in other financing activities, net, in the accompanying statement of cash flows.

Interest Rate Swap Arrangements

In 2016, the company terminated certain of its fixed to floating rate swap arrangements. The terminated swaps were accounted for as fair value hedges. As a result of terminating these arrangements, the company received \$61 million (excluding accrued interest) in cash in 2016, included in other financing activities, net, in the accompanying statement of cash flows. The proceeds were recorded as part of the carrying value of the underlying debt and will be amortized as a reduction to interest expense over the remaining terms of the respective debt instruments. Subsequently, the company entered into new swap arrangements which are included in the table below.

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 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 12 for additional information. The following table summarizes the outstanding interest rate swap arrangements on the company's senior notes at December 31, 2016:

(Dollars in millions)	Aggregate Notional Amount	Pay Rate	Pay Rate as of December 31, 2016	Receive Rate
4.50% Senior Notes due 2021	1,000.0	1-month LIBOR + 3.4420%	4.0587%	4.50%
3.60% Senior Notes due 2021	1,100.0	1-month LIBOR + 2.5150%	3.2189%	3.60%
3.00% Senior Notes due 2023	1,000.0	1-month LIBOR + 1.7640%	2.4679%	3.00%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 10. Commitments and Contingencies

Operating Leases

The company leases certain logistics, office, and manufacturing facilities. Income from continuing operations includes expense from operating leases of \$182 million, \$181 million and \$181 million in 2016, 2015 and 2014, respectively. The following is a summary of annual future minimum lease and rental commitments under noncancelable operating leases as of December 31, 2016:

(In millions)

2017	\$ 163.7
2018	132.6
2019	103.0
2020	79.5
2021	60.2
2022 and Thereafter	176.5
	<hr/>
	\$ 715.5

Purchase Obligations

The company has entered into unconditional purchase obligations, in the ordinary course of business, that include agreements to purchase goods, services or fixed assets and to pay royalties that are enforceable and legally binding and that specify all significant terms including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Purchase obligations exclude agreements that are cancelable at any time without penalty. The aggregate amount of the company's unconditional purchase obligations totaled \$378 million at December 31, 2016 and the majority of these obligations are expected to be settled during 2017.

Letters of Credit, Guarantees and Other Commitments

Outstanding letters of credit and bank guarantees totaled \$179 million at December 31, 2016. Substantially all of these letters of credit and guarantees expire before 2022.

Outstanding surety bonds and other guarantees totaled \$24 million at December 31, 2016. The expiration of these bonds and guarantees ranges through 2018.

The letters of credit, bank guarantees and surety bonds principally secure performance obligations, and allow the holder to draw funds up to the face amount of the letter of credit, bank guarantee or surety bond if the applicable business unit does not perform as contractually required.

The company is a guarantor of pension plan obligations of a divested business. The purchaser of the divested business has agreed to pay for the pension benefits, however the company was required to guarantee payment of these pension benefits should the purchaser fail to do so. The amount of the guarantee at December 31, 2016 was \$40 million.

In connection with the sale of businesses of the company, the buyers have assumed certain contractual obligations of such businesses and have agreed to indemnify the company with respect to those assumed liabilities. In the event a third-party to a transferred contract does not recognize the transfer of obligations or a buyer defaults on its obligations under the transferred contract, the company could be liable to the third-party for such obligations. However, in such event, the company would be entitled to seek indemnification from the buyer.

In 2016, the company entered into an off-balance sheet build-to-suit financing arrangement with a financial institution to fund construction of an operating facility in the U.S. Upon completion of construction in 2017, a five-year lease will commence with options to purchase the facility or renew the lease for up to three 5-year terms. The company has agreed with the lessor to comply with certain financial covenants consistent with its other debt arrangements (Note 9), and has guaranteed the facility's residual value at the end of the lease. The company has also guaranteed the residual value of two other leased operating facilities with initial lease terms ending in 2019 and 2020. The aggregate maximum guarantee under these three lease arrangements is \$155 million.

