



GAAP/Non-GAAP Reconciliation and Financial Package

July 24, 2019

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, such as 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, 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 cash flow from continuing operations, less net capital expenditures, 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 3 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 and the impact of significant tax audits or events (such as changes in deferred taxes from enacted tax rate changes or the estimated initial impacts 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 cash flow from continuing operations, less net capital expenditures, 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		2018	
GAAP Consolidated Revenues	16,890		16,965		18,274		20,918		24,358	
Revenue Growth	29%		0%		8%		14%		16%	
Acquisitions net of Divestitures	25%		1%		4%		9%		7%	
Currency Translation	0%		-6%		-1%		0%		1%	
Organic Revenue Growth	4%		5%		4%**		5%		8%	
	\$	%	\$	%	\$	%	\$	%	\$	%
GAAP Gross Margin	7,492	44.4%	7,756	45.7%	8,372	45.8%	9,448	45.2%	10,857	44.6%
Cost of Revenues Charges (a)	328	1.9%	9	0.0%	102	0.6%	123	0.6%	12	0.1%
Amortization of Acquisition-related Intangible Assets	427	2.5%	427	2.6%	446	2.4%	512	2.4%	507	2.0%
Adjusted Gross Margin	8,247	48.8%	8,192	48.3%	8,920	48.8%	10,083	48.2%	11,376	46.7%
GAAP SG&A Expense	4,896	29.0%	4,612	27.2%	4,971	27.2%	5,504	26.3%	6,057	24.9%
Selling, General and Administrative Costs (b)	(130)	-0.8%	(46)	-0.3%	(104)	-0.6%	(78)	-0.4%	(29)	-0.1%
Amortization of Acquisition-related Intangible Assets	(905)	-5.3%	(888)	-5.2%	(932)	-5.1%	(1,082)	-5.1%	(1,234)	-5.1%
Adjusted SG&A Expense	3,861	22.9%	3,678	21.7%	3,935	21.5%	4,344	20.8%	4,794	19.7%
GAAP R&D Expense	691	4.1%	692	4.1%	754	4.1%	887	4.2%	967	4.0%
GAAP Operating Income	2,503	14.8%	2,336	13.8%	2,458	13.5%	2,960	14.2%	3,783	15.5%
Cost of Revenues Charges (a)	328	1.9%	9	0.0%	102	0.6%	123	0.6%	12	0.1%
Selling, General and Administrative Costs (b)	130	0.8%	46	0.3%	104	0.6%	78	0.4%	29	0.1%
Restructuring and Other Costs (Income), Net (c)	(598)	-3.5%	116	0.7%	189	1.0%	97	0.4%	50	0.2%
Amortization of Acquisition-related Intangible Assets	1,332	7.9%	1,315	7.7%	1,378	7.5%	1,594	7.6%	1,741	7.2%
Adjusted Operating Income	3,695	21.9%	3,822	22.5%	4,231	23.2%	4,852	23.2%	5,615	23.1%
Add back Depreciation Expense	353	2.1%	373	2.2%	380	2.0%	439	2.1%	526	2.1%
Adjusted EBITDA	4,048	24.0%	4,195	24.7%	4,611	25.2%	5,291	25.3%	6,141	25.2%

** 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, 2017 and 2018, charges/credits to conform the accounting policies of recently acquired businesses to 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/income associated with product liability litigation; in 2014, 2016, 2017 and 2018, charges to conform the accounting policies of recently acquired businesses to the company's accounting policies; and in 2015, 2016, and 2017, accelerated depreciation on fixed assets to be abandoned due to integration synergies and facility consolidations.

