



ThermoFisher
S C I E N T I F I C

GAAP/Non-GAAP Reconciliation and Financial Package

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Use of Non-GAAP Financial Measures

In addition to the financial measures prepared in accordance with generally accepted accounting principles (GAAP), we use certain non-GAAP financial measures, including adjusted EPS, adjusted operating income and adjusted operating margin, which exclude certain acquisition-related costs, including charges for the sale of inventories revalued at the date of acquisition and significant transaction costs; restructuring and other costs/income; and amortization of acquisition-related intangible assets. Adjusted EPS also excludes certain other gains and losses that are either isolated or cannot be expected to occur again with any predictability, tax provisions/benefits related to the previous items, benefits from tax credit carryforwards, the impact of significant tax audits or events and the results of discontinued operations. We exclude the above items because they are outside of our normal operations and/or, in certain cases, are difficult to forecast accurately for future periods. We also use a non-GAAP measure, free cash flow, which is operating cash flow, excluding net capital expenditures, and also excludes operating cash flows from discontinued operations to provide a view of the continuing operations' ability to generate cash for use in acquisitions and other investing and financing activities. We believe that the use of non-GAAP measures helps investors to gain a better understanding of our core operating results and future prospects, consistent with how management measures and forecasts the company's performance, especially when comparing such results to previous periods or forecasts.

For example:

We exclude costs and tax effects associated with restructuring activities, such as reducing overhead and consolidating facilities. We believe that the costs related to these restructuring activities are not indicative of our normal operating costs.

We exclude certain acquisition-related costs, including charges for the sale of inventories revalued at the date of acquisition and significant transaction costs. We exclude these costs because we do not believe they are indicative of our normal operating costs.

We exclude the expense and tax effects associated with the amortization of acquisition-related intangible assets because a significant portion of the purchase price for acquisitions may be allocated to intangible assets that have lives of 5 to 20 years. Exclusion of the amortization expense allows comparisons of operating results that are consistent over time for both our newly acquired and long-held businesses and with both acquisitive and non-acquisitive peer companies.

We also exclude certain gains/losses and related tax effects, benefits from tax credit carryforwards and the impact of significant tax audits or events (such as the effect of enacted changes in tax rates or, in 2017, the incremental impact of tax reform legislation in the U.S.), which are either isolated or cannot be expected to occur again with any predictability and that we believe are not indicative of our normal operating gains and losses. For example, we exclude gains/losses from items such as the sale of a business or real estate, significant litigation-related matters, curtailments of pension plans, the early retirement of debt and discontinued operations.

We also report free cash flow, which is operating cash flow, excluding net capital expenditures, and also excludes operating cash flows from discontinued operations to provide a view of the continuing operations' ability to generate cash for use in acquisitions and other investing and financing activities.

Thermo Fisher's management uses these non-GAAP measures, in addition to GAAP financial measures, as the basis for measuring the company's core operating performance and comparing such performance to that of prior periods and to the performance of our competitors. Such measures are also used by management in their financial and operating decision-making and for compensation purposes.

The non-GAAP financial measures of Thermo Fisher's results of operations and cash flows included herein are not meant to be considered superior to or a substitute for Thermo Fisher's results of operations prepared in accordance with GAAP. Reconciliations of such non-GAAP financial measures to the most directly comparable GAAP financial measures are set forth in the accompanying tables.

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Annual Reconciliation of GAAP to Adjusted P&L

(Dollars in millions except EPS)

	2014		2015		2016		2017	
GAAP Consolidated Revenues	16,890		16,965		18,274		20,918	
Revenue Growth	29%		0%		8%		14%	
Acquisitions net of Divestitures	25%		1%		4%		9%	
Currency Translation	0%		-6%		-1%		0%	
Organic Revenue Growth	4%		5%		4% **		5%	
	\$	%	\$	%	\$	%	\$	%
GAAP Gross Margin	7,492	44.4%	7,756	45.7%	8,369	45.8%	9,445	45.2%
Cost of Revenues Charges (a)	328	1.9%	9	0.0%	102	0.6%	123	0.6%
Amortization of Acquisition-related Intangible Assets	427	2.5%	427	2.6%	446	2.4%	512	2.4%
Adjusted Gross Margin	8,247	48.8%	8,192	48.3%	8,917	48.8%	10,080	48.2%
GAAP SG&A Expense	4,896	29.0%	4,612	27.2%	4,976	27.2%	5,492	26.3%
Selling, General and Administrative Costs (b)	(130)	-0.8%	(46)	-0.3%	(104)	-0.6%	(78)	-0.4%
Amortization of Acquisition-related Intangible Assets	(905)	-5.3%	(888)	-5.2%	(932)	-5.0%	(1,082)	-5.2%
Adjusted SG&A Expense	3,861	22.9%	3,678	21.7%	3,940	21.6%	4,332	20.7%
GAAP R&D Expense	691	4.1%	692	4.1%	755	4.1%	888	4.2%
GAAP Operating Income	2,503	14.8%	2,336	13.8%	2,449	13.4%	2,968	14.2%
Cost of Revenues Charges (a)	328	1.9%	9	0.0%	102	0.6%	123	0.6%
Selling, General and Administrative Costs (b)	130	0.8%	46	0.3%	104	0.6%	78	0.4%
Restructuring and Other Costs (Income), Net (c)	(598)	-3.5%	116	0.7%	189	1.0%	97	0.4%
Amortization of Acquisition-related Intangible Assets	1,332	7.9%	1,315	7.7%	1,378	7.5%	1,594	7.6%
Adjusted Operating Income	3,695	21.9%	3,822	22.5%	4,222	23.1%	4,860	23.2%
Add back Depreciation Expense	353	2.1%	373	2.2%	380	2.1%	439	2.1%
Adjusted EBITDA	4,048	24.0%	4,195	24.7%	4,602	25.2%	5,299	25.3%

** Results do not sum due to rounding.

(a) The excluded items from cost of revenues include inventory charges, principally for the sale of inventories revalued at the date of acquisition and accelerated depreciation on assets to be abandoned as a result of real estate consolidation; and in 2014, 2016 and 2017, charges to conform the accounting policies of recently acquired businesses with the company's accounting policies.