Indemnifications

In conjunction with certain transactions, primarily divestitures, the company has agreed to indemnify the other parties with respect to certain liabilities related to the businesses that were sold or leased properties that were abandoned (e.g., retention of

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

certain environmental, tax, employee and product liabilities). The scope and duration of such indemnity obligations vary from transaction to transaction. Where appropriate, an obligation for such indemnifications is recorded as a liability. Generally, a maximum obligation cannot be reasonably estimated. Other than obligations recorded as liabilities at the time of divestiture, historically the company has not made significant payments for these indemnifications.

In connection with the company's efforts to reduce the number of facilities that it occupies, the company has vacated some of its leased facilities or sublet them to third parties. When the company sublets a facility to a third-party, it remains the primary obligor under the master lease agreement with the owner of the facility. As a result, if a third-party vacates the sublet facility, the company would be obligated to make lease or other payments under the master lease agreement. The company believes that the financial risk of default by sublessors is individually and in the aggregate not material to the company's financial position or results of operations.

In connection with the sale of products in the ordinary course of business, the company often makes representations affirming, among other things, that its products do not infringe on the intellectual property rights of others and agrees to indemnify customers against third-party claims for such infringement. The company has not been required to make material payments under such provisions.

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 December 31, 2016, the company's total environmental liability was approximately \$49 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, 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.

Product Liability, Workers Compensation and Other Personal Injury Matters

The range of probable loss for product liability, workers compensation and other personal injury matters of the company's continuing operations at December 31, 2016, was approximately \$251 million to \$397 million on an undiscounted basis. The

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

portion of these liabilities assumed in the 2006 merger with Fisher was recorded at its fair (present) value at the date of merger. The company's accrual for all such matters in total, including the discounted liabilities, was \$230 million at December 31, 2016 (or \$256 million undiscounted). The accrual includes estimated defense costs and is gross of estimated amounts due from insurers of \$97 million at December 31, 2016 (or \$114 million undiscounted) that are included in other assets in the accompanying balance sheet. The portion of these insurance assets assumed in the merger with Fisher was also recorded at its fair value at the date of merger. In addition to the above accrual, as of December 31, 2016, the company had a product liability accrual of \$10 million (undiscounted) relating to divested businesses.

The assets and liabilities assumed at the Fisher merger date were ascribed a fair value based on the present value of expected future cash flows, using a discount rate equivalent to the risk free rate of interest for monetary assets with comparable maturities (weighted average discount rate of 4.67%). The discount on the liabilities of approximately \$26 million and the discount on the assets of approximately \$17 million (net discount \$9 million) are being accreted to interest expense over the expected settlement period.

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 July 13 and 15, 2015, 454 Life Sciences (a member of the Roche Group) filed complaints against Ion Torrent Systems, Inc., Life Technologies Corp., and Thermo Fisher Scientific Inc. in the United States District Court for the District of Delaware and in Germany. Plaintiff alleges infringement of patents relating to methods of analyzing nucleic acid sequences using emulsion amplification, which plaintiff alleges are impermissibly used in Ion Torrent sequencing workflows. Plaintiff seeks damages for alleged willful infringement, attorneys' fees and costs, and injunctive relief.

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 Applied'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. The company has maintained the \$61 million accrual, pending appeals.

On May 26, 2010, Promega Corp. & Max-Planck-Gesellschaft Zur Förderung 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 December 27, 2011, Illumina Inc. filed a complaint against Life Technologies in the United States District Court for the Southern District of California alleging infringement of a patent relating to methods for making bead arrays by Ion Torrent's

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

semiconductor sequencing systems. Plaintiff seeks damages for alleged willful infringement, attorneys' fees, costs, pre- and post-judgment interest, and injunctive relief.

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

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 conspiracy. On March 28, 2016, the company filed a counterclaim against United Biologics, LLC alleging tortious interference with business relations and seeking a declaratory judgment and injunctive relief. The plaintiffs seek damages, attorneys' fees, costs, and injunctive relief. The company expects this matter will be scheduled for trial in 2017.