(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; gains on the sale of businesses, product lines and property; in 2017 and prior years, curtailments/settlements of pension plans; in 2016 and 2018, environmental remediation costs; and in 2017 and 2018, hurricane response 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		2018	
	\$	%	\$	%	\$	%	\$	%	\$	%
GAAP Tax Provision	192	9.2%	(44)	-2.3%	(1)	-0.1%	201	8.3%	324	9.9%
Tax Effect of Adjusted Items (e)	283	5.3%	516	16.0%	530	13.9%	364	4.7%	284	2.0%
Adjusted Tax Provision	475	14.5%	472	13.7%	529	13.8%	565	13.0%	608	11.9%
GAAP Net Income	1,894		1,975		2,022		2,225		2,938	
Cost of Revenues Charges (a)	328		9		102		123		12	
Selling, General and Administrative Costs (b)	130		46		104		78		29	
Restructuring and Other Costs (Income), Net (c)	(598)		116		189		97		50	
Amortization of Acquisition-related Intangible Assets	1,332		1,315		1,378		1,594		1,741	
Other Expense (Income) (d)	(3)		21		20		19		25	
Income Tax Benefit (e)	(283)		(516)		(530)		(364)		(284)	
(Income) Loss from Discontinued Operations, Net of Tax	1		5		3		3		—	
Adjusted Net Income	2,801		2,971		3,288		3,775		4,511	
GAAP Diluted EPS	4.71		4.92		5.09		5.59		7.24	
<i>GAAP Diluted EPS Growth</i>		35%		4%		3%		10%		30%
Cost of Revenues Charges, Net of Tax (a)	0.55		0.01		0.16		0.21		0.02	
Selling, General and Administrative Costs, Net of Tax (b)	0.24		0.05		0.18		0.17		0.06	
Restructuring and Other Costs, Net of Tax (c)	(0.79)		0.19		0.30		0.18		0.09	
Amortization of Acquisition-related Intangible Assets, Net of Tax	2.27		2.27		2.41		2.86		3.34	
Other Expense (Income), Net of Tax (d)	(0.01)		0.03		0.09		0.03		0.05	
Income Tax Provision (Benefit) (e)	(0.01)		(0.09)		0.03		0.44		0.32	
(Income) Loss from Discontinued Operations, Net of Tax	0.00		0.01		0.01		0.01		0.00	
Adjusted Diluted EPS	6.96		7.39		8.27		9.49		11.12	
<i>Adjusted Diluted EPS Growth</i>		28%		6%		12%		15%		17%

(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, 2017 and 2018, charges/credits to conform the accounting policies of recently acquired businesses to 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/income associated with product liability litigation; in 2014, 2016, 2017 and 2018, charges to conform the accounting policies of recently acquired businesses to the company's accounting policies; and in 2015, 2016, and 2017, accelerated depreciation on fixed assets to be abandoned due to integration synergies and facility consolidations.

(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; gains on the sale of businesses, product lines and property; in 2017 and prior years, curtailments/settlements of pension plans; in 2016 and 2018, environmental remediation costs; and in 2017 and 2018, hurricane response costs.

(d) The excluded items from other expense (income), net, represent gains and losses on investments; costs to obtain short-term financing commitments related to acquisitions; losses on the extinguishment of debt; in 2018, curtailments/settlements of pension plans; 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, 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 and 2018, the estimated initial impacts of U.S. tax reform legislation.

Quarterly Reconciliation of GAAP to Adjusted P&L

(Dollars in millions except EPS)