(b) The excluded items from selling, general and administrative costs include significant acquisition transaction costs and charges/credits for changes in estimates of contingent acquisition consideration; charges associated with product liability litigation; in 2014, 2016 and 2017, charges to conform the accounting policies of recently acquired businesses with the company's accounting policies; and beginning in 2015, accelerated depreciation on fixed assets to be abandoned due to integration synergies.

(c) Restructuring and other costs (income) consist principally of severance and retention costs; abandoned facility and other expenses of real estate consolidation; material impairments; significant gains and losses on litigation-related matters; curtailments/settlements of pension plans; gains on the sale of businesses, product lines and property; and in 2016, environmental remediation costs.

(Annual P&L Reconciliation continued on the next page)

Annual Reconciliation of GAAP to Adjusted P&L

(Dollars in millions except EPS)

	2014		2015		2016		2017	
	\$	%	\$	%	\$	%	\$	%
GAAP Tax Provision	192	9.2%	(44)	-2.3%	(1)	-0.1%	201	8.3%
Tax Effect of Adjusted Items (e)	283	5.3%	516	16.0%	530	13.9%	364	4.7%
Adjusted Tax Provision	475	14.5%	472	13.7%	529	13.8%	565	13.0%
GAAP Net Income	1,894		1,975		2,022		2,225	
Cost of Revenues Charges (a)	328		9		102		123	
Selling, General and Administrative Costs (b)	130		46		104		78	
Restructuring and Other Costs (Income), Net (c)	(598)		116		189		97	
Amortization of Acquisition-related Intangible Assets	1,332		1,315		1,378		1,594	
Other Expense (Income) (d)	(3)		21		20		19	
Income Tax Benefit (e)	(283)		(516)		(530)		(364)	
(Income) Loss from Discontinued Operations, Net of Tax	1		5		3		3	
Adjusted Net Income	2,801		2,971		3,288		3,775	
GAAP Diluted EPS	4.71		4.92		5.09		5.59	
<i>GAAP Diluted EPS Growth</i>		35%		4%		3%		10%
Cost of Revenues Charges, Net of Tax (a)	0.55		0.01		0.16		0.21	
Selling, General and Administrative Costs, Net of Tax (b)	0.24		0.05		0.18		0.17	
Restructuring and Other Costs, Net of Tax (c)	(0.79)		0.19		0.30		0.18	
Amortization of Acquisition-related Intangible Assets, Net of Tax	2.27		2.27		2.41		2.86	
Other Expense (Income), Net of Tax (d)	(0.01)		0.03		0.09		0.03	
Income Tax Provision (Benefit) (e)	(0.01)		(0.09)		0.03		0.44	
(Income) Loss from Discontinued Operations, Net of Tax	0.00		0.01		0.01		0.01	
Adjusted Diluted EPS	6.96		7.39		8.27		9.49	
<i>Adjusted Diluted EPS Growth</i>		28%		6%		12%		15%

(a) The excluded items from cost of revenues include inventory charges, principally for the sale of inventories revalued at the date of acquisition and accelerated depreciation on assets to be abandoned as a result of real estate consolidation; and in 2014, 2016 and 2017, charges to conform the accounting policies of recently acquired businesses with the company's accounting policies.

(b) The excluded items from selling, general and administrative costs include significant acquisition transaction costs and charges/credits for changes in estimates of contingent acquisition consideration; charges associated with product liability litigation; in 2014, 2016 and 2017, charges to conform the accounting policies of recently acquired businesses with the company's accounting policies; and beginning in 2015, accelerated depreciation on fixed assets to be abandoned due to integration synergies.

(c) Restructuring and other costs (income) consist principally of severance and retention costs; abandoned facility and other expenses of real estate consolidation; material impairments; significant gains and losses on litigation-related matters; curtailments/settlements of pension plans; gains on the sale of businesses, product lines and property; and in 2016, environmental remediation costs.

(d) The excluded items from other expense (income), net, represent gains and losses on equity and available-for-sale investments; costs to obtain short-term financing commitments related to acquisitions; losses on the extinguishment of debt; in 2016 and prior years, amortization of acquisition-related intangible assets of the company's equity-method investments; and in 2015, costs associated with entering into interest rate swap arrangements.

(e) The excluded items from income tax benefit/provision include the tax benefits/provisions related to the above excluded items, benefit from tax credit carryforwards, the impact of the resolution of significant tax audits, the tax benefit from adjusting the company's deferred tax balances as a result of tax rate changes and in 2017, the impact of U.S. tax reform legislation.

Quarterly Reconciliation of GAAP to Adjusted P&L

(Dollars in millions except EPS)

