THERMO FISHER SCIENTIFIC INC.
Form 10-K
February 24, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2010 or

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

Commission file number 1-8002

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

Delaware	04-2209186
(State of incorporation or organization)	(I.R.S. Employer Identification No.)
81 Wyman Street 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
Common Stock, $1.00 par value	New York Stock Exchange
Preferred Stock Purchase Rights	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 x 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 x

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

Indicate by check mark whether the Registrant 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 x 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. x

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 x	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 x

As of July 3, 2010, the aggregate market value of the voting stock held by nonaffiliates of the Registrant was approximately $19,341,481,000 (based on the last reported sale of common stock on the New York Stock Exchange Composite Tape reporting system on July 3, 2010).

As of February 5, 2011, the Registrant had 390,607,016 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Sections of Thermo Fisher's definitive Proxy Statement for the 2011 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, 2010

TABLE OF CONTENTS

Participants in BJ s Wholesale Club, Inc. 401(k) Savings Plans

If you participate in either the BJ s Wholesale Club, Inc. 401(k) Savings Plan for Salaried Employees or the BJ s Wholesale Club, Inc. 401(k) Savings Plan for Hourly Employees and hold Company stock in your account, you may vote an amount of shares of common stock equivalent to the interest in the Company s common stock credited to your account as of the record date. Fidelity Management Trust Company (Fidelity) will have a proxy card sent to you that you may use to direct Fidelity to vote your shares on your behalf. The proxy card should be signed and returned in the provided envelope to The Bank of New York, the Company s transfer agent and registrar, or you may authorize the voting of these shares over the Internet or by telephone by following the instructions on the provided proxy card. The Bank of New York will notify only Fidelity of the manner in which you have voted your shares. Fidelity will vote the shares in the manner directed on the proxy card (or as authorized over the Internet or by telephone). If The Bank of New York does not receive a signed proxy card or the authorization of the voting of your shares over the Internet or by telephone from you by 5:00 p.m. Eastern Time on May 24, 2005, there can be no assurance that Fidelity will be able to follow your instructions. If you fail to timely submit your instruction to The Bank of New York, Fidelity will vote your shares of common stock held in the BJ s Common Stock Fund as of the record date in the same manner, proportionally, as it votes the other shares of common stock for which proper and timely voting instructions of other plan participants have been received by Fidelity.

PROPOSAL ONE

ELECTION OF DIRECTORS

BJ s Amended and Restated Certificate of Incorporation and by-laws provide for the classification of the Board of Directors into three classes, as nearly equal in number as possible, with the term of office of one class expiring each year. Your proxy will be voted to elect the three nominees named below, unless otherwise instructed, as directors for a term of three years expiring at the 2008 Annual Meeting of Stockholders and until their respective successors are duly elected and qualified. The Board has voted to fix the number of directors at nine. The three nominees, each of whom currently serves as a director of the Company, have indicated their willingness to serve, if elected. If a nominee becomes unavailable, your proxy will be voted either for another nominee proposed by the Board of Directors or a lesser number of directors as proposed by the Board of Directors.

No director or executive officer is related by blood, marriage or adoption to any other director or executive officer. No arrangements or understandings exist between any director or person nominated for election as a director and any other person pursuant to which such person is to be selected as a director or nominee for election as a director.

THE COMPANY S BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF THE NOMINEES FOR ELECTION AS DIRECTORS WITH TERMS EXPIRING IN 2008.

The nominees for election as directors and incumbent directors are as follows:

Nominees for Election Terms Expiring 2008

Paul Danos, Ph.D., 62, has been a director of the Company since May 2004. Dr. Danos is the Dean of the Tuck School of Business at Dartmouth College, a position he has held since 1995. A CPA since 1974, Dr. Danos specializes in financial accounting as part of his position as the Laurence F. Whittemore Professor of Business Administration at the Tuck School. Dr. Danos is a member of the Company s Audit Committee. Dr. Danos is also a member of the General Mills Board of Directors and is on its Audit Committee.

Ronald R. Dion, 59, has been a director of the Company since September 1999. Mr. Dion has been Chairman and Chief Executive Officer of R.M. Bradley & Co., Inc., a real estate firm, since 1997. Mr. Dion is a trustee of John Hancock Funds and Chairman of the Investment Committee of John Hancock Funds and a member of the Board of Governors of the Boston Stock Exchange. He also serves as a director of the Boston Municipal Research Bureau, the Massachusetts Business Roundtable and the New England Council and is on the Advisory Board of the Carroll Graduate School of Management at Boston College. Mr. Dion is a member of the Corporate Governance Committee and Chairman of the Executive Compensation Committee.

Lorne R. Waxlax, 71, has been a director of the Company since July 1997 and presiding director since 2004. He was a director of Waban, Inc. (Waban) from January 1990 to July 1997 and Chairman of the Board of Directors of Waban from June 1996 to July 1997. Mr. Waxlax formerly served as an Executive Vice President of The Gillette Company from 1985 to 1993.

Mr. Waxlax is also a director of Clean Harbors, Inc. From July 1997 to March 2002, Mr. Waxlax was a director of House2Home, Inc., the surviving company of a merger in September 2001 with HomeBase, Inc., formerly known as Waban Inc. (House2Home). House2Home filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code on November 7, 2001 (see Relationship with House2Home; Conflicts of Interest on page 21). Mr. Waxlax is Chairman of the Corporate Governance Committee and is a member the Executive Committee, the Executive Compensation Committee and the Finance Committee.

Incumbent Directors Terms Expiring 2007

S. James Coppersmith, 72, has been a director of the Company since July 1997. He was a director of Waban from December 1993 to July 1997. Mr. Coppersmith is the retired president of ABC affiliate WCVB-TV

Channel 5 in Boston, and is a director and Vice Chairman of the board of directors of Rasky Baerlein Group, a public relations firm. Mr. Coppersmith is a member of the Audit Committee and the Executive Compensation Committee.

Thomas J. Shields, 58, has been a director of the Company since July 1997. He was a director of Waban from June 1992 to July 1997. He has served as Managing Director of Shields & Company, Inc., a Boston-based investment banking firm, since 1991. Mr. Shields is also a director of Clean Harbors, Inc. Mr. Shields is Chairman of the Audit Committee and a member of the Executive Committee, the Finance Committee and the Corporate Governance Committee.

Herbert J. Zarkin, 66, has been a director of the Company since November 1996 and Chairman of the Board of Directors of the Company since July 1997. From July 1997 to June 2002, Mr. Zarkin was Chairman of House2Home, and was President and Chief Executive Officer of House2Home from March 2000 to September 2001. He was a director, President and Chief Executive Officer of Waban (now known as House2Home) from May 1993 to July 1997. House2Home filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code on November 7, 2001 (see Relationship with House2Home; Conflicts of Interest on page 21). Mr. Zarkin is Chairman of the Executive Committee, Chairman of the ERISA Committee and a member of the Finance Committee.

Incumbent Directors Terms Expiring 2006

Bert N. Mitchell, 67, has been a director of the Company since May 1998. In 1974, Mr. Mitchell founded Mitchell & Titus, LLP, the nation s largest minority-owned CPA firm, and serves as its Chairman and Chief Executive Officer. He is also Chairman of the Board of the Ariel Investment Trust, which includes membership on the board of four individual funds. Mr. Mitchell is a member of the Audit Committee and the Executive Compensation Committee.

Helen Frame Peters, Ph.D., 57, has been a director of the Company since May 2004. Dr. Peters currently is professor of finance at Boston College. From August 2000 to May 2003 she served as Dean of the Carroll School of Management at Boston College. Prior to joining Boston College, from 1998-1999, Dr. Peters was Chief Investment Officer of the Global Bond Group of Scudder Kemper Investments in Boston, Massachusetts. Dr. Peters is a Trustee of StreetTracks Funds for State Street Global Advisors. Dr. Peters is a member of the Company s Executive Compensation Committee and Finance Committee.

Michael T. Wedge, 51, has been a director, President and Chief Executive Officer of the Company since September 2002. He was Executive Vice President, Club Operations of the Company from July 1997 to September 2002; and Executive Vice President, Sales Operations of the BJ s Wholesale Club division of Waban from February 1997 to July 1997. Mr. Wedge is a member of the Executive Committee and the Finance Committee.

CORPORATE GOVERNANCE

BJ s Board of Directors believes that good corporate governance practices are important to ensure that BJ s is managed for the long-term benefit of its stockholders. The Company s Board of Directors recognizes that maintaining and ensuring good corporate governance is a continuous process and that the long-term interests of stockholders are advanced by responsibly considering the concerns of other stakeholders and interested parties including employees/team members, customers, suppliers, the communities in which the Company does business, and the public at large. This section describes key corporate governance principles and practices adopted by the Company. Complete copies of the corporate governance principles; charters of the

Audit, Corporate Governance and Executive Compensation Committees; and the Statement on Commercial Bribery, Conflicts of Interest and Business Ethics described below are available on the Corporate Governance section of the Company s website, *www.bjs.com.* In addition, a copy of the Audit Committee Charter, as in effect on the date of this proxy statement, is attached as Appendix A. You can also request a copy of any of these documents by writing to the Corporate Secretary, BJ s Wholesale Club, Inc., One Mercer Road, Natick, Massachusetts 01760.

Corporate Governance Principles

The Board has adopted corporate governance principles to assist the Board in the exercise of its duties and responsibilities and to serve the best interests of the Company and its stockholders. These principles, which, along with the charters and key practices of the Board s committees, provide a framework for the governance of BJ s, include that:

- the role of the Board is to oversee the management and governance of the Company;
- a majority of the members of the Board shall be independent directors;
- the non-management directors meet at least twice annually in executive session;
- directors have complete access to management and may, at any time, hire independent advisors;
- new directors participate in an orientation program and all directors are expected to participate in continuing director education on an ongoing basis; and
- at least annually the Board and its committees will conduct a self-evaluation to determine whether they are functioning effectively.

Board Determination of Independence

Under applicable New York Stock Exchange (NYSE) rules, a Director of BJ s will only qualify as independent if the Board of Directors affirmatively determines that he or she has no material relationship with BJ s (either directly or as a partner, shareholder or officer of an organization that has a relationship with BJ s). The Board of Directors has established guidelines to assist it in determining whether a Director has a material relationship with BJ s. Under these guidelines, a Director will be considered to have a material relationship with BJ s if he or she is not independent under Section 303A.02(b) of the NYSE Listed Company Manual or he or she:

- is an executive officer of another company which is indebted to BJ s, or to which BJ s is indebted, and the total amount of either company s indebtedness to the other is more than 1% of the total consolidated assets of the company for which he or she serves as an executive officer; or
- serves as an officer, director or trustee of a charitable organization and BJ s discretionary charitable contributions to the organization are more than the greater of $1 million or 2% of that organization s total annual charitable receipts.

Ownership of a significant amount of BJ s stock, by itself, does not constitute a material relationship.

For relationships not covered by the guidelines set forth above, the determination of whether a material relationship exists is made by the other members of the Board of Directors who are independent.

The Board of Directors has determined that none of Messrs. Coppersmith, Dion, Mitchell, Shields or Waxlax or Drs. Danos or Peters has a material relationship with BJ s and that each of these directors is independent as determined under Section 303A.02 of the NYSE Listed Company Manual.

The Board of Directors has determined that all of the members of each of the Board s Audit, Corporate Governance and Executive Compensation committees are independent as defined under the rules of the NYSE, including, in the case of all members of the Audit Committee, the independence requirements contemplated by Rule 10A-3 under Securities Exchange Act of 1934 (the Exchange Act).

The Board of Directors and its Committees

The Board of Directors has established six standing committees Audit, Corporate Governance, ERISA, Executive, Executive Compensation and Finance each of which operates under a charter that has been approved by the Board.

Audit Committee. The Audit Committee s responsibilities include:

- appointing, approving the compensation of, and assessing the qualifications and independence of the Company s independent registered public accounting firm;
- overseeing the work of the Company s independent registered public accounting firm, including through the receipt and consideration of certain reports from the independent registered public accounting firm;
- reviewing and discussing with management and the independent registered public accounting firm the Company s annual and quarterly financial statements and related disclosures;
- monitoring the Company s internal control over financial reporting, and disclosure controls and procedures and code of business conduct and ethics;
- overseeing the Company s internal audit function;
- discussing the Company s risk management policies;
- establishing policies regarding hiring employees from the independent registered public accounting firm and procedures for the receipt and retention of accounting related complaints and concerns;
- meeting independently with the Company s internal auditing staff, independent registered public accounting firm and management; and
- preparing the audit committee report required by SEC rules (which is included on page 23 of this proxy statement).

The current members of the Audit Committee are Thomas J. Shields (Chairman), S. James Coppersmith, Paul Danos and Bert N. Mitchell. The Audit Committee held 15 meetings during 2004.

The Board of Directors has determined that each of Paul Danos, Bert N. Mitchell and Thomas J. Shields is an audit committee financial expert as defined in Item 401(h) of Regulation S-K.

A copy of the Audit Committee charter, as in effect on the date of this proxy statement, is attached as Appendix A.

Corporate Governance Committee. The Corporate Governance Committee s responsibilities include:

- identifying individuals qualified to become Board members;
- recommending to the Board the persons to be nominated for election as directors and to each of the Board s committees;
- reviewing the new director orientation program;
- reviewing and recommending changes to director compensation;
- monitoring the Company s social responsibility programs and corporate citizenship;
- developing and recommending to the Board corporate governance principles and monitoring compliance with such principles; and
- overseeing an annual evaluation of the Board, including a review of committee structure and committee charters.

The current members of the Corporate Governance Committee are Lorne R. Waxlax (Chairman), Ronald R. Dion and Thomas J. Shields. The Corporate Governance Committee held 14 meetings during 2004, including seven meetings held jointly with the Executive Compensation Committee.

Executive Compensation Committee. The Executive Compensation Committee s responsibilities include:

- annually reviewing and approving corporate goals and objectives relevant to the CEO s compensation;
- recommending the Chairman s compensation;
- determining the CEO s compensation;
- reviewing and approving the compensation of the Company s other executive officers;
- reviewing and making recommendations to the Board with respect to compensation and benefits polices and changes in those policies;
- reviewing and making recommendations to the Board with respect to management succession planning;
- overseeing an evaluation of the Company s CEO; and
- overseeing and administering the Company s cash and equity incentive plans.

The current members of the Executive Compensation Committee are Ronald R. Dion (Chairman), S. James Coppersmith, Bert N. Mitchell, Helen Frame Peters and Lorne R. Waxlax. The Executive Compensation Committee held 17 meetings in 2004, including seven meetings held jointly with the Corporate Governance Committee.

The ERISA Committee, which held four meetings during 2004, oversees the Company s 401(k) savings plans.

The Board of Directors also has an Executive Committee which has authority to act for the Board on most matters during intervals between meetings of the Board. The Executive Committee held one meeting during 2004.

The Board of Directors has a Finance Committee, which did not meet during 2004. This Committee reviews with management and advises the Board with respect to the Company s finances, including exploring methods of meeting the Company s financing requirements and planning the Company s capital structure.

In October 2001, the Board appointed a Special Committee to act for the Board on matters pertaining to House2Home, as described in more detail under Relationship with House2Home; Conflicts of Interest on page 21. The Committee was dissolved in 2004.

Board and Stockholder Meetings and Attendance

The Board of Directors held 17 meetings during 2004, including 10 telephone meetings, and took action by written consent four times. Each director attended at least 75% of the aggregate of the number of Board meetings and the number of meetings held by all committees on which he or she then served.

The Company s corporate governance principles provide that directors are expected to attend the annual meeting of stockholders. All then current directors attended the 2004 annual meeting of stockholders.

Director Candidates

The process followed by the Corporate Governance Committee to identify and evaluate director candidates includes requests to Board members and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates and interviews of selected candidates by members of the Committee and the Board.

In considering whether to recommend any particular candidate for inclusion in the Board s slate of recommended director nominees, the Corporate Governance Committee applies the criteria set forth in the Company s corporate governance principles. Under these criteria, a candidate should have substantial experience which is of relevance to the Company; a willingness to devote sufficient time to carrying out his or her duties and responsibilities effectively; and high personal and professional ethics, integrity and values. The Committee does not assign specific weights to particular criteria and no particular criterion is a prerequisite for each prospective nominee. The Company believes that the backgrounds and qualifications of its directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will allow the Board to fulfill its responsibilities.

Stockholders may recommend individuals to the Corporate Governance Committee for consideration as potential director candidates by submitting their names, together with appropriate biographical information and background materials, and a statement as to whether the stockholder or group of stockholders making the recommendation has beneficially owned more than 5% of the Company s common stock for at least a year as of the date such recommendation is made, to the Corporate Governance Committee, c/o General Counsel, BJ s Wholesale Club, Inc., One Mercer Road, Natick, MA 01760. Assuming that appropriate biographical and background material has been provided on a timely basis, the Committee will evaluate stockholder-recommended candidates by following substantially the same process, and applying substantially the same criteria, as it follows for candidates submitted by others. If the Board determines to nominate a stockholder-recommended candidate and recommends his or her election, then his or her name will be included in the proxy card for the next annual meeting of stockholders.

Stockholders also have the right under the Company s by-laws to directly nominate director candidates, without any action or recommendation on the part of the Corporate Governance Committee or the Board, by following the procedures set forth in the second paragraph under Stockholder Proposals on page 25. Candidates nominated by stockholders in accordance with the procedures set forth in the Company s by-laws will not be included in the proxy card for the next annual meeting of stockholders.

Dr. Danos and Dr. Peters, who both joined the Board in 2004, were identified as candidates by non-management directors through a variety of professional contacts and affiliations. No third party was paid a fee for any services related to the identification or selection of candidates for the Board.

Communicating with the Independent Directors

The Board will give appropriate attention to written communications that are submitted by stockholders and other interested parties, and will respond if and as appropriate. All stockholder communications will be reviewed by the Company s General Counsel and if they are relevant to the Company s operations, policies and philosophies, they will be forwarded to the Chairman of the Corporate Governance Committee (currently Mr. Waxlax), who serves as the presiding director at meetings of non-management and independent directors. The presiding director will provide to the Board copies or summaries of any such stockholder communications as he or she considers appropriate.

Under procedures approved by a majority of the independent directors, communications are forwarded to all directors if they relate to important substantive matters and include suggestions or comments that the presiding director considers to be important for the directors to know. In general, communications relating to corporate governance and long-term corporate strategy are more likely to be forwarded than communications relating to ordinary business affairs, personal grievances and matters which are the subject of repetitive communications.

Stockholders who wish to send communications on any topic to the Board should address such communications to the Board of Directors c/o General Counsel, BJ s Wholesale Club, Inc., One Mercer Road, Natick, MA 01760.

Compensation of Directors

Non-employee directors are paid an annual retainer of $40,000 and fees of $2,500 for each Board meeting attended, $1,000 for each Committee meeting attended and $1,000 for certain telephone meetings. In addition, the Chairman of the Audit Committee, the Chairman of the Corporate Governance Committee and the Chairman of the Executive Compensation Committee each are paid $5,000 per annum for their services as such. Other members of the Audit Committee, the Corporate Governance Committee and the Executive Compensation Committee each are paid $2,500 per annum for their services as such. In 2004, members of the Corporate Governance Committee were each paid an additional $5,000 in recognition of extraordinary efforts related to identifying board candidates. All directors are reimbursed for their expenses related to attendance at meetings.

In accordance with the Company s 1997 Stock Incentive Plan, as amended, each non-employee director who was a director at the 2004 Annual Meeting of Stockholders received an automatic grant of an option to purchase 5,000 shares of Common Stock at an exercise price of $21.17 per share, which was equal to the closing price on the date of grant. Each of Paul Danos and Helen Frame Peters, non-employee directors who became directors after the 2004 meeting of stockholders, was granted an option to purchase 10,000 shares of Common Stock at an exercise price of $22.33 per share, which was equal to the closing price of common stock on the date of grant. Each such option expires ten years after the date of grant and becomes exercisable in three equal annual installments beginning on the first day of the month of each of the first three anniversaries of the date of grant. If the director ceases to be a director prior to the date the option becomes fully exercisable, the unvested portion of the option will immediately expire. Any vested options will remain exercisable for a period of one year following cessation of service as a director of the Company. All unexercised options will become exercisable in full beginning 20 days prior to the consummation of a merger or consolidation, acquisition, reorganization or liquidation and, to the extent not exercised, shall terminate immediately after the consummation of such merger, consolidation, acquisition, reorganization or liquidation. Except as the Board may otherwise determine, options granted to non-employee directors are not transferable.

Policies on Business Ethics and Conduct

All of the Company s salaried employees, including its Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer and directors, are required to abide by the Company s long-standing Statement on Commercial Bribery, Conflicts of Interest and Business Ethics (Code of Conduct) to insure that the Company s business is conducted in a consistently legal and ethical manner. The Company s policies and procedures cover all areas of professional conduct, including relations with vendors, conflicts of interest, financial integrity and the protection of corporate assets, as well as strict adherence to all laws and regulations applicable to the conduct of the Company s business.

Employees and directors are required to report any conduct that they believe in good faith to be an actual or apparent violation of the Code of Conduct. In addition, as contemplated by the Sarbanes-Oxley Act of 2002, the Company s Audit Committee has established procedures to receive, retain and treat complaints received regarding accounting, internal accounting controls or auditing matters and to allow for the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

The full text of the Company s Code of Conduct is posted on the Corporate Governance section of the Company s website, at www.bjs.com. In addition, the Company intends to post on its website all disclosures that are required by law or NYSE listing standards concerning any amendments to, or waivers from, any provision of the Code of Conduct.

BENEFICIAL OWNERSHIP OF COMMON STOCK

The following table sets forth certain information regarding the beneficial ownership of common stock as of March 2, 2005 (unless otherwise indicated) by (i) each person known to the Company to beneficially own more than 5% of the outstanding shares of common stock, (ii) each director of the Company, (iii) each executive officer of the Company named in the Summary Compensation Table set forth on page 15, and (iv) all of the Company s current directors and executive officers as a group. Unless otherwise indicated, the address of each person listed in the table is c/o BJ s Wholesale Club, Inc., One Mercer Road, Natick, MA 01760.

Name and Address of Beneficial Owner	Number of Shares(1)	Percentage of Outstanding Common Stock(1)
FMR Corp. Fidelity Management & Research Company Edward C. Johnson 3d Abigail P. Johnson 82 Devonshire Street Boston, MA 02109	9,145,580(2)	13.31%
S. James Coppersmith	18,170	*
Paul Danos	3,340	*
Ronald R. Dion	17,670	*
Bert N. Mitchell	21,670(3)	*
Helen Frame Peters	3,340	*
Thomas J. Shields	27,600	*
Lorne R. Waxlax	51,820(4)	*
Herbert J. Zarkin	533,783	*
Michael T. Wedge	328,314	*
Frank D. Forward	262,876	*
Edward F. Giles	66,865	*
Karen Stout	10,000	*
All directors and executive officers as a group (13 persons)	1,347,948	1.93%

* Less than 1%.

(1) Includes, for the persons indicated, the following shares of common stock that may be acquired upon exercise of outstanding stock options which were exercisable on March 2, 2005, or within 60 days thereafter: Mr. Coppersmith, 17,170 shares; Dr. Danos 3,340 shares; Mr. Dion, 16,670 shares; Mr. Mitchell, 20,170 shares; Dr. Peters 3,340 shares; Mr. Shields, 26,700 shares; Mr. Waxlax, 23,170 shares; Mr. Zarkin, 392,500 shares; Mr. Wedge, 301,250 shares; Mr. Forward, 226,250 shares; Mr. Giles, 56,500 shares; all current directors and executive officers as a group, 1,089,560 shares.

(2) Information is as of December 31, 2004, and is based on a Schedule 13G (Amendment No. 6) filed with the Securities and Exchange Commission (SEC) on February 14, 2005, by FMR Corp., a holding company. FMR Corp. reported that (a) it (directly or indirectly) has sole dispositive power over all these shares; (b) it has sole voting power over 724,280 of these shares and no shared voting power; (c) these shares are held principally by Fidelity Low Price Stock Fund, an investment company registered under the Investment Company Act of 1940 and advised by Fidelity Management & Research Company, a wholly-owned investment adviser, and other investment companies and institutional accounts managed by subsidiaries of FMR Corp.; and (d) the family of Edward C. Johnson 3d, including Mr. Johnson, the Chairman of FMR Corp., and his daughter Abigail P. Johnson, a director, and trusts for the family members benefit may be deemed to form a

controlling group with respect to FMR Corp.

(3) Includes 500 shares held in Bert N. Mitchell & Associates Pension Plan.

(4) Includes 27,000 shares held in trust for the benefit of Mr. Waxlax and 1,650 shares as to which Mr. Waxlax disclaims beneficial ownership and which are held in individual accounts for Mr. Waxlax s children and for which Mr. Waxlax acts as custodian.

PERFORMANCE GRAPH

Set forth below is a line graph comparing the cumulative total stockholder return on the Company s common stock, based on the market price of the common stock, with the cumulative total return of companies in the Standard & Poor s 500 Stock Index and the Dow Jones Industry Group Index RTB-Retail, Broadline from January 28, 2000 to January 28, 2005 (the last trading day of fiscal 2004). The Dow Jones Industry Group Index RTB-Retail, Broadline is comprised currently of 25 specialty retail companies, including the Company. The graph assumes that the value of the investment at January 28, 2000, was $100 and that all dividends were reinvested. The values of investments in the companies in the Standard & Poor s 500 Stock Index and the Dow Jones Industry Group Index RTB-Retail, Broadline were measured as of the date nearest to the end of the indicated period for which index data is readily available.

COMPARE 5-YEAR CUMULATIVE TOTAL RETURN

AMONG BJ S WHOLESALE CLUB, INC.,

S&P 500 INDEX AND PUBLISHED INDUSTRY INDEX

ASSUMES $100 INVESTED ON JAN. 28, 2000

ASSUMES DIVIDEND REINVESTED

FISCAL YEAR ENDING JAN. 29, 2005

	1/28/00	2/3/01	2/1/02	1/31/03	1/30/04	1/28/05
BJ s Wholesale Club, Inc.	$100.00	$118.75	$136.53	$44.08	$61.97	$79.51
Dow Jones Industry Group Index RTB-Retail, Broadline	$100.00	$101.79	$112.46	$85.22	$105.16	$114.21
Standard & Poor s 500 Stock Index	$100.00	$99.10	$83.10	$63.97	$86.09	$91.45

EXECUTIVE COMPENSATION

EXECUTIVE COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The following report has been submitted to the Board of Directors by its Executive Compensation Committee, in compliance with requirements of the SEC:

As members of the Executive Compensation Committee (the ECC), it is our responsibility annually to review and approve corporate goals and objectives relevant to the compensation of the Chief Executive Officer (CEO), determine the CEO s compensation, review and approve, or make recommendations to the Board with respect to, compensation for the Company s other executive officers, oversee the evaluation of the Company s senior executives, and oversee and administer the Company s incentive plans. All of the members of the ECC are independent, non-employee directors.

Executive Compensation Principles

The Company s executive compensation program is designed to provide competitive levels of compensation that:

- integrate compensation with the achievement of the Company s annual and long-term performance goals and business strategies;
- link management s long-term interests with stockholders interests through stock-based awards;
- recognize management initiatives and achievements;
- reward outstanding corporate performance; and
- attract and retain key executives critical to the long-term success of the Company.

Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), generally disallows a tax deduction to public companies for certain compensation in excess of $1 million paid to the Company s Chief Executive Officer and the four other most highly compensated executive officers. Certain compensation, including qualified performance-based compensation, will not be subject to the deduction limit if certain requirements are met. The ECC reviews the potential effect of Section 162(m) periodically and, in general, the Company structures and administers its stock incentive plans, its Management Incentive Plan (MIP) and its Growth Incentive Plan (BJGIP) in a manner intended to comply with the performance-based compensation exception to Section 162(m). Nevertheless, there can be no assurance that compensation attributable to awards granted under the Company s incentive plans will be treated as qualified performance-based compensation under Section 162(m). In addition, the ECC reserves the right to use its judgment to authorize compensation payments that may be subject to the limit when the ECC believes such payments are appropriate and in the best interests of the Company and its stockholders, after taking into consideration changing business conditions and the performance of its executives.

Compensation Policies for Executive Officers

The total compensation program for all executive officers, including executive officers named in the Summary Compensation Table, consists of both cash and equity-based compensation and takes into account applicable provisions of employment agreements of such officers. Through stock options and stock grants available under the Company s stock incentive plan, the ECC seeks to align executive officers long-range interests with those of stockholders by providing executive officers with the opportunity to participate in the growth of the Company s stock value.

The ECC reviews market data information provided by an independent compensation consultant concerning salary competitiveness and the design of the Company s compensation programs. The services provided by such consultant are billed at hourly rates on an as requested basis. Neither the Company nor the ECC has a retainer agreement with any compensation consultant.

Base Salary. Base salaries for the Company s executive officers, including Mr. Wedge, are set within ranges that are determined based upon a review of publicly available information concerning compensation paid to executives with similar responsibilities at certain peer companies. The ECC utilizes its compensation consultant to assist in the compilation and interpretation of this information. The peer companies selected for these purposes are retailing companies, including major competitors of the Company. Not all of these peer companies are included in the Dow Jones Industry Group Index RTB-Retail, Broadline which appears in the Performance Graph on page 11. While the ECC s overall objective is to set base salaries at approximately the midpoint of competitive ranges, an individual executive s placement within a range and salary adjustments are based upon the ECC s subjective evaluation of the executive s performance and value to the Company.

Annual Incentive Program. Under the MIP, executive officers and other members of management are eligible to receive incentive cash awards based upon the level of achievement of pre-established annual performance goals. Mr. Zarkin is not eligible to earn awards under the MIP. At the beginning of each year, the ECC establishes the MIP performance goals and corresponding target awards, based on one or more of the following objective performance criteria: operating income, pre-tax income, net income, gross profit dollars, costs, any of the preceding measures as a percent of sales, earnings per share, sales, return on equity, and return on investment. Such goals, criteria and target awards may vary among participants. The ECC reviews the payout calculations after the year s financial results have been audited. Target awards for executive officers range from 25% to 75% of salary, but if targets are not met, there would be either no MIP award or a reduced award based on a percentage of the target realized. If results exceed goal(s), an executive officer could earn an additional award, depending upon the extent to which goals are exceeded. No executive officer may receive a MIP award in excess of $1,000,000 in any calendar year or, if less, 100% of base salary earned for the applicable performance period. MIP awards for 2004 for the Company s executive officers, including Mr. Wedge, were based on the Company s net income and sales goals. MIP goals for 2004 were exceeded, resulting in payouts to Mr. Wedge and to the other executive officers equal to 112.0% of the target awards. MIP performance goals for 2005 for the Company s executive officers, including Mr. Wedge, are based on the Company s net income and sales goals.

Long-Term Incentive Program. The BJGIP is intended to provide high-level executives of the Company, as selected by the ECC, with cash awards based upon the growth and performance of the Company. Mr. Zarkin does not participate in the BJGIP. All other executive officers, including Mr. Wedge, currently participate in the BJGIP, as do approximately 63 other employees of the Company. Awards are earned based on one or more of the following objective measures of performance or growth, as selected by the ECC at the beginning of the award period: operating income, pre-tax income, net income, costs, any of the preceding measures as a percent of sales, earnings per share, sales, return on equity, and return on investment. All relevant factors upon which the cash award is based (e.g., performance measurement, length of award period, relation between performance and cash award) are determined at the beginning of the award period by the ECC. Awards granted to the Company s executive officers in 2002 were based on cumulative net income for the Company for the three-year period ended January 29, 2005. No amounts were payable based on the awards granted under the BJGIP in 2002. Awards granted to the Company s executive officers in 2003 were based on cumulative net income for the Company for the three-year period ending January 28, 2006. Payments based on awards granted under the BJGIP in 2003 will be payable, if at all, in cash 100% in April 2006, contingent on employment continuing through March 31, 2006. Awards granted to the Company s executive officers in 2004 were based on cumulative net income for the Company for the three-year period ending February 3, 2007. Payments based on awards granted under the BJGIP in 2004 will be payable, if at all, in cash 100% in April 2007, contingent on employment continuing through February 3, 2007. Awards granted to the Company s executive officers in 2005 were based on cumulative net income for the Company for the three-year period ending February 2, 2008. Payments based on awards granted under the BJGIP in 2005 will be payable, if at all, in cash 100% in April 2008 contingent on employment continuing through February 2, 2008. There is no target amount for each award. However, there is a threshold amount based on the Company s cumulative net income, and the value of each award increases as achievement of the performance measurement increases. No individual award payment under the BJGIP can exceed $2,000,000 in any calendar year.

The Company has made it a practice to provide incentives to its executive officers and other senior executives to achieve long-range goals that are typically expressed as either a compounded rate of earnings growth or three-year cumulative earnings. In determining the level of long-term incentive awards, the ECC takes into account a survey of the same peer companies referred to above, but does not target a specific percentile.