	Q1-18		Q2-18		Q3-18		Q4-18		Q1-19		Q2-19	
Revenue												
Life Sciences Solutions Segment	1,499		1,569		1,504		1,697		1,607		1,710	
Analytical Instruments Segment	1,257		1,311		1,333		1,568		1,322		1,324	
Specialty Diagnostics Segment	947		932		894		951		957		943	
Laboratory Products and Services Segment	2,413		2,550		2,470		2,602		2,513		2,633	
Eliminations	(263)		(284)		(281)		(311)		(274)		(294)	
Total Revenue	5,853		6,078		5,920		6,507		6,125		6,316	
Reported Revenue Growth	23%		22%		16%		8%		5%		4%	
Acquisitions net of Divestitures	12%		12%		7%		1%		1%		1%	
Currency Translation	4%		2%		-1%		-2%		-3%		-2%	
Organic Revenue Growth	7%		8%		10%		8% **		7%		5%	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
GAAP Cost of Goods Sold	3,273	55.9%	3,340	55.0%	3,305	55.8%	3,583	55.1%	3,418	55.8%	3,493	55.3%
Cost of Revenues Charges (a)	(3)	-0.1%	(5)	-0.1%	1	0.0%	(5)	-0.1%	(6)	-0.1%	(5)	-0.1%
Amortization of Acquisition-related Intangible Assets	(129)	-2.1%	(129)	-2.2%	(124)	-2.0%	(125)	-1.9%	(125)	-2.0%	(125)	-1.9%
Adjusted Cost of Goods Sold	3,141	53.7%	3,206	52.7%	3,182	53.8%	3,453	53.1%	3,287	53.7%	3,363	53.3%
GAAP Gross Margin	2,580	44.1%	2,738	45.0%	2,615	44.2%	2,924	44.9%	2,707	44.2%	2,823	44.7%
Cost of Revenues Charges (a)	3	0.1%	5	0.1%	(1)	0.0%	5	0.1%	6	0.1%	5	0.1%
Amortization of Acquisition-related Intangible Assets	129	2.1%	129	2.2%	124	2.0%	125	1.9%	125	2.0%	125	1.9%
Adjusted Gross Margin	2,712	46.3%	2,872	47.3%	2,738	46.2%	3,054	46.9%	2,838	46.3%	2,953	46.7%
GAAP SG&A Expense	1,515	25.9%	1,542	25.4%	1,490	25.2%	1,510	23.2%	1,528	25.0%	1,565	24.8%
Selling, General and Administrative Costs, Net (b)	(8)	-0.1%	(3)	0.0%	4	0.1%	(22)	-0.3%	(11)	-0.2%	(36)	-0.6%
Amortization of Acquisition-related Intangible Assets	(315)	-5.4%	(312)	-5.2%	(307)	-5.2%	(300)	-4.6%	(297)	-4.9%	(304)	-4.8%
Adjusted SG&A Expense	1,192	20.4%	1,227	20.2%	1,187	20.1%	1,188	18.3%	1,220	19.9%	1,225	19.4%
GAAP R&D Expense	234	4.0%	242	4.0%	240	4.1%	251	3.9%	248	4.0%	246	3.9%
GAAP Operating Income	786	13.4%	937	15.4%	912	15.4%	1,148	17.6%	920	15.0%	1,496	23.7%
Cost of Revenues Charges (a)	3	0.1%	5	0.1%	(1)	0.0%	5	0.1%	6	0.1%	5	0.1%
Selling, General and Administrative Costs (b)	8	0.1%	3	0.0%	(4)	-0.1%	22	0.3%	11	0.2%	36	0.6%
Restructuring and Other Costs (Income), Net (c)	45	0.8%	17	0.3%	(27)	-0.5%	15	0.2%	11	0.2%	(484)	-7.7%
Amortization of Acquisition-related Intangible Assets	444	7.6%	441	7.3%	431	7.3%	425	6.6%	422	6.9%	429	6.8%
Adjusted Operating Income	1,286	22.0%	1,403	23.1%	1,311	22.1%	1,615	24.8%	1,370	22.4%	1,482	23.5%
Add back Depreciation Expense	131	2.2%	130	2.1%	132	2.3%	133	2.1%	133	2.1%	142	2.2%
Adjusted EBITDA	1,417	24.2%	1,533	25.2%	1,443	24.4%	1,748	26.9%	1,503	24.5%	1,624	25.7%

** 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 Q3 2018, charges/credits to conform the accounting policies of recently acquired businesses to the company's accounting policies.

(b) The excluded items from selling, general and administrative costs include significant acquisition/divestiture transaction costs, charges/credits for changes in estimates of contingent acquisition consideration; in Q3 2018, income associated with product liability litigation; and in Q2 2019, accelerated depreciation on fixed assets to be abandoned due to integration synergies and facility consolidations.

(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; gains on the sale of businesses, product lines and property; in Q4 2018, environmental remediation costs; and in Q1 2018, Q2 2018, and Q3 2018, hurricane response costs.