	Q1-16		Q2-16		Q3-16		Q4-16		Q1-17		Q2-17		Q3-17		Q4-17	
Revenue																
Life Sciences Solutions Segment	1,218		1,368		1,312		1,419		1,363		1,405		1,382		1,578	
Analytical Instruments Segment	759		794		898		1,217		1,052		1,166		1,189		1,414	
Specialty Diagnostics Segment	855		851		799		834		866		862		844		914	
Laboratory Products and Services Segment	1,649		1,719		1,675		1,681		1,699		1,792		1,933		2,401	
Eliminations	(186)		(197)		(193)		(198)		(215)		(235)		(232)		(260)	
Total Revenue	4,295 †		4,535		4,491		4,953 †		4,765		4,990		5,116		6,047	
Reported Revenue Growth	10%		6%		9%		6%		11%		10%		14%		22%	
Acquisitions net of Divestitures	1%		3%		5%		8%		8%		8%		8%		11%	
Currency Translation	-2%		0%		0%		-1%		-1%		-1%		1%		3%	
Organic Revenue Growth	10% ** †		4% **		4%		0% ** †		4%		4% **		5%		8%	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
GAAP Cost of Goods Sold	2,337	54.4%	2,457	54.2%	2,437	54.3%	2,674	54.0%	2,573	54.0%	2,707	54.2%	2,816	55.0%	3,377	55.8%
Cost of Revenues Charges (a)	(11)	-0.2%	(17)	-0.4%	(33)	-0.7%	(41)	-0.8%	(31)	-0.6%	(1)	0.0%	(45)	-0.9%	(46)	-0.8%
Amortization of Acquisition-related Intangible Assets	(101)	-2.4%	(108)	-2.4%	(109)	-2.5%	(128)	-2.6%	(126)	-2.7%	(128)	-2.5%	(131)	-2.5%	(127)	-2.0%
Adjusted Cost of Goods Sold	2,225	51.8%	2,332	51.4%	2,295	51.1%	2,505	50.6%	2,416	50.7%	2,578	51.7%	2,640	51.6%	3,204	53.0%
GAAP Gross Margin	1,958	45.6%	2,078	45.8%	2,054	45.7%	2,279	46.0%	2,192	46.0%	2,283	45.8%	2,300	45.0%	2,670	44.2%
Cost of Revenues Charges (a)	11	0.2%	17	0.4%	33	0.7%	41	0.8%	31	0.6%	1	0.0%	45	0.9%	46	0.8%
Amortization of Acquisition-related Intangible Assets	101	2.4%	108	2.4%	109	2.5%	128	2.6%	126	2.7%	128	2.5%	131	2.5%	127	2.0%
Adjusted Gross Margin	2,070	48.2%	2,203	48.6%	2,196	48.9%	2,448	49.4%	2,349	49.3%	2,412	48.3%	2,476	48.4%	2,843	47.0%
GAAP SG&A Expense	1,213	28.2%	1,223	27.0%	1,275	28.4%	1,265	25.5%	1,331	27.9%	1,287	25.8%	1,397	27.3%	1,477	24.4%
Selling, General and Administrative Costs, Net (b)	(29)	-0.7%	(4)	-0.1%	(62)	-1.4%	(9)	-0.2%	(31)	-0.7%	(7)	-0.1%	(37)	-0.7%	(3)	-0.1%
Amortization of Acquisition-related Intangible Assets	(221)	-5.1%	(230)	-5.1%	(233)	-5.2%	(248)	-5.0%	(242)	-5.0%	(252)	-5.1%	(274)	-5.4%	(314)	-5.1%
Adjusted SG&A Expense	963	22.4%	989	21.8%	980	21.8%	1,008	20.3%	1,058	22.2%	1,028	20.6%	1,086	21.2%	1,160	19.2%
GAAP R&D Expense	177	4.1%	182	4.0%	183	4.1%	213	4.3%	215	4.5%	222	4.4%	218	4.3%	233	3.9%
GAAP Operating Income	518	12.1%	637	14.1%	541	12.0%	753	15.2%	622	13.1%	752	15.1%	636	12.4%	958	15.8%
Cost of Revenues Charges (a)	11	0.2%	17	0.4%	33	0.7%	41	0.8%	31	0.6%	1	0.0%	45	0.9%	46	0.8%
Selling, General and Administrative Costs (b)	29	0.7%	4	0.1%	62	1.4%	9	0.2%	31	0.7%	7	0.1%	37	0.7%	3	0.1%
Restructuring and Other Costs, Net (c)	50	1.2%	36	0.8%	55	1.3%	48	1.0%	24	0.5%	22	0.5%	49	1.0%	2	0.0%
Amortization of Acquisition-related Intangible Assets	322	7.5%	338	7.4%	342	7.6%	376	7.6%	368	7.7%	380	7.6%	405	7.9%	441	7.3%
Adjusted Operating Income	930	21.7%	1,032	22.8%	1,033	23.0%	1,227	24.8%	1,076	22.6%	1,162	23.3%	1,172	22.9%	1,450	24.0%
Add back Depreciation Expense	94	2.1%	97	2.1%	91	2.0%	98	2.0%	97	2.0%	97	1.9%	112	2.2%	133	2.2%
Adjusted EBITDA	1,024	23.8%	1,129	24.9%	1,124	25.0%	1,325	26.8%	1,173	24.6%	1,259	25.2%	1,284	25.1%	1,583	26.2%

† Total revenue and organic revenue growth were impacted by four extra selling days in Q1 2016 versus Q1 2015 and four less selling days in Q4 2016 versus Q4 2015.

** Results do not sum due to rounding.

(a) The excluded items from cost of revenues include inventory charges, principally for the sale of inventories revalued at the date of acquisition, and accelerated depreciation on assets to be abandoned as a result of real estate consolidation; and in Q1 2016, Q3 2016, Q4 2016, Q3 2017 and Q4 2017, charges to conform the accounting policies of recently acquired businesses with the company's accounting policies.

(b) The excluded items from selling, general and administrative costs include significant acquisition transaction costs, accelerated depreciation on fixed assets to be abandoned due to integration synergies and charges/credits for changes in estimates of contingent acquisition consideration; in Q3 2016 and Q3 2017, charges/income associated with product liability litigation; and in Q3 2016 and Q3 2017, charges to conform the accounting policies of recently acquired businesses with the company's accounting policies.

(c) Restructuring and other costs consist principally of severance and retention costs; abandoned facility and other expenses of real estate consolidation; material impairments; significant gains and losses on litigation-related matters; curtailments/settlements of pension plans; the sale of businesses, product lines and property; and in Q2 2016 and Q4 2016, environmental remediation costs.