Note 11. Comprehensive Income and Shareholders' Equity

Comprehensive Income (Loss)

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

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

(In millions)	Currency Translation Adjustment	Unrealized Gains on Available-for-Sale Investments	Unrealized Losses on Hedging Instruments	Pension and Other Postretirement Benefit Liability Adjustment	Total
Balance at December 31, 2015	\$ (1,776.7)	\$ 1.8	\$ (26.6)	\$ (195.8)	\$ (1,997.3)
Other comprehensive income (loss) before reclassifications	(566.7)	(1.6)	(36.6)	(46.9)	(651.8)
Amounts reclassified from accumulated other comprehensive items	—	0.7	6.1	6.0	12.8
Net other comprehensive items	(566.7)	(0.9)	(30.5)	(40.9)	(639.0)
Balance at December 31, 2016	\$ (2,343.4)	\$ 0.9	\$ (57.1)	\$ (236.7)	\$ (2,636.3)

Shareholders' Equity

At December 31, 2016, the company had reserved 32.9 million unissued shares of its common stock for possible issuance under stock-based compensation plans.

The company has 50,000 shares of authorized but unissued \$100 par value preferred stock.

Equity Forward Agreements

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

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

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Fair Value Measurements

The company uses the market approach technique to value its financial instruments and there were no changes in valuation techniques during 2016. 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.

The following tables present information about the company's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2016 and December 31, 2015:

	December 31, (In millions)	2016	Quoted Prices in Active Markets	Significant Other Observable Inputs	Significant Unobservable Inputs
			(Level 1)	(Level 2)	(Level 3)
Assets					
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	—
Total Assets	\$ 202.2	\$ 82.3	\$ 119.9	\$ —	\$ —
Liabilities					
Derivative contracts	\$ 121.9	\$ —	\$ 121.9	\$ —	\$ —
Contingent consideration	3.4	—	—	—	3.4
Total Liabilities	\$ 125.3	\$ —	\$ 121.9	\$ —	\$ 3.4

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In millions)	December 31,	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	2015			
Assets				
Cash equivalents	\$ 54.6	\$ 54.6	\$ —	\$ —
Bank time deposits	2.0	2.0	—	—
Investments in mutual funds and other similar instruments	7.6	7.6	—	—
Warrants	3.4	—	3.4	—
Insurance contracts	108.1	—	108.1	—
Derivative contracts	13.8	—	13.8	—
Total Assets	\$ 189.5	\$ 64.2	\$ 125.3	\$ —
Liabilities				
Derivative contracts	\$ 41.8	\$ —	\$ 41.8	\$ —
Contingent consideration	1.9	—	—	1.9
Total Liabilities	\$ 43.7	\$ —	\$ 41.8	\$ 1.9

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 assessment of the probability that the company would be required to make such future payment. Changes to the fair value of contingent consideration are recorded in selling, general and administrative expense.

The notional amounts of derivative contracts outstanding, consisting of interest rate swaps and currency exchange contracts, totaled \$6.70 billion and \$6.63 billion at December 31, 2016 and December 31, 2015, respectively.

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

(In millions)	Fair Value – Assets		Fair Value – Liabilities	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Derivatives Designated as Hedging Instruments				
Interest rate swaps (a)	\$ —	\$ 0.2	\$ 109.5	\$ 16.4
Derivatives Not Designated as Hedging Instruments				
Currency exchange contracts (b)	15.8	13.6	12.4	25.4