Stock-Based Incentives. Stock options are awarded to the Company s key employees, including Mr. Wedge and other executive officers, by the ECC, based on its subjective assessment of the following factors: the compensation level and responsibility of the particular employee, the employee s contribution towards Company performance, and a survey of competitive compensation data of the same group of peer companies referred to previously in this report. The ECC generally targets awards to the median of such survey. The options are designed to reward recipients to the extent that the Company s stock value is enhanced. Because of the vesting provisions of such grants, the options also provide an incentive for the employee to remain with the Company. Because the ECC does not grant options on a cumulative basis, the size of previous grants is not a factor in making current grants.

Chief Executive Officer Compensation

Pursuant to Mr. Wedge s employment agreement with the Company, his base salary is $800,000, effective June 6, 2004, and is reviewed annually. Mr. Wedge s salary and the number of options (250,000) granted to him in 2004 were subjectively determined to provide a fully competitive compensation opportunity based on Mr. Wedge s success in providing leadership to the Company and after a review of competitive compensation data of the same group of peer companies referred to previously in this report without targeting a specific percentile range. The ECC believes stock option grants encourage long-term performance and promote management retention while further aligning stockholders and management s common interest in enhancing the value of the Company s common stock.

Mr. Wedge s MIP award provides a target opportunity equal to 75% of base salary if performance goals are met; the actual payout can vary between 0% and 100% of base salary for the performance period, subject to a maximum annual award limitation of $1,000,000. As discussed above, based on a target award of 75% of base salary, Mr. Wedge received a MIP payout of $635,654 for 2004.

Executive Compensation Committee

Ronald R. Dion, *Chairman*

S. James Coppersmith

Bert N. Mitchell

Helen Frame Peters

Lorne R. Waxlax

Compensation Committee Interlocks and Insider Participation

During 2004, none of the members of the ECC is or was an officer or employee of the Company. None of the Company s executive officers has served as a director or member of the compensation committee (or other committee serving an equivalent function) of any other entity whose executive officers served as a Director or member of BJ s ECC.

Compensation of Executives

The following table sets forth certain information concerning the annual and long-term compensation paid for fiscal 2004, 2003 and 2002 to (i) the Company s Chief Executive Officer and (ii) the Company s four other most highly compensated executive officers who were serving as executive officers of the Company on January 29, 2005 (collectively, the Named Executive Officers).

Summary Compensation Table

		Annual Compensation				Long-Term Compensation		
						Awards	Payouts	
Name and Principal Position	Year(1)	Salary	Bonus	Other Annual Compen-sation(2)	Restricted Stock Awards(3)	Securities Underlying Options(4)	LTIP Payouts(5)	All Other Compen-sation(6)
Michael T. Wedge	2004	$ 756,731	$ 635,654	$ 26,239	$	250,000	$	$ 43,289
President and Chief	2003	634,135	393,508	21,988		250,000	157,095	36,850
Executive Officer	2002	404,712		16,199		150,000	157,095	25,048
Herbert J. Zarkin	2004	525,000		366,818	2,139,000(7)	250,000		32,400
Chairman of the Board	2003	467,788		177,856		250,000		29,389
	2002	350,000		14,009				22,764
Frank D. Forward	2004	388,077	130,394	13,456		50,000		24,639
Executive Vice President,	2003	368,462	137,189	12,776		100,000	157,095	24,413
Chief Financial Officer	2002	316,058		12,650		50,000	157,095	21,303
Edward F. Giles	2004	332,693	111,785	11,536		50,000		22,206
Executive Vice President,	2003	286,923	106,829	9,949		50,000	109,967	19,489
Club Operations	2002	208,058		8,327		35,000	109,967	15,117
Karen Stout(8)	2004	216,346	172,693	167,979	237,300(9)	50,000		10,817
Executive Vice President,								
Merchandising								

(1) 2004 refers to the 52-week year ended January 29, 2005. 2003 refers to the 52-week year ended January 31, 2004. 2002 refers to the 52-week year ended February 1, 2003.

(2) Includes reimbursement for tax liabilities related to the Company s Executive Retirement Plan (BJERP) (see Retirement Benefits). Excludes perquisites having an aggregate value less than the lesser of $50,000 or 10% of salary plus bonus, except in the case of Mr. Zarkin, where the reported amount includes an aggregate of $366,818 of perquisites in 2004, $323,761 of which relate to Company paid air travel (valued based on the cost to the Company of providing such air

travel), and $177,856 in 2003, $141,818 of which relate to Company-paid air travel (valued based on the cost to the Company of providing such air travel), and Ms. Stout where the reported amount includes $143,508 paid in connection with Ms. Stout s relocation from Maryland to Massachusetts.

(3) The restricted shares convey to the holder the rights of a shareholder, including the right to vote and receive dividends.

(4) Reflects the grant of options to purchase common stock. The Company has never granted stock appreciation rights.

(5) Payouts for 2003 and 2002 each represent 50% of the BJGIP award earned by the Named Executive Officers for the three-year performance period ended February 1, 2003.

(6) For 2004, represents the Company s contributions under the BJ s 401(k) Savings Plan for Salaried Employees and the BJERP (see Retirement Benefits) as presented below:

	2004 Company Contributions	
	401(k) Savings Plan	**BJERP**
Michael T. Wedge	$ 5,452	$ 37,837
Herbert J. Zarkin	6,150	26,250
Frank D. Forward	5,235	19,404
Edward F. Giles	5,571	16,635
Karen Stout		10,817

The amount listed as Company contribution under the BJERP for Ms. Stout is accrued only and Ms. Stout will forfeit the rights to the BJERP benefits if she leaves the Company prior to being credited with four years of service. For a description of the BJERP, see Retirement Benefits on page 18.

(7) Mr. Zarkin was awarded 100,000 shares of restricted stock on August 9, 2004, all of which vest on the earlier of (i) May 15, 2007 and (ii) the date of the 2007 Annual Meeting of Stockholders. As of January 29, 2005, the market value of the restricted shares was $2,778,000.

(8) Ms. Stout was elected Executive Vice President, Merchandising in July 2004.

(9) Ms. Stout was awarded 10,000 shares of restricted stock on July 6, 2004, which vest in equal installments on the anniversary date of the date of grant in each of 2005, 2006 and 2007. As of January 29, 2005, the market value of the restricted shares was $277,800.

Stock Option Grants

The following table sets forth the stock option grants made by the Company to each of the Named Executive Officers during 2004:

Option Grants in Last Fiscal Year

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation For Option Term(2)		
Name	**Number of Securities Underlying Options Granted(1)**	**Percent of Total Options Granted to Employees in Fiscal Year**	**Exercise or Base Price Per Share(1)**	**Expiration Date**	**0%(3)**	**5%**	**10%**
Michael T. Wedge	250,000	14.9%	$ 23.62	5/28/14	$ 0	$ 3,713,623	$ 9,411,049
Herbert J. Zarkin	250,000	14.9%	21.39	5/15/10	0	1,733,350	3,910,617
Frank D. Forward	50,000	3.0%	23.62	5/28/14	0	742,725	1,882,210
Edward F. Giles	50,000	3.0%	23.62	5/28/14	0	742,725	1,882,210
Karen Stout	50,000	3.0%	23.73	7/06/14	0	746,183	1,890,975

(1) All options granted in 2004 were granted with an exercise price equal to the closing price of the common stock on the New York Stock Exchange on the date of grant. Except for options granted to Mr. Zarkin in 2004, these options expire ten years from the grant date and vest in equal annual installments over four years. Mr. Zarkin s options expire on May 15, 2010. 83,333 of Mr. Zarkin s options become exercisable beginning May 15, 2005; 83,333 become exercisable beginning May 15, 2006; and 83,334 become exercisable beginning the earlier of (i) May 15, 2007, and (ii) the date of the Company s 2007 Annual Meeting of Stockholders. All options vest upon a change of control (as defined in the Company s 1997 Stock Incentive Plan, as amended).

(2) The dollar amounts in these columns are the result of calculations at 0% and the arbitrary appreciation rates of 5% and 10% set by the SEC and are not intended to forecast possible future appreciation, if any, of the Company s stock price.

(3) No gain to the optionees is possible without an appreciation in stock price, which will benefit all stockholders commensurately. A zero percent stock price appreciation will result in zero gain for the optionee.

Aggregated Option Exercises and Valuation

The following table sets forth, on an aggregated basis, the exercise of stock options during fiscal 2004 by each of the Named Executive Officers and the fiscal year-end value of unexercised options held by such officers:

Aggregated Option Exercises in Last Fiscal Year

and Fiscal Year-End Option Values

	Number of Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at Fiscal Year-End		Value of Unexercised In-The-Money Options at Fiscal Year-End(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Michael T. Wedge	62,112	$ 823,300	301,250	518,750	$ 1,838,775	$ 3,790,625
Herbert J. Zarkin	350,000	5,435,710	392,500	437,500	2,140,925	3,991,875
Frank D. Forward			226,250	156,250	1,281,369	1,284,500
Edward F. Giles			56,500	108,000	266,800	770,000
Karen Stout				50,000		105,945

(1) Based on the fair market value of the common stock on January 28, 2005 ($27.78 per share), less the option exercise price.

Long-Term Incentive Plans Awards in Last Fiscal Year

The following table sets forth information related to long-term incentive awards granted to the Named Executive Officers during fiscal 2004 pursuant to the BJGIP:

Name	Number of Shares, Units of Other Rights	Performance or Other Period Until Maturation or Payout	Estimated Future Payouts under Non-Stock Price-Based Plans		
			Threshold	Target	Maximum
Michael T. Wedge	20 Units	fiscal 2004-fiscal 2006	$ 323,500	$	$ 2,000,000
Herbert J. Zarkin (1)	0 Units	fiscal 2004-fiscal 2006			
Frank D. Forward	10 Units	fiscal 2004-fiscal 2006	161,750		2,000,000
Edward F. Giles	10 Units	fiscal 2004-fiscal 2006	161,750		2,000,000
Karen Stout	8.6 Units	fiscal 2004-fiscal 2006	139,105		2,000,000

(1) Mr. Zarkin does not participate in the BJGIP.

Employees in high-level management positions in the Company, as selected by the Executive Compensation Committee, were awarded units under the BJGIP during fiscal 2004. Each unit has a value in dollars equal to a designated percentage of improvement in net income during the three-year fiscal period ending February 3, 2007 over base period income, as defined, for the year ended January 31, 2004. No payment will be made unless cumulative net income is at least equal to 10% compounded growth over the base period amount. The threshold amounts in the table above would be earned upon achievement of 10% compounded growth in earnings for the fiscal year ended January 29, 2005 and the fiscal years ending January 28, 2006 and February 3, 2007. No individual award payment can exceed $2,000,000 in any calendar year. This limit is reflected in the maximum amount column of the table above. The BJGIP does not specify a target payout amount. Accordingly, pursuant to SEC rules, the target payout level in the table above assumes in each case that fiscal 2004 s income level will be achieved in each of the three fiscal years during the award period. (If fiscal 2004 s income level were achieved in each of fiscal 2005 and 2006, cumulative net income for the three-year period would be less that 10% compounded growth over the base period amount, and therefore, no payment would be earned.) The dollar amounts in the table are not intended to forecast future payments, if any, under the BJGIP.

The cash award, if any, earned under the BJGIP for the three-year award period ending February 3, 2007 will be paid in April 2007 to participants employed through February 3, 2007. No payment will be made unless the minimum three-year net income goal is achieved.

Equity Compensation Plan Information

The following table provides information about the securities authorized for issuance under the Company s equity compensation plans as of January 29, 2005:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	6,700,702	$ 24.37	2,763,385(1)
Equity compensation plans not approved by security holders (2)			
Total	6,700,702	$ 24.37	2,763,385

(1) The number of securities remaining for future issuance consists of 2,763,385 shares issuable under the Company s 1997 Stock Incentive Plan, which was approved by the Company s stockholders. Awards under the 1997 Stock Incentive Plan may include restricted stock, unrestricted stock, stock appreciation rights, performance shares or other equity-based awards, as the Board of Directors may determine.

(2) The Company has no equity compensation plans not approved by security holders.

Retirement Benefits

Under the BJERP, employees in high-level management positions in the Company including all executive officers, as selected by the ECC, are eligible to receive annual cash retirement contributions in an amount determined by the ECC; provided that the annual retirement contribution shall equal, on an after-tax basis, at least three percent of the participant s base salary. All amounts paid under the BJERP are to be used exclusively to fund an investment vehicle, selected by the ECC, which is appropriate to provide retirement income, such as an insurance policy.

The Company made retirement contributions after the end of 2004 equal to 5% (net of taxes) of each participant s base salary during 2004. These payments are reflected in the All Other Compensation column of the Summary Compensation Table on page 15. If a participant terminates employment prior to the end of the fiscal year in which the participant is credited with four years of service, the participant forfeits the right to any benefit under the BJERP. As of January 29, 2005, all Named Executive Officers except Ms. Stout, were credited with at least four years of service.

Employment and Severance Agreements

Pursuant to his employment agreement, Mr. Wedge receives an annual base salary of $800,000 and participates in specified incentive and other benefit plans. The Company is entitled to terminate Mr. Wedge s employment at any time with or without cause (as defined). If Mr. Wedge s employment is terminated by the Company other than for cause, the Company is required to pay certain cash compensation amounts and to continue payment of Mr. Wedge s base salary and certain benefits for 12 months after termination at the rate in effect upon termination. The continuing base salary payments are subject to reduction after three months for compensation earned by Mr. Wedge from other employment, and the continuing benefits are subject to reduction at any time for comparable benefits received by Mr. Wedge from other employment.

Pursuant to his employment agreement, Mr. Zarkin receives an annual base salary of $525,000 and participates in specified incentive and other benefit plans. Mr. Zarkin s employment agreement continues in effect until the earlier of such time as either party terminates the agreement or the date of the Company s 2007 Annual Meeting of Stockholders. Mr. Zarkin does not participate in BJGIP or MIP. Mr. Zarkin must generally devote all of his working time and attention to the performance of his duties and responsibilities under his employment agreement. The Company is entitled to terminate Mr. Zarkin s employment at any time with or without cause (as defined). If his employment terminates by reason of death, disability, incapacity or termination by the Company other than for cause, Mr. Zarkin is entitled to payment of certain cash compensation amounts and continuation of base salary and certain benefits for a period of 12 months after termination at the rate in effect upon termination. Any stock options or other stock-based awards held by Mr. Zarkin on the date of termination will continue to vest for up to three years, when they will expire, unless they expire earlier by their terms. The continuing base salary payments are subject to reduction after three months for compensation earned by Mr. Zarkin from other employment, and the continuing benefits are subject to reduction at any time for comparable benefits received by Mr. Zarkin from other employment.

The Company has an employment agreement with each of Messrs. Forward and Giles and Ms. Stout under which they receive annual base salaries of $395,000, $350,000, and $375,000, respectively, and participate in specified incentive and other benefit plans. If employment is terminated by the Company other than for cause, each such executive is entitled to payment of certain cash compensation amounts and to certain benefits and continuation of base salary for 12 months after termination at the rate in effect upon termination. The continuing base salary payments to Messrs. Forward and Giles are subject to reduction after three months for compensation earned by the executive from other employment. The continuing base salary payments to Ms. Stout are payable and are not subject to reduction provided that at the time of termination, Ms. Stout executes a suitable release agreement for the benefit of the Company. The continuing base salary payments to Ms. Stout do, however, cease if she becomes employed by certain organizations that compete against the Company. The continuing benefits to each of Messrs. Forward and Giles and Ms. Stout are subject to reduction at any time for comparable benefits received by the executive from other employment.

Change of Control Severance Benefits

The Company provides change of control severance benefits to its executive officers under individual agreements. Under the agreements, in general, upon the earlier of a Change of Control or a Potential Change of Control (as such terms are defined in the agreements) of the Company, the executive would be entitled to accelerated lump-sum payments of the MIP target award prorated for the year in which the change of control occurs. If, during the Standstill Period (which is 24 months after a Change of Control, except that if a Change of Control does not occur within 12 months of the Potential Change of Control, the Standstill Period will end 12 months after the Potential Change of Control), the Company were to terminate the executive s employment other than for cause (as defined) or the executive were to terminate employment for reasons specified in the agreement, or if employment were to terminate by reason of death, disability or incapacity, the executive would be entitled to receive an amount equal to, in the case of Ms. Stout, Messrs. Forward and Giles, two and one-half times their base salaries and MIP, and in the case of Mr. Wedge, three times his base salary and MIP, unless the executive s termination occurs between eight and twelve months after a Change of Control and is voluntary, in which event the executive would be entitled to receive an amount equal to the executive s annual salary and MIP. For up to two and one-half years following termination in the case of each of Ms. Stout and Messrs. Forward and Giles, and three years in the case of Mr. Wedge, the Company would also be obligated to provide specified benefits, including continued medical and life insurance benefits, unless the executive s termination occurs between eight and twelve months after a Change of Control and is voluntary, in which event the executive would be entitled to receive such benefits for up to one year. In the event of a Change of Control, the Company may reduce any payments to the executive to the extent necessary to preserve the tax deductibility of such payments under the Code. The Company would also be obligated to pay all legal fees and expenses reasonably incurred by the executive in seeking enforcement of contractual rights to which the executive becomes entitled during the Standstill Period. In addition, upon involuntary termination within the Standstill Period, any agreement by the executive not to compete with the Company following termination of the executive s employment would cease to be effective.

Indemnification Agreements

The Company has entered into agreements with each of its directors and executive officers indemnifying them against expenses, settlements, judgments and fines incurred in connection with any threatened, pending or completed action, suit, arbitration or proceeding, where the individual s involvement is by reason of the fact that he or she is or was a director or officer of the Company or served at the Company s request as a director of another organization (except that indemnification is not provided against judgments and fines in a derivative suit unless permitted by Delaware law). An individual may not be indemnified if he or she is found not to have acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company, except to the extent Delaware law permits broader contractual indemnification. The indemnification agreements provide procedures, presumptions and remedies designed to substantially strengthen the indemnity rights beyond those provided by the Company s Amended and Restated Certificate of Incorporation and by Delaware law.

Certain Transactions

During fiscal 2004, Messrs. Gerald and Norman Zarkin, brothers of Mr. Zarkin, the Company s Chairman of the Board, had an interest in the following business transactions involving the Company.

In fiscal 2004, the Company purchased approximately $865,000 in merchandise from Tee s Plus Corporation (Tee s Plus), where Mr. Gerald Zarkin is an employee. In addition, the Company has an arrangement with Tee s Plus for the sale of embroidered apparel and the Company receives a percentage of the sales made by Tee s Plus to the Company s members. In fiscal 2004, the total amount of sales by Tee s Plus to the Company s members was approximately $417,000 of which the Company received approximately $33,000 pursuant to this arrangement. Mr. Gerald Zarkin earned approximately $12,000 in commissions and other payments from Tee s Plus with respect to these purchases by the Company. In addition, the Company has a consignment arrangement with Universal Supply MC, LLC (Universal) for the sale of specialty caps and also purchases certain merchandise from Universal. The Company provides space in its clubs for the display of Universal s cap inventory and the Company receives a percentage of the sales made by Universal to the Company s members. In fiscal 2004, the total amount of consignment sales was approximately $4 million, of which the Company received approximately $680,000 from Universal pursuant to this arrangement. In addition, the Company paid approximately $182,000 for merchandise purchased from Universal. Mr. Gerald Zarkin has a ten percent interest in Universal and received approximately $117,000 in commissions related to these transactions.

Mr. Norman Zarkin is the sole shareholder of The Zarkin Group, Inc. The Zarkin Group, Inc. serves as a consultant for Wireless Retail, Inc. (WRI), which provides direct sales of wireless services and equipment to the Company s members. Pursuant to an arrangement between the Company and WRI, the Company provides WRI with space in the Company s clubs and the Company receives a flat fee calculated based on sales volume plus a percentage of the sales made by WRI to the Company s members. In fiscal 2004, the Company received approximately $3 million from WRI pursuant to this arrangement and The Zarkin Group, Inc. was paid approximately $25,000 in consulting fees and commissions by WRI with respect to sales by WRI to the Company s members. In addition, in fiscal 2003, The Zarkin Group, Inc. received approximately $27,000, in the aggregate, in commissions for sales made to the Company by The Stratis Group, Inc., Handi Foil, Inc. and Frank Mastaloni & Sons, each of which is a vendor of the Company. In the aggregate, the Company purchased approximately $1.8 million of merchandise from these vendors.

The Company believes that each of the transactions described above was carried out on terms that were no less favorable to the Company than those that would have been obtained from unaffiliated third parties.

During fiscal 2004, the Company had an agreement with Fidelity Management Trust Company (FMTC) to provide 401(k) plan administration. FMTC also serves as trustee with respect to the assets of the Company s 401(k) plans. The Company paid fees for these services totaling approximately $153,935 in fiscal 2004. Additionally, fees are paid by plan participants in the form of investment management services fees generated on various transactions including loan setup and related fees. FMTC is a subsidiary of FMR Corp. and, as of December 31, 2004, FMR Corp. beneficially owned more than five percent of the Company s common stock.

RELATIONSHIP WITH HOUSE2HOME; CONFLICTS OF INTEREST

In connection with the spin-off of the Company from Waban in July 1997 (the Distribution), BJ s and House2Home entered into several agreements. Although the following summaries of certain of these agreements set forth an accurate description of their material terms and provisions, such summaries are qualified in their entirety by reference to the detailed provisions of the agreements, each of which has previously been filed with the SEC.

Distribution Agreement

BJ s and House2Home entered into a Separation and Distribution Agreement (the Distribution Agreement), which provided for, among other things, (i) the division between BJ s and House2Home of certain assets and liabilities; (ii) other agreements governing certain aspects of the relationship between BJ s and House2Home following the Distribution; and (iii) an agreement regarding certain matters relating to lease liabilities described below.

Under the Distribution Agreement, except as provided in the other agreements, BJ s agreed to indemnify House2Home for liabilities relating to BJ s business. Similarly, House2Home agreed to indemnify BJ s for liabilities pertaining to House2Home s business. The Distribution Agreement also requires BJ s and House2Home to indemnify each other for losses incurred due to a failure to perform their respective obligations under the Distribution Agreement or any other agreement entered into in connection with the Distribution.

Leases

Pursuant to the Distribution Agreement, effective upon the Distribution, BJ s assumed all liabilities to third-party lessors with respect to leases entered into by Waban with respect to the BJ s Division and agreed to indemnify House2Home for such liabilities.

In connection with the spin-off of Waban by The TJX Companies, Inc. (TJX) in 1989, Waban and TJX entered into an agreement (the 1989 Agreement) pursuant to which Waban agreed to indemnify TJX against any liabilities that TJX might incur with respect to certain House2Home real estate leases as to which TJX was either a lessee or guarantor. Pursuant to a subsequent agreement, BJ s agreed to indemnify TJX for 100% of House2Home s lease liabilities through January 31, 2003, and for 50% of such liabilities thereafter.

House2Home filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code on November 7, 2001. In 2001, the Company recorded pre-tax charges of $106.4 million (including interest accretion charges of $1.4 million) for its estimated loss associated with 41 House2Home leases. On a post-tax basis, these charges totaled $63.8 million, or $.86 per diluted share. This loss was based on the present value of rent liabilities under these leases, including estimated real estate taxes and common area maintenance charges, reduced by estimated income from the subleasing of these properties. An annual discount rate of 6% was used to calculate the present value of these lease obligations.

In 2002, the Company settled its obligations for 23 House2Home leases through lump sum payments. The leases for four additional House2Home properties were assigned to third parties (BJ s remains contingently liable for three of these leases). Based on the significant progress made in settling these leases and an evaluation of its remaining obligations, the Company recorded a pre-tax gain of $20.0 million to reduce its obligations related to House2Home leases, offset by pre-tax interest accretion charges of $4.4 million. Taken together, these amounts resulted in a post-tax gain of $9.4 million, or $.13 per diluted share.

In 2003, the Company settled its obligations for 12 additional House2Home leases through lump sum payments and recorded a pre-tax gain of $5.5 million ($3.3 million post-tax) to reflect favorable progress in settling the remaining House2Home leases, offset by pre-tax interest accretion of $1.0 million.

As of January 29, 2005, all 41 of the House2Home leases for which the Company was contingently liable have been settled, including lump sum settlements for 38 leases. The other three House2Home properties (for which the Company remains contingently liable) have been assigned to third parties who, to the knowledge of the Company, are satisfying all obligations under such leases on a current basis. In 2004, the Company recorded a pre-tax gain of $2.7 million ($1.6 million post-tax) to reflect favorable progress in settling the remaining House2Home leases, offset by pre-tax interest accretion of $0.2 million.

Tax Sharing Agreement

BJ s and House2Home entered into a Tax Sharing Agreement (the Tax Sharing Agreement) providing for the allocation between the parties of federal, state, local and foreign tax liabilities and the entitlement to tax refunds for periods beginning prior to the date of the Distribution, and various related matters. In 2003, the Company also recognized a reduction in its tax provision of $1.7 million due to state tax liabilities which were assumed by House2Home as part of the settlement agreement described below.

Settlement Agreement

The Company has filed proofs of claim against House2Home for claims arising primarily from BJ s indemnification of TJX with respect to TJX s guarantee of House2Home leases and from the Tax Sharing Agreement. House2Home and its creditors committee contested the validity and amount of the claims filed by BJ s and the creditors committee threatened action against BJ s on account of claims arising out of the 1997 spin-off of the Company from Waban. The Company entered into a settlement agreement with House2Home, which has been approved by the Bankruptcy Court which resolves the proofs of claim filed by BJ s and releases BJ s, its officers and directors and the officers and directors of House2Home who were also officers or directors of the Company of all claims and liabilities, including any claims arising out of the 1997 spin-off. BJ s claims on account of payments to landlords are allowed in the amount of $29.8 million and its claims under the Tax Sharing Agreement have been allowed in the amount of $8.0 million. In 2004, BJ s received payments of $4.5 million on account of these claims. In addition, BJ s entered into an agreement with the Indenture Trustee for certain subordinated notes issued by House2Home which settles BJ s claim that BJ s claims against House2Home constitute senior debt within the meaning of the indenture governing the House2Home subordinated notes. The Indenture Trustee paid the Company $2.5 million in 2004. BJ s is not entitled to any other payments from the Indenture Trustee.

Procedures for Addressing Conflicts

As a result of the Distribution, BJ s and House2Home had significant contractual and other ongoing relationships that may present certain conflict situations for Mr. Zarkin, who serves as Chairman of the Board of Directors of the Company and who served as Chairman of the Board of Directors of House2Home from July 1997 to June 2002, and for Mr. Waxlax, who serves as a director of the Company and who served as a director of House2Home from July 1997 to March 2002. BJ s has adopted procedures to be followed by its Board of Directors to limit the involvement of such persons in conflict situations whereby all transactions being considered by BJ s which relate to House2Home must (i) be approved by a majority of the Board of Directors and by a majority of the disinterested members of the Board of Directors and (ii) be on terms no less favorable to BJ s than could be obtained from unaffiliated third parties, as determined by a majority of the Board of Directors and by a majority of the disinterested members of the Board of Directors.

In October 2001, the Board appointed a Special Committee comprised of Messrs. Coppersmith, Dion and Mitchell, each of whom is a disinterested and independent member of the Board, to act for the Board on matters pertaining to House2Home. The

Special Committee approved the settlements described above. In July 2004, the Board dissolved the Special Committee.

PROPOSAL TWO

RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has selected the firm of PricewaterhouseCoopers LLP, independent registered public accounting firm, as the Company s independent registered public accounting firm for the fiscal year ending January 28, 2006. Although stockholder approval of the selection of PricewaterhouseCoopers LLP is not required by law, the Company s Board of Directors believes that it is advisable to give stockholders an opportunity to ratify this selection. If this proposal is not approved by the Company s stockholders at the 2005 annual meeting, the Audit Committee will reconsider its selection of PricewaterhouseCoopers LLP. Even if the selection of PricewaterhouseCoopers LLP is ratified, the Audit Committee in its discretion may select a different registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and its stockholders.

Representatives of PricewaterhouseCoopers LLP are expected to be present at the 2005 annual meeting. They will have the opportunity to make a statement if they desire to do so and will also be available to respond to appropriate questions from stockholders.

THE COMPANY S BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RATIFICATION

OF THE SELECTION OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY S

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE 2005 FISCAL YEAR.

AUDIT COMMITTEE REPORT

The Audit Committee (the Committee) consists of four directors, each of whom is independent as defined by the applicable standards of the New York Stock Exchange. A brief description of the responsibilities of the Committee is set forth above under the caption The Board of Directors and its Committees on page 6.

The Committee has reviewed and discussed the Company s audited financial statements for fiscal 2004 with the management of the Company. The Committee has discussed with PricewaterhouseCoopers LLP, the Company s independent registered public accounting firm, the matters required to be discussed by Statement on Auditing Standards 61 (Communication with Audit Committees). The Committee also has received the written disclosures and the letter from PricewaterhouseCoopers LLP required by Independence Standards Board Standard No. 1 (Independence discussion with Audit Committees) and has discussed with PricewaterhouseCoopers LLP its independence from the Company. The Committee also considered whether the independent registered public accounting firm s provision of the other, non-audit related services to the Company which are referred to in All Other Fees on page 24 is compatible with maintaining such firm s independence.

Based on the review and the discussions referred to above, the Committee recommended to the Board of Directors that the Company s audited financial statements be included in the Company s Annual Report on Form 10-K for the fiscal year ended January 29, 2005, for filing with the SEC.

The Audit Committee

Thomas J. Shields, *Chairman*

S. James Coppersmith

Paul Danos

Bert N. Mitchell

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEES AND OTHER MATTERS

Fees to Independent Registered Public Accounting Firm

The following table presents the fees of PricewaterhouseCoopers LLP, the Company s independent registered public accounting firm, billed to the Company for each of the last two fiscal years.

	Fiscal Year Ended	
	January 29, 2005	**January 31, 2004**
Audit Fees (1)	$ 2,408,902	$ 705,926
Audit-Related Fees (2)	54,353	51,640
Tax Fees (3)	75,925	145,480
All Other Fees	0	0
Total	$ 2,539,180	$ 903,046

(1) Audit fees consisted of audit work performed in the preparation of financial statements for the fiscal years noted, including reviews of the financial statements included in each of the Company s quarterly reports on Form 10-Q during fiscal 2004 and fiscal 2003, and in 2004 included $1,678,290 related to the audit of the Company s internal control over financial reporting.

(2) Audit-related fees consisted principally of consultations concerning financial accounting and reporting standards as well as assurance and related services that are reasonably related to the performance of the audit and review of the Company s financial statements and which are not reported under Audit Fees. Consultations and related services included, specifically, consultations in fiscal 2004 regarding the Company s transfer of benefit plan assets between trustees, as well as additional benefit plan audit services, and consultations in fiscal 2003 regarding preparedness for compliance with Section 404 of Sarbanes-Oxley Act and regarding analysis of lease liabilities with respect to the House2Home leases.

(3) Tax fees consisted of fees for tax compliance, tax advice and tax planning services. Tax compliance services accounted for $32,839 in fiscal 2004 and $31,255 in fiscal 2003.

Preapproval Policies and Procedures

The Audit Committee has adopted policies and procedures relating to the approval of all audit and non-audit services that are to be performed by the Company s independent registered public accounting firm. This policy generally provides that the Company will not engage its independent registered public accounting firm to render audit or non-audit services unless the service is specifically approved in advance by the Audit Committee or the engagement is entered into pursuant to one of the pre-approval procedures described below.

From time to time, the Audit Committee may pre-approve specified types of services that are expected to be provided to the Company by its independent registered public accounting firm during the next 12 months. Any such pre-approval is detailed as to the particular service or type of services to be provided and is also generally subject to a maximum dollar amount.

The Audit Committee has also delegated to the chairman of the Audit Committee the authority to approve any audit or non-audit services to be provided to the Company by its independent registered public accounting firm. Any approval of services by the Chairman of the Audit Committee pursuant to this delegated authority is reported at the next meeting of the Audit Committee.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company s directors and executive officers and persons who own more than ten percent of a registered class of the Company s equity securities to file with the SEC and the New York Stock Exchange initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Executive officers, directors and greater-than-ten-percent stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

To the Company s knowledge, based solely on review of the copies of such reports furnished to the Company and written representations regarding the filing of required reports, all Section 16(a) filing requirements applicable to its directors, executive officers and greater-than-ten-percent beneficial owners with respect to fiscal 2004 were met.