(Quarterly P&L Reconciliation continued on the next page)

Quarterly Reconciliation of GAAP to Adjusted P&L

(Dollars in millions except EPS)

	Q1-16		Q2-16		Q3-16		Q4-16		Q1-17		Q2-17		Q3-17		Q4-17	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
GAAP Tax Provision	21	4.9%	4	0.8%	(45)	-10.7%	19	2.9%	(48)	-9.6%	13	2.1%	(54)	-11.1%	290	35.2%
Tax Effect of Adjusted Items (e)	96	9.1%	122	12.7%	167	23.8%	145	11.7%	182	23.6%	123	11.0%	176	22.9%	(117)	-21.9%
Adjusted Tax Provision	117	14.0%	126	13.5%	122	13.1%	164	14.6%	134	14.0%	136	13.1%	122	11.8%	173	13.3%
GAAP Net Income	402		517		473		630		551		612		534		528	
Cost of Revenues Charges (a)	11		17		33		41		31		1		45		46	
Selling, General and Administrative Costs (b)	29		4		62		9		31		7		37		3	
Restructuring and Other Costs, Net (c)	50		36		55		48		24		22		49		2	
Amortization of Acquisition-related Intangible Assets, Net of Tax	322		338		342		376		368		380		405		441	
Other (Income) Expense, Net (d)	(1)		16		11		(6)		(3)		3		30		(11)	
Income Tax Benefit (e)	(96)		(122)		(167)		(145)		(182)		(123)		(176)		117	
Loss from Discontinued Operations, Net of Tax	0		0		0		3		0		1		0		2	
Adjusted Net Income	717		806		809		956		820		903		924		1,128	
GAAP Diluted EPS	1.01		1.30		1.19		1.59		1.40		1.56		1.34		1.30	
GAAP Diluted EPS Growth		5%		2%		1%		6%		39%		20%		13%		-18%
Cost of Revenues Charges, Net of Tax (a)	0.02		0.03		0.05		0.06		0.05		0.00		0.07		0.08	
Selling, General and Administrative Costs, Net of Tax (b)	0.06		0.01		0.11		0.01		0.05		0.01		0.07		0.04	
Restructuring and Other Costs, Net of Tax (c)	0.09		0.06		0.09		0.07		0.04		0.04		0.07		0.02	
Amortization of Acquisition-related Intangible Assets, Net of Tax	0.60		0.60		0.59		0.60		0.70		0.68		0.70		0.77	
Other (Income) Expense, Net of Tax (d)	0.00		0.03		0.02		0.04		0.00		0.01		0.05		(0.02)	
Income Tax Provision (Benefit) (e)	0.02		0.00		(0.02)		0.03		(0.16)		0.00		0.01		0.59	
Loss from Discontinued Operations, Net of Tax	0.00		0.00		0.00		0.01		0.00		0.00		0.00		0.01	
Adjusted Diluted EPS	1.80		2.03		2.03		2.41		2.08		2.30		2.31		2.79	
Adjusted Diluted EPS Growth		10%		10%		13%		14%		16%		13%		14%		16%
Reconciliation of Free Cash Flow																
GAAP Net Cash Provided by Operating Activities	335		913		805		1,205		361		849		929		1,866	
Net Cash Used in (Provided by) Discontinued Operations	1		1		1		(1)		1		—		1		(1)	
Purchases of Property, Plant, and Equipment	(115)		(115)		(81)		(133)		(93)		(88)		(112)		(215)	
Proceeds from Sale of Property, Plant and Equipment	6		16		1		3		1		1		2		3	
Free Cash Flow	227		815		726		1,074		270		762		820		1,653	

(a) The excluded items from cost of revenues include inventory charges, principally for the sale of inventories revalued at the date of acquisition, and accelerated depreciation on assets to be abandoned as a result of real estate consolidation; and in Q1 2016, Q3 2016, Q4 2016, Q3 2017 and Q4 2017, charges to conform the accounting policies of recently acquired businesses with the company's accounting policies.

(b) The excluded items from selling, general and administrative costs include significant acquisition transaction costs, accelerated depreciation on fixed assets to be abandoned due to integration synergies and charges/credits for changes in estimates of contingent acquisition consideration; in Q3 2016 and Q3 2017, charges/income associated with product liability litigation; and in Q3 2016 and Q3 2017, charges to conform the accounting policies of recently acquired businesses with the company's accounting policies.

(c) Restructuring and other costs consist principally of severance and retention costs; abandoned facility and other expenses of real estate consolidation; material impairments; significant gains and losses on litigation-related matters; curtailments/settlements of pension plans; the sale of businesses, product lines and property; and in Q2 2016 and Q4 2016, environmental remediation costs.

(d) The excluded items from other (income) expense, net, represent gains and losses on equity and available-for-sale investments; losses on the early extinguishment of debt; in Q2 2016, Q3 2016, Q2 2017 and Q3 2017, charges related to fees paid to obtain bridge financing commitments for the acquisitions of FEI and Patheon; and in 2016 amortization of acquisition-related intangible assets of the company's equity-method investments.

(e) The excluded items from income tax benefit/provision include the tax benefits/provisions related to the above excluded items, benefit from tax credit carryforwards, the impact of the resolution of significant tax audits, the tax benefit from adjusting the company's deferred tax balances as a result of tax rate changes and in Q4 2017, the impact of U.S. tax reform legislation.