- (a) The fair value of the interest rate swaps is included in the consolidated balance sheet under the captions other assets or 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In millions)	Gain (Loss) Recognized			
	2016	2015		
Derivatives Designated as Fair Value Hedges				
Interest rate swaps - effective portion	\$ 21.1	\$ 34.0		
Interest rate swaps - ineffective portion (a)	(0.7)	(7.4)		
Derivatives Not Designated as Hedging Instruments				
Currency exchange contracts				
Included in cost of revenues	\$ (15.1)	\$ 12.4		
Included in other expense, net	(98.9)	126.8		
(a) The ineffective portion of the loss recognized on interest rate swaps during 2015 includes \$7.5 million of costs associated with entering into the swap arrangements.				
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 2016 and 2015, pre-tax net gains of \$172 million and \$77 million, respectively, from the euro-denominated notes were included in currency translation adjustment.				
<i>Cash Flow Hedge Arrangements</i>				
In 2015, the company entered into interest rate swap arrangements to mitigate the risk of interest rates rising prior to completion of a debt offering in 2016. Based on the company's conclusion that a debt offering was probable as a result of debt maturing in 2016 and that such debt would carry semi-annual interest payments over a 10-year term, the swaps hedged the cash flow risk for each of the semi-annual fixed-rate interest payments on \$1.00 billion of principal amount of the planned fixed-rate debt issue. The change in the fair value of the hedge during 2016, \$37 million, net of tax, was classified as a decrease to accumulated other comprehensive items within shareholders' equity. The hedge was terminated in advance of completing a debt offering in April 2016 (Note 9). The fair value of the hedge at that time, \$46 million, net of tax, was classified as a reduction to accumulated other comprehensive items and is being amortized to interest expense over the term of the debt.				
<i>Fair Value of Other Financial Instruments</i>				
The carrying value and fair value of the company's notes receivable and debt obligations are as follows:				
(In millions)	December 31, 2016		December 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Notes Receivable	<u>\$ 26.2</u>	<u>\$ 28.4</u>	<u>\$ 12.1</u>	<u>\$ 14.9</u>
Debt Obligations:				
Senior notes	\$ 14,838.3	\$ 15,184.4	\$ 12,406.1	\$ 12,618.8
Term loan	823.3	825.0	—	—
Commercial paper	953.3	953.3	49.6	49.6
Other	13.0	13.0	16.3	16.3
	<u>\$ 16,627.9</u>	<u>\$ 16,975.7</u>	<u>\$ 12,472.0</u>	<u>\$ 12,684.7</u>

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.

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Note 13. Supplemental Cash Flow Information

(In millions)	2016	2015	2014
Cash Paid For:			
Interest	\$ 457.9	\$ 437.6	\$ 435.9
Income Taxes	\$ 663.2	\$ 476.6	\$ 585.7
Non-cash Activities			
Fair value of assets of acquired businesses	\$ 7,032.4	\$ 737.4	\$ 19,623.9
Cash paid for acquired businesses	(5,634.9)	(700.6)	(13,534.6)
Liabilities assumed of acquired businesses	\$ 1,397.5	\$ 36.8	\$ 6,089.3
Declared but unpaid dividends	\$ 60.1	\$ 61.3	\$ 61.9
Issuance of stock upon vesting of restricted stock units	\$ 126.9	\$ 131.0	\$ 110.0
Fair value of investments contributed to defined benefit plans	\$ 15.9	\$ —	\$ —

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

Restructuring and other costs in 2016 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; third-party acquisition transaction and integration costs primarily associated with the acquisitions of FEI and Affymetrix; sales of inventories revalued at the date of acquisition; costs to conform the accounting policies of FEI and Affymetrix with the company's accounting policies; costs to achieve synergies related to acquisitions, including severance and abandoned facility costs; and net charges for environmental and litigation-related matters. These charges were partially offset by gains on sales of assets. In 2016, severance actions associated with facility consolidations and cost reduction measures affected less than 3% of the company's workforce.

Restructuring and other costs in 2015 primarily 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; charges associated with product liability litigation and litigation at acquired businesses; impairment of acquired technology in development; and third-party acquisition transaction and integration costs related to recent acquisitions. These charges were partially offset by gains on the sale of a small product line and real estate, and, to a lesser extent, changes in estimates of contingent consideration. In 2015, severance actions associated with facility consolidations and cost reduction measures affected approximately 2% of the company's workforce.

Restructuring and other costs (income) in 2014 primarily included the gains on sale of the company's sera and media, gene modulation and magnetic beads businesses and the sale of the Cole-Parmer business, and to a lesser extent gains on the sale of real estate, offset in part by sales of inventories revalued at the date of acquisition, cash compensation to monetize certain equity awards held by Life Technologies' employees at the date of acquisition, third-party acquisition transaction and integration costs, severance obligations payable to former Life Technologies' executives and employees, charges to conform the accounting policies of Life Technologies with the company's accounting policies and, to a lesser extent, continuing charges for headcount reductions and facility consolidations in an effort to streamline operations, including the closure and consolidation of operations within several facilities in the U.S., Europe and Asia. In 2014, severance actions associated with facility consolidations and cost reduction measures affected approximately 3% of the company's workforce. The company also incurred charges for pension settlements in 2014.