STOCKHOLDER PROPOSALS

Proposals of stockholders intended to be presented at the 2006 annual meeting of stockholders, pursuant to Rule 14a-8 under the Exchange Act, must be received by the Company no later than 5 p.m. Eastern Time on December 23, 2005, in order to be considered for inclusion in the Company s proxy materials for that meeting. The Company suggests that proponents submit their proposals via registered or certified mail addressed to Kellye L. Walker, Secretary, BJ s Wholesale Club, Inc., One Mercer Road, Natick, Massachusetts 01760.

The Company s by-laws require that the Company be given advance written notice of stockholder nominations for election to the Company s Board of Directors and of other matters which stockholders wish to present for action at an annual meeting of stockholders (other than matters included in the Company s proxy materials in accordance with Rule 14a-8 under the Exchange Act). The Secretary must receive such notice at the address noted above not less than 70 days nor more than 90 days prior to the first anniversary of the preceding year s annual meeting, provided, however, that in the event that the date of the annual meeting is advanced by more than 20 days, or delayed by more than 70 days, from such anniversary date, the Secretary must receive such notice not earlier than the 90th day prior to such annual meeting and not later than the close of business on the later of the 70th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such annual meeting is first made. Assuming that the 2006 annual meeting is held during the period from April 30, 2006 to July 29, 2006 (as it is expected to be), in order to comply with the time periods set forth in the Company s by-laws, appropriate notice would need to be provided to the Secretary of the Company at the address noted above no earlier than February 25, 2006, and no later than March 17, 2006. If a stockholder fails to provide timely notice of a proposal to be presented at the 2006 annual meeting, the proxies designated by the Board of Directors of the Company will have discretionary authority to vote on any such proposal which may come before the meeting.

The Company s by-laws also specify requirements relating to the content of the notice which stockholders must provide to the Secretary of the Company for any matter, including a stockholder nomination for director, to be properly presented at a stockholder meeting.

OTHER MATTERS

The Board of Directors has no knowledge of any other matter which may come before the meeting and does not intend to present any such other matter. Pursuant to the Company s by-laws, the deadline for stockholders to notify the Company of any proposals or director nominations to be presented for action at the annual meting has passed. However, if any other matters shall properly come before the meeting or any adjournment thereof, the persons named as proxies will have discretionary authority to vote the shares represented by the accompanying proxy in accordance with their own judgment.

The Executive Compensation Committee Report on Executive Compensation appearing on pages 12 through 14, the Audit Committee Report appearing on page 23, the Performance Graph appearing on page 11 and the information regarding the Audit Committee s Charter and the independence of Audit Committee members appearing on page 6 shall not be deemed incorporated by reference by any general statement incorporating this proxy statement into any filing under the Securities Act of 1933 or under the Exchange Act, except to the extent that the Company specifically incorporates such information by reference, and shall not otherwise be deemed filed under such Acts.

The cost of solicitation of proxies will be borne by the Company. The Company has retained Georgeson Shareholder Communications Inc. to assist in soliciting proxies by mail, e-mail, telephone and personal interview for a fee of $6,500, plus expenses. Officers and employees of the Company may, without additional remuneration, also assist in soliciting proxies in the same manner. Brokers, custodians and fiduciaries will be requested to forward proxy soliciting materials to the owners of stock held in their names, and the Company will reimburse them for their reasonable out-of-pocket expenses incurred in connection with the distribution of proxy materials.

Householding of Annual Meeting Materials

Some banks, brokers and other nominee record holders may be participating in the practice of householding proxy statements and annual reports. This means that only one copy of the Company s proxy statement or annual report to stockholders may have been sent to multiple stockholders in each household. The Company will promptly deliver a separate copy of either document to any stockholder upon written or oral request to the Investor Relations Department of the Company, BJ s Wholesale Club, Inc., One Mercer Road, Natick, MA 01760, telephone: (508) 651-6650. Any stockholder who wants to receive separate copies of the proxy statement or annual report to stockholders in the future, or any stockholder who is receiving multiple copies and would like to receive only one copy per household, should contact the stockholder s bank, broker, or other nominee record holder, or the stockholder may contact the Company at the above address and phone number.

By Order of the Board of Directors

KELLYE L. WALKER

Secretary

Appendix A

BJ s Wholesale Club, Inc.

Charter of the Audit Committee of the Board of Directors

(Amended and Adopted by the Board of Directors as of December 8, 2004)

Purpose:

The purpose of the Audit Committee is (i) to assist the Board of Directors oversight of the integrity of the Company s financial statements, the Company s compliance with legal and regulatory requirements, the independent auditors qualifications and independence and the performance of the Company s internal audit functions and independent auditors and (ii) to prepare an audit committee report as required by the Securities and Exchange Commission to be included in the Company s annual proxy statement.

Members:

The Audit Committee shall consist of at least three directors of the Board of Directors, one of whom shall be designated as chairperson. Except as otherwise permitted by the applicable rules of the New York Stock Exchange, each member of the Audit Committee shall be independent as defined by such rules.

Each member of the Company s Audit Committee must be financially literate (or must become financially literate within a reasonable period of time after his or her appointment to the Audit Committee), and at least one member of the Audit Committee shall have accounting or related financial management expertise, both as determined in the Board of Directors business judgment. No member of the Audit Committee may receive, directly or indirectly, any consulting, advisory or other compensatory fee from the Company or any of its subsidiaries, other than fees paid in his or her capacity as a member of the Board of Directors or a committee of the Board.

Members of the Audit Committee shall be appointed by the Board of Directors, upon the recommendation of the Nominating and Corporate Governance Committee. Unless otherwise determined by the Board (in which case disclosure of such determination shall be made in the Company s annual proxy statement), no member of the Audit Committee may serve on the audit committee of more than two other public companies. The Board of Directors may remove members of the Audit Committee from such committee, with or without cause.

Responsibilities:

The Audit Committee shall discharge its responsibilities, and shall assess the information provided by the Company s management and the independent auditors, in accordance with its business judgment.

Management is responsible for the preparation, presentation and integrity of the Company s financial statements and for the appropriateness of the accounting principles and reporting policies that are used by the Company. The independent auditors are responsible for auditing the Company s financial statements and for reviewing the Company s unaudited interim financial statements. The authority and responsibilities set forth in this Charter do not reflect or create any duty or obligation of the Audit Committee to plan or conduct any audit, to determine or certify that the Company s financial statements are complete, accurate, fairly presented, or in accordance with generally accepted accounting principles or applicable law, or to guarantee the independent auditors report.

The Audit Committee shall:

1. Review the qualifications and independence of the Company s independent auditors, who shall report directly to the Audit Committee. In particular, the Audit Committee shall:

   A. Appoint, evaluate, and, when circumstances warrant, discharge the independent auditors;

   B. Oversee the work of the independent auditors, including resolution of disagreements between Company management and the independent auditors regarding financial reporting;

   C. Set compensation of the independent auditors and is empowered, without further action by the Board of Directors, to cause the Company to pay the compensation of the independent auditors established by the Audit Committee;

   D. Pre-approve all services (audit and non-audit) to be provided to the Company by the independent auditors, *provided*, *however*, that de minimis non-audit services may instead be approved in accordance with applicable New York Stock Exchange and Securities and Exchange Commission rules;

   E. Conduct a post-audit review of the financial statements and audit findings, including any significant suggestions for improvements provided to management by the independent auditors;

   F. Review the nature of any non-audit services performed by the independent auditors;

   G. At least annually, the Audit Committee shall assess the independent auditors independence. In connection with this assessment, the Audit Committee shall obtain and review information, including written statements from the independent auditors, describing all relationships between the auditors and the Company or any other relationships that may adversely affect the independence of the auditors, and otherwise assess the independence of the independent auditors as set forth in Independence Standards Board Standard No. 1. The Audit Committee shall engage in an active dialogue with the auditors concerning any disclosed relationships or services that might impact the objectivity and independence of the auditors; and

   H. Receive and consider the reports required to be made by the independent auditors regarding: critical accounting policies and practices; alternative treatments within generally accepted accounting principles for policies and practices related to material items that have been discussed with Company management, including ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors; and other material written communications between the independent auditors and Company management.

2. Review and discuss with management and the independent auditors the Company s annual audited financial statements, including a discussion with the auditors of their judgment as to the Company s accounting principles, the Company s disclosures under Management s Discussion and Analysis of Financial Condition and Results of Operations and the matters about which Statement on Auditing Standards No. 61 requires discussion.

3. Consider whether it will recommend to the Board of Directors that the Company s audited financial statements be included in the Company s Annual Report on Form 10-K.

4. Review with management and the independent auditors the results of any significant matters identified as a result of the independent auditors interim review procedures prior to the filing of each Form 10-Q, and discuss with the Company s

management and independent auditors the Company s quarterly financial statements, including the Company s disclosures under Management s Discussion and Analysis of Financial Condition and Results of Operations.

5. Discuss generally the types of information to be disclosed in the Company s earnings press releases, as well as in financial information and earnings guidance provided to analysts, rating agencies and others.

6. At least annually, obtain and review a report by the independent auditors describing the firm s internal quality-control procedures, and any material issues raised by the most recent internal quality-control review,

or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.

7. In connection with its oversight role, from time to time as appropriate, review with the independent auditors:

   any audit problems or difficulties the independent auditors encountered in the course of the audit work and management s response, including any restrictions on the scope of the independent auditors activities or on access to requested information and any significant disagreements with management;

   major issues as to the adequacy of the Company s internal controls and any special audit steps adopted in light of material control deficiencies;

   analyses prepared by management and/or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative generally accepted accounting principles methods on the financial statements; and

   the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.

8. Coordinate the Board of Directors oversight of the Company s internal control over financial reporting (including review of the Company s process of ensuring accurate and reliable financial reporting), disclosure controls and procedures and code of business conduct and ethics. Pursuant to such coordination, the Committee shall:

   A. At least annually, ascertain through discussions with management the adequacy of the Company s system of internal controls, discuss such system with the independent auditors and the Company s Vice President, Manager of Internal Audit, and coordinate the Board of Directors oversight of the performance of the Company s internal audit function;

   B. Review the appointment and dismissal of the Vice President, Manager of Internal Audit;

   C. Receive and review the reports of the CEO and CFO required by Rule 13a-14 of the Exchange Act;

   D. Review the Internal Audit Department s annual plan; and

   E. Review reports issued by the Internal Audit Department summarizing its findings, recommendations and responses from management as to the corrective actions to be implemented.

9. Discuss the Company s policies with respect to risk assessment and risk management, including guidelines and policies to govern the process by which the Company s exposure to risk is handled.

10. Establish policies regarding the hiring of employees or former employees of the Company s independent auditors.

11. On at least an annual basis, review with the Company s counsel any legal matters that could have a significant impact on the Company s financial statements.

12. Institute, conduct or authorize investigations into any matters within the scope of its responsibilities as it shall deem appropriate, and the Audit Committee shall have the authority to request any officer, employee or advisor of the Company to meet with the Audit Committee or any advisors engaged by the Audit Committee.

13. Be authorized, without further action by the Board of Directors, to engage such independent legal, accounting and other advisors as it deems necessary or appropriate to carry out its responsibilities. Such independent advisors may be the regular advisors to the Company. The Audit Committee is empowered, without further action by the Board of Directors, to cause the Company to pay the compensation of such advisors as established by the Audit Committee. In addition, the Audit Committee is empowered, without

further action by the Board of Directors, to cause the Company to pay the ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

14. Regularly update the Board of Directors about the Audit Committee s activities.

15. At least annually, review and reassess the adequacy of the Audit Committee Charter and present the revised or unchanged charter annually to the Board of Directors for approval.

16. At least annually, evaluate its own performance.

17. Prepare for inclusion where necessary in a proxy or information statement of the Company relating to an annual meeting of security holders at which directors are to be elected (or special meeting or written consents in lieu of meeting), the report described in Item 306 of Regulation S-K of the Securities and Exchange Commission.

18. Establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

19. Have such other duties as may be delegated from time to time by the Board of Directors.

Meetings:

The Audit Committee will meet as often as it deems necessary or appropriate in its judgment, either in person or telephonically, and at such times and places as the Audit Committee determines. The Audit Committee may also act by unanimous written consent in lieu of a meeting. As it deems appropriate, the Audit Committee shall periodically meet separately with the independent auditors, Company management and the Company s internal auditors, including the Chief Financial Officer and/or the Senior Vice President, Finance, and the Vice President, Manager of Internal Audit. The majority of the members of the Audit Committee shall constitute a quorum at any meeting. The Audit Committee may form and delegate authority to one or more subcommittees (including a subcommittee of a single member) as it deems appropriate from time to time under the circumstances. Any decision of a subcommittee to pre-approve audit, review, attest or non-audit services shall be presented to the full Audit Committee at its next scheduled meeting. The Audit Committee shall keep such records of its meetings as it shall deem appropriate.

and

BJ S WHOLESALE CLUB, INC.

YOUR VOTE IS IMPORTANT

VOTE BY INTERNET / TELEPHONE

24 HOURS A DAY, 7 DAYS A WEEK

INTERNET		**TELEPHONE**		**MAIL**
https://www.proxyvotenow.com/bj		**1-866-213-0603**		
	OR		***OR***	
Go to the website address listed above.		Use any touch-tone telephone.		Mark, sign and date your proxy card.
Have your proxy card ready.		Have your proxy card ready.		Detach your proxy card.
Follow the simple instructions that appear on your computer screen.		Follow the simple recorded instructions.		Return your proxy card in the postage-paid envelope provided.

Your telephone or Internet vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned the proxy card. **If you have submitted your proxy by telephone or the Internet there is no need for you to mail back your proxy.**

Internet and telephone votes must be received by 5 p.m., eastern time, on Wednesday, May 25, 2005 to be counted in the final tabulation.

If you vote by the Internet or by telephone, please do not mail your card.

DETACH HERE IF YOU ARE RETURNING YOUR PROXY CARD BY MAIL.

Please Sign, Date and Return the Proxy Card Promptly Using the Enclosed Envelope.

x Votes must be indicated (x) in Black or Blue ink.

The Board of Directors recommends a vote FOR the election of directors and FOR Proposal 2.

1. Election of Directors for a term to expire in 2008.

FOR ALL ¨ WITHHOLD FOR ALL ¨ EXCEPTIONS ¨

Nominees: 01 Paul Danos, 02 Ronald R. Dion and 03 Lorne R. Waxlax

(INSTRUCTIONS: To withhold authority to vote for any individual nominee, strike a line through that nominee s name and check the Exceptions box above.)

2.Ratification of the audit committee s selection of PricewaterhouseCoopers, LLP as the Company s independent registered public accounting firm for the fiscal year ending January 28, 2006.

FOR ¨ AGAINST ¨ ABSTAIN ¨

Mark box at right if you plan to attend the Annual Meeting. ¨

Mark box at right if an address change or comment has been noted on the reverse side of this card. ¨

S C A N L I N E

Please sign exactly as the name appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. Only authorized officers should sign for corporations. PLEASE SIGN AND DATE HERE AND RETURN PROMPTLY ONLY IF YOU ARE VOTING BY MAIL.

The signer hereby revokes all proxies heretofore given by the signer to vote at said meeting or any adjournment thereof.

Date Share Owner sign here Co-Owner sign here

BJ s WHOLESALE

CLUB, INC.

As part of BJ s Wholesale Club, Inc. s ongoing efforts to reduce expenses, we are asking our stockholders to authorize us to send only one copy of stockholder publications to their respective households. If you are receiving multiple copies of stockholder reports at your address and wish to eliminate them for the account shown on the attached proxy card, please write or call our Investor Relations Department, BJ s Wholesale Club, Inc., One Mercer Road, Natick, MA 01760, telephone: (508) 651-6650. You will continue to receive your proxy mailing for shares held in this account.

We urge you to vote your shares. Thank you very much for your cooperation and continued loyalty as a BJ s Wholesale Club, Inc. stockholder.

PROXY

BJ s WHOLESALE CLUB, INC.

Proxy Solicited on Behalf of the Board of Directors

for the Annual Meeting of Stockholders, May 26, 2005

The undersigned hereby appoints Frank D. Forward, Thomas J. Shields and Kellye L. Walker, and each of them singly, as proxies, with full power of substitution, to represent and to vote, as designated herein, all shares of Common Stock of BJ s Wholesale Club, Inc., at the Annual Meeting of Stockholders of BJ s Wholesale Club, Inc. to be held at the Crowne Plaza Hotel, 1360 Worcester Street (Route 9), Natick, Massachusetts, on Thursday, May 26, 2004 at 11 a.m., and at all adjournments thereof, at which the undersigned could vote, if present, in such manner as they may determine on any matters which may properly come before the meeting and to vote as specified on the reverse side hereof.

You are encouraged to specify your choices by marking the appropriate boxes on the reverse side but you need not mark any boxes if you wish to vote in accordance with the Board of Directors recommendation. Please sign and return this card if you are voting by mail.

THIS PROXY, WHEN PROPERLY EXECUTED ON THE REVERSE SIDE OF THIS CARD, WILL BE VOTED IN THE MANNER DIRECTED. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES AND FOR PROPOSAL 2. THE PROXIES, IN THEIR DISCRETION, ARE AUTHORIZED TO VOTE UPON SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE MEETING.

ADDRESS CHANGE / COMMENTS

BJ S WHOLESALE CLUB, INC.

P.O. BOX 11093

NEW YORK, N.Y. 10203-0093

PLEASE VOTE, DATE AND SIGN THIS PROXY ON THE OTHER SIDE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE.

ways; WIDTH: 100%">
28

Table of Contents

THERMO FISHER SCIENTIFIC INC.

Item 2. Properties

The location and general character of our principal properties by segment as of December 31, 2010, are as follows:

Analytical Technologies

We own approximately 4.0 million square feet of office, engineering, laboratory and production space, principally in New Jersey, Wisconsin, Virginia, Utah and California within the U.S., and in Germany, England and Switzerland. We lease approximately 3.4 million square feet of office, engineering, laboratory and production space, principally in Massachusetts, California, Texas, Kansas and Michigan within the U.S., and in China, England, Finland, Germany and Australia, under various leases that expire between 2011 and 2029.

Laboratory Products and Services

We own approximately 7.1 million square feet of office, engineering, laboratory, warehouse and production space, principally in Wisconsin, New York, Pennsylvania, Illinois and North Carolina within the U.S., and in England Germany, Canada, Denmark and France. We lease approximately 4.2 million square feet of office, engineering, laboratory, warehouse and production space, principally in California, Pennsylvania, Illinois, Maryland, Tennessee and New Jersey within the U.S. and in Australia, Mexico, Germany and England, under various leases that expire between 2011 and 2021.

Corporate Headquarters

We own approximately 81,000 square feet of office space in Massachusetts. We also lease approximately 11,000 square feet of office space principally in Massachusetts under various leases that expire in 2013.

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 2011 or 2012, we believe that suitable replacement properties are available on commercially reasonable terms.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

Item 3. Legal Proceedings

Our business involves a risk of product liability and other claims in the ordinary course of business. We are a party to various lawsuits and legal proceedings, including individual and consolidated multi-party product liability actions for products we may have distributed or manufactured. These matters have arisen in the ordinary course and conduct of our business, as well as through acquisitions. We believe that some of the costs incurred in defending and ultimately disposing of many of these claims for personal injury and other matters may be covered in part by insurance policies maintained by certain insurance carriers or subject to indemnification by our suppliers or purchasers. Management, after review and consideration with counsel, considers that any ultimate liability with respect to these matters should not have a material adverse effect on our results of operations, financial position or cash flows. While liabilities arising from potential future claims could become material, we currently believe, on the basis of our claims history and related factors, that such potential future claims are not likely to have a material impact on our business, financial condition and results of operations. Actual costs incurred will depend on the solvency of our insurance carriers, the degree of coverage with respect to any particular claim, our success in litigating these claims and the solvency of third parties who may be jointly and severally liable. See “Item 1 – Business – Environmental Matters,” for legal proceedings involving certain environmental matters.

We are subject to the jurisdiction of various regulatory agencies including, among others, the U.S. Food and Drug Administration and the Agency for International Development. Various governmental agencies conduct investigations from time to time to examine matters relating to our operations. Some operations involve and have involved the handling, manufacture, use or sale of substances that are classified as toxic or hazardous substances within the meaning of applicable environmental laws. Consequently, some risk of environmental and other damage is inherent in particular operations and products as it is with other companies engaged in similar businesses, and we cannot assure that material damage will not occur or be discovered or that the damage will not be determined to be material in the future.

Item 4. Reserved

Financial Statement Index

Table of Contents

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 2010 and 2009, as reported in the consolidated transaction reporting system.

	2010		2009	
	High	Low	High	Low
First Quarter	$ 52.94	$ 45.37	$ 40.34	$ 32.02
Second Quarter	57.40	47.21	42.47	30.83
Third Quarter	51.36	41.74	47.74	37.50
Fourth Quarter	56.25	47.17	49.70	42.86

The closing price of the company's common stock on December 31, 2010 and 2009, was $55.36 and $47.69, respectively.

Holders of Common Stock

As of February 5, 2011, the company had 6,630 holders of record of its common stock. This does not include holdings in street or nominee names.

Dividend Policy

The company has never paid cash dividends and currently does not expect to pay cash dividends in the foreseeable future. Payment of dividends is at the discretion of the company's Board of Directors and will depend upon, among other factors, the company's earnings, capital requirements and financial condition.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

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

Issuer Purchases of Equity Securities

A summary of the share repurchase activity for the company's fourth quarter of 2010 follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Dollar Amount of Shares That May Yet Be Purchased Under the Plans or Programs (1) (in millions)
Fiscal October (Oct. 3 – Nov. 6)	3,470,100	$ 49.49	3,470,100	$ 665.8
Fiscal November (Nov. 7 – Dec. 4)	2,342,820	51.51	2,342,820	545.1
Fiscal December (Dec. 5 – Dec. 31)	1,072,135	53.70	1,072,135	487.5
Total Fourth Quarter	6,885,055	$ 50.83	6,885,055	$ 487.5

(1) On April 20, 2010, the company announced a repurchase program authorizing the purchase of up to $750 million of the company's common stock through April 19, 2011. On September 9, 2010, the company announced a repurchase program authorizing the purchase of up to an additional $750 million of the company's common stock through September 8, 2011. All of the shares of common stock repurchased by the company during the fourth quarter of 2010 were purchased under these programs.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

Item 6. Selected Financial Data

(In millions except per share amounts)	2010 (a)	2009 (b)	2008 (c)	2007 (d)	2006 (e)
Statement of Income Data					
Revenues	$ 10,788.7	$ 10,109.7	$ 10,498.0	$ 9,746.4	$ 3,791.6
Operating Income	1,264.9	1,048.9	1,229.4	974.4	242.0
Income from Continuing Operations	1,033.1	851.3	975.4	766.9	164.1
Net Income	1,035.6	850.3	980.9	748.4	166.7
Earnings per Share from Continuing Operations:					
Basic	2.56	2.06	2.33	1.82	.84
Diluted	2.52	2.01	2.24	1.73	.81
Earnings per Share:					
Basic	2.57	2.06	2.34	1.77	.85
Diluted	2.53	2.01	2.25	1.69	.83
Balance Sheet Data					
Working Capital	$ 2,425.2	$ 2,891.6	$ 2,805.7	$ 1,763.7	$ 1,507.2
Total Assets	21,349.4	21,625.0	21,090.0	21,207.4	21,262.2
Long-term Obligations	2,031.3	2,064.0	2,003.2	1,983.7	2,097.8
Shareholders' Equity	15,361.0	15,430.9	14,926.5	14,463.6	13,879.1

The caption “restructuring and other costs” in the notes below includes amounts charged to cost of revenues, primarily for the sale of inventories revalued at the date of acquisition and, beginning in 2009, charges/credits to selling, general and administrative expense primarily for significant acquisition transaction costs.

(a) Reflects a $79.4 million pre-tax charge for restructuring and other costs; an after-tax gain of $2.5 million related to the company’s discontinued operations; and the repurchase of $1.01 billion of the company’s common stock.
(b) Reflects a $69.0 million pre-tax charge for restructuring and other costs; an after-tax loss of $1.0 million related to the company’s discontinued operations; and the repurchase of $414.6 million of the company’s common stock.
(c) Reflects a $36.9 million pre-tax charge for restructuring and other costs; an after-tax gain of $5.5 million related to the company’s discontinued operations; and the repurchase of $187.4 million of the company’s common stock.
(d) Reflects a $91.4 million pre-tax charge for restructuring and other costs; an after-tax loss of $18.5 million related to the company’s discontinued operations; and the repurchase of $898.0 million of the company’s common stock.
(e) Reflects completion of the merger with Fisher on November 9, 2006. Also reflects a $123.3 million pre-tax charge for restructuring and other costs; a charge of $36.7 million for acceleration of vesting of stock-based compensation as a result of the Fisher merger; and after-tax income of $2.6 million related to the company’s discontinued operations.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

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 of Results of Operations and Liquidity

The company develops, manufactures and sells a broad range of products that are sold worldwide. The company expands the product lines and services it offers by developing and commercializing its own technologies and by making strategic acquisitions of complementary businesses. The company's continuing operations fall into two business segments: Analytical Technologies and Laboratory Products and Services. Revenues in the fourth quarter are historically stronger than in other quarters due to capital spending patterns of customers.

(Dollars in millions)		2010			2009	
Revenues						
Analytical Technologies	$	4,611.8	42.7%	$	4,153.9	41.1%
Laboratory Products and Services		6,693.0	62.0%		6,426.6	63.6%
Eliminations		(516.1)	(4.7)%		(470.8)	(4.7)%
	$	10,788.7	100%	$	10,109.7	100%

Sales in 2010 were $10.79 billion, an increase of $679 million from 2009. Aside from the effects of currency translation and acquisitions, net of divestitures (discussed in total and by segment below), revenues increased from 2009 revenues by $433 million (4%) due to increased demand and, to a lesser extent, higher stimulus-funded spending by customers and price increases. Sales rebounded from a weak 2009 when the company believes a global economic slowdown reduced demand. The increase in revenues was offset by lower sales resulting from cessation of a supply contract and a milder flu season than in 2009, as discussed below. These factors decreased sales by approximately 2 percentage points. The company estimates that stimulus-funded spending increased revenues by approximately 1 percentage point in 2010, primarily in the first quarter.

The company's strategy is to augment internal growth at existing businesses with complementary acquisitions such as those completed in 2010 and 2009. The company's principal acquisitions are described below.

- Fermentas, a manufacturer and global distributor of enzymes, reagents and kits for molecular and cellular biology research, was acquired in July 2010 to expand the company's ability to provide complete workflows for genomics research.

  - Finnzymes, a provider of integrated tools for molecular biology analysis, including reagents, instruments, consumables and kits, was acquired in March 2010 to expand the company's portfolio of reagents and other consumables for the molecular biology research and diagnostics markets.

- Ahura Scientific, a provider of handheld spectroscopy instruments that are used worldwide in the identification of chemicals for safety, security and pharmaceutical applications, was acquired in February 2010 to expand the company's portfolio of portable analytical devices.

- B.R.A.H.M.S. AG, a leading provider of specialty diagnostic tests based on patented biomarkers for sepsis, cardiovascular and pulmonary diseases, as well as intensive care treatments and prenatal screening, was acquired in October 2009 to increase the breadth of the company's specialty diagnostics portfolio and provide a significant reagent manufacturing center in Europe.

- Biolab, an Australia-based provider of analytical instruments, life science consumables and laboratory equipment, was acquired in April 2009 to broaden the geographic reach of the company's customer channels.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Overview of Results of Operations and Liquidity (continued)

On December 13, 2010, the company and Dionex Corporation, a leading manufacturer and marketer of chromatography systems, announced that their Boards of Directors unanimously approved a transaction under which Thermo Fisher will acquire all of the outstanding shares of Dionex for $118.50 per share in cash, or a total purchase price of approximately $2.1 billion. Dionex, headquartered in Sunnyvale, California, is a global leader in the manufacturing and marketing of liquid chromatography and sample preparation systems, consumables, and software for chemical analysis. Dionex systems are used worldwide in environmental analysis and by the life sciences, chemical, petrochemical, food and beverage, power generation, and electronics industries. Their expertise in applications and instrumentation helps analytical scientists to evaluate and develop pharmaceuticals, establish environmental regulations, and produce better industrial products. The transaction is subject to a majority of the outstanding shares of Dionex having been tendered and certain regulatory approvals.

In 2010, operating income and operating income margin were $1.26 billion and 11.7%, respectively, compared with $1.05 billion and 10.4%, respectively, in 2009. The increases in operating income and operating margin were due to profit on incremental sales and, to a lesser extent, productivity improvements, global sourcing initiatives and lower operating costs following restructuring actions. In addition, amortization expense decreased by $25 million in 2010, primarily due to the completion of amortization of acquisition-related intangibles from a 2005 acquisition.

The company's effective tax rates were 11.3% and 8.2% in 2010 and 2009, respectively. The increase in the effective tax rate was primarily due to increased earnings in higher tax jurisdictions. The tax provision in 2010 was favorably affected by $17.4 million or 1.5 percentage points resulting primarily from the resolution of tax audits and the impact on deferred tax balances of changes in tax rates. The company expects its effective tax rate in 2011 will be between 15.5% and 17.5% based on currently forecasted rates of profitability in the countries in which the company conducts business. The tax provision in 2009 was favorably affected by $5.5 million or 0.6 percentage points resulting from the reversal of a tax reserve established at acquisition and the impact on deferred tax balances of changes in tax rates.

Income from continuing operations increased to $1.03 billion in 2010, from $851 million in 2009, primarily due to the items discussed above that increased operating income, offset in part by a higher tax rate.

During 2010, the company's cash flow from operations totaled $1.50 billion, compared with $1.66 billion for 2009. The decrease resulted primarily from increases in working capital items, particularly accounts receivable and inventories to support the growth in sales.

As of December 31, 2010, the company's outstanding debt totaled $2.14 billion, of which approximately $0.33 billion is convertible debt, at a conversion price of $40.20 per share. Upon an investor's election to convert, the company is required to pay the principal portion of these debentures in cash, and the balance of the conversion value in either cash or stock, at the company's election. For any holders electing to convert in the next 12 months or electing to put the debt to the company at the first date on which this is permitted (March 2011), the company intends to draw on its revolving credit facility to fund any principal payments in excess of $100 million which has been classified as a current liability in the accompanying balance sheet. The facility is an unsecured revolving credit agreement expiring in 2012 with available capacity of $952 million at December 31, 2010.

In December 2010, the company obtained short-term financing commitments from two investment banking firms to fund $1.5 billion of the purchase price of Dionex. However, in February 2011, the company issued $2.2 billion of senior notes with maturities of 3 – 10 years, primarily to fund the purchase of Dionex, and subsequently terminated the short-term financing commitment. If the company does not consummate the Dionex acquisition by September 30, 2011, the company will be required to redeem these notes in whole at a redemption price of 101% of the aggregate principal, plus accrued and unpaid interest.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Overview of Results of Operations and Liquidity (continued)

The company believes that its existing cash and short-term investments of $926 million as of December 31, 2010, and the company's future cash flow from operations together with available borrowing capacity under its revolving credit agreement, are sufficient to meet the cash requirements of its 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, equity investments, sales returns, warranty obligations, income taxes, contingencies and litigation, pension costs and stock-based compensation. 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 $40 million at December 31, 2010. 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, 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. A significant portion of the purchase price in many of the company's acquisitions is assigned to intangible assets that require the use of significant judgment in determining (i) 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. Amortizable intangible assets totaled $4.71 billion at December 31, 2010. 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.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates (continued)

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 $9.27 billion and $1.33 billion, respectively, at December 31, 2010. 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.

The company's businesses were adversely affected in 2009 by the global economic downturn, although results progressively improved during the year and in 2010. Projections of profitability for 2011 and thereafter and indicated fair values based on peer revenues and earnings trading multiples were sufficient to conclude that no impairment of goodwill or indefinite-lived intangible assets existed at December 31, 2010. There can be no assurance, however, that an economic recovery will continue into 2011 and that a 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.

(d) Other Long-lived Assets

The company reviews other long-lived assets for impairment when indication of potential impairment exists, such as a significant reduction in cash flows associated with the assets. Other long-lived assets totaled $1.90 billion at December 31, 2010, including $1.41 billion of fixed assets. In testing a long-lived asset for impairment, assumptions are made concerning projected cash flows associated with the asset. Estimates of future cash flows require assumptions related to revenue and operating income growth and asset-related expenditures associated with the asset being reviewed for impairment. Should future cash flows decline significantly from estimated amounts, charges for impairment of other long-lived assets may be necessary.

(e) 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 fair value at the time of sale. Should the fair value of either the equipment or the installation change, the company's revenue recognition would be affected.

Financial Statement Index

Item 7. 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’s software license agreements generally include multiple products and services, or “elements.” The company recognizes software license revenue based on the residual method after all elements have either been delivered or vendor specific objective evidence (VSOE) of fair value exists for any undelivered elements. In the event VSOE is not available for any undelivered element, revenue for all elements is deferred until delivery of all elements is completed. Revenues from software maintenance and support contracts are recognized on a straight-line basis over the term of the contract. VSOE of fair value of software maintenance and support is determined based on the price charged for the maintenance and support when sold separately. Revenues from training and consulting services are recognized as services are performed, based on VSOE, which is determined by reference to the price customers pay when the services are sold separately.