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

Quarterly Reconciliation of GAAP to Adjusted P&L

(Dollars in millions except EPS)

	Q1-18		Q2-18		Q3-18		Q4-18		Q1-19		Q2-19	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
GAAP Tax Provision	55	8.8%	54	6.5%	101	12.5%	114	11.2%	2	0.2%	274	19.7%
Tax Effect of Adjusted Items (e)	75	2.6%	103	5.8%	37	-1.0%	69	1.0%	125	9.9%	(122)	-8.7%
Adjusted Tax Provision	130	11.4%	157	12.3%	138	11.5%	183	12.2%	127	10.1%	152	11.0%
GAAP Net Income	579		752		709		898		815		1,119	
Cost of Revenues Charges (a)	3		5		(1)		5		6		5	
Selling, General and Administrative Costs (b)	8		3		(4)		22		11		36	
Restructuring and Other Costs (Income), Net (c)	45		17		(27)		15		11		(484)	
Amortization of Acquisition-related Intangible Assets, Net of Tax	444		441		431		425		422		429	
Other (Income) Expense, Net (d)	8		1		(5)		21		(7)		0	
Income Tax Benefit (e)	(75)		(103)		(37)		(69)		(125)		122	
Adjusted Net Income	1,012		1,116		1,066		1,317		1,133		1,227	
GAAP Diluted EPS	1.43		1.85		1.75		2.22		2.02		2.77	
GAAP Diluted EPS Growth		2%		19%		31%		71%		41%		50%
Cost of Revenues Charges, Net of Tax (a)	0.01		0.01		0.00		0.01		0.01		0.01	
Selling, General and Administrative Costs, Net of Tax (b)	0.02		0.01		(0.01)		0.05		0.02		0.07	
Restructuring and Other Costs (Income), Net of Tax (c)	0.09		0.03		(0.06)		0.02		0.02		(0.74)	
Amortization of Acquisition-related Intangible Assets, Net of Tax	0.88		0.83		0.82		0.80		0.81		0.84	
Other (Income) Expense, Net of Tax (d)	0.01		0.01		(0.01)		0.04		(0.01)		0.00	
Income Tax Provision (Benefit) (e)	0.06		0.01		0.13		0.11		(0.06)		0.09	
Adjusted Diluted EPS	2.50		2.75		2.62		3.25		2.81		3.04	
Adjusted Diluted EPS Growth		20%		20%		13%		16%		12%		11%
Reconciliation of Free Cash Flow												
GAAP Net Cash Provided by Operating Activities	78		1,444		1,220		1,801		649		1,294	
Purchases of Property, Plant, and Equipment	(118)		(183)		(173)		(284)		(201)		(220)	
Proceeds from Sale of Property, Plant and Equipment	2		1		3		44		6		6	
Free Cash Flow	(38)		1,262		1,050		1,561		454		1,080	

(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 Q3 2018, charges/credits to conform the accounting policies of recently acquired businesses to the company's accounting policies.

(b) The excluded items from selling, general and administrative costs include significant acquisition/divestiture transaction costs, charges/credits for changes in estimates of contingent acquisition consideration; in Q3 2018, income associated with product liability litigation; and in Q2 2019, accelerated depreciation on fixed assets to be abandoned due to integration synergies and facility consolidations.

(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; gains on the sale of businesses, product lines and property; in Q4 2018, environmental remediation costs; and in Q1 2018, Q2 2018, and Q3 2018, hurricane response costs.

(d) The excluded items from other (income) expense, net, represent gains and losses on investments; losses on the early extinguishment of debt; and net charges for the settlement/curtailment of pension plans.

(e) The excluded items from income tax benefit/provision include the tax benefits/provisions related to the above excluded items, 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 Q1 2018, Q3 2018, Q1 2019 and Q2 2019, adjustments to the impacts of U.S. tax reform legislation.