As of February 28, 2017, the company has identified restructuring actions that will result in additional charges of approximately \$85 million, primarily in 2017 which will be recorded when specified criteria are met, such as communication of benefit arrangements and abandonment of leased facilities.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2016

During 2016, 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	\$ 31.2	\$ 36.0	\$ 87.6	\$ 154.8
Analytical Instruments	62.4	46.5	68.3	177.2
Specialty Diagnostics	—	(0.3)	14.9	14.6
Laboratory Products and Services	7.9	0.5	17.7	26.1
Corporate	—	21.2	0.7	21.9
	<hr/> \$ 101.5	<hr/> \$ 103.9	<hr/> \$ 189.2	<hr/> \$ 394.6

Life Sciences Solutions

In 2016, the Life Sciences Solutions segment recorded \$154.8 million of net restructuring and other charges. The segment recorded charges to cost of revenues of \$31.2 million, including \$27.2 million for sales of inventories revalued at the date of acquisition and \$3.9 million to conform the accounting policies of Affymetrix with the company's accounting policies. The segment recorded \$36.0 million of charges to selling, general and administrative expenses, including \$33.8 million of third-party transaction and integration costs primarily related to the acquisition of Affymetrix, \$4.1 million for accelerated depreciation at facilities closing due to real estate consolidation, offset in part by credits of \$1.9 million from changes in estimates of contingent acquisition consideration. In addition, the segment recorded \$78.1 million of cash restructuring costs, including \$60.2 million of severance and related costs primarily to achieve acquisition synergies, and \$17.9 million of abandoned facilities costs principally for the consolidation of facilities in the U.S. The segment also recorded \$9.5 million of other costs, net, primarily for charges associated with litigation-related matters at acquired businesses.

Analytical Instruments

In 2016, the Analytical Instruments segment recorded \$177.2 million of net restructuring and other charges. The segment recorded charges to cost of revenues of \$62.4 million, including \$20.8 million to conform the accounting policies of FEI with the company's accounting policies and \$41.6 million for the sales of inventory revalued at the date of acquisition. The segment recorded \$46.5 million of charges to selling, general, and administrative expense, including \$37.8 million of third-party transaction costs related to the acquisition of FEI, as well as \$8.5 million of charges to conform the accounting policies of FEI with the company's accounting policies. The segment also recorded \$67.7 million of cash restructuring costs primarily for severance obligations payable to former FEI executives and charges associated with abandoned facilities, including remediation and other closure costs of a manufacturing facility in the U.S.

Specialty Diagnostics

In 2016, the Specialty Diagnostics segment recorded \$14.6 million of net restructuring and other charges. These costs were principally comprised of \$10.0 million for charges associated with litigation-related matters and \$6.3 million of cash restructuring costs for severance and other costs associated with headcount reductions and facility consolidations. The segment also recorded \$1.4 million of other income, net, primarily gains on the sale of real estate, offset in part by charges for the settlement of retirement plans.

Laboratory Products and Services

In 2016, the Laboratory Products and Services segment recorded \$26.1 million of net restructuring and other charges. The segment recorded charges to cost of revenues of \$7.9 million, including \$6.2 million for sales of inventories revalued at the date of acquisition, and \$1.7 million for accelerated depreciation at facilities closing due to real estate consolidation. The segment recorded \$10.9 million of cash restructuring costs, primarily for employee severance and other costs associated with headcount reductions and facility consolidations. In addition, the segment recorded \$8.3 million of charges for an increase in environmental remediation cost estimates associated with a Superfund site in the U.S., offset in part by \$1.3 million of gains on the settlement of litigation.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Corporate

In 2016, the company recorded \$21.9 million of restructuring and other costs, principally within selling, general, and administrative expenses, including \$17.2 million of charges for product liability litigation and \$4.0 million of accelerated depreciation on information systems to be abandoned due to integration synergies. The segment also recorded \$1.1 million of restructuring charges for severance and other costs associated with facility consolidation at its corporate operations.