Free Cash Flow, Return on Invested Capital and Return on Equity

(Dollars in millions)

	2014	2015	2016	2017
Reconciliation of Free Cash Flow				
GAAP Net Cash Provided by Operating Activities	2,729	2,942	3,258	4,005
Net Cash (Provided by) Used in Discontinued Operations	4	9	2	1
Purchases of Property, Plant, and Equipment	(427)	(423)	(444)	(508)
Proceeds from Sale of Property, Plant and Equipment	49	18	26	7
Free Cash Flow	2,355	2,546	2,842	3,505
GAAP Return on Invested Capital (ROIC)				
	5.9%	5.9%	5.7%	5.4%
Cost of Revenues Charges (a)	1.0%	0.0%	0.3%	0.3%
Selling, General and Administrative Costs (b)	0.4%	0.1%	0.3%	0.2%
Restructuring and Other Costs (Income), Net (c)	-1.8%	0.3%	0.5%	0.2%
Amortization of Acquisition-related Intangible Assets	4.1%	3.9%	3.8%	3.9%
Net Interest Expense	0.8%	0.7%	0.7%	0.8%
Other Expense (Income) (d)	0.0%	0.1%	0.1%	0.0%
Income Tax Benefit (e)	-0.9%	-1.5%	-1.5%	-0.8%
(Income) Loss from Discontinued Operations, Net of Tax	0.0%	0.0%	0.0%	0.0%
Adjusted ROIC	9.5%	9.5%	9.9%	10.0%
GAAP Return on Equity (ROE)				
	9.5%	9.6%	9.5%	9.5%
Cost of Revenues Charges (a)	1.7%	0.0%	0.5%	0.5%
Selling, General and Administrative Costs (b)	0.7%	0.2%	0.5%	0.3%
Restructuring and Other Costs (Income), Net (c)	-3.0%	0.6%	0.9%	0.4%
Amortization of Acquisition-related Intangible Assets	6.7%	6.4%	6.4%	6.9%
Net Interest Expense	1.3%	1.1%	1.2%	1.4%
Other Expense (Income) (d)	0.0%	0.1%	0.1%	0.1%
Income Tax Benefit (e)	-1.4%	-2.5%	-2.5%	-1.4%
(Income) Loss from Discontinued Operations, Net of Tax	0.0%	0.0%	0.0%	0.0%
Adjusted ROE	15.5%	15.5%	16.6%	17.7%

Definitions:

Invested capital is equity plus short-term and long-term debt and net liabilities of discontinued operations less cash and short-term investments.

Adjusted return on invested capital is annual adjusted net income excluding net interest expense, net of tax benefit therefrom, divided by trailing five quarters average invested capital.

Adjusted return on equity is annual adjusted net income excluding net interest expense, net of tax benefit therefrom, divided by trailing five quarters average shareholders equity.

(a) The excluded items from cost of revenues include inventory charges, principally for the sale of inventories revalued at the date of acquisition and accelerated depreciation on assets to be abandoned as a result of real estate consolidation; and in 2014, 2016 and 2017, charges to conform the accounting policies of recently acquired businesses with the company's accounting policies.

(b) The excluded items from selling, general and administrative costs include significant acquisition transaction costs and charges/credits for changes in estimates of contingent acquisition consideration; charges associated with product liability litigation; in 2014, 2016 and 2017, charges to conform the accounting policies of recently acquired businesses with the company's accounting policies; and beginning in 2015, accelerated depreciation on fixed assets to be abandoned due to integration synergies.

(c) Restructuring and other costs (income) consist principally of severance and retention costs; abandoned facility and other expenses of real estate consolidation; material impairments; significant gains and losses on litigation-related matters; curtailments/settlements of pension plans; gains on the sale of businesses, product lines and property; and in 2016, environmental remediation costs.

(d) The excluded items from other expense (income), net, represent gains and losses on equity and available-for-sale investments; costs to obtain short-term financing commitments related to acquisitions; losses on the extinguishment of debt; in 2016 and prior years, amortization of acquisition-related intangible assets of the company's equity-method investments; and in 2015, costs associated with entering into interest rate swap arrangements.

(e) The excluded items from income tax benefit/provision include the tax benefits/provisions related to the above excluded items, benefit from tax credit carryforwards, the impact of the resolution of significant tax audits, the tax benefit from adjusting the company's deferred tax balances as a result of tax rate changes and in 2017, the impact of U.S. tax reform legislation.

Segment Data

(Dollars in millions)

	Q1-16 †	Q2-16	Q3-16	Q4-16 †	2016	Q1-17	Q2-17	Q3-17	Q4-17	2017
Life Sciences Solutions Segment										
Revenues	1,218	1,368	1,312	1,419	5,317	1,363	1,405	1,382	1,578	5,728
Total Revenue Growth	11%	13%	13%	9%	11%	12%	3%	5%	11%	8%
Acquisitions net of Divestitures	1%	6%	6%	7%	5%	6%	1%	0%	0%	2%
Currency Translation	-2%	0%	0%	-1%	-1%	-1%	-1%	1%	3%	0%
Organic Revenue Growth	11% **	7%	7%	4% **	7%	7%	3%	4%	8%	6%
Operating Income	351	389	389	467	1,596	434	448	453	561	1,896
Operating Income Margin	28.9%	28.5%	29.6%	32.9%	30.0%	31.8%	31.9%	32.8%	35.6%	33.1%
Operating Income Margin Expansion	+0.2 pts	+0.1 pts	-0.6 pts	+1.9 pts	+0.4 pts	+2.9 pts	+3.4 pts	+3.2 pts	+2.7 pts	+3.1 pts
Analytical Instruments Segment										
Revenues	759	794	898	1,217	3,668	1,052	1,166	1,189	1,414	4,821
Total Revenue Growth	4%	2%	15%	32%	14%	39%	47%	32%	16%	31%
Acquisitions net of Divestitures	0%	0%	13%	31%	12%	35%	42%	20%	2%	22%
Currency Translation	-1%	-1%	0%	-1%	-1%	-2%	-1%	1%	3%	1%
Organic Revenue Growth	6% **	3%	3% **	2%	3%	5% **	6%	11%	11%	9% **
Operating Income	112	145	190	298	745	192	232	257	346	1,027
Operating Income Margin	14.7%	18.3%	21.2%	24.5%	20.3%	18.2%	20.0%	21.6%	24.5%	21.3%
Operating Income Margin Expansion	-2.0 pts	+0.3 pts	+2.4 pts	+2.4 pts	+1.2 pts	+3.5 pts	+1.7 pts	+0.4 pts	0.0 pts	+1.0 pts
Specialty Diagnostics Segment										
Revenues	855	851	799	834	3,339	866	862	844	914	3,486
Total Revenue Growth	9%	4%	3%	-4%	3%	1%	1%	6%	10%	4%
Acquisitions net of Divestitures	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Currency Translation	-1%	0%	0%	-1%	-1%	-1%	-1%	1%	3%	0%
Organic Revenue Growth	10%	4%	3%	-3%	4%	2%	2%	4% **	7%	4%
Operating Income	230	238	214	228	910	234	235	219	242	930
Operating Income Margin	26.9%	27.9%	26.8%	27.2%	27.2%	27.0%	27.3%	25.9%	26.5%	26.7%
Operating Income Margin Expansion	-0.4 pts	+0.1 pts	+0.4 pts	+1.0 pts	+0.3 pts	+0.1 pts	-0.6 pts	-0.9 pts	-0.7 pts	-0.5 pts
Laboratory Products & Services Segment										
Revenues	1,649	1,719	1,675	1,681	6,724	1,699	1,792	1,933	2,401	7,825
Total Revenue Growth	14%	6%	7%	-3%	6%	3%	4%	15%	43%	16%
Acquisitions net of Divestitures	2%	2%	2%	0%	1%	0%	0%	11%	31%	11%
Currency Translation	-2%	-1%	-1%	-1%	-1%	-1%	-1%	1%	2%	0%
Organic Revenue Growth	14%	5%	6%	-2%	5% **	4%	5%	3%	9% **	5%
Operating Income	237	260	240	234	971	216	247	243	301	1,007
Operating Income Margin	14.4%	15.1%	14.3%	14.0%	14.4%	12.7%	13.8%	12.6%	12.5%	12.9%
Operating Income Margin Expansion	+0.1 pts	+0.3 pts	-0.4 pts	-0.2 pts	-0.1 pts	-1.7 pts	-1.3 pts	-1.7 pts	-1.5 pts	-1.5 pts