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.

(f) Warranty Obligations

At the time the company recognizes revenue, it provides for the estimated cost of product warranties in cost of product revenues based primarily on historical experience and knowledge of any specific warranty problems that indicate projected warranty costs may vary from historical patterns. The liability for warranty obligations of the company’s continuing operations totaled $42 million at December 31, 2010. Should product failure rates or the actual cost of correcting product failures vary from estimates, revisions to the estimated warranty liability would be necessary.

(g) 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 $62 million at December 31, 2010. Where applicable, associated interest expense has also been recognized.

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.

Financial Statement Index

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 $156 million at December 31, 2010. 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. Accrued income taxes totaled $59 million at December 31, 2010. 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.

(h) 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. Reserves of acquired businesses, including environmental reserves, were initially recorded at fair value and discounted to their net present value. Additionally, the company records receivables from third-party insurers when recovery has been determined to be probable.

(i) 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 $14 million in 2010. The company's unfunded benefit obligation totaled $244 million at year-end 2010 compared with $225 million at year-end 2009. 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 $4 million and an increase in the benefit obligation of approximately $84 million.

The company expects to contribute between $20 and $30 million to its defined benefit pension plans in 2011.

Table of Contents

THERMO FISHER SCIENTIFIC INC.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates (continued)

(j) Stock-based Compensation

The fair value of most stock options granted by the company is estimated using the Black-Scholes option pricing model. For option grants and restricted stock units that require achievement of both service and market conditions, a lattice model is used to estimate fair value. Use of a valuation model requires management to make certain assumptions with respect to selected model inputs. Management estimates expected volatility based on the historical volatility of the company's stock. Historical data on exercise patterns is the basis for determining 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. Changes in these input variables would affect the amount of expense associated with stock-based compensation. The compensation expense recognized for all stock-based awards is net of estimated forfeitures. The company estimates forfeiture rates based on historical analysis of option forfeitures. If actual forfeitures should vary from estimated forfeitures, adjustments to compensation expense may be required.

Results of Operations

2010 Compared With 2009

Continuing Operations

(In millions)	2010	2009	Total Change	Currency Translation	Acquisitions/ Divestitures	Operations
Revenues						
Analytical Technologies	$ 4,611.8	$ 4,153.9	$ 457.9	$ (21.0)	$ 232.0	$ 246.9
Laboratory Products and Services	6,693.0	6,426.6	266.4	—	34.0	232.4
Eliminations	(516.1)	(470.8)	(45.3)	1.0	—	(46.3)
Consolidated Revenues	$ 10,788.7	$ 10,109.7	$ 679.0	$ (20.0)	$ 266.0	$ 433.0

Sales in 2010 were $10.79 billion, an increase of $679 million from 2009. The unfavorable effects of currency translation resulted in a decrease in revenues of $20 million in 2010. Sales increased $266 million due to acquisitions, net of divestitures. Aside from the effects of currency translation and acquisitions, net of divestitures, revenues increased $433 million (4%) due to increased demand and, to a lesser extent, higher stimulus-funded spending by customers and price increases. Sales rebounded from a weak 2009 when the company believes a global economic slowdown reduced demand. Sales growth was strong in Asia, moderate in North America and modest in Europe in 2010. The increase in revenues was offset in part by cessation of a supply contract and a milder flu season in 2010 which together unfavorably affected revenue growth by 2 percentage points in 2010. The company estimates that stimulus-funded spending increased revenues by approximately 1 percentage point in 2010, primarily in the first quarter.

In 2010, operating income and operating income margin were $1.26 billion and 11.7%, respectively, compared with $1.05 billion and 10.4%, respectively, in 2009. The increases in operating income and operating margin were due to profit on incremental sales and, to a lesser extent, productivity improvements, global sourcing initiatives and lower operating costs following restructuring actions. In addition, amortization expense decreased by $25 million in 2010, primarily due to the completion of amortization of acquisition-related intangibles from a 2005 acquisition.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations (continued)

In 2010, the company recorded restructuring and other costs, net, of $79 million, including: $16 million of charges to cost of revenues related to the sale of inventories revalued at the date of acquisition and, to a lesser extent, accelerated depreciation on manufacturing assets to be abandoned due to facility consolidations and $3 million of charges to selling, general and administrative expenses for transaction costs, net, primarily related to the pending acquisition of Dionex and revisions of estimated contingent consideration, principally related to the acquisition of Ahura Scientific, offset in part by a gain of $11 million on settlement with product liability insurers. The company incurred $34 million of cash costs, primarily for actions initiated in 2009 and, to a lesser extent, 2010 in response to the downturn in the economy and reduced revenues, including severance to reduce headcount at several businesses and abandoned facility expenses at businesses that have been or are being consolidated. The company recorded impairment charges of $17 million for intangible assets associated with several small business units. The company also recorded a $6 million charge on a patent infringement claim initiated prior to a business unit's acquisition by the company and $3 million of asset write-downs associated with abandoned facilities held for sale (Note 14). In 2009, the company recorded restructuring and other costs, net, of $69 million, including $7 million of charges to cost of revenues related to the sale of inventories revalued at the date of acquisition and accelerated depreciation on manufacturing assets to be abandoned due to facility consolidations and $2 million of charges to selling, general and administrative expenses for transaction costs related to the acquisitions of Biolab and B.R.A.H.M.S. offset in part by a gain primarily for settlement of certain product liability-related matters. The company incurred $62 million of cash costs, primarily for actions in response to the downturn in the economy and reduced revenues, including severance to reduce headcount at several businesses and abandoned facility expenses at businesses that have been or are being consolidated. The company also incurred a $2 million loss on an abandoned facility held for sale that was sold in July 2009 and a $3 million charge for pension termination benefits, offset by a $7 million gain on the settlement of a litigation-related matter assumed as part of the merger with Fisher in 2006.

As of February 24, 2011, the company has identified restructuring actions that will result in additional charges of approximately $35 million in 2011 and expects to identify additional actions during 2011. The restructuring actions initiated in 2010 will result in annual cost savings of approximately $50 million beginning primarily in 2011, including $15 million in the Analytical Technologies segment and $35 million in the Laboratory Products and Services segment. The restructuring actions initiated in 2009 resulted in annual cost savings beginning in the second half of 2009 and early 2010 of approximately $60 million, including $40 million in the Analytical Technologies segment and $20 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 accounting; restructuring and other costs/income including costs arising from facility consolidations such as severance and abandoned lease expense and gains and losses from the sale of real estate and product lines; and amortization of acquisition-related intangible assets. The company uses these measures because 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.

Financial Statement Index

41

Table of Contents

THERMO FISHER SCIENTIFIC INC.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations (continued)

(Dollars in millions)	2010	2009	Change
Revenues			
Analytical Technologies	$ 4,611.8	$ 4,153.9	11%
Laboratory Products and Services	6,693.0	6,426.6	4%
Eliminations	(516.1)	(470.8)	10%
Consolidated Revenues	$ 10,788.7	$ 10,109.7	7%
Segment Income			
Analytical Technologies	$ 984.2	$ 837.3	18%
Laboratory Products and Services	931.8	877.6	6%
Subtotal Reportable Segments	1,916.0	1,714.9	12%
Cost of Revenues Charges	(16.0)	(6.7)	
Selling, General and Administrative Charges, Net	(3.0)	(1.5)	
Restructuring and Other Costs, Net	(60.4)	(60.8)	
Amortization of Acquisition-related Intangible Assets	(571.7)	(597.0)	
Consolidated Operating Income	$ 1,264.9	$ 1,048.9	21%
Reportable Segments Operating Income Margin	17.8%	17.0%	
Consolidated Operating Income Margin	11.7%	10.4%	

Income from the company's reportable segments increased 12% to $1.92 billion in 2010 due primarily to profit on incremental sales and, to a lesser extent, productivity improvements including global sourcing and lower operating costs following restructuring actions. The company also refers to this measure as adjusted operating income.

Analytical Technologies

(Dollars in millions)	2010	2009	Change
Revenues	$ 4,611.8	$ 4,153.9	11%
Operating Income Margin	21.3%	20.2%	1.1

Sales in the Analytical Technologies segment increased $458 million to $4.61 billion in 2010. The unfavorable effects of currency translation resulted in a decrease in revenue of $21 million in 2010. Sales increased $232 million due to acquisitions, net of divestitures. In addition to the changes in revenue resulting from currency translation and acquisitions, net of divestitures, revenues increased $247 million (6%) primarily due to increased demand including higher stimulus-funded spending by customers, particularly in the first quarter. Demand in industrial markets for environmental and process control equipment improved in 2010. Demand was also strong for mass spectrometry instruments, bioscience offerings and clinical diagnostic consumables.

Operating income margin was 21.3% in 2010 and 20.2% in 2009. The increase resulted from profit on incremental sales and, to a lesser extent, productivity improvements, global sourcing initiatives and lower operating costs following restructuring actions.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations (continued)

Laboratory Products and Services

(Dollars in millions)	2010	2009	Change
Revenues	$ 6,693.0	$ 6,426.6	4%
Operating Income Margin	13.9%	13.7%	0.2

Sales in the Laboratory Products and Services segment increased $266 million to $6.69 billion in 2010. The unfavorable effects of currency translation resulted in a nominal decrease in revenues in 2010. Sales increased $34 million due to acquisitions, net of divestitures. In addition to the changes in revenue resulting from currency translation and acquisitions, net of divestitures, revenues increased $232 million (4%) primarily due to stronger demand and, to a lesser extent, increased prices. Demand for laboratory equipment, which had been particularly weak in 2009, and consumables improved in 2010. The increase in revenues was offset in part by a $102 million, net reduction in sales due to termination and transition of a supply contract discussed below and, to a lesser extent, lower revenues associated with flu due to milder flu conditions in 2010.

In November 2009, a significant supplier of the company's healthcare market channel notified the company that it intended to cease an existing supply arrangement in mid-2010. The company believes this was in part a response to the company's strategic decision to expand its product offerings to provide its customers with a broader menu of diagnostic solutions. The company has signed an agreement with an alternative supplier of laboratory products and has begun selling these and other products from the new supplier offsetting a portion of the drop in revenue. As a result of these events, sales were unfavorably affected by $102 million, net, in 2010 compared with 2009. The company expects that cessation of the supply contract will continue to unfavorably affect revenue growth by approximately $55 million in the first half of 2011.

Operating income margin increased to 13.9% in 2010 from 13.7% in 2009, primarily due to profit on incremental sales and, to a lesser extent, productivity improvements, global sourcing initiatives and lower operating costs following restructuring actions, offset in part by strategic investments including expansion of sales and marketing staff in the Asia/Pacific region and information technology initiatives in Europe.

Other Expense, Net

The company reported other expense, net, of $100 million and $122 million in 2010 and 2009, respectively (Note 4). Interest expense decreased to $85 million from $118 million in 2009 primarily as a result of lower interest rates on variable rate debt following refinancings completed in late 2009 and the first half of 2010. In 2010 and 2009, other expense, net, includes losses on the early extinguishment of debt of $17 million and $15 million, respectively (Note 9) and in 2010, $8 million of fees associated with short-term financing commitments for the pending Dionex acquisition.

Provision for Income Taxes

The company's effective tax rates were 11.3% and 8.2% in 2010 and 2009, respectively. The increase in the effective tax rate was primarily due to increased earnings in higher tax jurisdictions. The tax provision in 2010 was favorably affected by $17.4 million or 1.5 percentage points resulting primarily from the resolution of tax audits and the impact on deferred tax balances of changes in tax rates. The company expects its effective tax rate in 2011 will be between 15.5% and 17.5% based on currently forecasted rates of profitability in the countries in which the company conducts business. The tax provision in 2009 was favorably affected by $5.5 million or 0.6 percentage points resulting from the reversal of a tax reserve established at acquisition and the impact on deferred tax balances of changes in tax rates.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations (continued)

In the third quarter of 2010, the U.S. Congress enacted legislation that the company expects will reduce the amount of foreign tax credits available to the company beginning in 2011. While complete detailed regulations have yet to be issued, the company is studying the possible effect of the legislation and has identified tax planning and mitigating actions it will undertake which are expected to offset the adverse impact on the company's tax provision of a loss of foreign tax credits.

Contingent Liabilities

At the end of 2010, the company was contingently liable with respect to certain legal proceedings and related matters. An unfavorable outcome in one or more of the matters described under "Litigation and Related Contingencies" in Note 10 could materially affect the company's financial position as well as its results of operations and cash flows.

Discontinued Operations

During 2010, the company recorded additional proceeds related to a business divested in 2003, resulting in an after-tax gain of $2.5 million.

Recent Accounting Pronouncements

In September 2009, the Emerging Issues Task Force issued new rules pertaining to the accounting for revenue arrangements with multiple customer deliverables and for software-enabled products. The new rule pertaining to arrangements under which the company has multiple customer deliverables provides an alternative method for establishing the fair value of a deliverable when vendor specific objective evidence or third-party evidence is not available. The guidance requires the determination of the best estimate of selling price to separate deliverables and allows the allocation of the customer's consideration using this relative selling price model. The new guidance pertaining to software-enabled products revised the existing software accounting guidance to exclude equipment where the software is more than incidental to the value of the product. Under the new standard, such equipment is accounted for under revenue recognition criteria applicable to tangible products instead of that applicable to software. The company adopted the rules prospectively on January 1, 2010. Adoption did not materially affect the company's results of operations or financial position.

Effective January 1, 2010, the company adopted new accounting guidance pertaining to the consolidation assessment of variable interest entities. The new guidance requires the company to determine whether its variable interests in third party entities give the company a controlling financial interest in the entities. This amended guidance replaces the previous quantitative approach for identifying when enterprises should consolidate variable interest entities with a qualitative analysis, based on which enterprise has both (1) the power to direct the economic activities of a variable interest entity and (2) the obligation to absorb losses or receive benefits from the entity that could be significant to the variable interest entity. Adoption of this standard did not have an impact on the company's results of operations or financial position.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations (continued)

2009 Compared With 2008

Continuing Operations

(In millions)	2009	2008	Total Change	Currency Translation	Acquisitions/ Divestitures	Operations
Revenues						
Analytical Technologies	$ 4,153.9	$ 4,468.6	$ (314.7)	$ (92.2)	$ 43.8	$ (266.3)
Laboratory Products and Services	6,426.6	6,455.2	(28.6)	(127.5)	121.4	(22.5)
Eliminations	(470.8)	(425.8)	(45.0)	8.6	(0.5)	(53.1)
Consolidated Revenues	$ 10,109.7	$ 10,498.0	$ (388.3)	$ (211.1)	$ 164.7	$ (341.9)

Sales in 2009 were $10.11 billion, a decrease of $388 million from 2008. The unfavorable effects of currency translation resulted in a decrease in revenues of $211 million in 2009. Sales increased $165 million due to acquisitions, net of divestitures. Aside from the effects of currency translation and acquisitions, net of divestitures, revenues decreased $342 million (3%) primarily a result of decreased demand which the company believes was due to economic uncertainty offset in part by price increases, as described by segment below. Sales of equipment and, to a lesser extent, services were particularly affected as the company believes customers reduced purchases due to the global market downturn. Sales of consumables grew modestly, however, and were not as significantly affected by the severe economic conditions. Sales were down in North America and Europe but grew modestly in Asia.

In the latter part of 2009, the dollar weakened against other major currencies in which the company sells products and services. Weakening of the dollar had a favorable effect on revenues of the company of approximately 3% in the fourth quarter of 2009 compared with the fourth quarter of 2008.

In 2009, operating income and operating income margin were $1.05 billion and 10.4%, respectively, compared with $1.23 billion and 11.7%, respectively, in 2008. The decrease in operating income was due to lower profitability at existing businesses resulting from decreased revenues offset in part by price increases and productivity improvements including lower operating costs following restructuring actions and global sourcing initiatives. In addition, restructuring and other costs increased $32 million in 2009 due primarily to a pension plan curtailment gain in the 2008 period and, to a lesser extent, increased cost reduction measures in 2009 due to the economic downturn.

In 2009, the company recorded restructuring and other costs, net, of $69 million, including $7 million of charges to cost of revenues related to the sale of inventories revalued at the date of acquisition and accelerated depreciation on manufacturing assets to be abandoned due to facility consolidations and $2 million of charges to selling, general and administrative expenses for transaction costs related to the acquisitions of Biolab and B.R.A.H.M.S. offset in part by a gain primarily for settlement of certain pre-merger Fisher product liability-related matters. The company incurred $62 million of cash costs, primarily for actions in response to the downturn in the economy and reduced revenues, including severance to reduce headcount at several businesses and abandoned facility expenses at businesses that have been or are being consolidated. The company also incurred a $2 million loss on an abandoned facility held for sale that was sold in July 2009 and a $3 million charge for pension termination benefits, offset by a $7 million gain on the settlement of a litigation-related matter assumed as part of the merger with Fisher in 2006 (Note 14). In 2008, the company recorded restructuring and other costs, net, of $37 million, including $2 million of charges to cost of revenues related to the sale of inventories revalued at the date of acquisition and accelerated depreciation on manufacturing assets to be abandoned due to facility consolidations. The company incurred $38 million of cash costs primarily for severance to reduce headcount at several businesses in response to economic uncertainty and a decline in financial markets and for abandoned facility expenses at businesses that have been or are being consolidated. The company also recorded a $7 million charge for the impairment of acquisition-related intangible assets associated with a small business unit acquired as part of Fisher, a $5 million loss from a litigation-related matter assumed as part of the merger with Fisher, a $3 million net loss on the sale of businesses and a $3 million charge for in-process research and development at an acquired business. These charges were offset by a $19 million gain on the curtailment of part of a pension plan in the U.S.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations (continued)

Segment Results

(Dollars in millions)		2009		2008	Change
Revenues					
Analytical Technologies	$	4,153.9	$	4,468.6	(7)%
Laboratory Products and Services		6,426.6		6,455.2	(0)%
Eliminations		(470.8)		(425.8)	11%
Consolidated Revenues	$	10,109.7	$	10,498.0	(4)%
Segment Income					
Analytical Technologies	$	837.3	$	955.3	(12)%
Laboratory Products and Services		877.6		913.8	(4)%
Subtotal Reportable Segments		1,714.9		1,869.1	(8)%
Cost of Revenues Charges		(6.7)		(1.5)	
Selling, General and Administrative Costs, Net		(1.5)		—	
Restructuring and Other Costs, Net		(60.8)		(35.4)	
Amortization of Acquisition-related Intangible Assets		(597.0)		(602.8)	
Consolidated Operating Income	$	1,048.9	$	1,229.4	(15)%
Reportable Segments Operating Income Margin		17.0%		17.8%	
Consolidated Operating Income Margin		10.4%		11.7%	

Income from the company's reportable segments decreased 8% to $1.71 billion in 2009 due primarily to lower profitability at existing businesses, resulting from decreased revenues offset in part by price increases and productivity improvements including global sourcing and lower operating costs following restructuring actions.

Analytical Technologies

(Dollars in millions)		2009		2008	Change
Revenues	$	4,153.9	$	4,468.6	(7)%
Operating Income Margin		20.2%		21.4%	(1.2)

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations (continued)

Sales in the Analytical Technologies segment decreased $315 million to $4.15 billion in 2009. The unfavorable effects of currency translation resulted in a decrease in revenue of $92 million in 2009. Sales increased $44 million due to acquisitions, net of divestitures. In addition to the changes in revenue resulting from currency translation and acquisitions, net of divestitures, revenues decreased $267 million (6%) primarily due to lower demand offset in part by increased prices. Demand in industrial markets for environmental and process control instruments was particularly weak, which the company believes was due to the global economic downturn. The decrease in sales of these products was offset in part by higher demand for bioscience offerings and diagnostic products, including flu tests.

Operating income margin was 20.2% in 2009 and 21.4% in 2008. The decrease resulted from lower profitability from decreased revenues, offset in part by price increases and productivity improvements, including lower operating costs following restructuring actions and global sourcing initiatives.

Laboratory Products and Services

(Dollars in millions)	2009	2008	Change
Revenues	$ 6,426.6	$ 6,455.2	0%
Operating Income Margin	13.7%	14.2%	(0.5)

Sales in the Laboratory Products and Services segment decreased $29 million to $6.43 billion in 2009. The unfavorable effects of currency translation resulted in a decrease in revenues of $128 million in 2009. Sales increased $121 million due to acquisitions, net of divestitures. In addition to the changes in revenue resulting from currency translation and acquisitions, net of divestitures, revenues decreased $22 million primarily due to a decrease in sales of products purchased from a supplier discussed below, offset in part by increased prices. Demand for laboratory equipment was weak as the company believes customers reduced purchases due to the global economic downturn, however, this was more than offset by higher demand for products purchased through the company's research market and healthcare market channels.

In July 2008, the company and a significant supplier of its healthcare market channel extended an existing agreement for two years through 2010. Under the revised agreement, the company's revenues from the sale of products purchased from the supplier decreased $61 million in 2009 to $205 million.

Operating income margin decreased to 13.7% in 2009 from 14.2% in 2008, primarily due to lower profitability from decreased revenues, offset in part by price increases and productivity improvements, including lower operating costs following restructuring actions and global sourcing initiatives.

Other Expense, Net

The company reported other expense, net, of $122 million and $101 million in 2009 and 2008, respectively (Note 4). Interest income decreased to $16 million in 2009 from $52 million in 2008 primarily due to lower interest rates on invested cash balances. Interest expense decreased to $118 million from $152 million in 2008 primarily as a result of a reduction in average debt and lower interest rates on variable rate debt. In 2009, other expense, net, includes a $15 million loss on the early extinguishment of debt (Note 9).

Provision for Income Taxes

The company's effective tax rates were 8.2% and 13.5% in 2009 and 2008, respectively. The decrease in the effective tax rate was primarily due to reduced earnings in higher tax jurisdictions. The tax provision in 2009 was favorably affected by $5.5 million or 0.6 percentage points resulting from the reversal of a tax reserve established at acquisition and the impact on deferred tax balances of changes in tax rates. The tax provision in 2008 was favorably affected by $28 million or 2.5 percentage points resulting from the impact on deferred tax balances of changes in tax rates.

Financial Statement Index

Discontinued Operations

During 2008, the company recorded additional proceeds and the reversal of a reserve on a note receivable related to a business divested in 2003, resulting in an after-tax gain of $6 million. The note was collected in July 2008.

Liquidity and Capital Resources

Consolidated working capital was $2.43 billion at December 31, 2010, compared with $2.89 billion at December 31, 2009. Included in working capital were cash, cash equivalents and short-term investments of $0.93 billion at December 31, 2010 and $1.57 billion at December 31, 2009. The decreases resulted primarily from cash used for repurchases of company common stock and acquisitions, as discussed below.

2010

Cash provided by operating activities was $1.50 billion during 2010. Increases in accounts receivable and inventories used cash of $90 million and $28 million, respectively, primarily to support growth in sales. Increases in other assets used cash of $81 million primarily due to the timing of value added tax (VAT) refunds and prepaid expenses. Cash payments for income taxes totaled $370 million in 2010, compared with $330 million in 2009 due to an increase in taxable income. Payments for restructuring actions, principally severance costs and lease and other expenses of real estate consolidation, used cash of $48 million during 2010.

During 2010, the company's primary investing activities included acquisitions and the purchase of property, plant and equipment. The company expended $606 million for acquisitions and $266 million for purchases of property, plant and equipment. In December 2010, the company entered an agreement to acquire Dionex Corporation for $2.1 billion in cash. Completion of the acquisition is subject to a majority of the outstanding shares of Dionex having been tendered and certain regulatory approvals. In February 2011, the company entered separate agreements to sell both its Athena Diagnostics and Lancaster Laboratories businesses for aggregate consideration of $940 million in cash. The transactions are subject to regulatory approvals and other closing conditions.

The company's financing activities used $1.30 billion of cash during 2010, principally for the extinguishment of debt and repurchase of $1.01 billion of the company's common stock, offset in part by the net proceeds from the issuance of long-term debt of $741 million. The company used the net proceeds from the issuance of debt and existing cash balances to convert all of the $326 million principal outstanding on its Floating Rate Convertible Debentures due 2033 for a total cash outlay of $573 million and to redeem all of its $500 million principal outstanding 6 1/8% Senior Subordinated Notes at a redemption price of $1,030.63 per $1,000 principal amount for a total cash outlay of $515 million (Note 9). The company's financing activities also included $77 million of proceeds of employee stock option exercises. On April 19, 2010, the Board of Directors authorized the repurchase of up to $750 million of the company's common stock through April 19, 2011. On September 8, 2010, the Board of Directors authorized the repurchase of up to an additional $750 million of the company's common stock through September 8, 2011. At December 31, 2010, $487.5 million was available for future repurchases of the company's common stock under these authorizations. On February 23, 2011, the Board of Directors authorized the repurchase of up to an additional $750 million of the company's common stock through February 22, 2012.

The company has no material commitments for purchases of property, plant and equipment and expects that for all of 2011, such expenditures will approximate $285 to $310 million.

As of December 31, 2010, the company’s outstanding debt totaled $2.14 billion, of which approximately $0.33 billion is convertible debt, at a conversion price of $40.20 per share. Upon an investor’s election to convert, the company is required to pay the principal portion of these debentures in cash, and the balance of the conversion value in either cash or stock, at the company's election. For any holders electing to convert in the next 12 months or electing to put the debt to the company at the first date on which this is permitted (March 2011), the company intends to draw on its revolving credit facility to fund any principal payments in excess of $100 million which has been classified as a current liability in the accompanying balance sheet. The facility is an unsecured revolving credit agreement expiring in 2012 with available capacity of $952 million at December 31, 2010.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources (continued)

In December 2010, the company obtained short-term financing commitments from two investment banking firms to fund $1.5 billion of the purchase price of Dionex. However, in February 2011, the company issued $2.2 billion of senior notes with maturities of 3 – 10 years, primarily to fund the purchase of Dionex, and subsequently terminated the short-term financing commitment. If the company does not consummate the Dionex acquisition by September 30, 2011, the company will be required to redeem these notes in whole at a redemption price of 101% of the aggregate principal, plus accrued and unpaid interest.

The company believes that its existing cash and short-term investments of $926 million as of December 31, 2010, and the company's future cash flow from operations together with available borrowing capacity under its revolving credit agreement, are sufficient to meet the cash requirements of its existing businesses for the foreseeable future, including at least the next 24 months.

2009

Cash provided by operating activities was $1.66 billion during 2009. Decreases in accounts receivable and inventory provided cash of $127 million and $108 million, respectively. A decrease in accounts payable used cash of $45 million. The decrease in accounts receivable resulted primarily from improved collections and the decrease in inventories resulted primarily from increased fourth quarter shipments in 2009 over the fourth quarter of 2008. The decrease in accounts payable was primarily due to the timing of payments. Payments for restructuring actions, principally severance costs and lease and other expenses of real estate consolidation, used cash of $51 million during 2009. Cash payments for income taxes totaled $330 million and $292 million in 2009 and 2008, respectively.

During 2009, the company's primary investing activities included acquisitions and the purchase of property, plant and equipment. The company expended $637 million for acquisitions and $208 million for purchases of property, plant and equipment.

The company's financing activities used $558 million of cash during 2009, principally for the extinguishment of debt and the repurchase of $415 million of the company's common stock, offset in part by net proceeds from the issuance of long-term debt of $748 million. In December 2009, the company redeemed all of the $300 million principal outstanding on its 6.75% Senior Subordinated Notes due 2014 at a redemption price of 103.375% for a total cash outlay of $317 million including accrued interest. Also in December 2009, the company repurchased in a tender offer $282 million aggregate principal amount of its 2.50% convertible Senior Notes due 2023 at $2,072.4743 per $1,000 principal amount for a total cash outlay of $587 million including accrued and unpaid interest (Note 9). The company's financing activities also included $54 million of proceeds of employee stock option exercises.

2008

Cash provided by operating activities was $1.42 billion during 2008. A decrease in accounts payable used $124 million of cash due to the timing of payments at year-end. Increases in accounts receivable and inventories used cash of $51 million and $50 million, respectively, representing working capital increases associated with the growth in revenues. Cash payments for income taxes, net of refunds, totaled $292 million in 2008 compared with $125 million in 2007, primarily as a result of no longer having tax loss carryforwards in the U.S. Payments for restructuring actions, principally severance costs and lease and other expenses of real estate consolidation, used cash of $36 million during

2008.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources (continued)

During 2008, the company’s primary investing activities included acquisitions and the purchase of property, plant and equipment. The company expended $201 million for acquisitions and $264 million for purchases of property, plant and equipment.

The company’s financing activities used $228 million of cash during 2008, principally for the repurchase of $187 million of the company’s common stock and repayment of $151 million of debt, offset in part by proceeds of stock option exercises. The company had proceeds of $85 million from the exercise of employee stock options and $25 million of tax benefits from the exercise of stock options.

Off-Balance Sheet Arrangements

The company did not use special purpose entities or other off-balance-sheet financing arrangements in 2008 - 2010 except for letters of credit, bank guarantees, surety bonds and other guarantees disclosed in the table below. Of the amounts disclosed in the table below for letters of credit, bank guarantees, surety bonds and other guarantees, $3.9 million relates to guarantees of the performance of third parties, principally in connection with businesses that were sold. The balance relates to guarantees of the company’s own performance, primarily in the ordinary course of business.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

Item 7. 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, 2010.

	Payments due by Period or Expiration of Commitment				
(In millions)	2011	2012 and 2013	2014 and 2015	2016 and Thereafter	Total
Contractual Obligations and Other Commercial Commitments					
Debt principal, including short-term debt (a)	$ 104.9	$ 355.9	$ 1,110.4	$ 530.9	$ 2,102.1
Interest (b)	48.6	94.5	77.1	148.4	368.6
Capital lease obligations	0.8	0.6	0.1	—	1.5
Operating lease obligations	103.9	144.1	80.9	68.6	397.5
Unconditional purchase obligations (c)	197.9	13.1	—	—	211.0
Letters of credit and bank guarantees	68.4	7.7	0.1	20.2	96.4
Surety bonds and other guarantees	36.5	10.2	—	—	46.7
Pension obligations on balance sheet	24.0	53.2	59.7	109.6	246.5
Asset retirement obligations	4.0	4.9	2.3	11.4	22.6
Acquisition-related contingent consideration accrued on balance sheet	27.5	1.2	—	—	28.7
Other (d)	6.2	—	—	—	6.2
	$ 622.7	$ 685.4	$ 1,330.6	$ 889.1	$ 3,527.8

(a) Amounts represent the expected cash payments for debt and do not include any deferred issuance costs.
(b) For the purpose of this calculation, amounts assume interest rates on floating rate obligations remain unchanged from levels at December 31, 2010, throughout the life of the obligation.
(c) Unconditional purchase obligations include agreements to purchase goods or services 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.
(d) Obligation represents funding commitments pursuant to investments held by the company.

Reserves for unrecognized tax benefits of $62 million have not been included in the above table due to the inability to predict the timing of tax audit resolutions.

In December 2010, the company entered into an agreement to acquire Dionex Corporation for $2.1 billion in cash. Completion of the acquisition is subject to a majority of the outstanding shares of Dionex having been tendered and certain regulatory approvals.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources (continued)

The company has no material commitments for purchases of property, plant and equipment but expects that for 2011, such expenditures for its existing business will approximate $285 to $310 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 legal fees related to periods prior to the disposition. 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.

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, currency exchange rates, commodity prices and equity prices, 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. Additionally, the company uses short-term forward and option contracts primarily to hedge certain operational and balance sheet exposures resulting from changes in currency exchange rates or commodity prices. Such exposures result from purchases, sales and intercompany loans that are denominated in currencies other than the functional currencies of the respective operations or commodity price movement. The company engages in limited hedging activities primarily to protect the company's cash flows related to these commitments from fluctuations in currency exchange rates and from volatility in commodity prices. The currency-exchange contracts principally hedge transactions denominated in Euros, British pounds sterling, Chinese yuan, Japanese yen, Australian dollars, Indian rupees, Canadian dollars and Chilean pesos. 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, 2010, the company's debt portfolio was comprised of a combination of fixed and floating 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, 2010 was $2.29 billion. 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, 2010 would increase by approximately $77 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. A 100-basis-point increase in interest rates at December 31, 2010, would increase the company's annual pre-tax interest expense by approximately $12 million.

Currency Exchange Rates

The company views its investment in international subsidiaries with a functional currency other than the company’s reporting currency 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 Euros, British pounds sterling, Canadian dollars, Swedish kronor, and Swiss francs. The effect of a change in currency exchange rates on the company’s net investment in international subsidiaries is reflected in the “accumulated other comprehensive items” component of shareholders’ equity. A 10% depreciation in year-end 2010 functional currencies, relative to the U.S. dollar, would result in a reduction of shareholders’ equity of $441 million.