2015

During 2015, 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	\$ 2.0	\$ 13.6	\$ 64.4	\$ 80.0
Analytical Instruments	0.1	(0.3)	26.6	26.4
Specialty Diagnostics	0.8	(0.4)	9.7	10.1
Laboratory Products and Services	6.2	6.1	12.6	24.9
Corporate	—	27.3	2.0	29.3
	\$ 9.1	\$ 46.3	\$ 115.3	\$ 170.7

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

Life Sciences Solutions

In 2015, the Life Sciences Solutions segment recorded \$80.0 million of net restructuring and other charges. The segment recorded charges to cost of revenues of \$2.0 million for accelerated depreciation at facilities closing due to real estate consolidation and sales of inventories revalued at the date of acquisition. The segment also recorded \$13.6 million of charges to selling, general and administrative expenses, including \$6.2 million of third-party transaction and integration costs related to the acquisitions of Life Technologies and Advanced Scientifics, as well as \$9.1 million for accelerated depreciation at facilities closing due to real estate consolidation. These charges were partially offset by \$1.7 million of income for changes in estimates of contingent consideration. In addition, the segment recorded \$64.4 million of restructuring and other costs, net, \$40.4 million of which were cash costs. These costs included \$5.0 million of cash compensation contractually due to employees of an acquired business on the date of acquisition; \$0.9 million of charges associated with a previous sale of a business; and \$34.5 million of costs primarily associated with headcount reductions and facility consolidations in the U.S. and Europe, including \$23.7 million for severance, \$4.1 million of abandoned facility costs, and \$6.7 million of other cash costs, including retention and outplacement costs. The segment also recorded \$20.0 million of charges for pre-acquisition litigation related matters and \$14.9 million of impairment of acquired technology in development. These costs were partially offset by a \$7.6 million gain on the sale of a small product line and a \$3.0 million gain on the sale of real estate.

Analytical Instruments

In 2015, the Analytical Instruments segment recorded \$26.4 million of net restructuring and other charges, \$22.1 million of which were cash costs primarily associated with abandoned facilities, including remediation and other closure costs, and, to a lesser extent, headcount reductions. The segment also recorded \$4.5 million of non-cash expense primarily for real estate writedowns of abandoned facilities held for sale.

Specialty Diagnostics

In 2015, the Specialty Diagnostics segment recorded \$10.1 million of net restructuring and other charges. The segment recorded charges to cost of revenues of \$0.8 million for accelerated depreciation at facilities closing due to real estate consolidation; \$0.4 million of income to selling, general and administrative expenses for changes in estimates of contingent consideration; and \$9.7 million of restructuring and other costs, net, primarily cash costs for employee severance and other costs associated with headcount reductions, as well as consolidation of facilities in the U.S. and Europe.

Laboratory Products and Services

In 2015, the Laboratory Products and Services segment recorded \$24.9 million of net restructuring and other charges. The segment recorded charges to cost of revenues of \$6.2 million for sales of inventories revalued at the date of acquisition, as well as \$6.1 million of charges to selling, general and administrative expenses, primarily associated with third party transaction costs

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related to the acquisition of Alfa Aesar. In addition, the segment recorded \$7.7 million of cash restructuring costs primarily for employee severance and other costs associated with headcount reductions. The segment also recorded \$4.7 million of charges primarily associated with a litigation-related matter of a divested business.

Corporate

In 2015, the company recorded \$29.3 million of restructuring and other costs, principally within selling, general and administrative expenses, including \$19.4 million of charges for product liability litigation and \$7.9 million of accelerated depreciation on information systems to be abandoned due to integration synergies. The segment also recorded \$2.0 million of cash restructuring costs primarily for severance at its corporate operations.

2014

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

(In millions)	Cost of Revenues	Selling, General and Administrative Expenses	Restructuring and Other Costs (Income), Net	Total
Life Sciences Solutions	\$ 327.3	\$ 122.5	\$ (516.4)	\$ (66.6)
Analytical Instruments	(0.8)	0.9	2.5	2.6
Specialty Diagnostics	0.9	1.5	17.7	20.1
Laboratory Products and Services	0.2	—	(121.0)	(120.8)
Corporate	—	5.8	19.0	24.8
	\$ 327.6	\$ 130.7	\$ (598.2)	\$ (139.9)