† Revenues and organic revenue growth were impacted by four extra selling days in Q1 2016 versus Q1 2015 and four less selling days in Q4 2016 versus Q4 2015.

** Results do not sum due to rounding.

Balance Sheet and Leverage Ratios

(Dollars in millions)

	12/31/2014 ^(c)	12/31/2015	12/31/2016	4/1/2017	7/1/2017	9/30/2017	12/31/2017
Assets							
Current Assets:							
Cash and cash equivalents	1,343	452	786	713	611	741	1,335
Short-term investments	9	2	2	2	2	2	2
Accounts receivable, net	2,474	2,545	3,049	3,097	3,258	3,657	3,879
Inventories	1,860	1,992	2,213	2,327	2,422	3,126	2,971
Other current assets	854	750	971	1,109	1,159	1,318	1,248
Total Current Assets	6,540	5,741	7,021	7,248	7,452	8,844	9,435
Property, Plant and Equipment, Net	2,426	2,449	2,578	2,564	2,600	3,932	4,047
Acquisition-related Intangible Assets	14,110	12,758	13,969	13,822	13,576	17,030	16,684
Other Assets	933	1,058	1,012	1,020	1,040	1,050	1,133
Goodwill	18,843	18,828	21,328	21,560	21,846	25,129	25,290
	42,852	40,834	45,908	46,214	46,514	55,985	56,589
Liabilities and Shareholders' Equity							
Current Liabilities:							
Short-term obligations and current maturities of long-term obligations	2,212	1,052	1,255	1,882	1,540	2,762	2,135
Accounts payable	821	822	926	1,031	982	1,124	1,428
Other current liabilities	2,317	2,272	2,685	2,390	2,554	3,145	3,433
Total Current Liabilities	5,350	4,146	4,866	5,303	5,076	7,031	6,996
Other Long-term Liabilities	4,602	3,918	4,130	3,928	3,791	5,022	5,307
Long-term Obligations	12,352	11,420	15,372	15,188	15,256	19,230	18,873
Total Shareholders' Equity	20,548	21,350	21,540	21,795	22,391	24,702	25,413
	42,852	40,834	45,908	46,214	46,514	55,985	56,589
Leverage Ratios							
Total Debt / TTM EBITDA	3.5X	3.1X	4.0X	3.9X	3.7X	4.7X	4.2X
Effect of Adjusted Items	0.1X	-0.1X	-0.4X	-0.3X	-0.3X	-0.3X	-0.2X
Total Debt / Adjusted TTM EBITDA (a)	3.6X	3.0X	3.6X	3.6X	3.4X	4.4X	4.0X
Net Debt (b) / TTM EBITDA	3.2X	3.0X	3.8X	3.8X	3.6X	4.5X	3.9X
Effect of Adjusted Items	0.1X	-0.1X	-0.4X	-0.4X	-0.3X	-0.3X	-0.2X
Net Debt (b) / Adjusted TTM EBITDA (a)	3.3X	2.9X	3.4X	3.4X	3.3X	4.2X	3.7X

(a) Adjusted EBITDA equals adjusted operating income excluding depreciation.

(b) Net debt is short-term and long-term debt less cash and short-term investments.

(c) Periods prior to 12/31/15 have not been recast to reflect the adoption of ASU 2015-03. Under this new accounting guidance debt issuance costs are now recorded as a reduction in the carrying value of the debt instrument. Previously, deferred debt issuance costs were included in Other Assets on the balance sheet.