Financial Statement Index

THERMO FISHER SCIENTIFIC INC.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk (continued)

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% appreciation in year-end 2010 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 $41 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 2010 non-functional currency exchange rates applied to such cash balances would result in a negative impact of $12 million on the company's net income.

Equity Prices

The company's convertible obligations are sensitive to fluctuations in the price of the company's common stock. Changes in equity prices would result in changes in the fair value of the company's convertible obligations due to the difference between the current market price and the market price at the date of purchase or issuance of the financial instrument. A 10% increase in year-end 2010 market equity prices would increase the fair value of the company's convertible obligations by $45 million.

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 defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of December 31, 2010. Based on this evaluation, the company's chief executive officer and chief financial officer concluded that, as of December 31, 2010, the company's disclosure controls and procedures were effective in providing reasonable assurance that information required to be disclosed by the company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, reported and accumulated and communicated to the company's management, including its chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Table of Contents

THERMO FISHER SCIENTIFIC INC.

Item 9A. Controls and Procedures (continued)

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, 2010 based on criteria established in "Internal Control - Integrated Framework" 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, 2010, 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, 2010, as stated in their report that appears on page F-2 of this Annual Report on Form 10-K.

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, 2010, that have materially affected or are reasonably likely to materially affect the company's internal control over financial reporting.

Item 9B. Other Information

Not applicable.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

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 (2011 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 2011 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 2011 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 2011 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 2011 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 2011 Definitive Proxy Statement and is incorporated in this report by reference.

Financial Statement Index

Table of Contents

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 Statement of Income
Consolidated Balance Sheet
Consolidated Statement of Cash Flows
Consolidated Statement of Comprehensive Income and Shareholders' Equity
Notes to Consolidated Financial Statements

(2) Consolidated Financial Statement Schedule (see Index on page F-1 of this report):

Schedule II: Valuation and Qualifying Accounts

All other 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 58.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

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 24, 2011

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 24, 2011.

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/ Peter M. Wilver Peter M. Wilver	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/ Tyler E. Jacks Tyler E. Jacks	Director
By: /s/ Judy C. Lewent Judy C. Lewent	Director
	Director

By: /s/ Thomas J. Lynch Thomas J. Lynch	
By: /s/ Peter J. Manning Peter J. Manning	Director
By: /s/ William G. Parrett William G. Parrett	Director
By: /s/ Michael E. Porter Michael E. Porter	Director
By: /s/ Scott M. Sperling Scott M. Sperling	Director
By: /s/ Elaine S. Ullian Elaine S. Ullian	Director

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
2.1	Agreement and Plan of Merger, dated as of December 12, 2010, among Thermo Fisher Scientific Inc., Weston D Merger Co., and Dionex Corporation (filed as Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed December 16, 2010 [File No. 1-8002] and incorporated in this document by reference).
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 fiscal 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	Bylaws of the Registrant, as amended and effective as of May 15, 2008 (filed as Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 28, 2008 [File No. 1-8002] and incorporated in this document by reference).
	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.
4.1	Rights Agreement, dated as of September 15, 2005, by and between Thermo Electron Corporation and American Stock Transfer & Trust Company, as Rights Agent, which includes as Exhibit A, the Terms of Series B Junior Participating Preferred Stock, and as Exhibit B, the Form of Rights Certificate (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed September 16, 2005 [File No. 1-8002] and incorporated in this document by reference).
4.2	Amendment No. 1 to the Rights Agreement, dated as of May 7, 2006, between Thermo Electron Corporation and American Stock Transfer & Trust Company, as Rights Agent (filed as

Exhibit 1.1 to the Registrant's Registration Statement on Form 8-A/A filed May 12, 2006 [File No. 1-8002] 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 Fisher Scientific Inc. Directors Stock Option Plan, as amended and restated as of November 9, 2006 (filed as Exhibit 10.21 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).*

10.3 Thermo Fisher Scientific Inc. 2008 Annual Incentive Award Plan (filed as Exhibit 10.2 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).*

10.4 Thermo Fisher Scientific Inc. 2001 Equity Incentive Plan, as amended and restated as of November 9, 2006 (filed as Exhibit 10.6 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2006 [File No. 1-8002] and incorporated in this document by reference).*

10.5 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).*

10.6 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).*

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
10.7	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).*
10.8	Form of Executive Change in Control Retention Agreement for Officers dated May 15, 2008 (filed as Exhibit 10.1 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).*
10.9	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).*
10.10	Credit Agreement dated August 29, 2006, among the Registrant, as borrower, Bank of America, N.A., as administrative agent and swing line lender, Bank of America, N.A. and Barclays Bank PLC, as L/C issuers, the several banks and other financial institutions or entities from time to time parties thereto, as lenders, Banc of America Securities LLC and Barclays Capital, as joint lead arrangers and joint book managers, Barclays Bank PLC, as syndication agent, and ABN AMRO Bank, N.V., Deutsche Bank Securities, Inc., and JP Morgan Chase Bank, N.A., as documentation agents (filed as Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed September 1, 2006 [File No. 1-8002] and incorporated in this document by reference).
10.11	Form of Thermo Electron Corporation Stock Option Agreement for use in connection with the grant of stock options under certain of the Registrant's equity incentive plans to officers and directors of the Registrant (filed as Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed March 2, 2005 [File No. 1-8002] and incorporated in this document by reference).*
10.12	Form of Thermo Electron Corporation Stock Option Agreement for use in connection with the grant of stock

	options under the Registrant's 2005 Stock Incentive Plan to officers and directors (filed as Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed May 23, 2005 [File No. 1-8002] and incorporated in this document by reference).*
10.13	Form of Thermo Fisher Scientific Inc. Stock Option Agreement for use in connection with the grant of stock options under the Registrant's equity plans, as amended and restated on November 9, 2006 to officers and directors of the Registrant (other than Marc Casper) (filed as Exhibit 10.12 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).*
10.14	Stock Option Agreement dated November 9, 2006 with Marc Casper (filed as Exhibit 10.14 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).*
10.15	Form of Thermo Fisher Scientific Inc.'s 2006 Restricted Stock Agreement for use in connection with the grant of restricted stock under the Registrant's 2005 Stock Incentive Plan, as amended and restated on November 9, 2006 to officers of the Registrant (other than Marc Casper) (filed as Exhibit 10.16 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).*
10.16	Summary of Thermo Fisher Scientific Inc. Annual Director Compensation (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 3, 2010 [File No. 1-8002] and incorporated in this document by reference).*
10.17	Thermo Fisher Scientific Inc. 2005 Stock Incentive Plan, as amended and restated on November 9, 2006 (filed as Exhibit 10.9 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).*

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
10.18	Fisher Scientific International Inc. 2005 Equity and Incentive Plan, as amended for awards granted on or after November 9, 2006 (filed as Exhibit 10.10 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).*
10.19	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 fiscal year ended December 31, 2004 [File No. 1-8002] and incorporated in this document by reference).*
10.20	Summary of 2010 Annual Cash Incentive Plan Matters (set forth in Item 5.02 to the Registrant's Current Report on Form 8-K filed February 25, 2010 [File No. 1-8002] under the heading "Annual Cash Incentive Plans – Establishment of Criteria for 2010 Bonus" and incorporated in this document by reference).*
10.21	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).*
10.22	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).*
10.23	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).*
10.24	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).*

10.25	Fisher Scientific International Inc. 2001 Equity and Incentive Plan, effective as of May 16, 2001 (filed as Annex I to Fisher Scientific International Inc.'s definitive proxy statement filed April 12, 2001 [File No. 1-10920] and incorporated in this document by reference).*
10.26	Form of Fisher Scientific International Inc. Non-Qualified Stock Option Award Agreement (Management Options — Fisher Scientific International Inc. 2001 Equity and Incentive Plan) (filed as Exhibit 10.1 to Fisher Scientific International Inc.'s Quarterly Report on Form 10-Q filed November 9, 2004 [File No. 1-10920] and incorporated in this document by reference).*
10.27	Fisher Scientific International Inc. 2005 Equity and Incentive Plan, effective as of May 6, 2005 (filed as Exhibit A to Fisher Scientific International Inc.'s definitive proxy statement filed April 4, 2005 [File No. 1-10920] and incorporated in this document by reference).*
10.28	Form of 2005 Equity and Incentive Plan Non-Qualified Stock Option Award Agreement (filed as Exhibit 10.01 to Fisher Scientific International Inc.'s Current Report on Form 8-K filed June 10, 2005 [File No. 1-10920] and incorporated in this document by reference).*
10.29	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 fiscal year ended December 31, 2008 [File No. 1-8002] and incorporated in this document by reference).*
10.30	Description of Amendments to certain Stock Option Plans made in February 2008 (filed as Exhibit 10.75 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2007 [File No. 1-8002] and incorporated in this document by reference).*

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
10.31	Amendment dated February 27, 2008 to Thermo Fisher Scientific Inc. Directors Stock Option Plan, as amended and restated as of November 9, 2006 (filed as Exhibit 10.78 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2007 [File No. 1-8002] and incorporated in this document by reference).*
10.32	Amendment dated February 27, 2008 to Thermo Fisher Scientific Inc. 2005 Stock Incentive Plan, as amended and restated on November 9, 2006 (filed as Exhibit 10.79 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2007 [File No. 1-8002] and incorporated in this document by reference).*
10.33	Amendment dated February 27, 2008 to Fisher Scientific International Inc. 2005 Equity and Incentive Plan, as amended and restated on November 9, 2006 (filed as Exhibit 10.80 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2007 [File No. 1-8002] and incorporated in this document by reference).*
10.34	Amendment dated February 27, 2008 to Thermo Fisher Scientific Inc. 2001 Equity Incentive Plan, as amended and restated on November 9, 2006 (filed as Exhibit 10.81 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2007 [File No. 1-8002] and incorporated in this document by reference).*
10.35	Form of Thermo Fisher Scientific Stock Option Agreement for use in connection with the grant of stock options under the Registrant's equity plans to directors of the Registrant (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 28, 2008 [File No. 1-8002] and incorporated in this document by reference).*
10.36	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).*

10.37	Stock Option Agreement dated May 15, 2008 between the Registrant and Marc Casper (filed as Exhibit 10.3 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).*
10.38	Form of Thermo Fisher Scientific Inc.'s March 2008 Performance Restricted Stock Agreement for use in connection with the grant of performance restricted stock under the Registrant's 2005 Stock Incentive Plan, as amended and restated on November 9, 2006 to officers of the Registrant (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed March 10, 2008 [File No. 1-8002] and incorporated in this document by reference).*
10.39	Form of Executive Change in Control Retention Agreement for Officers (for officers appointed after February 26, 2009) (filed as Exhibit 10.55 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 [File No. 1-8002] and incorporated in this document by reference).*
10.40	Form of Thermo Fisher Scientific Inc.'s February 2009 Performance Restricted Stock Unit Agreement (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed February 27, 2009 [File No. 1-8002] and incorporated in this document by reference).*
10.41	Form of Thermo Fisher Scientific Inc.'s February 2009 Restricted Stock Unit Agreement (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed February 27, 2009 [File No. 1-8002] and incorporated in this document by reference).*
10.42	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).*

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
10.43	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).*
10.44	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).*
10.45	Time-Based Restricted Stock Unit Agreement between Marc Casper and the Registrant, dated November 21, 2009 (filed as Exhibit 10.3 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).*
10.46	Performance-Based Restricted Stock Unit Agreement between Marc Casper and the Registrant, dated November 21, 2009 (filed as Exhibit 10.4 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).*
10.47	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).*
10.48	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).*
10.49	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).*

10.50	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).*
10.51	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).*
10.52	Form of Thermo Fisher Scientific Inc.'s March 2010 Restricted Stock Unit Agreement (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed March 10, 2010 [File No. 1-8002] and incorporated in this document by reference).*
10.53	Form of Thermo Fisher Scientific Inc.'s March 2010 Performance Restricted Stock Unit Agreement (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed March 10, 2010 [File No. 1-8002] and incorporated in this document by reference).*
10.54	Amendment No. 2 to Executive Severance Policy, dated November 10, 2010.*
10.55	Amendment No. 2 to 2009 Restatement of Executive Severance Agreement, dated November 10, 2010, between the Registrant and Marc N. Casper.*
10.56	Amendment No. 1 to Executive Change In Control Retention Agreement, dated November 10, 2010, between Marc N. Casper and the Registrant.*

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
10.57	Amendment to 2008 Stock Incentive Plan dated November 10, 2010.*
10.58	Form of Thermo Fisher Scientific Inc.'s February 2011 Restricted Stock Unit Agreement (filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed February 24, 2011 [File No. 1-8002] and incorporated in this document by reference).*
10.59	Form of Thermo Fisher Scientific Inc.'s February 2011 Stock Option Agreement (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed February 24, 2011 [File No. 1-8002] and incorporated in this document by reference).*
10.60	Summary of 2011 Annual Cash Incentive Plan Matters (set forth in Item 5.02 to the Registrant's Current Report on Form 8-K filed February 24, 2011 [File No. 1-8002] under the heading "Annual Cash Incentive Plans – Establishment of Criteria for 2011 Bonus" and incorporated in this document by reference).*
10.61	Stock Option Agreement, between Marc Casper and the Registrant, dated February 23, 2011 (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed February 24, 2011 [File No. 1-8002] and incorporated in this document by reference).*
21	Subsidiaries of the Registrant.
23.1	Consent of PricewaterhouseCoopers LLP.
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.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

EXHIBIT INDEX

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Statements of Income for the years ended December 31, 2010, 2009 and 2008, (ii) Consolidated Balance Sheets at December 31, 2010, and 2009, (iii) Consolidated Statements of Cash Flows for the years ended December 31, 2010, 2009 and 2008, (iv) Consolidated Statement of Comprehensive Income and Shareholders' Equity for the years ended December 31, 2010, 2009 and 2008 and (v) Notes to Consolidated Financial Statements.

In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Annual Report on Form 10-K is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act, is deemed not filed for purposes of section 18 of the Exchange Act, and otherwise is not subject to liability under these sections.

Financial Statement Index

Table of Contents

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:

The following Consolidated Financial Statement Schedule of the Registrant and its subsidiaries is filed as part of this Report as required to be included in Item 15(a):

Note: All other financial statement schedules are omitted because they are not applicable or not required, or because the required information is included in the consolidated financial statements or in the notes thereto.

Financial Statement Index

Table of Contents

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 financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Thermo Fisher Scientific Inc. and its subsidiaries at December 31, 2010 and December 31, 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, 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, on the financial statement schedule 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 24, 2011

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

CONSOLIDATED STATEMENT OF INCOME

	Year Ended December 31,		
(In millions except per share amounts)	2010	2009	2008
Revenues			
Product revenues	$ 9,135.2	$ 8,523.7	$ 8,838.8
Service revenues	1,653.5	1,586.0	1,659.2
	10,788.7	10,109.7	10,498.0
Costs and Operating Expenses:			
Cost of product revenues	5,393.6	5,157.9	5,299.6
Cost of service revenues	956.4	927.1	992.2
Selling, general and administrative expenses	2,826.2	2,668.9	2,692.3
Research and development expenses	287.2	246.1	249.1
Restructuring and other costs, net	60.4	60.8	35.4
	9,523.8	9,060.8	9,268.6
Operating Income	1,264.9	1,048.9	1,229.4
Other Expense, Net	(100.3)	(121.8)	(101.4)
Income from Continuing Operations Before Provision for Income Taxes	1,164.6	927.1	1,128.0
Provision for Income Taxes	(131.5)	(75.8)	(152.6)
Income from Continuing Operations	1,033.1	851.3	975.4
Gain (Loss) on Disposal of Discontinued Operations, Net (net of income tax provision of $1.5 and $3.5 in 2010 and 2008, respectively, and income tax benefit of $0.6 in 2009)	2.5	(1.0)	5.5
Net Income	$ 1,035.6	$ 850.3	$ 980.9
Earnings per Share from Continuing Operations			
Basic	$ 2.56	$ 2.06	$ 2.33
Diluted	$ 2.52	$ 2.01	$ 2.24
Earnings per Share			
Basic	$ 2.57	$ 2.06	$ 2.34
Diluted	$ 2.53	$ 2.01	$ 2.25
Weighted Average Shares			
Basic	403.3	412.4	418.2
Diluted	409.4	422.8	434.7

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

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

CONSOLIDATED BALANCE SHEET

(In millions)	December 31, 2010	2009
Assets		
Current Assets:		
Cash and cash equivalents	$ 917.1	$ 1,564.1
Short-term investments, at quoted market value	8.9	7.1
Accounts receivable, less allowances of $39.9 and $47.2	1,516.8	1,409.6
Inventories	1,175.1	1,131.4
Deferred tax assets	198.4	160.0
Other current assets	318.7	258.7
	4,135.0	4,530.9
Property, Plant and Equipment, at Cost, Net	1,408.6	1,333.4
Acquisition-related Intangible Assets, Net	6,041.1	6,337.0
Other Assets	494.1	440.8
Goodwill	9,270.6	8,982.9
	$ 21,349.4	$ 21,625.0

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

CONSOLIDATED BALANCE SHEET (Continued)

(In millions except share amounts)	December 31, 2010	2009
Liabilities and Shareholders' Equity		
Current Liabilities:		
Short-term obligations and current maturities of long-term obligations	$ 105.8	$ 117.5
Accounts payable	551.0	533.6
Accrued payroll and employee benefits	311.1	286.0
Accrued income taxes	59.2	28.4
Deferred revenue	158.3	139.8
Other accrued expenses	524.4	534.0
	1,709.8	1,639.3
Deferred Income Taxes	1,684.4	1,933.8
Other Long-term Liabilities	562.9	555.1
Long-term Obligations	2,031.3	2,064.0
Commitments and Contingencies (Note 10)		
Incremental Convertible Debt Obligation	—	1.9
Shareholders' Equity:		
Preferred stock, $100 par value, 50,000 shares authorized; none issued		
Common stock, $1 par value, 1,200,000,000 shares authorized; 401,779,152 and 423,875,260 shares issued	401.8	423.9
Capital in excess of par value	10,019.7	11,140.7
Retained earnings	5,386.4	4,350.8
Treasury stock at cost, 10,409,268 and 14,564,637 shares	(490.5)	(576.5)
Accumulated other comprehensive items	43.6	92.0
	15,361.0	15,430.9
	$ 21,349.4	$ 21,625.0

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

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

(In millions)	Year Ended December 31, 2010	2009	2008
Operating Activities			
Net Income	$ 1,035.6	$ 850.3	$ 980.9
Loss (gain) on disposal of discontinued operations	(2.5)	1.0	(5.5)
Income from continuing operations	1,033.1	851.3	975.4
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Depreciation and amortization	770.0	787.3	792.7
Change in deferred income taxes	(272.4)	(248.6)	(131.4)
Non-cash stock-based compensation	83.1	68.1	57.1
Non-cash interest expense on convertible debt	9.1	22.5	21.6
Non-cash charges for sale of inventories revalued at the date of acquisition	11.4	3.7	1.0
Tax benefits from stock-based compensation awards	(12.8)	(2.6)	(25.4)
Other non-cash expenses, net	63.9	63.8	48.5
Changes in assets and liabilities, excluding the effects of acquisitions and dispositions:			
Accounts receivable	(89.5)	127.3	(50.9)
Inventories	(27.9)	108.2	(49.6)
Other assets	(81.3)	(18.4)	(40.6)
Accounts payable	2.5	(44.9)	(123.9)
Other liabilities	33.7	(16.3)	(32.0)
Contributions to retirement plans	(24.4)	(41.1)	(20.7)
Net cash provided by continuing operations	1,498.5	1,660.3	1,421.8
Net cash used in discontinued operations	(0.7)	(1.1)	(1.6)
Net cash provided by operating activities	1,497.8	1,659.2	1,420.2
Investing Activities			
Acquisitions, net of cash acquired	(606.2)	(637.3)	(201.5)
Purchase of property, plant and equipment	(265.5)	(207.5)	(264.4)
Proceeds from sale of property, plant and equipment	10.2	13.4	15.4
Proceeds from sale of businesses, net of cash divested	—	4.4	3.5
Other investing activities, net	(1.5)	(2.5)	(10.9)
Net cash used in continuing operations	(863.0)	(829.5)	(457.9)
Net cash provided by discontinued operations	4.1	—	7.9

Net cash used in investing activities	$	(858.9	)	$	(829.5	)	$	(450.0	)

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(In millions)	Year Ended December 31, 2010	2009	2008
Financing Activities			
Net proceeds from issuance of long-term debt	$ 741.4	$ 748.2	$ —
Settlement of convertible debt	(600.8)	(615.5)	(4.7)
Redemption and repayment of long-term obligations	(505.4)	(311.5)	(131.4)
Purchases of company common stock	(1,012.5)	(414.6)	(187.4)
Net proceeds from issuance of company common stock	77.3	54.4	85.1
Tax benefits from stock-based compensation awards	12.8	2.6	25.4
Decrease in short-term notes payable	(7.9)	(21.1)	(15.4)
Net cash used in financing activities	(1,295.1)	(557.5)	(228.4)
Exchange Rate Effect on Cash of Continuing Operations	9.2	11.4	(86.4)
Increase (Decrease) in Cash and Cash Equivalents	(647.0)	283.6	655.4
Cash and Cash Equivalents at Beginning of Year	1,564.1	1,280.5	625.1
Cash and Cash Equivalents at End of Year	$ 917.1	$ 1,564.1	$ 1,280.5

See Note 13 for supplemental cash flow information.

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

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND SHAREHOLDERS' EQUITY

	Year Ended December 31,		
(In millions except share amounts)	2010	2009	2008
Comprehensive Income			
Net Income	$ 1,035.6	$ 850.3	$ 980.9
Other Comprehensive Items:			
Currency translation adjustment	(27.2)	198.8	(431.6)
Unrealized gains (losses) on available-for-sale investments (net of tax provision of $0.5, $0.9 and $0.3)	1.0	2.2	(1.3)
Unrealized gains on hedging instruments (net of tax provision of $0.1, $0.1 and $0.2)	0.2	0.2	0.2
Pension and other postretirement benefit liability adjustments (net of tax benefit of $9.7 and $63.6 in 2010 and 2008, respectively, and tax provision of $20.9 in 2009)	(22.4)	36.6	(101.5)
	(48.4)	237.8	(534.2)
	$ 987.2	$ 1,088.1	$ 446.7
Shareholders' Equity			
Common Stock, $1 Par Value:			
Balance at beginning of year (423,875,260; 421,791,009 and 439,340,851 shares)	$ 423.9	$ 421.8	$ 439.3
Issuance of shares for conversion of debt (74,089 shares)	—	—	0.1
Retirement of treasury shares (25,000,000 and 25,000,000 shares)	(25.0)	—	(25.0)
Issuance of shares upon exercise of warrants (3,307,170 shares)	—	—	3.3
Issuance of shares under employees' and directors' stock plans (2,903,892; 2,084,251 and 4,068,899 shares)	2.9	2.1	4.1
Balance at end of year (401,779,152; 423,875,260 and 421,791,009 shares)	401.8	423.9	421.8
Capital in Excess of Par Value:			
Balance at beginning of year	11,140.7	11,301.3	12,273.6
Settlement of convertible debt	(216.1)	(312.8)	(0.2)
Retirement of treasury shares	(1,081.3)	—	(1,193.2)
Issuance of shares upon exercise of warrants	—	—	12.7
Activity under employees' and directors' stock plans	80.5	63.4	88.2
Stock-based compensation	83.1	68.1	57.1
Tax benefit related to employees' and directors' stock plans	10.9	(1.6)	25.1
Reclassification from temporary equity	1.9	22.3	38.0

Balance at end of year	$ 10,019.7	$ 11,140.7	$ 11,301.3

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND SHAREHOLDERS' EQUITY
(Continued)

(In millions except share amounts)	Year Ended December 31, 2010	2009	2008
Retained Earnings			
Balance at beginning of year	$ 4,350.8	$ 3,500.5	$ 2,519.6
Net Income	1,035.6	850.3	980.9
Balance at end of year	5,386.4	4,350.8	3,500.5
Treasury Stock:			
Balance at beginning of year (14,564,637; 3,825,245 and 24,102,880 shares)	(576.5)	(151.3)	(1,157.3)
Purchases of company common stock (20,687,916; 10,463,757 and 4,273,950 shares)	(1,012.5)	(414.6)	(187.4)
Retirement of treasury shares (25,000,000 and 25,000,000 shares)	1,106.3	—	1,218.2
Shares received for exercise of warrants (280,540 shares)	—	—	(16.0)
Activity under employees' and directors' stock plans (156,715; 275,635 and 167,875 shares)	(7.8)	(10.6)	(8.8)
Balance at end of year (10,409,268; 14,564,637 and 3,825,245 shares)	(490.5)	(576.5)	(151.3)
Accumulated Other Comprehensive Items:			
Balance at beginning of year	92.0	(145.8)	388.4
Other comprehensive items	(48.4)	237.8	(534.2)
Balance at end of year	43.6	92.0	(145.8)
	$ 15,361.0	$ 15,430.9	$ 14,926.5

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

Financial Statement Index

Table of Contents

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) enables customers to make the world healthier, cleaner and safer. The company offers customers a complete range of high-end analytical instruments, software, services, consumables and reagents to enable integrated laboratory workflow solutions and a complete portfolio of laboratory equipment, chemicals, supplies and services used in healthcare, scientific research, safety and education. Markets served include pharmaceutical and biotech companies, hospitals and clinical diagnostic labs, universities, research institutions and government agencies, as well as environmental and industrial process control settings.

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 in which it owns between 20% and 50% using the equity method.

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.

The company recognizes revenue from the sale of software. License fee revenues relate primarily to sales of perpetual licenses to end-users and are recognized when a formal agreement exists, the license fee is fixed and determinable, delivery of the software has occurred and collection is probable. Software arrangements with customers often include multiple elements, including software products, maintenance and support. The company recognizes software license fees based on the residual method after all elements have either been delivered or vendor specific objective evidence (VSOE) of fair value exists for such undelivered elements. In the event VSOE is not available for any undelivered element, revenue for all elements is deferred until delivery is completed. Revenues from software maintenance and support contracts are recognized on a straight-line basis over the term of the contract, which is generally a period of one year. VSOE of fair value of software maintenance and support is determined based on the price charged for the maintenance and support when sold separately. Revenues from training and consulting services are recognized as services are performed, based on VSOE, which is determined by reference to the price customers pay when the services are sold separately.

Service revenues represent the company's service offerings including biopharma outsourcing, 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.

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 historical write-off experience. Past due balances are reviewed individually for collectability. 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.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

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.

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 2010 balance sheet will be recognized within one year.

Warranty Obligations

The company provides for the estimated cost of 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. The changes in the carrying amount of warranty obligations are as follows:

(In millions)

Balance at December 31, 2008	$	44.1	
Provision charged to income		38.9	
Usage		(40.6	)
Adjustments to previously provided warranties, net		1.9	
Other, net		0.9	
Balance at December 31, 2009		45.2	
Provision charged to income		40.8	
Usage		(42.7	)
Adjustments to previously provided warranties, net		(1.5	)
Other, net		(0.1	)
Balance at December 31, 2010	$	41.7	

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).

Financial Statement Index

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

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 convertible obligations and the exercise of stock options, 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.

Investments

The company's marketable equity and debt securities that are part of its cash management activities are considered short-term investments in the accompanying balance sheet. Such securities principally represent available-for-sale investments. In addition, the company owns marketable equity securities that represent less than 20% ownership and for which the company does not have the ability to exert significant influence. Such investments are also considered available-for-sale. All available-for-sale securities are carried at fair market value, with the difference between cost and fair market value, net of related tax effects, recorded in the "Accumulated other comprehensive items" component of shareholders' equity (Notes 11 and 12). Decreases in fair market values of individual securities below cost for a duration of six to nine months are deemed indicative of other than temporary impairment, and the company assesses the need to write down the carrying amount of the investments to fair market value through other expense, net, in the accompanying statement of income (Note 4). Should a decrease in the fair market value of debt securities be deemed attributable to non-credit loss conditions, however, no impairment is recorded in the statement of income if the company has the ability and intent to hold the investment to maturity.

Other 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, 2010 and 2009, the company had cost method investments with carrying amounts of $10.6 million and $10.4 million, respectively, which are included in other assets.

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:

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

(In millions)	December 31, 2010	2009
Raw Materials	$ 283.5	$ 262.8
Work in Process	108.7	115.5
Finished Goods	782.9	753.1
	$ 1,175.1	$ 1,131.4

The value of inventories maintained using the LIFO method was $152.3 million and $164.1 million at December 31, 2010 and 2009, respectively, which was below estimated replacement cost by $18.9 million and $17.4 million, respectively. The company recorded a reduction in cost of revenues as a result of the liquidation of LIFO inventories of $0.9 million, $1.4 million and $0.2 million in 2010, 2009 and 2008, respectively.

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, 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:

(In millions)	December 31, 2010	2009
Land	$ 144.3	$ 146.2
Buildings and Improvements	695.1	674.6
Machinery, Equipment and Leasehold Improvements	1,436.5	1,251.0
	2,275.9	2,071.8
Less: Accumulated Depreciation and Amortization	867.3	738.4
	$ 1,408.6	$ 1,333.4

Depreciation and amortization expense of property, plant and equipment including amortization of assets held under capital leases, was $198.3 million, $190.3 million and $189.9 million in 2010, 2009 and 2008, respectively.

Acquisition-related Intangible Assets

Acquisition-related intangible assets include the costs of acquired product technology, patents, 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 other 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:

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

(In millions)	Gross	Accumulated Amortization	Net
2010			
Definite Lives:			
Customer relationships	$ 5,286.5	$ (1,766.7)	$ 3,519.8
Product technology	1,322.6	(570.2)	752.4
Tradenames	676.2	(242.2)	434.0
Patents	19.7	(17.9)	1.8
Other	14.0	(12.2)	1.8
	7,319.0	(2,609.2)	4,709.8
Indefinite Lives:			
Tradenames	1,326.9	—	1,326.9
In-process research and development	4.4	—	4.4
	$ 8,650.3	$ (2,609.2)	$ 6,041.1
2009			
Definite Lives:			
Customer relationships	$ 5,117.8	$ (1,381.6)	$ 3,736.2
Product technology	1,217.2	(452.2)	765.0
Tradenames	715.6	(211.7)	503.9
Patents	20.3	(17.7)	2.6
Other	13.3	(10.9)	2.4
	7,084.2	(2,074.1)	5,010.1
Indefinite Lives:			
Tradenames	1,326.9	—	1,326.9
	$ 8,411.1	$ (2,074.1)	$ 6,337.0

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

(In millions)	
2011	$ 549.9
2012	540.4
2013	533.4
2014	501.0
2015	484.6
2016 and thereafter	2,100.5

	$ 4,709.8

Amortization of acquisition-related intangible assets was $571.7 million, $597.0 million and $602.8 million in 2010, 2009 and 2008, respectively.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Other Assets

Other assets in the accompanying balance sheet include deferred tax assets, insurance recovery receivables related to product liability matters, notes receivable, fair value adjustments related to interest rate swap agreements, cash surrender value of life insurance, deferred debt expense, capitalized catalog costs, cost-method investments, investments in joint ventures and other assets.

The company owns 49% - 50% interests in two joint ventures and records its pro rata share of the joint ventures' results in other expense, net, in the accompanying statement of income, using the equity method of accounting. The joint ventures were formed to combine the company's capabilities with those of businesses contributed by the respective joint venture partners in the fields of integrated response technology services and disposable laboratory glass products. The results of the joint ventures were not material for any period presented. The company made purchases of products for resale from the glass products joint venture totaling $44.0 million, $45.1 million and $47.2 million in 2010, 2009 and 2008, respectively.

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 annual tests for impairment at December 31, 2010 and 2009, and determined that goodwill was not impaired.

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

(In millions)	Analytical Technologies	Laboratory Products and Services	Total
Balance at December 31, 2008	$ 3,186.4	$ 5,491.3	$ 8,677.7
Acquisitions	202.7	67.0	269.7
Finalization of purchase price allocations for 2008 acquisitions	(0.6)	3.4	2.8
Tax benefit from Fisher equity awards	(0.7)	(1.6)	(2.3)
Currency translation	19.4	21.0	40.4
Other	(7.4)	2.0	(5.4)
Balance at December 31, 2009	3,399.8	5,583.1	8,982.9
Acquisitions	308.8	5.0	313.8
Tax benefit from Fisher equity awards	(7.2)	(14.7)	(21.9)

Currency translation		(11.9)		6.8		(5.1)
Other		(7.4)		8.3		0.9
Balance at December 31, 2010	$	3,682.1	$	5,588.5	$	9,270.6

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Asset Retirement Obligations

The company reviews legal obligations associated with the retirement of long-lived assets that result from contractual obligations or the acquisition, construction, development and/or normal use of the assets. If it is determined that a legal obligation exists, regardless of whether the obligation is conditional on a future event, the fair value of the liability for an asset retirement obligation is recognized in the period in which it is incurred, if a reasonable estimate of fair value can be made. The fair value of the liability is added to the carrying amount of the associated asset, and this additional carrying amount is depreciated over the life of the asset. The difference between the gross expected future cash flow and its present value is accreted over the life of the related lease as interest expense. At December 31, 2010 and 2009, the company had recorded asset retirement obligations of $22.6 million and $22.5 million, respectively.