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

Life Sciences Solutions

In 2014, the Life Sciences Solutions segment recorded \$66.6 million of other income, net of restructuring costs. The segment recorded a net gain of \$760.3 million primarily from the divestiture of its sera and media, gene modulation and magnetic beads businesses (see Note 2). The gain was partially offset by restructuring and other charges including charges to cost of revenues of \$327.3 million, consisting of \$303.4 million of charges for sales of inventories revalued at the date of acquisition, \$21.4 million of costs to conform the accounting policies of Life Technologies with the company's accounting policies and \$2.3 million of accelerated depreciation for facility consolidations. The segment also recorded charges to selling, general and administrative expenses of \$122.5 million, including \$100.5 million of third-party transaction and integration costs related to the acquisition of Life Technologies (Note 2), \$16.2 million of costs to conform the accounting policies of Life Technologies with the company's accounting policies, and \$5.7 million for changes in estimates of contingent consideration for acquisitions. In addition, the segment recorded \$232.0 million of cash restructuring costs, including \$91.7 million for cash compensation to monetize certain equity awards held by Life Technologies' employees at the date of acquisition with the remainder principally for severance obligations payable to former Life Technologies' executives and employees as well as \$5.5 million of costs related to the consolidation of various facilities primarily in the U.S. The segment also recorded a \$9.3 million provision for losses on pre-acquisition litigation-related matters.

Analytical Instruments

In 2014, the Analytical Instruments segment recorded \$2.6 million of net restructuring and other charges. The segment recorded a net reduction in cost of revenues of \$0.8 million; \$0.9 million of charges to selling, general and administrative expenses for changes in estimates of contingent consideration; and \$2.5 million of other costs, net. These other costs were primarily cash costs including abandoned facility costs and other expenses associated with facility consolidations and employee severance, partially offset by \$6.0 million of gains on the sale of real estate.

Specialty Diagnostics

In 2014, the Specialty Diagnostics segment recorded \$20.1 million of net restructuring and other charges. The segment recorded charges to cost of revenues of \$0.9 million; \$1.5 million of charges to selling, general and administrative expenses for changes in estimates of contingent consideration for an acquisition; and \$18.7 million of cash costs. The cash costs included \$9.5 million for employee severance with the remainder principally for other costs associated with facility consolidations,



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including the consolidation of a facility in Europe with existing facilities in Europe and China. In addition, the segment recorded \$1.0 million of income, net, primarily from a gain on the divestiture of a small business unit.

Laboratory Products and Services

In 2014, the Laboratory Products and Services segment recorded \$120.8 million of other income, net of restructuring costs. The segment recorded a net gain of \$133.6 million from the sale of the Cole-Parmer business (see Note 2). The gain was partially offset by restructuring and other charges including charges to cost of revenues of \$0.2 million and restructuring charges, of which \$7.2 million were cash costs primarily for severance and abandoned facility costs. In addition, the segment also incurred \$3.8 million of charges for pension settlements.

Corporate

In 2014, the company recorded \$24.8 million of net restructuring and other charges, including \$5.8 million of selling, general and administrative charges associated with product liability litigation and accelerated depreciation on information systems to be abandoned due to integration synergies, and cash costs of \$1.7 million for severance at its corporate operations. In addition, the segment recorded \$17.3 million of expense, net, primarily from \$25.6 million of charges for pension settlements in addition to a writedown to estimated disposal value of a fixed asset held for sale. These costs were partially offset by a \$9.6 million gain on the sale of real estate.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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, 2013	\$ 28.6	\$ 9.4	\$ 2.5	\$ 40.5
Costs incurred in 2014 (c)	140.8	10.5	102.4	253.7
Reserves reversed (b)	(5.5)	(0.1)	(0.2)	(5.8)
Payments	(124.1)	(10.4)	(98.1)	(232.6)
Currency translation	(2.1)	0.4	(0.7)	(2.4)
Balance at December 31, 2014	37.7	9.8	5.9	53.4
Costs incurred in 2015 (d)	57.0	19.1	14.6	90.7
Reserves reversed (b)	(11.7)	(0.5)	(2.2)	(14.4)
Payments	(66.6)	(15.0)	(15.0)	(96.6)
Currency translation	(1.2)	(0.3)	(0.3)	(1.8)
Balance at December 31, 2015	15.2	13.1	3.0	31.3
Costs incurred in 2016 (e)	109.1	45.9	11.9	166.9
Reserves reversed (b)	(1.9)	(0.4)	(0.5)	(2.8)
Payments	(83.2)	(26.6)	(12.2)	(122.0)
Currency translation	(1.0)	(0.1)	—	(1.1)
Balance at December 31, 2016	<u>\$ 38.2</u>	<u>\$ 31.9</u>	<u>\$ 2.2</u>	<u>\$ 72.3</u>