Debt

(Dollars in millions)

	Effective Interest Rate at 12/31/17	Maturity Date	12/31/2014 ^(c)	12/31/2015	12/31/2016	4/1/2017	7/1/2017	9/30/2017	12/31/2017
Short-term									
TMO Floating Rate Senior Notes (euro denominated)	0.37%	8/9/2018	0	0	0	0	0	707	720
TMO 2.15% Senior Notes	2.35%	12/14/2018	0	0	0	0	0	0	449
Term Loan			1,000	0	300	350	0	750	0
Commercial Paper	0.26%		0	50	953	1,530	1,538	1,300	960
Other			1,212	1,002	3	2	2	5	6
Total Short-term			2,212	1,052	1,256	1,882	1,540	2,762	2,135
Long-term									
TMO Floating Rate Senior Notes (euro denominated)		8/9/2018	0	0	629	637	684	0	0
TMO 2.15% Senior Notes		12/14/2018	0	448	448	448	449	449	0
TMO 2.40% Senior Notes	2.59%	2/1/2019	898	895	897	897	897	898	898
TMO Floating Rate Senior Notes (euro denominated)	0.10%	7/24/2019	0	0	0	0	0	589	599
Life Technologies 6.00% Senior Notes	2.97%	3/1/2020	858	838	818	813	808	803	797
TMO 4.70% Senior Notes	4.23%	5/1/2020	300	300	304	304	304	303	303
TMO 1.50% Senior Notes (euro denominated)	1.62%	12/1/2020	0	459	445	451	484	500	509
Life Technologies 5.00% Senior Notes	3.24%	1/15/2021	438	432	426	425	423	422	420
TMO 4.50% Senior Notes (a)	5.37%	3/1/2021	996	995	990	988	992	991	984
TMO 3.60% Senior Notes (a)	5.19%	8/15/2021	1,098	1,096	1,088	1,086	1,091	1,090	1,081
TMO 3.30% Senior Notes	3.43%	2/15/2022	800	794	795	796	796	796	796
TMO 2.15% Senior Notes (euro denominated)	2.28%	7/21/2022	0	539	522	529	568	588	597
TMO 3.15% Senior Notes	3.31%	1/15/2023	797	792	793	793	794	794	794
TMO 3.00% Senior Notes (a)	5.42%	4/15/2023	0	0	943	942	948	950	941
TMO 4.15% Senior Notes	4.16%	2/1/2024	998	991	992	992	993	993	993
TMO 0.75% Senior Notes (euro denominated)	0.95%	9/12/2024	0	0	1,037	1,051	1,128	1,167	1,186
TMO 2.00% Senior Notes (euro denominated)	2.10%	4/15/2025	772	689	668	676	726	751	763
TMO 3.65% Senior Notes	3.77%	12/15/2025	0	347	347	347	347	347	347
TMO 1.40% Senior Notes (euro denominated)	1.53%	1/23/2026	0	0	0	0	0	819	832
TMO 2.95% Senior Notes	3.19%	9/19/2026	0	0	1,176	1,177	1,177	1,178	1,178
TMO 1.45% Senior Notes (euro denominated)	1.66%	3/16/2027	0	0	0	523	561	581	591
TMO 3.20% Senior Notes	3.39%	8/15/2027	0	0	0	0	0	739	739
TMO 1.375% Senior Notes (euro denominated)	1.46%	9/12/2028	0	0	625	633	680	703	715
TMO 1.95% Senior Notes (euro denominated)	2.08%	7/24/2029	0	0	0	0	0	816	830
TMO 2.875% Senior Notes (euro denominated)	2.94%	7/24/2037	0	0	0	0	0	819	833
TMO 5.30% Senior Notes	5.37%	2/1/2044	400	396	396	396	396	396	396
TMO 4.10% Senior Notes	4.23%	8/15/2047	0	0	0	0	0	734	733
Term Loan			275	0	523	274	0	0	0
Other			3,722	1,409	510	10	10	14	18
Total Long-term			12,352	11,420	15,372	15,188	15,256	19,230	18,873
Total Debt			14,564	12,472	16,628	17,070	16,796	21,992	21,008
Total Cash and Short-term Investments			1,352	454	788	715	613	743	1,337
Net Debt (b)			13,212	12,018	15,840	16,355	16,183	21,249	19,671

(a) Fixed rate interest has been swapped to variable rate.

(b) Net debt is short-term and long-term debt less cash and short-term investments.

(c) Periods prior to 12/31/15 have not been recast to reflect the adoption of ASU 2015-03. Under this new accounting guidance debt issuance costs are now recorded as a reduction in the carrying value of the debt instrument. Previously, deferred debt issuance costs were included in Other Assets on the balance sheet.

2014 - 2017 Significant Acquisitions/Divestitures

Transaction Closing Date	Entity	Acquisition or Divestiture	Business Description	Principal Segment	Revenue (a) (millions)
2017					
August 28	Patheon N.V.	Acquisition	Leading contract development and manufacturing organization serving the pharmaceutical and biotechnology sectors	LPS	\$1,867 (b)
March 2	Core Informatics	Acquisition	Provider of cloud-based platforms supporting scientific data management	AIS	\$10
February 14	Finesse Solutions, Inc.	Acquisition	Leader in development of scalable control automation systems and software for bioproduction	LSS	\$50
2016					
September 19	FEI	Acquisition	Leader in high-performance electron microscopy	AIS	\$930
March 31	Affymetrix	Acquisition	Leading provider of cellular and genetic analysis products	LSS	\$360
2015					
September 30	Alfa Aesar	Acquisition	Leading global manufacturer of research chemicals	LPS	£78
February 4	Advanced Scientifics, Inc.	Acquisition	Provider of customized single-use systems and process equipment for bioprocess production	LSS	\$80
2014					
August 15	Cole-Parmer	Divestiture	Customer channel business providing fluid handling, test and measurement, and electrochemistry products and services	LPS	\$232
March 21	Select businesses within Biosciences portfolio	Divestiture	Sera and media, gene modulation and magnetic beads businesses formerly in the Analytical Technologies Segment	LSS	\$250
February 3	Life Technologies	Acquisition	Global leader in life sciences	LSS	\$3,872
(a) Approximate revenue from prior full year reporting period as of the announcement date.					
(b) Fiscal year ended October 31, 2016.					