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 their fair value and, as such, were discounted to their present value at the dates of acquisition.

Advertising

The company records advertising costs as expenses as incurred, except for certain direct-response advertising, which is capitalized and amortized on a straight-line basis over its expected period of future benefit, generally one to three years. The company has capitalized advertising costs of $3.7 million and $6.3 million at December 31, 2010 and 2009, respectively, included in other assets in the accompanying balance sheet. Direct-response advertising consists of external catalog production and mailing costs, and amortization begins on the date the catalogs are first mailed. Advertising expense, which includes amortization of capitalized direct-response advertising, as described above, was $27.3 million, $31.2 million and $35.1 million in 2010, 2009 and 2008, respectively. Included in advertising expense was catalog amortization of $6.8 million, $11.1 million and $13.1 million for 2010, 2009 and 2008, respectively.

Currency Translation

All assets and liabilities of the company’s non-U.S. subsidiaries are translated at year-end exchange rates, and revenues and expenses are translated at average exchange rates for the year. Resulting translation adjustments are reflected in the “Accumulated other comprehensive items” component of shareholders’ equity. Currency transaction gains and losses are included in the accompanying statement of income and are not material for the three years presented.

Derivative Contracts

The company is exposed to certain risks relating to its ongoing business operations including changes to interest rates, currency exchange rates and commodity prices. The company uses derivative instruments primarily to manage currency exchange and interest rate risks. The company recognizes all derivatives, including forward currency-exchange contracts, in the balance sheet 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.

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

The company uses short-term forward and option currency-exchange contracts primarily to hedge certain operational and balance sheet exposures resulting from changes in currency exchange rates. Such exposures result from purchases, sales and intercompany loans that are denominated in currencies other than the functional currencies of the respective operations. These contracts principally hedge transactions denominated in Euros, British pounds sterling, Chinese yuan, Japanese yen, Australian dollars, Indian rupees, Canadian dollars and Chilean pesos. The company enters into these currency-exchange contracts to hedge anticipated product purchases and sales as well as assets and liabilities arising in the normal course of business, principally accounts receivable and intercompany loans. Accordingly, the hedges are not speculative in nature. As part of the company's overall strategy to manage the level of exposure to the risk of currency-exchange fluctuations, some business units hedge a portion of their currency exposures anticipated over the ensuing 12-month period, using exchange contracts that have maturities of 12 months or less. The company has elected not to account for its forward-currency exchange contracts entered into for purposes other than anticipated purchases or sales as hedges. These derivatives are recorded at fair value in its balance sheet in other current assets or other accrued expenses with the changes in fair value reflected immediately in earnings (Note 12). As of December 31, 2010, the company had no outstanding foreign exchange contracts that were hedging anticipated purchases or sales. 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. As of December 31, 2010, the company had no outstanding derivative contracts that were accounted for as cash flow hedges.

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 2009 and 2010, in connection with new debt issuances, the company entered into interest rate swap arrangements (Notes 9 and 12). The company includes the gain or loss on the hedged items (fixed-rate debt) in the same line item (interest expense) as the offsetting loss or gain on the related interest rate swaps.

Recent Accounting Pronouncements

In September 2009, the Emerging Issues Task Force issued new rules pertaining to the accounting for revenue arrangements with multiple customer deliverables and for software-enabled products. The new rule pertaining to arrangements under which the company has multiple customer deliverables provides an alternative method for establishing the fair value of a deliverable when vendor specific objective evidence or third-party evidence is not available. The guidance requires the determination of the best estimate of selling price to separate deliverables and allows the allocation of the customer's consideration using this relative selling price model. The new guidance pertaining to software-enabled products revised the existing software accounting guidance to exclude equipment where the software is more than incidental to the value of the product. Under the new standard, such equipment is accounted for under revenue recognition criteria applicable to tangible products instead of that applicable to software. The company adopted the rules prospectively on January 1, 2010. Adoption did not materially affect the company's results of operations or financial position.

Effective January 1, 2010, the company adopted new accounting guidance pertaining to the consolidation assessment of variable interest entities. The new guidance requires the company to determine whether its variable interests in third party entities give the company a controlling financial interest in the entities. This amended guidance replaces the previous quantitative approach for identifying when enterprises should consolidate variable interest entities with a qualitative analysis, based on which enterprise has both (1) the power to direct the economic activities of a variable interest entity and (2) the obligation to absorb losses or receive benefits from the entity that could be significant to the variable interest entity. Adoption of this standard did not have an impact on the company's results of operations or financial position.

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

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 ultimate loss from abandoning leases at facilities being exited (Note 14). Actual results could differ from those estimates.

Note 2. Acquisitions and Dispositions

On December 13, 2010, the company and Dionex Corporation, a leading manufacturer and marketer of chromatography systems, announced that their Boards of Directors unanimously approved a transaction under which Thermo Fisher will acquire all of the outstanding shares of Dionex for $118.50 per share in cash, or a total purchase price of approximately $2.1 billion. Dionex, headquartered in Sunnyvale, California, is a global leader in the manufacturing and marketing of liquid chromatography and sample preparation systems, consumables, and software for chemical analysis. Dionex systems are used worldwide in environmental analysis and by the life sciences, chemical, petrochemical, food and beverage, power generation, and electronics industries. Their expertise in applications and instrumentation helps analytical scientists to evaluate and develop pharmaceuticals, establish environmental regulations, and produce better industrial products. The transaction is subject to a majority of the outstanding shares of Dionex having been tendered and certain regulatory approvals.

Under the terms of the agreement, the company has commenced a tender offer to acquire all of the outstanding shares of Dionex common stock for $118.50 per share in cash.

2010 Acquisitions

In February 2010, the company’s Analytical Technologies segment acquired Ahura Scientific, Inc., a U.S.-based provider of handheld spectroscopy instruments that are used worldwide in the identification of chemicals for safety, security and pharmaceutical applications, for $147 million, net of cash acquired, plus up to $25 million of additional contingent consideration based upon the achievement of specified operating results in 2010, of which the company recorded $20 million as the fair value at the acquisition date and an additional $5 million as a charge to selling, general and administrative expense in December 2010. The acquisition expands the segment’s portfolio of portable analytical devices. Revenues of Ahura Scientific totaled $45 million in 2009. The purchase price exceeded the fair value of the acquired net assets and, accordingly, $110 million was allocated to goodwill, none of which is tax deductible.

In March 2010, the company’s Analytical Technologies segment acquired Finnzymes, a Finland-based provider of integrated tools for molecular biology analysis, including reagents, instruments, consumables and kits, for $58 million, net of cash acquired. The acquisition expands the company’s portfolio of reagents and other consumables for the molecular biology research and diagnostics markets. Finnzymes reported revenues of $20 million in 2009. The purchase price exceeded the fair value of the acquired net assets and, accordingly, $25 million was allocated to goodwill, none of which is tax deductible.

In July 2010, the company's Analytical Technologies segment acquired Fermentas International Inc., a manufacturer and global distributor of enzymes, reagents and kits for molecular and cellular biology research, with principal operations in Lithuania, for $260 million, net of cash acquired. The acquisition expands the company's ability to provide complete workflows for genomics research. Fermentas reported revenues of approximately $55 million in 2009. The purchase price exceeded the fair value of the acquired net assets and, accordingly, $120 million was allocated to goodwill, none of which is tax deductible.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Acquisitions and Dispositions (continued)

In addition, in 2010, the Analytical Technologies segment acquired a developer of tunable diode-based spectroscopy systems; a provider of liquid chromatography and software solutions for proteomics analysis; a developer and manufacturer of miniature handheld near-infrared analyzers; a developer and manufacturer of low-frequency microwave moisture analyzers; a life sciences custom media developer; a developer and manufacturer of laboratory water purification systems, and an India-based distributor of scientific bulk elemental and other products. The company's Laboratory Products and Services segment acquired an Australian-based provider of laboratory chemicals, consumables and instruments. The aggregate consideration for these acquisitions was $141 million plus up to $7 million of additional contingent consideration.

The company made contingent purchase price payments totaling $5 million in 2010, for acquisitions completed prior to 2010.

2009 Acquisitions

In April 2009, the company's Laboratory Products and Services segment acquired Biolab, an Australia-based provider of analytical instruments, life science consumables and laboratory equipment, for AUD 180 million (USD $132 million), net of cash acquired. The acquisition broadened the geographic reach of the company's customer channels. Revenue of Biolab totaled AUD 178 million in its fiscal year ended May 2009. The purchase price exceeded the fair value of the acquired net assets and, accordingly, $62 million was allocated to goodwill, none of which is tax deductible.

In October 2009, the company's Analytical Technologies segment acquired B.R.A.H.M.S. AG, a leading provider of specialty diagnostic tests, as well as intensive care treatments and prenatal screening, for 331 million Euros (approximately $482 million including the assumption of $32 million of debt). The acquisition of B.R.A.H.M.S. increased the breadth of the company's specialty diagnostics portfolio and provided a significant reagent manufacturing center in Europe. B.R.A.H.M.S. reported revenues in 2008 of 75 million Euros. The purchase price exceeded the fair value of the acquired net assets and, accordingly, $183 million was allocated to goodwill, none of which is tax deductible.

In addition, in 2009 the Analytical Technologies segment acquired a culture media manufacturer and distributor in Malaysia and Singapore; the remaining interest in a Mexico-based manufacturer and distributor of bulk weighing products; and a developer of advanced, miniaturized gas chromatography instruments. The Laboratory Products and Services segment acquired a Spain-based distributor of laboratory instrumentation and equipment and a Sweden-based distributor of clinical chemistry analysis instruments. The aggregate consideration for these acquisitions was $38 million.

The company paid contingent purchase price obligations of $22 million in 2009 for several acquisitions completed prior to 2009.

2008 Acquisitions

In 2008, the company's Analytical Technologies segment acquired the intellectual property of an immunohistochemistry control slide business; a manufacturer and distributor of analytical instruments serving the life sciences and environmental industries; a provider of RNAi, genomics and antibody tools used by life science researchers; a manufacturer and distributor of antibodies and reagents; a manufacturer of water analysis systems; a manufacturer of histology and anatomical pathology labeling and tracking products; and an iron testing reagent product line. The company's Laboratory Products and Services segment acquired, in separate transactions, three distributors of laboratory equipment and consumables; a manufacturer of carbon fiber centrifuge rotors; a network of depots providing clinical trial packaging and distribution, and the intellectual property and other assets of a manufacturer of automated cell factory equipment. No individual acquisition exceeded $50 million in purchase price. Aggregate consideration paid in 2008 for the acquisitions of both segments was $192 million cash, net of cash acquired, plus $8 million of assumed debt, and up to $17 million of additional future payments based on the achievement of specified milestones and operating results, of which $6 million has been paid and an additional $5 million was earned and accrued, through an increase in goodwill, as of December 31, 2010. The company also paid purchase price obligations, transaction costs and post-closing purchase price adjustments aggregating $11 million in 2008, for several acquisitions completed prior to 2008.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Acquisitions and Dispositions (continued)

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

Acquisitions have been accounted for using the purchase method of accounting, and the acquired companies' results have been included in the accompanying financial statements from their respective dates of acquisition. Acquisition transaction costs have been recorded in selling, general and administrative expenses beginning in 2009. Allocation of the purchase price for acquisitions was based on estimates of the fair value of the net assets acquired and, for acquisitions completed within the past year, is subject to adjustment upon finalization of the purchase price allocation. The company is not aware of any information that indicates the final purchase price allocations will differ materially from the preliminary estimates.

The components of the purchase price allocations for 2010 acquisitions are as follows:

(In millions)	Ahura Scientific	Finnzymes	Fermentas	Other	Total
Purchase Price					
Cash paid	$ 164.0	$ 59.0	$ 278.7	$ 145.5	$ 647.2
Debt assumed	0.6	—	3.6	1.1	5.3
Fair value of contingent consideration	19.6	—	—	3.9	23.5
Cash acquired	(17.8)	(0.7)	(21.9)	(5.3)	(45.7)
	$ 166.4	$ 58.3	$ 260.4	$ 145.2	$ 630.3
Allocation					
Current assets	$ 22.3	$ 6.1	$ 19.9	$ 29.2	$ 77.5
Property, plant and equipment	3.3	3.4	9.6	4.1	20.4
Intangible assets:					
Customer relationships	46.1	16.1	67.9	40.1	170.2
Product technology	30.4	18.6	73.5	24.7	147.2
In-process research and development	—	—	—	4.4	4.4
Tradenames and other	0.4	0.1	5.3	4.4	10.2
Goodwill	109.9	24.8	119.9	59.2	313.8
Other assets	0.1	2.0	3.0	7.4	12.5
Liabilities assumed	(46.1)	(12.8)	(38.7)	(28.3)	(125.9)
	$ 166.4	$ 58.3	$ 260.4	$ 145.2	$ 630.3

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Acquisitions and Dispositions (continued)

The weighted-average amortization periods for intangible assets acquired in 2010 are 10 years for customer relationships, 9 years for product technology and 10 years for tradenames and other. The weighted average amortization period for all intangible assets in the above table is 9 years.

The components of the purchase price allocations for 2009 acquisitions, as revised in 2010 for finalization of the purchase price allocations are as follows:

(In millions)	Biolab	B.R.A.H.M.S.	Other Analytical Technologies	Other Laboratory Products and Services	Total
Purchase Price					
Cash paid	$ 132.9	$ 454.1	$ 28.5	$ 7.4	$ 622.9
Debt assumed	—	32.3	0.4	0.5	33.2
Fair value of contingent consideration	—	—	0.6	—	0.6
Cash acquired	(1.3)	(4.8)	(0.2)	—	(6.3)
Other	—	—	0.9	—	0.9
	$ 131.6	$ 481.6	$ 30.2	$ 7.9	$ 651.3
Allocation					
Current assets	$ 38.2	$ 47.4	$ 3.7	$ 2.8	$ 92.1
Property, plant and equipment	3.3	32.9	0.7	0.1	37.0
Intangible assets:					
Customer relationships	51.4	203.8	4.2	2.5	261.9
Product technology	0.9	135.2	6.9	—	143.0
Tradenames and other	1.3	9.4	0.2	—	10.9
Goodwill	62.3	183.4	19.3	4.7	269.7
Other assets	—	3.5	—	—	3.5
Liabilities assumed	(25.8)	(134.0)	(4.8)	(2.2)	(166.8)
	$ 131.6	$ 481.6	$ 30.2	$ 7.9	$ 651.3

The weighted-average amortization periods for intangible assets acquired in 2009 are 11 years for customer relationships, 9 years for product technology and 8 years for tradenames and other. The weighted average amortization period for all intangible assets in the above table is 11 years.

Financial Statement Index

F-21

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Acquisitions and Dispositions (continued)

The components of the purchase price allocations for 2008 acquisitions, as revised in 2009 for finalization of the purchase price allocations and earned contingent purchase price payments where applicable, are as follows:

(In millions)	Analytical Technologies	Laboratory Products and Services	Total
Purchase Price			
Cash paid including transaction costs	$ 107.0	$ 91.9	$ 198.9
Debt assumed	0.1	8.1	8.2
Purchase price payable	2.0	3.1	5.1
Cash acquired	(1.5)	(1.9)	(3.4)
	$ 107.6	$ 101.2	$ 208.8
Allocation			
Current assets	$ 12.7	$ 32.8	$ 45.5
Property, plant and equipment	3.4	15.3	18.7
Intangible assets:			
Customer relationships	23.2	25.3	48.5
Product technology	25.7	6.3	32.0
Tradenames and other	5.1	2.9	8.0
Goodwill	54.0	46.0	100.0
Other assets	0.4	0.1	0.5
Liabilities assumed	(16.9)	(27.5)	(44.4)
	$ 107.6	$ 101.2	$ 208.8

The weighted-average amortization periods for intangible assets acquired in 2008 are 8 years for customer relationships, 7 years for product technology and 8 years for tradenames and other. The weighted average amortization period for all intangible assets in the above table is 8 years.

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

Dispositions

The company sold four small business units in 2009 and recorded gains aggregating $0.6 million, included in restructuring and other costs, net, in the accompanying statement of income. The net cash proceeds were $4.4 million. The company also sold a small business unit in 2008 for net cash proceeds of $4 million and recorded a loss of $3 million. Operating results of the businesses were not material.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Business Segment and Geographical Information

The company's continuing operations fall into two business segments. The company's segments are as follows:

Analytical Technologies: serves research scientists, as well as customers in healthcare and clinical laboratories, in manufacturing and in the field, with a suite of advanced analytical technologies, including scientific instruments, robotics and software for creating advanced integrated workflows. The segment also includes a range of diagnostic reagents and instruments used by hospitals and reference laboratories.

Laboratory Products and Services: serves life science, healthcare and safety markets with a broad portfolio of products and consumables used for routine laboratory processes, as well as a range of biopharma outsourcing services such as clinical packaging and biological sample management. The segment also includes the company's extensive customer channels network consisting of catalog, e-commerce and other sales avenues.

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

Business Segment Information

(In millions)	2010	2009	2008
Revenues			
Analytical Technologies	$ 4,611.8	$ 4,153.9	$ 4,468.6
Laboratory Products and Services	6,693.0	6,426.6	6,455.2
Eliminations	(516.1)	(470.8)	(425.8)
Consolidated revenues	10,788.7	10,109.7	10,498.0
Segment Income			
Analytical Technologies (a)	984.2	837.3	955.3
Laboratory Products and Services (a)	931.8	877.6	913.8
Subtotal reportable segments (a)	1,916.0	1,714.9	1,869.1
Cost of revenues charges	(16.0)	(6.7)	(1.5)
Selling, general and administrative charges, net	(3.0)	(1.5)	—
Restructuring and other costs, net	(60.4)	(60.8)	(35.4)
Amortization of acquisition-related intangible assets	(571.7)	(597.0)	(602.8)

Consolidated operating income		1,264.9		1,048.9		1,229.4
Other expense, net (b)		(100.3)		(121.8)		(101.4)
Income from continuing operations before provision for income taxes	$	1,164.6	$	927.1	$	1,128.0

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Business Segment and Geographical Information (continued)

(In millions)	2010	2009	2008
Total Assets			
Analytical Technologies	$ 7,921.4	$ 7,590.7	$ 7,357.3
Laboratory Products and Services	12,308.2	12,381.9	12,522.8
Corporate/Other (c)	1,119.8	1,652.4	1,209.9
Consolidated total assets	$ 21,349.4	$ 21,625.0	$ 21,090.0
Depreciation			
Analytical Technologies	$ 91.0	$ 86.9	$ 87.5
Laboratory Products and Services	107.3	103.4	102.4
Consolidated depreciation	$ 198.3	$ 190.3	$ 189.9
Capital Expenditures			
Analytical Technologies	$ 85.4	$ 78.2	$ 105.2
Laboratory Products and Services	154.5	97.4	147.4
Corporate/Other	25.6	31.9	11.8
Consolidated capital expenditures	$ 265.5	$ 207.5	$ 264.4

Geographical Information

(In millions)	2010	2009	2008
Revenues (d)			
United States	$ 7,281.4	$ 6,848.6	$ 7,165.0
Germany	1,360.5	1,166.2	1,134.6
United Kingdom	869.3	891.1	978.2
Other	3,265.3	2,942.5	2,934.3
Transfers among geographical areas (e)	(1,987.8)	(1,738.7)	(1,714.1)
	$ 10,788.7	$ 10,109.7	$ 10,498.0
Long-lived Assets (f)			
United States	$ 791.7	$ 748.5	$ 750.1
Germany	121.7	127.9	98.9
United Kingdom	170.4	158.2	129.3
Other	324.8	298.8	297.0
	$ 1,408.6	$ 1,333.4	$ 1,275.3

(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.
(c) Corporate assets consist primarily of cash and cash equivalents, short-term investments and property and equipment at the company’s corporate offices.
(d) Revenues are attributed to countries based on selling location.
(e) Transfers among geographical areas are accounted for at prices that are representative of transactions with unaffiliated parties.
(f) Includes property, plant and equipment, net.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Other Expense, Net

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

(In millions)	2010	2009	2008
Interest Income	$ 12.5	$ 16.1	$ 51.7
Interest Expense	(84.7)	(118.1)	(151.5)
Gain (Loss) on Investments, Net	1.2	(3.1)	(5.6)
Other Items, Net	(29.3)	(16.7)	4.0
	$ (100.3)	$ (121.8)	$ (101.4)

The company recorded charges of $3.6 million and $6.1 million in 2009 and 2008 for other than temporary impairment of investments that decreased in value primarily in the prior 6-9 months.

Gain (loss) on investments, net also includes portfolio gains from the company’s day-to day investing activities.

Other Items, Net

During 2010, the company redeemed all of its outstanding 6 1/8% Senior Subordinated Notes due 2015 (Note 9). The company recorded a loss on the early extinguishment of debt of $17 million, principally as a result of this redemption. The company recorded $8 million of fees associated with short-term financing commitments for the purchase of Dionex (Note 2).

During 2009, the company redeemed all of its outstanding 6.75% Senior Subordinated Notes due 2014 and settled a tender offer for its 2.50% Convertible Senior Notes due 2023. As a result of these transactions, the company recorded a loss on the early extinguishment of debt of $15 million.

Note 5. Stock-based Compensation Plans

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, 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. Options granted under these plans generally vest over 3-5 years with terms of 7-10 years, assuming continued employment with certain exceptions. The company practice is to grant options at fair market value. The company generally issues new shares of its common stock to satisfy option exercises. Grants of stock options and restricted stock on or after November 9, 2006, provide that in the event of both a future change in control of the company and a qualifying termination of an option holder’s employment, all options and service-based restricted stock 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 retirement date for retirement eligible employees, if earlier.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Stock-based Compensation Plans (continued)

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

(In millions)	2010	2009	2008
Stock Option Awards	$ 49.8	$ 42.4	$ 35.9
Restricted share/Unit Awards	33.3	25.7	21.2
Total Stock-based Compensation Expense	$ 83.1	$ 68.1	$ 57.1

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

(In millions)	2010	2009	2008
Cost of Revenues	$ 6.0	$ 6.2	$ 4.2
Selling, General and Administrative Expenses	75.2	59.8	51.3
Research and Development Expenses	1.9	2.1	1.6
Total Stock-based Compensation Expense	$ 83.1	$ 68.1	$ 57.1

The company has elected to recognize any excess income tax benefits from stock option exercises 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 on the accompanying balance sheet were $10.9 million and $25.1 million, respectively, in 2010 and 2008. A tax charge of $1.6 million was recorded in capital in excess of par value in 2009 for the excess of deferred tax asset over actual tax benefits realized at option exercise.

Stock Options

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 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:

	2010	2009	2008
Expected Stock Price Volatility	32%	31%	22%
Risk Free Interest Rate	2.0%	2.2%	2.4%
Expected Life of Options (years)	4.1	3.8	4.4
Expected Annual Dividend per Share	$ —	$ —	$ —

Financial Statement Index

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Stock-based Compensation Plans (continued)

The weighted average per share grant-date fair values of options granted during 2010, 2009 and 2008 were $14.12, $10.41 and $12.70, respectively. The total intrinsic value of options exercised during the same periods was $48.1 million, $20.7 million and $95.4 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 option activity as of December 31, 2010 and changes during the three years then ended 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, 2007	15.3	$ 33.99		
Granted	4.4	55.23		
Exercised	(3.2)	26.95		
Canceled / Expired	(0.4)	48.47		
Outstanding at December 31, 2008	16.1	40.72		
Granted	7.3	37.45		
Exercised	(1.7)	31.77		
Canceled / Expired	(1.8)	50.43		
Outstanding at December 31, 2009	19.9	39.39		
Granted	4.3	49.61		
Exercised	(2.4)	31.96		
Canceled / Expired	(0.8)	44.55		
Outstanding at December 31, 2010	21.0	42.15	4.5	
Vested and Unvested Expected to Vest at December 31, 2010	20.4	42.03	4.4	$ 273.6
Exercisable at December 31, 2010	10.8	39.73	3.3	$ 169.8

(a) Market price per share on December 31, 2010 was $55.36. The intrinsic value is zero for options with exercise prices above the market price.

As of December 31, 2010, there was $83 million of total unrecognized compensation cost related to unvested stock options granted. The cost is expected to be recognized through 2015 with a weighted average amortization period of

2.7 years.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Stock-based Compensation Plans (continued)

Restricted Share/Unit Awards

The company awards to a number of key employees restricted company common stock or restricted units that convert into an equivalent number of shares of common stock. The awards generally vest in annual installments over three 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 value of the award at the time of the grant is amortized to expense over the period of vesting. Recipients of restricted shares have the right to vote such shares and receive cash dividends, whereas recipients of restricted units have no voting rights but are entitled to receive dividend equivalents. The fair value of service- and performance-based restricted share/unit awards is determined based on the number of shares/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 status of the company’s restricted shares/units as of December 31, 2010 and changes during the three years then ended are presented below:

	Shares (in thousands)	Weighted Average Grant-Date Fair Value
Unvested at December 31, 2007	791	$ 46.55
Granted	397	55.09
Vested	(374)	44.68
Forfeited	(19)	51.87
Unvested at December 31, 2008	795	47.80
Granted	1,475	39.76
Vested	(436)	46.34
Forfeited	(163)	43.59
Unvested at December 31, 2009	1,671	41.99
Granted	704	49.43
Vested	(499)	42.00
Forfeited	(92)	39.56
Unvested at December 31, 2010	1,784	45.05

As of December 31, 2010, there was $45 million of total unrecognized compensation cost related to unvested restricted share/unit awards. The cost is expected to be recognized through 2015 with a weighted average amortization period of 2.4 years. At December 31, 2010, the vesting of 515,000 unvested restricted units is contingent upon the company’s future stock price performance exceeding that of a specified index.. The total fair value of shares vested during 2010, 2009 and 2008 was $21.0 million, $20.2 million and $16.7 million, respectively.

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 127,000, 139,000 and 124,000 shares, respectively, of its common stock for the 2010, 2009 and 2008 plan years, which ended on December 31.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 2010, 2009 and 2008, the company charged to expense $62.6 million, $63.7 million and $55.5 million, respectively, related to its defined contribution plans.

Defined Benefit Pension Plans

Employees of a number of non-U.S. and certain U.S. subsidiaries participate in defined benefit pension plans covering substantially all full-time employees at those subsidiaries. Some of the plans are unfunded, as permitted under the plans and applicable laws. The company also has postretirement healthcare programs at several acquired businesses, in which certain employees at those businesses are eligible to participate. The costs of the healthcare program are 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 an employer is acquired as part of a merger, 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.

The company funds annually, at a minimum, the statutorily required minimum amount as actuarially determined. During 2010, 2009 and 2008, the company made contributions of approximately $24.4 million, $41.1 million and $20.7 million, respectively. Contributions are estimated at between $20 and $30 million for 2011.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Pension and Other Postretirement Benefit Plans (continued)

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

(In millions)	Domestic Pension Benefits 2010	Domestic Pension Benefits 2009	Non-U.S. Pension Benefits 2010	Non-U.S. Pension Benefits 2009
Change in Projected Benefit Obligations				
Benefit Obligation at Beginning of Year	$ 395.2	$ 408.5	$ 608.3	$ 511.7
Business combination	—	—	4.3	10.4
Service costs	0.3	0.8	11.4	9.7
Interest costs	21.1	20.6	30.7	28.6
Curtailment	—	(3.1)	(5.9)	(2.7)
Plan participants' contributions	—	—	3.3	3.1
Actuarial (gains) losses	16.7	(12.1)	38.8	31.1
Benefits paid	(19.7)	(19.5)	(24.1)	(21.5)
Currency translation and other	—	—	(10.5)	37.9
Benefit Obligation at End of Year	$ 413.6	$ 395.2	$ 656.3	$ 608.3
Change in Fair Value of Plan Assets				
Fair Value of Plan Assets at Beginning of Year	$ 347.1	$ 292.0	$ 475.0	$ 368.9
Business combination	—	—	1.3	9.8
Actual return on plan assets	34.7	63.3	45.5	60.4
Employer contribution	0.4	11.3	21.5	27.3
Plan participants' contributions	—	—	3.3	3.1
Benefits paid	(19.7)	(19.5)	(24.1)	(21.5)
Currency translation and other	—	—	(12.0)	27.0
Fair Value of Plan Assets at End of Year	$ 362.5	$ 347.1	$ 510.5	$ 475.0
Funded Status	$ (51.1)	$ (48.1)	$ (145.8)	$ (133.3)
Accumulated Benefit Obligation	$ 413.6	$ 395.2	$ 625.4	$ 581.8
Amounts Recognized in Balance Sheet				
Non-current asset	$ —	$ —	$ 2.3	$ 3.1
Current liability	—	—	(3.6)	(3.5)
Non-current liability	(51.1)	(48.1)	(144.5)	(132.9)
Net amount recognized	$ (51.1)	$ (48.1)	$ (145.8)	$ (133.3)

Amounts Recognized in Accumulated Other Comprehensive Loss				
Net actuarial loss	$ 109.3	$ 98.1	$ 42.0	$ 24.4
Prior service credits	—	—	(0.5)	(0.5)
Net amount recognized	$ 109.3	$ 98.1	$ 41.5	$ 23.9

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Pension and Other Postretirement Benefit Plans (continued)

The actuarial assumptions used to compute the funded (unfunded) status for the plans are based upon information available as of December 31, 2010 and 2009 and are as follows:

	Domestic Pension Benefits		Non-U.S. Pension Benefits	
(In millions)	2010	2009	2010	2009
Weighted Average Assumptions Used to Determine Projected Benefit Obligations				
Discount rate	5.25%	5.50%	4.77%	5.37%
Average rate of increase in employee compensation	4.00%	4.00%	3.34%	3.24%

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		
(In millions)	2010	2009	2008	2010	2009	2008
Weighted Average Assumptions Used to Determine the Net Benefit Cost (Income)						
Discount rate	5.50%	5.25%	5.75%	5.37%	5.43%	5.20%
Average rate of increase in employee compensation	4.00%	4.00%	4.04%	3.24%	3.29%	3.60%
Expected long-term rate of return on assets	7.75%	7.75%	7.75%	5.59%	5.67%	6.08%

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Pension and Other Postretirement Benefit Plans (continued)

Prior to the November 2006 merger with Fisher Scientific International, Inc., Fisher maintained a supplemental non-qualified executive retirement program (SERP) for certain executives. Accrual of future benefits under the plan ceased following the merger. The following table provides a reconciliation of benefit obligations and plan assets of the company’s SERP and other postretirement benefit plans:

	SERP Benefits		Postretirement Benefits	
(In millions)	2010	2009	2010	2009
Change in Projected Benefit Obligations				
Benefit Obligation at Beginning of Year	$ 11.6	$ 12.3	$ 32.2	$ 31.4
Service costs	—	—	0.4	0.6
Interest costs	0.6	0.6	1.8	1.8
Plan participants' contributions	—	—	1.4	1.4
Actuarial (gains) losses	0.6	(0.8)	2.2	(0.9)
Benefits paid	(0.4)	(0.5)	(3.5)	(3.4)
Currency translation and other	—	—	0.4	1.3
Benefit Obligation at End of Year	$ 12.4	$ 11.6	$ 34.9	$ 32.2
Change in Fair Value of Plan Assets				
Fair Value of Plan Assets at Beginning of Year	$ —	$ —	$ —	$ —
Employer contribution	0.4	0.5	2.1	2.0
Plan participants' contributions	—	—	1.4	1.4
Benefits paid	(0.4)	(0.5)	(3.5)	(3.4)
Fair Value of Plan Assets at End of Year	$ —	$ —	$ —	$ —
Funded Status	$ (12.4)	$ (11.6)	$ (34.9)	$ (32.2)
Accumulated Benefit Obligation	$ 12.4	$ 11.6		
Amounts Recognized in Balance Sheet				
Current liability	$ (0.5)	$ (0.5)	$ (2.1)	$ (2.3)
Non-current liability	(11.9)	(11.1)	(32.8)	(29.9)
Net amount recognized	$ (12.4)	$ (11.6)	$ (34.9)	$ (32.2)
Amounts Recognized in Accumulated Other Comprehensive (Income) Loss				
Net actuarial (gain) loss	$ 0.4	$ (0.2)	$ (0.5)	$ (3.1)
Prior service credits	—	—	(0.7)	(0.8)

Net amount recognized	$ 0.4	$ (0.2)	$ (1.2)	$ (3.9)
Weighted Average Assumptions Used to Determine Benefit Obligations				
Discount rate	5.25%	5.50%	5.44%	5.94%
Average rate of increase in employee compensation	4.00%	4.00%	—	—
Initial healthcare cost trend rate			7.91%	8.59%
Ultimate healthcare cost trend rate			5.52%	5.62%

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Pension and Other Postretirement Benefit Plans (continued)

	SERP Benefits			Postretirement Benefits		
(In millions)	2010	2009	2008	2010	2009	2008
Weighted Average Assumptions Used to Determine the Net Benefit Cost						
Discount rate	5.50%	5.25%	5.75%	5.94%	5.73%	5.66%
Average rate of increase in employee compensation	4.00%	4.00%	4.00%	—	—	—

The ultimate healthcare cost trend rates for the postretirement benefit plans are expected to be reached between 2017 and 2026.