- (a) Other includes cash charges to monetize certain equity awards held by employees of Life Technologies at the date of acquisition, relocation and moving expenses associated with facility consolidations, as well as employee 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 a \$895.4 million net gain on the sale of businesses, principally the company's sera and media, gene modulation and magnetic beads businesses and the Cole-Parmer business; \$19.6 million of cash compensation to monetize certain equity awards held by Life Technologies' employees at the date of acquisition that was paid by Life Technologies prior to the acquisition; \$9.3 million of provision for losses on pre-acquisition litigation-related matters of Life Technologies; and an aggregate of \$19.9 million of non-cash charges, net.
- (d) Excludes \$24.7 million of provision for losses on litigation-related matters; \$14.9 million of impairment of acquired technology in development; a \$7.6 million gain on the sale of a product line; \$5.0 million of cash compensation contractually due to employees of an acquired business on the date of acquisition; \$0.9 million of charges associated with a previous sale of a business; and an aggregate of \$1.1 million of non-cash charges, net.
- (e) Excludes \$24.0 million of provision for losses on litigation-related matters; \$8.3 million of provision for environmental remediation; \$4.6 million of net gains on the sale of real estate; and an aggregate of \$2.6 million of non-cash income, net.

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.

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 15. Unaudited Quarterly Information

(In millions except per share amounts)	2016			
	First (a)	Second (b)	Third (c)	Fourth (d)
Revenues	\$ 4,294.8	\$ 4,535.2	\$ 4,490.9	\$ 4,953.2
Gross Profit	1,957.9	2,078.5	2,053.9	2,278.8
Income from Continuing Operations	402.3	516.8	473.5	632.7
Net Income	402.2	516.6	473.5	629.5
Earnings per Share from Continuing Operations:				
Basic	1.02	1.31	1.20	1.60
Diluted	1.01	1.30	1.19	1.59
Earnings per Share:				
Basic	1.02	1.31	1.20	1.60
Diluted	1.01	1.30	1.19	1.59
Cash Dividend Declared per Common Share	0.15	0.15	0.15	0.15

Amounts reflect aggregate restructuring and other items, net, as follows:

- (a) Costs of \$90.1 million.
- (b) Costs of \$56.6 million.
- (c) Costs of \$149.8 million.
- (d) Costs of \$98.1 million.

(In millions except per share amounts)	2015			
	First (a)	Second (b)	Third (c)	Fourth (d)
Revenues	\$ 3,918.8	\$ 4,270.9	\$ 4,123.2	\$ 4,652.5
Gross Profit	1,822.5	1,941.8	1,883.3	2,108.3
Income from Continuing Operations	385.1	511.6	477.3	606.3
Net Income	385.1	511.6	476.1	602.6
Earnings per Share from Continuing Operations:				
Basic	0.97	1.28	1.20	1.52
Diluted	0.96	1.27	1.19	1.51
Earnings per Share:				
Basic	0.97	1.28	1.19	1.51
Diluted	0.96	1.27	1.18	1.50
Cash Dividend Declared per Common Share	0.15	0.15	0.15	0.15

Amounts reflect aggregate restructuring and other items, net, as follows:

- (a) Costs of \$40.2 million.
- (b) Costs of \$24.7 million.
- (c) Costs of \$40.9 million.
- (d) Costs of \$64.9 million.

Note 16. Subsequent Event

In February 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 approximately \$225 million. The acquisition expanded the company's bioproduction offerings. Revenues of Finesse were approximately \$50 million in 2016. The purchase price allocation for the acquisition is not yet available.