Capital Deployment

Share Buybacks	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total Number of Shares Purchased (millions)	—	4.0	9.0	5.0
Average Price Paid per Share	<u>\$0.00</u>	<u>\$127.66</u>	<u>\$138.28</u>	<u>\$148.59</u>
Total Spend (\$ millions)	\$0	\$500	\$1,250	\$750

Remaining Share Repurchase Authorization (in millions) as of 1/31/2018: \$500

Dividends Paid	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Amount per Share	\$0.60	\$0.60	\$0.60	\$0.60

Future declarations of dividends are subject to board approval and may be adjusted as business needs or market conditions change.

Fiscal Calendar

2017 FISCAL CALENDAR

FIRST QUARTER								THIRD QUARTER									
Month	S	M	T	W	T	F	S	Week	Month	S	M	T	W	T	F	S	Week
JAN 5 Weeks	1	2	3	4	5	6	7	1	JULY 5 Weeks	2	3	4	5	6	7	8	27
	8	9	10	11	12	13	14	2		9	10	11	12	13	14	15	28
	15	16	17	18	19	20	21	3		16	17	18	19	20	21	22	29
	22	23	24	25	26	27	28	4		23	24	25	26	27	28	29	30
	29	30	31	1	2	3	4	5		30	31	1	2	3	4	5	31
FEB 4 Weeks	5	6	7	8	9	10	11	6	AUG 4 Weeks	6	7	8	9	10	11	12	32
	12	13	14	15	16	17	18	7		13	14	15	16	17	18	19	33
	19	20	21	22	23	24	25	8		20	21	22	23	24	25	26	34
	26	27	28	1	2	3	4	9		27	28	29	30	31	1	2	35
MARCH 4 Weeks	5	6	7	8	9	10	11	10	SEPT 4 Weeks	3	4	5	6	7	8	9	36
	12	13	14	15	16	17	18	11		10	11	12	13	14	15	16	37
	19	20	21	22	23	24	25	12		17	18	19	20	21	22	23	38
	26	27	28	29	30	31	1	13		24	25	26	27	28	29	30	39
SECOND QUARTER								FOURTH QUARTER									
APRIL 5 Weeks	2	3	4	5	6	7	8	14	OCT 5 Weeks	1	2	3	4	5	6	7	40
	9	10	11	12	13	14	15	15		8	9	10	11	12	13	14	41
	16	17	18	19	20	21	22	16		15	16	17	18	19	20	21	42
	23	24	25	26	27	28	29	17		22	23	24	25	26	27	28	43
	30	1	2	3	4	5	6	18		29	30	31	1	2	3	4	44
MAY 4 Weeks	7	8	9	10	11	12	13	19	NOV 4 Weeks	5	6	7	8	9	10	11	45
	14	15	16	17	18	19	20	20		12	13	14	15	16	17	18	46
	21	22	23	24	25	26	27	21		19	20	21	22	23	24	25	47
	28	29	30	31	1	2	3	22		26	27	28	29	30	1	2	48
JUNE 4 Weeks	4	5	6	7	8	9	10	23	DEC 4 Weeks	3	4	5	6	7	8	9	49
	11	12	13	14	15	16	17	24		10	11	12	13	14	15	16	50
	18	19	20	21	22	23	24	25		17	18	19	20	21	22	23	51
	25	26	27	28	29	30	1	26		24	25	26	27	28	29	30	52
									31								53

2018 FISCAL CALENDAR

FIRST QUARTER								THIRD QUARTER									
Month	S	M	T	W	T	F	S	Week	Month	S	M	T	W	T	F	S	Week
JAN 5 Weeks	1	2	3	4	5	6	7	1	JULY 5 Weeks	1	2	3	4	5	6	7	27
	7	8	9	10	11	12	13	2		8	9	10	11	12	13	14	28
	14	15	16	17	18	19	20	3		15	16	17	18	19	20	21	29
	21	22	23	24	25	26	27	4		22	23	24	25	26	27	28	30
	28	29	30	31	1	2	3	5		29	30	31	1	2	3	4	31
FEB 4 Weeks	4	5	6	7	8	9	10	6	AUG 4 Weeks	5	6	7	8	9	10	11	32
	11	12	13	14	15	16	17	7		12	13	14	15	16	17	18	33
	18	19	20	21	22	23	24	8		19	20	21	22	23	24	25	34
	25	26	27	28	1	2	3	9		26	27	28	29	30	31	1	35
MARCH 4 Weeks	4	5	6	7	8	9	10	10	SEPT 4 Weeks	2	3	4	5	6	7	8	36
	11	12	13	14	15	16	17	11		9	10	11	12	13	14	15	37
	18	19	20	21	22	23	24	12		16	17	18	19	20	21	22	38
	25	26	27	28	29	30	31	13		23	24	25	26	27	28	29	39
SECOND QUARTER								FOURTH QUARTER									
APRIL 5 Weeks	1	2	3	4	5	6	7	14	OCT 5 Weeks	30	1	2	3	4	5	6	40
	8	9	10	11	12	13	14	15		7	8	9	10	11	12	13	41
	15	16	17	18	19	20	21	16		14	15	16	17	18	19	20	42
	22	23	24	25	26	27	28	17		21	22	23	24	25	26	27	43
	29	30	1	2	3	4	5	18		28	29	30	31	1	2	3	44
MAY 4 Weeks	6	7	8	9	10	11	12	19	NOV 4 Weeks	4	5	6	7	8	9	10	45
	13	14	15	16	17	18	19	20		11	12	13	14	15	16	17	46
	20	21	22	23	24	25	26	21		18	19	20	21	22	23	24	47
	27	28	29	30	31	1	2	22		25	26	27	28	29	30	1	48
JUNE 4 Weeks	3	4	5	6	7	8	9	23	DEC 4 Weeks	2	3	4	5	6	7	8	49
	10	11	12	13	14	15	16	24		9	10	11	12	13	14	15	50
	17	18	19	20	21	22	23	25		16	17	18	19	20	21	22	51
	24	25	26	27	28	29	30	26		23	24	25	26	27	28	29	52
									30	31							53