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.

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.

The amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost in 2011 are as follows:

(In millions)	Domestic Pension Benefits	Non-U.S. Pension Benefits	Post-retirement Benefits
Net Actuarial Loss (Gain)	$ 4.1	$ 1.5	$ (0.1)
Net Prior Service Costs (Credit)	—	—	(0.1)

$ 4.1	$ 1.5	$ (0.2)

There are no amounts in accumulated other comprehensive income related to the SERP expected to be recognized in net periodic benefit cost in 2011.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Pension and Other Postretirement Benefit Plans (continued)

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:

	Pension Plans	
(In millions)	2010	2009
Pension Plans with Projected Benefit Obligations in Excess of Plan Assets		
Projected benefit obligation	$ 945.9	$ 889.4
Fair value of plan assets	734.3	693.3

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:

	Pension Plans	
(In millions)	2010	2009
Pension Plans with Accumulated Benefit Obligations in Excess of Plan Assets		
Accumulated benefit obligation	$ 910.5	$ 835.5
Fair value of plan assets	725.6	662.0

The company has other postretirement benefit plans discussed elsewhere in this note with an accumulated post-retirement benefit obligation of $34.9 million that is unfunded. These plans are excluded from the above table.

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 for 2010, 2009 and 2008:

	Domestic Pension Benefits			Non-U.S. Pension Benefits		
(In millions)	2010	2009	2008	2010	2009	2008
Components of Net Benefit Cost (Income)						
Service cost-benefits earned	$ 0.3	$ 0.8	$ 2.9	$ 11.4	$ 9.7	$ 10.9
Interest cost on benefit obligation	21.1	20.6	22.0	30.7	28.6	32.8
Expected return on plan assets	(29.9)	(30.0)	(31.1)	(24.9)	(21.2)	(30.4)
Recognized actuarial net loss	0.7	—	—	1.3	1.6	1.4
Amortization of prior service benefit	—	—	—	—	—	0.1
Settlement/curtailment (gain) loss	—	—	(19.3)	0.1	(0.2)	—
Special termination benefit	—	0.2	—	0.5	3.0	0.1

Net periodic benefit cost (income)	$ (7.8)	$ (8.4)	$ (25.5)	$ 19.1	$ 21.5	$ 14.9

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Pension and Other Postretirement Benefit Plans (continued)

The net periodic SERP and other postretirement benefit cost includes the following components for 2010, 2009 and 2008:

(In millions)	SERP Benefits 2010	2009	2008	Postretirement Benefits 2010	2009	2008
Components of Net Benefit Cost						
Service cost-benefits earned	$ —	$ —	$ —	$ 0.4	$ 0.6	$ 0.8
Interest cost on benefit obligation	0.6	0.6	0.6	1.8	1.8	1.8
Recognized actuarial net gain	—	—	—	(0.2)	—	—
Amortization of prior service benefit	—	—	—	(0.1)	(0.1)	(0.1)
Special termination benefit	—	—	0.2	—	—	—
Net periodic benefit cost	$ 0.6	$ 0.6	$ 0.8	$ 1.9	$ 2.3	$ 2.5

Expected benefit payments are estimated using the same assumptions used in determining the company's benefit obligation at December 31, 2010. 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	SERP Benefits	Post-retirement Benefits
2011	$ 22.6	$ 21.4	$ 0.5	$ 2.1
2012	23.2	23.5	0.5	2.2
2013	23.2	24.3	0.5	2.2
2014	23.7	25.4	1.7	2.1
2015	24.5	26.8	1.5	2.2
2016-2020	132.2	152.0	6.2	10.7

A change in the assumed healthcare cost trend rate by one percentage point effective January 2010 would change the accumulated postretirement benefit obligation as of December 31, 2010 and the 2010 aggregate of service and interest costs, as follows:

(In millions)	Increase	Decrease
One Percentage Point		
Effect in total of service and interest cost components	$ 0.3	$ (0.3)
Effect on postretirement healthcare benefit obligation	4.5	(3.5)

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Pension and Other Postretirement Benefit Plans (continued)

Domestic Pension Plan Assets

The company's overall objective is to invest in a portfolio of diversified assets, primarily through the use of institutional collective funds, to achieve long-term growth. 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 4% of invested assets) of private equity investments. The target allocations for the remaining investments are approximately 34% to funds investing in U.S. equities, including a sub-allocation of approximately 5% to real estate-related equities, approximately 29% to funds investing in international equities and approximately 37% to funds investing in fixed income securities. The portfolio maintains enough liquidity at all times to meet the near-term benefit payments.

The fair values of the company's domestic plan assets at December 31, 2010 and 2009, by asset category are as follows:

(In millions)	December 31, 2010	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset Category				
U.S. equity funds	$ 128.1	$ —	$ 128.1	$ —
International equity funds	96.1	—	96.1	—
Fixed income funds	112.9	—	112.9	—
Private equity funds	13.0	—	—	13.0
Money market funds	12.3	—	12.3	—
Alternative investments	0.1	—	—	0.1
Total Assets	$ 362.5	$ —	$ 349.4	$ 13.1

(In millions)	December 31, 2009	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset Category				
U.S. equity funds	$ 111.1	$ —	$ 111.1	$ —
International equity funds	90.7	—	90.7	—
Fixed income funds	115.4	—	115.4	—
Private equity funds	14.8	—	—	14.8
Money market funds	14.2	—	14.2	—

Alternative investments	0.9	—	—	0.9
Total Assets	$ 347.1	$ —	$ 331.4	$ 15.7

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 using net asset value per share (or its equivalent) 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. The fair value of the company’s private equity and alternative investments, which are classified as level 3 investments, are based on valuations provided by the respective funds. The following table represents a rollforward of the fair value, as determined by level 3 inputs.

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Pension and Other Postretirement Benefit Plans (continued)

(In millions)	Private Equity Funds	Alternative Investments	Total
Balance at December 31, 2008	$ 15.4	$ 14.5	$ 29.9
Actual return on plan assets:			
Relating to assets held at reporting date	(1.4)	0.4	(1.0)
Relating to assets sold/distributed during period	0.1	—	0.1
Purchases, capital contributions, sales and settlements	0.7	(14.0)	(13.3)
Balance at December 31, 2009	$ 14.8	$ 0.9	$ 15.7
Actual return on plan assets:			
Relating to assets held at reporting date	(2.0)	0.1	(1.9)
Relating to assets sold/distributed during period	2.3	0.2	2.5
Purchases, capital contributions, sales and settlements	(2.1)	(1.1)	(3.2)
Balance at December 31, 2010	$ 13.0	$ 0.1	$ 13.1

The table below presents, as of December 31, 2010, the fair value measurements of investments in certain domestic plan assets that calculate and provide the company with a net asset value per share (or its equivalent). These plan investments are all classified as level 2 or 3 according to the fair value hierarchy:

(In millions)	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Asset Category				
U.S. equity funds	$ 128.1	$ —	At least monthly	No more than 3 days
International equity funds	96.1	—	At least monthly	No more than 3 days
Fixed income funds	112.9	—	At least monthly	No more than 3 days
Private equity funds	13.0	1.0	Restricted	Restricted
Money market funds	12.3	—	Daily	Daily
Alternative investments	0.1	—	Restricted	Restricted
	$ 362.5	$ 1.0		

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. The investments are substantially limited to funds investing in global equities and fixed income securities with the target asset allocations ranging from approximately 50% - 60% for equities and 40% - 50% for fixed income. Each plan maintains enough liquidity at all times to meet the near-term benefit payments.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Pension and Other Postretirement Benefit Plans (continued)

The fair values of the company's non-U.S. plan assets at December 31, 2010 and 2009, by asset category are as follows:

(In millions)	December 31, 2010	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset Category				
Equity funds	$ 249.0	$ 49.0	$ 200.0	$ —
Fixed income funds	176.1	20.4	155.7	—
Insurance contracts	82.0	—	82.0	—
Cash / money market funds	3.4	3.2	0.2	—
Total Assets	$ 510.5	$ 72.6	$ 437.9	$ —

(In millions)	December 31, 2009	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset Category				
Equity funds	$ 222.5	$ 39.1	$ 183.4	$ —
Fixed income funds	166.0	18.8	147.2	—
Insurance contracts	79.3	—	79.3	—
Cash / money market funds	7.2	7.0	0.2	—
Total Assets	$ 475.0	$ 64.9	$ 410.1	$ —

The table below presents the fair value measurements of investments in certain non-U.S. plan assets that calculate and provide the company with a net asset value per share (or its equivalent). These plan investments are all classified as level 2 according to the fair value hierarchy:

(In millions)	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Asset Category				
Equity funds	$ 200.0	$ —		

			At least monthly	No more than 1 month
Fixed income funds	155.7	—	At least weekly	No more than 5 days
Insurance contracts	82.0	—	Not applicable	Not applicable
Money market funds	0.2	—	Daily	Daily
	$ 437.9	$ —		

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Income Taxes

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

(In millions)	2010	2009	2008
U.S.	$ 788.6	$ 579.3	$ 704.7
Non-U.S.	376.0	347.8	423.3
	$ 1,164.6	$ 927.1	$ 1,128.0

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

(In millions)	2010	2009	2008
Current Income Tax Provision			
Federal	$ 256.5	$ 192.3	$ 185.0
Non-U.S.	104.4	104.4	81.7
State	37.3	24.7	36.7
	398.2	321.4	303.4
Deferred Income Tax Provision (Benefit)			
Federal	$ (173.4)	$ (147.8)	$ (59.8)
Non-U.S.	(68.3)	(83.4)	(63.1)
State	(25.0)	(14.4)	(27.9)
	(266.7)	(245.6)	(150.8)
	$ 131.5	$ 75.8	$ 152.6

The income tax provision included in the accompanying statement of income is as follows:

(In millions)	2010	2009	2008
Continuing Operations	$ 131.5	$ 75.8	$ 152.6
Discontinued Operations	1.5	(0.6)	3.5
	$ 133.0	$ 75.2	$ 156.1

The company receives a tax deduction upon the exercise of non-qualified stock options 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 $10.9 million and $25.1 million of such benefits of the company that have been allocated to capital in excess of par value in 2010 and 2008, respectively.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Income Taxes (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)	2010	2009	2008
Provision for Income Taxes at Statutory Rate	$ 407.6	$ 324.5	$ 394.8
Increases (Decreases) Resulting From:			
Foreign rate differential	(155.7)	(147.0)	(165.6)
Impact of change in tax laws and apportionment on deferred taxes	(11.0)	(2.5)	(27.9)
Income tax credits	(79.5)	(100.3)	(54.2)
Manufacturing deduction	(31.5)	(15.8)	(17.5)
State income taxes, net of federal tax	5.3	(0.4)	11.1
Nondeductible expenses	6.0	4.6	6.1
Provision (reversal) of tax reserves, net	(6.4)	7.4	6.5
Tax return reassessments and settlements	(1.3)	(0.4)	(1.2)
Other, net	(2.0)	5.7	0.5
	$ 131.5	$ 75.8	$ 152.6

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

(In millions)	2010	2009
Deferred Tax Asset (Liability)		
Depreciation and amortization	$ (2,174.5)	$ (2,274.1)
Net operating loss and credit carryforwards	487.3	443.9
Reserves and accruals	137.0	139.7
Accrued compensation	169.3	149.4
Inventory basis difference	44.9	31.9
Available-for-sale investments	5.4	5.6
Non U.S. earnings expected to be repatriated	6.4	6.4
Other capitalized costs	62.1	—
Other, net	55.2	11.5
	(1,206.9)	(1,485.7)
Less: Valuation allowance	156.1	164.8
	$ (1,363.0)	$ (1,650.5)

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 and credit carryforwards that it believes will more likely than not go unused. At December 31, 2010, all of the company's valuation allowance relates to deferred tax assets for which any subsequently recognized tax benefits will reduce income tax expense.

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Income Taxes (continued)

At December 31, 2010, the company had federal, state and non-U.S. net operating loss carryforwards of $165.3 million, $609.9 million and $715.9 million, 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 2011 through 2030. Of the non-U.S. net operating loss carryforwards, $242.6 million expire in the years 2011 through 2029, and the remainder do not expire. The company also had $180.6 million of federal foreign tax credit carryforwards as of December 31, 2010, which expire in the years 2011 through 2020.

A provision has not been made for U.S. or additional non-U.S. taxes on $3.7 billion of undistributed earnings of international subsidiaries that could be subject to taxation if remitted to the U.S. because the company plans to keep these amounts permanently reinvested overseas except for instances where the company can remit such earnings to the U.S. without an associated net tax cost. During 2009, the company changed its position regarding the undistributed earnings of its Japan subsidiaries. The earnings of these subsidiaries are no longer considered permanently reinvested. As a result, in 2009 the company provided deferred U.S. income taxes of $28.0 million, offset by a U.S. foreign tax credit of $34.4 million.

Unrecognized Tax Benefits

As of December 31, 2010, the company had $62.1 million of unrecognized tax benefits which, if recognized, would reduce the effective tax rate.

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

(In millions)	2010	2009	2008
Balance at beginning of year	$ 76.2	$ 70.4	$ 73.9
Additions for tax positions of current year	1.3	11.3	6.5
Additions for tax positions of prior years	2.9	—	—
Closure of tax years	(7.8)	(4.6)	(3.0)
Settlements	(10.5)	(0.9)	(7.0)
	$ 62.1	$ 76.2	$ 70.4

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, 2010 and 2009 was $5.3 million for interest.

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

During 2010 and 2009, the statute of limitations on certain unrecognized tax benefits lapsed which resulted in decreases in the liability for unrecognized tax benefits of $7.8 million and $4.6 million, respectively, all of which reduced income tax expense. During 2008, the statute of limitations on certain unrecognized tax benefits lapsed which resulted in a $3.0 million decrease in the liability for unrecognized tax benefits, all of which reduced goodwill.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Income Taxes (continued)

In 2010, the company settled a Swiss audit of one of its subsidiary's 2006 and 2007 tax years which resulted in a $8.5 million decrease in the liability for unrecognized tax benefits. The company also settled the IRS audit of its 2007 tax year and the IRS completed the examination phase of its 2006 tax year and the 2006 pre-acquisition tax years of certain Fisher subsidiaries in 2010 which resulted in a $1.2 million decrease in the liability for unrecognized tax benefits. Completion of the audits of the 2006 tax year and the 2006 pre-acquisition tax years of certain Fisher subsidiaries is pending appeals at the IRS. In addition, the company settled various state income tax audits during 2010, which resulted in a $0.8 million decrease in the liability for unrecognized tax benefits. The company does not currently expect any significant changes to previously recorded unrecognized tax benefits within the next 12 months.

In 2009, the company settled the IRS audit of its 2005 tax year which resulted in a $0.9 million decrease in the liability for unrecognized tax benefits. In 2008, the company settled IRS audits of the 2004 and 2005 pre-acquisition tax years of Fisher, which resulted in a $7 million decrease in the liability for unrecognized tax benefits and goodwill. This decrease in the liability for unrecognized tax benefits was substantially offset by an accrual for unrecognized tax benefits related to the sale of a non-U.S. subsidiary. The company is currently under audit by the Internal Revenue Service for the 2001 to 2004 tax years. Completion of the audit of those years is subject to appeals at the IRS. The company does not currently expect any significant changes to previously recorded unrecognized tax benefits. The company is also currently under audit by the IRS for the 2008 tax year. It is likely that the examination phase of this audit will be completed within 18 months. There were no significant changes to the status of these examinations during 2010.

Note 8. Earnings per Share

(In millions except per share amounts)	2010	2009	2008
Income from Continuing Operations	$ 1,033.1	$ 851.3	$ 975.4
(Loss) Gain on Disposal of Discontinued Operations, Net	2.5	(1.0)	5.5
Net Income	1,035.6	850.3	980.9
Income Allocable to Participating Securities	(0.2)	(0.6)	(1.5)
Net Income for Earnings per Share	$ 1,035.4	$ 849.7	$ 979.4
Basic Weighted Average Shares	403.3	412.4	418.2
Effect of:			
Convertible debentures	2.9	8.5	13.3
Stock options and restricted stock/units	3.2	1.9	3.2
Diluted Weighted Average Shares	409.4	422.8	434.7
Basic Earnings per Share:			
Continuing operations	$ 2.56	$ 2.06	$ 2.33

Discontinued operations	.01	—	.01
	$ 2.57	$ 2.06	$ 2.34
Diluted Earnings per Share:			
Continuing operations	$ 2.52	$ 2.01	$ 2.24
Discontinued operations	.01	—	.01
	$ 2.53	$ 2.01	$ 2.25

Options to purchase 8.1 million, 10.9 million and 3.6 million shares of common stock were not included in the computation of diluted earnings per share for 2010, 2009 and 2008, respectively, because their effect would have been antidilutive.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Earnings per Share (continued)

Since the company must settle the par value of its convertible notes in cash, the company is not required to include any shares underlying the convertible notes in its diluted weighted average shares outstanding until the average stock price per share for the period exceeds the $40.20 conversion price for the 3.25% Senior Convertible Subordinated Notes due 2024 and only to the extent of the additional shares the company may be required to issue in the event the company's conversion obligation exceeds the principal amount of the notes or debentures converted (Note 9). At such time, only the number of shares that would be issuable (under the treasury stock method of accounting for share dilution) are included, which is based upon the amount by which the average stock price exceeds the conversion price.

The table below discloses the effect of changes in the company's stock price on the amount of shares to be included in the earnings per share calculation. The securities are convertible only if the common stock price equals or exceeds the trigger price. The table assumes normal conversion for the 3.25% Senior Convertible Subordinated Notes due 2024 in which the principal amount is paid in cash, and the excess up to the conversion value is paid in shares of the company's stock as follows:

3.25% Senior Convertible Notes		
Principal Outstanding (in millions)	$	329.3
Conversion Price per Share		40.20
Trigger Price		48.24

Future Common Stock Price	Total Potential Shares (in millions)
$40.20	—
$41.20	0.2
$45.00	0.9
$50.00	1.6
$55.00	2.2
$60.00	2.7
$65.00	3.1
$70.00	3.5

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9. Debt and Other Financing Arrangements

(In millions except per share amounts)	2010	2009
2.50% Senior Convertible Notes, Due 2023 Convertible at $23.73 per Share (net of unamortized discount of $0.4)	$ —	$ 12.6
Floating Rate Senior Convertible Debentures, Due 2033 Convertible at $29.55 per Share (net of unamortized discount of $1.5)	—	325.0
3.25% Senior Subordinated Convertible Notes, Due 2024 Convertible at $40.20 per Share (net of unamortized discount of $1.4 and $9.0, respectively)	327.9	320.3
2.15% Senior Notes, Due 2012 (includes interest rate hedge of $6.6 in 2010; net of interest rate hedge of $2.9 in 2009 and unamortized discount of $0.4 and $0.5,respectively)	356.2	346.6
3.25% Senior Notes, Due 2014 (includes interest rate hedge of $13.8 in 2010; net of interest rate hedge of $6.6 in 2009 and unamortized discount of $0.3 and $0.4, respectively)	413.5	393.0
3.20% Senior Notes, Due 2015 (includes interest rate hedge of $16.9; net of unamortized discount of $1.6)	465.3	—
5% Senior Notes, Due 2015	250.0	250.0
4.70% Senior Notes, Due 2020 (net of unamortized discount of $0.1)	299.9	—
6 1/8% Senior Subordinated Notes, Due 2015	—	500.0
Other	24.3	34.0
	2,137.1	2,181.5
Less: Short-term Obligations and Current Maturities	105.8	117.5
	$ 2,031.3	$ 2,064.0

The annual repayment requirements for debt obligations are as follows:

(In millions)	
2011	$ 105.7
2012	351.9
2013	4.6
2014	401.7
2015	708.8
2016 and thereafter	530.9
	2,103.6
Less: Unamortized discount	3.8
Add: Fair value of interest rate hedge	37.3

$	2,137.1

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

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9. Debt and Other Financing Arrangements (continued)

Short-term obligations and current maturities of long-term obligations in the accompanying balance sheet included $3.7 million and $1.9 million at year-end 2010 and 2009, respectively, of 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 10.63% and 11.42% at December 31, 2010 and 2009, respectively. In addition to available borrowings under the company's revolving credit agreement, discussed below, the company had unused lines of credit of $69.6 million as of December 31, 2010. These unused lines of credit generally provide for short-term unsecured borrowings at various interest rates.

In December 2010, the company obtained short-term financing commitments from two investment banking firms to fund $1.5 billion of the purchase price of Dionex. Interest on the short-term debt would have been computed based on one of several Federal Funds or LIBOR-based rates, the most favorable of which was 1.75% at December 31, 2010. However, in February 2011, the company issued $2.2 billion of senior notes (see Note 17), primarily to fund the pending acquisition of Dionex, and terminated the short-term financing commitment.

Credit Facilities

The company has a revolving credit facility with a bank group that provides for up to $1 billion of unsecured multi-currency revolving credit that will expire in August 2012. The agreement calls for interest at either a LIBOR-based rate or a rate based on the prime lending rate of the agent bank, at the company's option. The rate at December 31, 2010, was between 0.44% and 0.65% (depending on duration) under the more favorable of the two rates. The revolving credit facility allows for the issuance of letters of credit, which reduces the amount available for borrowing. The agreement contains affirmative, negative and financial covenants, and events of default customary for financings of this type. The financial covenant requires the company to maintain total leverage below a certain maximum level. The company was in compliance with all covenants between 2008 and 2010. 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. As of December 31, 2010, there were no borrowings under the revolver and $48.3 million in letters of credit outstanding, resulting in $951.7 million of borrowings available under the revolving credit facility.

2.50% Senior Convertible Notes due 2023

At the November 2006 closing date of the merger with Fisher, the company assumed $300.0 million aggregate principal amount of 2.50% Senior Convertible Notes due 2023. Interest on the notes was payable on April 1 and October 1 of each year. The notes were convertible at the option of the holder, at a price of $23.73 per share, if the common stock price exceeded the trigger price of $28.48 for a period of time as defined in the agreement, or upon the occurrence of certain other events.

During the fourth quarter of 2009, the company made a tender offer to purchase for cash any and all outstanding 2.50% Senior Convertible Notes due 2023 at a purchase price per $1,000 principal amount of $2,072.4743. At the expiration of the offer, the company purchased $282.3 million aggregate principal amount of such notes for an aggregate of $586.6 million including accrued and unpaid interest. The company recorded a loss of $10 million in 2009 on the early extinguishment of this debt in other expense, net on the accompanying statement of income. During

2010, the company purchased all of the remaining $13 million aggregate principal amount of the 2.50% Senior Convertible Notes due 2023 for an aggregate of $28 million.

Floating Rate Senior Convertible Debentures due 2033

At the closing date of the merger with Fisher, the company assumed $344.4 million aggregate principal amount of Floating Rate Senior Convertible Debentures due 2033. Interest on the notes was payable on March 15, June 15, September 15 and December 15 of each year at an annual rate of 90-day LIBOR minus 1.25%. The notes were convertible at the option of the holder, at a price of $29.55 per share, if the common stock price exceeds the trigger price of $38.41 for a period of time as defined in the agreement, or upon the occurrence of certain other events.

During 2010, following issuance of a redemption notice by the company, holders of the company’s Floating Rate Convertible Senior Debentures due 2033 exercised conversion rights for the remaining $326 million in par value. The company paid the principal and the premium due upon conversion in cash for a total outlay of $573 million.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9. Debt and Other Financing Arrangements (continued)

3.25% Senior Subordinated Convertible Notes due 2024

At the closing date of the merger with Fisher, the company assumed $330.0 million aggregate principal amount of 3.25% Senior Subordinated Convertible Notes due 2024. Interest on the notes is payable on March 1 and September 1 of each year. The notes are convertible at the option of the holder, at a price of $40.20 per share, if the common stock price exceeds the trigger price of $48.24 for a period of time as defined in the agreement, or upon the occurrence of certain other events. The company will be required to deliver cash to holders upon conversion, up to the principal amount of notes converted. The company will have the option to satisfy any amount of conversion obligation in excess of the principal amount in cash and/or shares of common stock. The notes may be redeemed, in whole or in part, at the company's option, on or after March 2, 2011, at 100% of the principal amount plus accrued interest. In addition, holders of the notes have the option, subject to certain conditions, to require the company to purchase any notes held by them for 100% of the principal amount plus accrued interest on March 1, 2011, March 1, 2016 and March 1, 2021, or upon a change of control.

For any holders of the company's convertible obligations electing to convert or if such debt is put to the company by holders on the next put date in 2011, the company currently intends to finance the cash payments that would be payable through borrowings under its revolving credit agreement to the extent such payments exceed $100 million which has been classified as a current maturity of long-term obligation in the accompanying 2010 balance sheet.

The company separately accounts for the debt and equity components of its convertible debt in a manner that reflects the company's nonconvertible debt borrowing rate when interest cost is recognized. The debt, temporary equity and equity components recognized for the company's convertible debt are as follows:

(In millions)	2010	2009
Principal Amount of Convertible Debt	$ 329.3	$ 668.8
Unamortized Discount	1.4	10.9
Net Carrying Amount	327.9	657.9
Incremental Convertible Debt Obligation (Temporary Equity)	—	1.9
Capital in Excess of Par Value	18.1	30.7

At December 31, 2010, the unamortized discount had a remaining weighted average recognition period of 3 months, to the first redemption date of the convertible debt. The amount of interest expense on the convertible debt recognized in the accompanying statement of income is as follows:

(In millions)	2010	2009	2008
Contractual Coupon Interest	$ 10.9	$ 18.4	$ 25.0
Amortization of Discount on Convertible Debt	9.1	22.5	21.6
Interest Expense	$ 20.0	$ 40.9	$ 46.6

Effective Interest Rate	4.7%	4.3%	5.1%

2.15% Senior Notes due 2012

On November 20, 2009, the company issued $350 million principal amount of 2.15% Senior Notes due 2012. Interest on the notes is payable on June 28 and December 28 of each year. The notes may be redeemed at any time at a redemption price of 100% of the principal amount plus a specified make-whole premium plus accrued interest. The company is subject to certain affirmative and negative covenants.

At the issuance of debt, the company entered into 3 month LIBOR-based interest rate swap arrangements with various banks. The aggregate amount of the swaps is equal to the principal amount of the 2.15% Notes and the payment dates of the swaps coincide with the payment dates of the notes. The swap contracts provide for the company to pay a variable interest rate of 3 month USD LIBOR plus a spread of 0.4194% (0.72% at December 31, 2010) and to receive a fixed interest rate of 2.15%. The variable interest rate resets quarterly. The swaps have been accounted for as a fair value hedge of the 2.15% Notes.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9. Debt and Other Financing Arrangements (continued)

3.25% Senior Notes due 2014

On November 20, 2009, the company issued $400 million principal amount of 3.25% Senior Notes due 2014. Interest on the notes is payable on May 20 and November 20 of each year. The notes may be redeemed at any time at a redemption price of 100% of the principal amount plus a specified make-whole premium plus accrued interest. The company is subject to certain affirmative and negative covenants.

At the issuance of debt, the company entered into 3 month LIBOR-based interest rate swap arrangements with various banks. The aggregate amount of the swaps is equal to the principal amount of the 3.25% Notes and the payment dates of the swaps coincide with the payment dates of the 3.25% Notes. The swap contracts provide for the company to pay a variable interest rate of 3 month USD LIBOR plus a spread of 0.7245% (1.01% at December 31, 2010) and to receive a fixed interest rate of 3.25%. The variable interest rate resets quarterly. The swaps have been accounted for as a fair value hedge of the 3.25% Notes.

3.20% Senior Notes due 2015

On April 27, 2010, the company issued $450 million principal amount of 3.20% Senior Notes due 2015. Interest on the notes is payable on May 1 and November 1 of each year. The notes may be redeemed at any time at a redemption price of 100% of the principal amount plus a specified make-whole premium plus accrued interest. The company is subject to certain affirmative and negative covenants, the most restrictive of which limits the ability of the company to pledge principal properties as security under borrowing arrangements.

At the issuance of debt, the company entered into six-month LIBOR-based interest rate swap arrangements with various banks. The aggregate amount of the swaps is equal to the principal amount of the 3.20% Notes and the payment dates of the swaps coincide with the payment dates of the 3.20% Notes. The swap contracts provide for the company to pay a variable interest rate of six-month USD LIBOR plus a spread of 0.4512% (0.90% at December 31, 2010) and to receive a fixed interest rate of 3.20%. The variable interest rate resets semi-annually. The swaps have been accounted for as a fair value hedge of the 3.20% Notes.

5% Senior Notes due 2015

In 2005, the company issued $250 million principal amount of 5% Senior Notes due 2015. Interest on the notes is payable on June 1 and December 1 of each year. The notes may be redeemed at any time at a redemption price of 100% of the principal amount plus a specified make-whole premium plus accrued interest. The company is subject to certain affirmative and negative covenants.

Prior to issuing this debt, the company entered into forward starting pay fixed swap agreements with several banks to mitigate the risk of interest rates rising prior to completion of a debt offering. Based on the company’s conclusion that a debt offering was probable 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 $250 million of principal amount of the 10-year fixed-rate debt issue (or any subsequent refinancing of such debt). The change in the fair value of the hedge upon termination was $2.0 million, net of tax, and was classified as a reduction of accumulated other comprehensive items within shareholders’ equity and is being amortized to interest expense over the term of the debt through 2015.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9. Debt and Other Financing Arrangements (continued)

4.70% Senior Notes due 2020

On April 27, 2010, the company issued $300 million principal amount of 4.70% Senior Notes due 2020. Interest on the notes is payable on May 1 and November 1 of each year. The notes may be redeemed at any time at a redemption price of 100% of the principal amount plus a specified make-whole premium plus accrued interest. The company is subject to certain affirmative and negative covenants, the most restrictive of which limits the ability of the company to pledge principal properties as security under borrowing arrangements.

6 3/4% Senior Subordinated Notes due 2014

At the closing date of the merger with Fisher, the company assumed $300 million principal amount of 6 3/4% Senior Subordinated Notes due 2014. Interest on the notes was payable on February 15 and August 15 of each year. The notes were redeemed at a redemption price of 103.375% of the principal amount plus accrued interest in December 2009 for a total cash outlay of $317 million. The company recorded a loss of $5 million in 2009 on the early extinguishment of this debt in other expense, net on the accompanying statement of income.

6 1/8% Senior Subordinated Notes due 2015

At the closing date of the merger with Fisher, the company assumed $500 million principal amount of 6 1/8% Senior Subordinated Notes due 2015. Interest on the notes was payable on January 1 and July 1 of each year. The notes were redeemed at a redemption price of 103.063% of the principal amount in July 2010 for a total cash outlay of $515 million plus accrued interest. The company recorded a loss of $15 million in 2010 on the early extinguishment of this debt in other expense, net on the accompanying statement of income.

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 $124.2 million, $108.4 million and $108.8 million in 2010, 2009 and 2008, respectively. The following is a summary of annual future minimum lease and rental commitments under noncancelable operating leases as of December 31, 2010:

(In millions)

2011	$	103.9
2012		82.2
2013		61.9
2014		45.2
2015		35.7
Thereafter		68.6

$	397.5

Purchase Obligations

The company has entered into unconditional purchase obligations, in the ordinary course of business, that include agreements to purchase goods or services 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 $211.0 million at December 31, 2010 and the majority of these obligations are expected to be settled during 2011.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10. Commitments and Contingencies (continued)

Letters of Credit, Guarantees and Other Commitments

Outstanding letters of credit and bank guarantees totaled $96.4 million at December 31, 2010, including $3.9 million for businesses that have been sold. The expiration of these credits and guarantees ranges through 2099.

Outstanding surety bonds and other guarantees totaled $46.7 million at December 31, 2010. The expiration of these bonds and guarantees ranges through 2013.

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.

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 indemnification by the buyer.

The company has funding commitments totaling $6.2 million at December 31, 2010, related to investments it owns.

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 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.

Litigation and Related Contingencies

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

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10. Commitments and Contingencies (continued)

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

The company accrues the most likely amount or at least the minimum of the range of probable loss when a range of probable loss can be estimated. The range of probable loss for product liability, workers compensation and other personal injury matters of the company's continuing operations at December 31, 2010, was approximately $214 million to $307 million on an undiscounted basis. The portion of these liabilities assumed in the merger with Fisher was recorded at its fair (present) value at the date of merger. The company's reserve for these matters in total, including the discounted liabilities, was $156 million at December 31, 2010 (or $217 million undiscounted). The reserve includes estimated defense costs and is gross of estimated amounts due from insurers of $99 million at December 31, 2010 (or $137 million undiscounted). 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 reserves, as of December 31, 2010, the company had product liability reserves of $8 million (undiscounted) relating to divested businesses.

The assets and liabilities assumed at the acquisition date were ascribed a fair value based on the present value of expected future cash flows, using a discount rate equivalent to the risk free rate of interest for monetary assets with comparable maturities (weighted average discount rate of 4.67%). The discount on the liabilities of approximately $61 million and the discount on the assets of approximately $37 million (net discount $24 million) are being accreted to interest expense over the expected settlement period.

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

The company is currently involved in various stages of investigation and remediation related to environmental matters. The company cannot predict all potential costs related to environmental remediation matters and the possible impact on future operations given the uncertainties regarding the extent of the required cleanup, the complexity and interpretation of applicable laws and regulations, the varying costs of alternative cleanup methods and the extent of the company's responsibility. Expenses for environmental remediation matters related to the costs of permit requirements and installing, operating and maintaining groundwater-treatment systems and other remedial activities related to historical environmental contamination at the company's domestic and international facilities were not material in any period presented. The company records accruals for environmental remediation liabilities, based on current interpretations of environmental laws and regulations, when it is probable that a liability has been incurred and the amount of such liability can be reasonably estimated. The company calculates estimates based upon several factors, including reports prepared by environmental specialists and management's knowledge of and experience with these environmental matters. The company includes in these estimates potential costs for investigation, remediation and operation and maintenance of cleanup sites. Having assumed environmental liabilities in the merger with Fisher, the company was required to discount the estimate of loss to fair (present) value. This fair value was ascribed by using a discount rate of 4.73%, which was the risk free interest rate for monetary assets with maturities comparable to that of the environmental liability. The remaining discount of $8 million is being accreted by charges to interest expense over the estimated maturity period of 30 years. At December 31, 2010 and 2009, the company's total environmental liability was approximately $22 million and $23 million, respectively.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10. Commitments and Contingencies (continued)

Management believes that its reserves for environmental matters are adequate for the remediation costs the company expects to incur. As a result, the company believes that the ultimate liability with respect to environmental remediation matters will not have a material adverse effect on the company’s financial position, results of operations or cash flows. However, the company may be subject to additional remedial or compliance costs due to future events, such as changes in existing laws and regulations, changes in agency direction or enforcement policies, developments in remediation technologies or changes in the conduct of the company’s operations, which could have a material adverse effect on the company’s financial position, results of operations or cash flows. Although these environmental remediation liabilities do not include third-party recoveries, the company may be able to bring indemnification claims against third parties for liabilities relating to certain sites.

Note 11. Comprehensive Income and Shareholders’ Equity

Comprehensive Income

Comprehensive income combines net income and other comprehensive items. Other comprehensive items represent certain amounts that are reported as components of shareholders’ equity in the accompanying balance sheet, including currency translation adjustments, unrealized gains and losses, net of tax, on available-for-sale investments and hedging instruments; and pension and other postretirement benefit liability adjustments.

Accumulated other comprehensive items in the accompanying balance sheet consist of the following:

(In millions)	2010	2009
Cumulative Translation Adjustment	$ 134.5	$ 161.7
Net Unrealized Gain on Available-for-sale Investments, Net of Tax	3.4	2.4
Net Unrealized Losses on Hedging Instruments, Net of Tax	(0.8)	(1.0)
Pension and Other Postretirement Benefit Liability Adjustments, Net of Tax	(93.5)	(71.1)
	$ 43.6	$ 92.0

An after tax gain on available-for-sale investments of $0.1 million was reclassified from accumulated other comprehensive items to net income in 2010. After-tax net losses on available-for-sale investments of $0.7 million and $4.3 million, were reclassified from accumulated other comprehensive items to net income in 2009 and 2008, respectively.

The unrealized loss on hedging instruments relates to the company’s 5% Senior Notes due 2015 (see Note 9) and is being amortized over the term of the debt. The after-tax charge recognized in net income was $0.2 million in 2010, 2009 and 2008.

The after-tax pension and other postretirement benefit liability adjustments recognized in net income in 2010, 2009 and 2008 were $1.2 million, $1.1 million and $1.0 million, respectively.

Shareholders' Equity

At December 31, 2010, the company had reserved 51,693,436 unissued shares of its common stock for possible issuance under stock-based compensation plans and for possible conversion of the company's convertible debentures.

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

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11. Comprehensive Income and Shareholders' Equity (continued)

The company has distributed rights under a shareholder rights plan adopted by the company's Board of Directors to holders of outstanding shares of the company's common stock. Each right entitles the holder to purchase one hundred-thousandth of a share (a Unit) of Series B Junior Participating Preferred Stock, $100 par value, at a purchase price of $200 per Unit, subject to adjustment. The rights will not be exercisable until the earlier of (i) 10 business days following a public announcement that a person or group of affiliated or associated persons (an Acquiring Person) has acquired, or obtained the right to acquire, beneficial ownership of 15% or more of the outstanding shares of common stock (the Stock Acquisition Date), or (ii) 10 business days following the commencement of a tender offer or exchange offer for 15% or more of the outstanding shares of common stock.

In the event that a person becomes the beneficial owner of 15% or more of the outstanding shares of common stock, except pursuant to an offer for all outstanding shares of common stock that at least 75% of the Board of Directors determines to be fair to, and otherwise in the best interests of, stockholders, each holder of a right (except for the Acquiring Person) will thereafter have the right to receive, upon exercise, that number of shares of common stock (or, in certain circumstances, units of preferred stock, cash, property or other securities of the company) which equals the exercise price of the right divided by one-half of the current market price of the common stock. In the event that, at any time after any person has become an Acquiring Person, (i) the company is acquired in a merger or other business combination transaction in which the company is not the surviving corporation or its common stock is changed or exchanged (other than a merger that follows an offer approved by the Board of Directors), or (ii) 50% or more of the company's assets or earning power is sold or transferred, each holder of a right (except for the Acquiring Person) shall thereafter have the right to receive, upon exercise, the number of shares of common stock of the acquiring company that equals the exercise price of the right divided by one-half of the current market price of such common stock.

At any time until the Stock Acquisition Date, the company may redeem the rights in whole, but not in part, at a price of $.01 per right (payable in cash or stock). The rights expire on September 29, 2015, unless earlier redeemed or exchanged.

As a result of the November 2006 merger with Fisher, warrants to purchase shares of Fisher common stock were converted into warrants to purchase 3,307,170 shares of company common stock at an exercise price of $4.83 per share. These warrants had a fair value of $113.2 million at the merger date, which was recorded as part of the merger consideration. All of the outstanding warrants were exercised in January 2008.

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 2010. The company's financial assets and liabilities carried at fair value are primarily comprised of investments in money market funds, mutual funds holding publicly traded securities, derivative contracts used to hedge the company's currency and interest rate risks and other investments in unit trusts and insurance contracts held as assets to satisfy outstanding retirement liabilities.

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.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12. Fair Value Measurements and Fair Value of Financial Instruments (continued)

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, 2010 and 2009:

(In millions)	December 31, 2010	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Cash equivalents	$ 301.6	$ 301.6	$ —	$ —
Investments in mutual funds, unit trusts and other similar instruments	36.3	36.3	—	—
Insurance contracts	42.6	—	42.6	—
Auction rate securities	4.6	—	—	4.6
Derivative contracts	40.1	—	40.1	—
Total Assets	$ 425.2	$ 337.9	$ 82.7	$ 4.6
Liabilities				
Derivative contracts	$ 3.5	$ —	$ 3.5	$ —
Contingent consideration	28.7	—	—	28.7
Total Liabilities	$ 32.2	$ —	$ 3.5	$ 28.7

(In millions)	December 31, 2009	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Cash equivalents	$ 1,081.7	$ 1,081.7	$ —	$ —
Investments in mutual funds, unit trusts and other similar instruments	32.9	32.9	—	—
Insurance contracts	31.9	—	31.9	—
Auction rate securities	5.4	—	—	5.4
Derivative contracts	4.5	—	4.5	—
Total Assets	$ 1,156.4	$ 1,114.6	$ 36.4	$ 5.4

Liabilities				
Derivative contracts	$ 10.3	$ —	$ 10.3	$ —
Contingent consideration	0.6	—	—	0.6
Total Liabilities	$ 10.9	$ —	$ 10.3	$ 0.6

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12. Fair Value Measurements and Fair Value of Financial Instruments (continued)

Available-for-sale investments are carried at fair value and are included in the tables above. The aggregate market value, cost basis and gross unrealized gains and losses of available-for-sale investments by major security type are as follows:

(In millions)	Market Value	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses
2010				
Mutual Fund and Unit Trust Investments	$ 32.0	$ 26.1	$ 5.9	$ —
Auction Rate Securities	4.6	5.3	—	0.7
	$ 36.6	$ 31.4	$ 5.9	$ 0.7
2009				
Mutual Fund and Unit Trust Investments	$ 31.2	$ 26.9	$ 4.3	$ —
Auction Rate Securities	5.4	6.0	—	0.6
	$ 36.6	$ 32.9	$ 4.3	$ 0.6

The cost of available-for-sale investments that were sold was based on specific identification in determining realized gains and losses recorded in the accompanying statement of income. Gross realized gains and gross realized losses on the sale of available-for-sale investments were nominal in 2010, 2009 and 2008.

In addition to available-for-sale investments, the company had $4.3 million and $1.7 million of trading securities, consisting of debt and equity securities, at December 31, 2010 and 2009, respectively.

The company determines the fair value of its insurance contracts by obtaining the cash surrender value of the contracts from the issuer. The company determines the fair value of the auction rate securities by obtaining indications of value from brokers/dealers. During 2009, the company recorded in other expense, net, $0.3 million of impairment charge on the auction rate securities for declines in value deemed attributable to credit losses exceeding six to nine months duration and thus considered other-than-temporary. 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 are recorded in selling, general and administrative expense. The following tables provide a rollforward of the fair value, as determined by Level 3 inputs, of the auction rate securities and contingent consideration.

(In millions)	Auction Rate Securities 2010	2009
Beginning Balance	$ 5.4	$ 5.7
Total impairment losses included in earnings	—	(0.3)

Sale of securities		(0.7)		(0.4)
Total unrealized gains (losses) included in other comprehensive income		(0.1)		0.4
Ending Balance	$	4.6	$	5.4

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12. Fair Value Measurements and Fair Value of Financial Instruments (continued)

(In millions)	Contingent Consideration 2010	2009
Beginning Balance	$ 0.6	$ —
Additions (See Note 2)	23.5	0.6
Payments	(0.7)	—
Change in fair value included in earnings	5.2	—
Currency translation	0.1	—
Ending Balance	$ 28.7	$ 0.6

The notional amounts of derivative contracts outstanding totaled $1.78 billion and $1.24 billion at year-end 2010 and 2009, respectively. The fair value of such contracts is the estimated amount that the company would receive upon liquidation of the contracts, taking into account the change in currency exchange rates.

The following tables present the fair value of derivative instruments in the consolidated balance sheet and statement of income.

(In millions)	Fair Value – Assets 2010	2009	Fair Value – Liabilities 2010	2009
Derivatives Designated as Hedging Instruments				
Interest rate swaps (a)	$ 37.3	$ —	$ —	$ 9.5
Derivatives Not Designated as Hedging Instruments				
Foreign currency exchange contracts (b)	2.8	4.5	3.5	0.8
Total derivatives	$ 40.1	$ 4.5	$ 3.5	$ 10.3

(a) The fair value of the interest rate swaps are included in the consolidated balance sheet under the captions other assets or other long-term liabilities.
(b) The fair value of the foreign currency exchange contracts are included in the consolidated balance sheet under the captions other current assets or other accrued expenses.

(In millions)	Gain (Loss) Recognized 2010	2009
Derivatives Designated as Fair Value Hedges		
Interest rate contracts	$ 20.3	$ 1.4
Derivatives Not Designated as Fair Value Hedges		
Foreign currency exchange contracts	35.8	(6.9)

Gains and losses recognized on interest rate and foreign currency exchange contracts are included in the consolidated statement of income under the caption other expense, net, together with the corresponding, offsetting losses and gains on the underlying transactions.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12. Fair Value Measurements and Fair Value of Financial Instruments (continued)

Fair Value of Other Instruments

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

	2010		2009	
(In millions)	Carrying Value	Fair Value	Carrying Value	Fair Value
Notes Receivable	$ 7.4	$ 7.4	$ 6.8	$ 6.8
Debt Obligations:				
Convertible obligations	327.9	461.4	657.9	992.0
Senior notes	1,784.9	1,806.3	989.6	1,016.1
Senior subordinated notes	—	—	500.0	520.1
Other	24.3	24.3	34.0	34.0
	$ 2,137.1	$ 2,292.0	$ 2,181.5	$ 2,562.2

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.

Note 13. Supplemental Cash Flow Information

(In millions)	2010	2009	2008
Cash Paid For:			
Interest	$ 82.5	$ 99.7	$ 129.5
Income Taxes	$ 370.4	$ 329.8	$ 292.1
Non-cash Activities			
Fair value of assets of acquired businesses and product lines	$ 805.0	$ 825.3	$ 265.7
Cash paid for acquired businesses and product lines	(651.5)	(623.7)	(204.9)
Liabilities assumed of acquired businesses and product lines	$ 153.5	$ 201.6	$ 60.8
Conversion of convertible debt	$ —	$ —	$ 2.8
Issuance of restricted stock	$ 1.4	$ 1.1	$ 21.9
Issuance of stock upon vesting of restricted stock units	$ 16.3	$ 7.0	$ 20.1

Note 14. Restructuring and Other Costs, Net

Restructuring costs in 2010 in both segments primarily included charges for actions in response to the downturn in the economy and reduced revenues in several businesses, as well as the consolidation of manufacturing and research and development operations at a site in Germany with an existing site in the U.S. and the consolidation of production operations at a plant in Iowa with plants in Ohio and North Carolina. The 2010 charges include asset impairments as discussed below. Restructuring costs in 2009 in both segments primarily included charges for actions in response to the downturn in the economy and reduced revenues in several businesses, as well as the following: consolidation of production operations at a plant in the United Kingdom with plants in the U.S. and Germany; the Iowa and Germany closures discussed above; the consolidation of operations at a plant in the Netherlands with plants in the United Kingdom and the U.S; and completion of the relocation of a manufacturing site in France to an existing site in Germany. Restructuring costs in 2008 included reductions in headcount within several businesses due to economic uncertainty affecting end markets and consolidating or transferring manufacturing operations from various sites in Europe, the U.S. and Australia to other sites. The 2008 costs also included charges for asset impairment, litigation and other matters discussed by segment below, net of pension curtailment gains.

As of February 24, 2011, the company has identified restructuring actions that will result in additional charges of approximately $35 million, primarily in the first half of 2011.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

2010

During 2010, the company recorded net restructuring and other costs by segment as follows:

(In millions)	Analytical Technologies	Laboratory Products and Services	Corporate	Total
Cost of Revenues	$ 11.2	$ 4.8	$ —	$ 16.0
Selling, General and Administrative Expenses	14.1	(0.2)	(10.9)	3.0
Restructuring and Other Costs, Net	36.6	23.4	0.4	60.4
	$ 61.9	$ 28.0	$ (10.5)	$ 79.4

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

Analytical Technologies

The Analytical Technologies segment recorded $61.9 million of net restructuring and other charges in 2010. The segment recorded charges to cost of revenues of $11.2 million primarily for the sale of inventories revalued at the date of acquisition; charges to selling, general and administrative expenses of $14.1 million for transaction costs primarily related to the pending Dionex acquisition (Note 2) and, to a lesser extent, revisions of estimated contingent consideration, principally related to the acquisition of Ahura; and $36.6 million of other costs, net. These other costs consisted of $18.9 million of cash costs, primarily associated with headcount reductions and facility consolidations in an effort to streamline operations, including $13.1 million of severance for approximately 170 employees primarily in manufacturing and sales and service functions; $3.0 million of abandoned facility costs; and $2.8 million of other cash costs, primarily retention, relocation and moving expenses associated with facility consolidations as well as other costs associated with restructuring actions. The segment also recorded $17.7 million of charges primarily due to impairment of intangible assets associated with several small business units.

Laboratory Products and Services

The Laboratory Products and Services segment recorded $28.0 million of net restructuring and other charges in 2010. The segment recorded charges to cost of revenues of $4.8 million primarily for accelerated depreciation at facilities closing due to real estate consolidation; $14.3 million in cash costs described below; and $9.1 million in other costs, net. The cash costs, which were associated with headcount reductions and facility consolidations in an effort to streamline operations, included $5.1 million of severance for approximately 80 employees primarily in manufacturing, administrative, and sales and service functions; $4.0 million of abandoned facility costs; and $5.2 million of other cash costs, primarily retention, relocation, moving and related expenses associated with facility consolidations. The non-cash costs of $9.1 million were related to a provision for loss on a patent infringement claim that arose at a business unit prior to its acquisition by the company and, to a lesser extent, writedowns to estimated disposal value of real estate held for sale.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Corporate

The company recorded $10.5 million, net, of income including $10.9 million as a reduction of selling, general and administrative expenses at its corporate office in 2010, the majority of which was a gain on settlement with product liability insurers.

2009

The company recorded net restructuring and other costs by segment for 2009 as follows:

(In millions)	Analytical Technologies	Laboratory Products and Services	Corporate	Total
Cost of Revenues	$ 4.7	$ 2.0	$ —	$ 6.7
Selling, General and Administrative Expenses	2.1	(0.6)	—	1.5
Restructuring and Other Costs, Net	37.2	21.7	1.9	60.8
	$ 44.0	$ 23.1	$ 1.9	$ 69.0

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

Analytical Technologies

The Analytical Technologies segment recorded $44.0 million of net restructuring and other charges in 2009. The segment recorded charges to cost of revenues of $4.7 million for the sale of inventories revalued at the date of acquisition and accelerated depreciation at facilities closing due to real estate consolidation, charges to selling, general and administrative expenses of $2.1 million for transaction costs related to the B.R.A.H.M.S. acquisition (Note 2) and $37.2 million of other costs, net. These other costs consisted of $41.8 million of cash costs, primarily associated with headcount reductions and facility consolidations in an effort to streamline operations, including $31.4 million of severance for approximately 520 employees primarily in manufacturing and sales and service functions; $5.5 million of abandoned facility costs; and $4.9 million of other cash costs, primarily retention, relocation and moving expenses associated with facility consolidations as well as other costs associated with restructuring actions. The segment also recorded $4.6 million of income, net, primarily due to a gain on the settlement of a litigation-related matter assumed as part of the merger with Fisher Scientific in 2006, offset partially by a $2.5 million charge for pension termination benefits.

Laboratory Products and Services

The Laboratory Products and Services segment recorded $23.1 million of net restructuring and other charges in 2009. The segment recorded charges to cost of revenues of $2.0 million for the sale of inventories revalued at the date of acquisition and accelerated depreciation at facilities closing due to real estate consolidation; net gain in selling, general and administrative expenses of $0.6 million primarily for settlement of certain pre-merger Fisher product liability-related matters partially offset by transaction costs related to the acquisition of Biolab; $17.9 million in cash costs described below; and $3.8 million in other costs, net. The cash costs, which were associated with headcount reductions and facility consolidations in an effort to streamline operations, included $13.9 million of severance for approximately 370 employees primarily in manufacturing, administrative, and sales and service functions; $1.1 million of abandoned facility costs; and $2.9 million of other cash costs, primarily retention, relocation, moving and related expenses associated with facility consolidations. The non-cash costs of $3.8 million were related primarily to a loss on an abandoned facility held for sale that was sold in July 2009 and, to a lesser extent, the impairment of intangible and fixed assets related to a product line.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Corporate

The company recorded $1.9 million in restructuring and other charges at its corporate office in 2009, $2.1 million of which were cash costs partially offset by a $0.2 million gain on the sale of abandoned real estate. The cash costs were primarily abandoned facility costs and, to a lesser extent, severance.

2008

The company recorded net restructuring and other costs by segment for 2008 as follows:

(In millions)	Analytical Technologies	Laboratory Products and Services	Corporate	Total
Cost of Revenues	$ 0.7	$ 0.8	$ —	$ 1.5
Restructuring and Other Costs, Net	41.6	8.9	(15.1)	35.4
	$ 42.3	$ 9.7	$ (15.1)	$ 36.9

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

Analytical Technologies

The Analytical Technologies segment recorded $42.3 million of net restructuring and other charges in 2008. The segment recorded charges to cost of revenues of $0.7 million, primarily for accelerated depreciation at facilities closing due to real estate consolidation, and $41.6 million of other costs, net. These other costs consisted of $23.1 million of cash costs, principally associated with headcount reductions and facility consolidations, including $13.7 million of severance for approximately 500 employees across all functions; $6.0 million of abandoned-facility costs; and $3.4 million of other cash costs, primarily retention, relocation, moving expenses and contract termination costs associated with facility consolidations. The principal facility consolidations include consolidating bioprocess production operations into a new facility at a current site in Utah as well as continuing actions initiated prior to 2008 and beginning new actions to cease manufacturing activities at plants in New Mexico, Denmark and Australia and transfer their operations to other sites. The segment also recorded non-cash costs of $18.5 million, including a $7.0 million impairment of acquisition-related intangible assets associated with a small business unit acquired as part of Fisher in 2006, a $5.0 million loss from a litigation-related matter assumed as part of the merger with Fisher, a $2.9 million net loss on the sale of businesses, $2.6 million for in-process research and development associated with an acquisition and $1.0 million for asset write downs at abandoned facilities.

Laboratory Products and Services

The Laboratory Products and Services segment recorded $9.7 million of net restructuring and other charges in 2008. The segment recorded charges to cost of revenues of $0.8 million for the sale of inventories revalued at the date of acquisition, and $8.9 million of other costs, net. These other costs consisted of $11.1 million of cash costs, principally associated with headcount reductions and facility consolidations, including $8.5 million of severance for approximately 380 employees primarily in manufacturing and administrative functions; $0.8 million of abandoned-facility costs; and $1.8 million of other cash costs primarily for retention, relocation and moving expenses. The facility consolidations principally included moving the manufacture of certain laboratory consumables products from existing facilities in California and New York to a new facility in Mexico and continuing the move of a manufacturing site in France to Germany. The segment also recorded non-cash income of $2.2 million primarily from a gain on the sale of real estate.

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Corporate

The company recorded $15.1 million of restructuring and other income at its corporate office in 2008. The company curtailed part of a defined benefit plan and, as a result, recorded a gain of $19.2 million. The company also recorded a $2.5 million writedown to estimated disposal value of real estate held for sale, $1.7 million for a gain on the sale of used equipment and $3.3 million in cash charges primarily for severance and, to a lesser extent, abandoned facility costs.

The following tables summarize 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.

(In millions)	Severance	Abandonment of Excess Facilities	Other	Total
Pre-2009 Restructuring Plans				
Balance At December 31, 2007	$ 11.0	$ 4.7	$ 3.7	$ 19.4
Costs incurred in 2008 (c)	25.4	8.9	5.8	40.1
Reserves reversed (b)	(0.6)	(0.9)	(1.1)	(2.6)
Payments	(23.2)	(6.3)	(6.1)	(35.6)
Currency translation	(0.2)	(0.2)	(0.1)	(0.5)
Balance At December 31, 2008	12.4	6.2	2.2	20.8
Costs incurred in 2009 (d)	4.0	3.4	2.1	9.5
Reserves reversed (b)	(0.5)	(0.3)	(0.2)	(1.0)
Payments	(13.4)	(5.1)	(3.7)	(22.2)
Currency translation	—	0.1	(0.1)	—
Balance At December 31, 2009	2.5	4.3	0.3	7.1
Costs incurred in 2010 (e)	0.2	1.8	0.1	2.1
Reserves reversed (b)	(0.1)	(0.4)	—	(0.5)
Payments	(1.7)	(2.9)	(0.4)	(5.0)
Currency translation	(0.3)	—	—	(0.3)
Balance At December 31, 2010	$ 0.6	$ 2.8	$ —	$ 3.4

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(In millions)	Severance	Abandonment of Excess Facilities	Other (a)	Total
2009 Restructuring Plans				
Costs incurred in 2009 (d)	$ 45.3	$ 6.3	$ 6.0	$ 57.6
Reserves reversed (b)	(2.7)	(1.5)	(0.1)	(4.3)
Payments	(21.5)	(2.8)	(4.3)	(28.6)
Currency translation	(0.1)	0.3	0.2	0.4
Balance At December 31, 2009	21.0	2.3	1.8	25.1
Costs incurred in 2010 (e)	9.6	4.0	4.9	18.5
Reserves reversed (b)	(2.2)	(0.4)	(0.4)	(3.0)
Payments	(19.5)	(3.5)	(6.1)	(29.1)
Currency translation	(0.8)	—	(0.1)	(0.9)
Balance At December 31, 2010	$ 8.1	$ 2.4	$ 0.1	$ 10.6
2010 Restructuring Plans				
Costs incurred in 2010 (e)	$ 11.0	$ 1.8	$ 3.7	$ 16.5
Payments	(8.9)	(1.4)	(3.5)	(13.8)
Currency translation	0.1	0.1	(0.1)	0.1
Balance At December 31, 2010	$ 2.2	$ 0.5	$ 0.1	$ 2.8

(a) Employee retention costs 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 an aggregate of $2 million of non-cash income, net, which are detailed by segment above.
(d) Excludes an aggregate of $1 million of non-cash income, net, which are detailed by segment above.
(e) Excludes an aggregate of $27 million of non-cash charges, net, which are detailed by segment above.

The company expects to pay accrued restructuring costs as follows: severance, employee-retention obligations and other costs, primarily through 2011; and abandoned-facility payments, over lease terms expiring through 2016.

Note 15. Discontinued Operations

In 2010, the company recorded additional proceeds related to a business divested in 2003, resulting in an after-tax gain of $2.5 million.

In 2008, the company recorded additional proceeds and the reversal of a reserve on a note receivable related to a business divested in 2003, resulting in an after-tax gain of $6 million. The note was collected in July 2008.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16. Unaudited Quarterly Information

	2010			
(In millions except per share amounts)	First (a)	Second (b)	Third (c)	Fourth (d)
Revenues	$ 2,675.1	$ 2,649.0	$ 2,683.5	$ 2,781.1
Gross Profit	1,096.3	1,083.0	1,097.5	1,161.9
Income from Continuing Operations	229.8	237.3	268.5	297.5
Net Income	232.3	237.3	268.5	297.5
Earnings per Share from Continuing Operations:				
Basic	.56	.58	.67	.76
Diluted	.55	.57	.66	.75
Earnings per Share:				
Basic	.57	.58	.67	.76
Diluted	.56	.57	.66	.75

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

(a) Costs of $23.6 million and after-tax gain of $2.5 million related to the company’s discontinued operations.
(b) Costs of $11.7 million.
(c) Costs of $13.3 million.
(d) Costs of $30.8 million.

	2009			
(In millions except per share amounts)	First (a)	Second (b)	Third (c)	Fourth (d)
Revenues	$ 2,255.1	$ 2,484.1	$ 2,531.1	$ 2,839.4
Gross Profit	886.9	988.3	1,011.2	1,138.3
Income from Continuing Operations	148.9	206.9	221.2	274.3
Net Income	148.9	206.9	221.2	273.3
Earnings per Share from Continuing Operations:				
Basic	.36	.50	.54	.67
Diluted	.35	.49	.53	.65
Earnings per Share:				
Basic	.36	.50	.54	.67
Diluted	.35	.49	.53	.65

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

(a) Costs of $13.6 million.
(b) Costs of $12.5 million.
(c) Costs of $13.8 million.
(d) Costs of $29.1 million and after-tax loss of $1.0 million related to the company’s discontinued operations.

Note 17. Subsequent Events

Planned Sale of Businesses

In February 2011, the company entered separate agreements to sell its Athena Diagnostics business (Athena), part of the Analytical Technologies segment, for $740 million in cash and its Lancaster Laboratories business (Lancaster), part of the Laboratory Products and Services segment, for $200 million in cash. Revenues and operating income of the two businesses aggregated approximately $225 million and $60 million, respectively, in 2010. Athena provides diagnostic testing for neurological and other diseases, with an emphasis on gene-based tests. Lancaster is a contract-testing laboratory that provides analytical laboratory services. The sales are subject to regulatory approvals and other closing conditions.

Issuance of Debt

On February 22, 2011, the company issued $2.2 billion principal amount of senior notes, as detailed below, to fund its pending acquisition of Dionex (see Note 2) and for general corporate purposes. All of these notes are subject to a special mandatory redemption provision. If the company does not consummate the Dionex acquisition by September 30, 2011, the company will be required to redeem all of the notes in whole at a redemption price of 101% of the aggregate principal, plus accrued and unpaid interest.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17. Subsequent Events (continued)

2.05% Senior Notes due 2014

On February 22, 2011, the company issued $300 million principal amount of 2.05% Senior Notes due 2014. Interest on the notes is payable on February 21 and August 21 of each year. The notes may be redeemed at any time at a redemption price of 100% of the principal amount plus a specified make-whole premium plus accrued interest. The company is subject to certain affirmative and negative covenants, the most restrictive of which limits the ability of the company to pledge principal properties as security under borrowing arrangements.

At the issuance of debt, the company entered into six-month LIBOR-based interest rate swap arrangements with various banks. The aggregate amount of the swaps is equal to the principal amount of the 2.05% Notes and the payment dates of the swaps coincide with the payment dates of the 2.05% Notes. The swap contracts provide for the company to pay a variable interest rate of six-month USD LIBOR plus a spread of 0.4112% (0.88% at February 22, 2011) and to receive a fixed interest rate of 2.05%. The variable interest rate resets semi-annually. The swaps will be accounted for as a fair value hedge of the 2.05% Notes.

3.20% Senior Notes due 2016

On February 22, 2011, the company issued $900 million principal amount of 3.20% Senior Notes due 2016. Interest on the notes is payable on March 1 and September 1 of each year. The notes may be redeemed at any time at a redemption price of 100% of the principal amount plus a specified make-whole premium plus accrued interest. The company is subject to certain affirmative and negative covenants, the most restrictive of which limits the ability of the company to pledge principal properties as security under borrowing arrangements.

4.50% Senior Notes due 2021

On February 22, 2011, the company issued $1.00 billion principal amount of 4.50% Senior Notes due 2021. Interest on the notes is payable on March 1 and September 1 of each year. The notes may be redeemed at any time at a redemption price of 100% of the principal amount plus a specified make-whole premium plus accrued interest. The company is subject to certain affirmative and negative covenants, the most restrictive of which limits the ability of the company to pledge principal properties as security under borrowing arrangements.

Financial Statement Index

Table of Contents

THERMO FISHER SCIENTIFIC INC.

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS

(In millions)	Balance at Beginning of Year	Provision Charged to Expense	Accounts Recovered	Accounts Written Off	Other (a)	Balance at End of Year
Allowance for Doubtful Accounts						
Year Ended December 31, 2010	$ 47.2	$ 2.2	$ 0.4	$ (10.6)	$ 0.7	$ 39.9
Year Ended December 31, 2009	$ 43.1	$ 7.3	$ 1.0	$ (6.7)	$ 2.5	$ 47.2
Year Ended December 31, 2008	$ 49.5	$ 5.5	$ 0.2	$ (11.9)	$ (0.2)	$ 43.1

(In millions)	Balance at Beginning of Year	Provision Charged to Expense (c)	Activity Charged to Reserve	Other (d)	Balance at End of Year
Accrued Restructuring Costs (b)					
Year Ended December 31, 2010	$ 32.2	$ 33.6	$ (47.9)	$ (1.1)	$ 16.8
Year Ended December 31, 2009	$ 20.8	$ 61.8	$ (50.8)	$ 0.4	$ 32.2
Year Ended December 31, 2008	$ 19.4	$ 37.5	$ (35.6)	$ (0.5)	$ 20.8

(a) Includes allowance of businesses acquired and sold during the year as described in Note 2 and the effect of currency translation.

(b) The nature of activity in this account is described in Note 14.

(c) Excludes $27 million of non-cash expense, net, in 2010 and $1 million and $2 million of non-cash income, net in 2009 and 2008, respectively, as described in Note 14.

(d) Represents the effects of currency translation.

Financial Statement Index