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

(Dollars in millions)

	2014	2015	2016	2017	2018	Q2 2019
Reconciliation of Free Cash Flow						
GAAP Net Cash Provided by Operating Activities	2,729	2,942	3,258	4,005	4,543	1,294
Net Cash (Provided by) Used in Discontinued Operations	4	9	2	1	—	—
Purchases of Property, Plant, and Equipment	(427)	(423)	(444)	(508)	(758)	(220)
Proceeds from Sale of Property, Plant and Equipment	49	18	26	7	50	6
Free Cash Flow	2,355	2,546	2,842	3,505	3,835	1,080
GAAP Return on Invested Capital (ROIC)	5.9%	5.9%	5.7%	5.4%	6.7%	7.9%
Cost of Revenues Charges (a)	1.0%	0.0%	0.3%	0.3%	0.0%	0.0%
Selling, General and Administrative Costs (b)	0.4%	0.1%	0.3%	0.2%	0.1%	0.2%
Restructuring and Other Costs (Income), Net (c)	-1.8%	0.3%	0.5%	0.2%	0.1%	-1.1%
Amortization of Acquisition-related Intangible Assets	4.1%	3.9%	3.8%	3.9%	3.9%	3.8%
Net Interest Expense	0.8%	0.7%	0.7%	0.8%	0.9%	0.8%
Other Expense (Income) (d)	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%
Income Tax Benefit (e)	-0.9%	-1.5%	-1.5%	-0.8%	-0.8%	-0.2%
(Income) Loss from Discontinued Operations, Net of Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Adjusted ROIC	9.5%	9.5%	9.9%	10.0%	10.9%	11.4%
GAAP Return on Equity (ROE)	9.5%	9.6%	9.5%	9.5%	11.3%	12.9%
Cost of Revenues Charges (a)	1.7%	0.0%	0.5%	0.5%	0.0%	0.1%
Selling, General and Administrative Costs (b)	0.7%	0.2%	0.5%	0.3%	0.1%	0.2%
Restructuring and Other Costs (Income), Net (c)	-3.0%	0.6%	0.9%	0.4%	0.2%	-1.8%
Amortization of Acquisition-related Intangible Assets	6.7%	6.4%	6.4%	6.9%	6.6%	6.2%
Net Interest Expense	1.3%	1.1%	1.2%	1.4%	1.5%	1.4%
Other Expense (Income) (d)	0.0%	0.1%	0.1%	0.1%	0.1%	0.0%
Income Tax Benefit (e)	-1.4%	-2.5%	-2.5%	-1.4%	-1.3%	-0.4%
(Income) Loss from Discontinued Operations, Net of Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Adjusted ROE	15.5%	15.5%	16.6%	17.7%	18.5%	18.6%

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 trailing twelve months 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 trailing twelve months 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, 2017, and 2018 charges/credits to conform the accounting policies of recently acquired businesses to 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/income associated with product liability litigation; in 2014, 2016, 2017 and 2018, charges to conform the accounting policies of recently acquired businesses to the company's accounting policies; and in 2015, 2016, 2017 and 2019, accelerated depreciation on fixed assets to be abandoned due to integration synergies and facility consolidations.

(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; gains on the sale of businesses, product lines and property; in 2017 and prior years, curtailments/settlements of pension plans; in 2016 and 2018, environmental remediation costs; and in 2017 and 2018, hurricane response costs.

(d) The excluded items from other expense (income), net, represent gains and losses on investments; costs to obtain short-term financing commitments related to acquisitions; losses on the extinguishment of debt; in 2018 and 2019, curtailments/settlements of pension plans; 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, 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, 2018 and 2019, the impacts of U.S. tax reform legislation.

(Dollars in millions)

Segment Data

	Q1-18	Q2-18	Q3-18	Q4-18	2018	Q1-19	Q2-19
Life Sciences Solutions Segment							
Revenues	1,499	1,569	1,504	1,697	6,269	1,607	1,710
Total Revenue Growth	10%	12%	9%	8%	9%	7%	9%
Acquisitions net of Divestitures	0%	0%	0%	1%	0%	2%	2%
Currency Translation	5%	2%	-1%	-2%	1%	-3%	-2%
Organic Revenue Growth	5%	9% **	10%	8% **	8%	8%	10% **
Operating Income	517	522	495	624	2,158	561	609
Operating Income Margin	34.5%	33.3%	32.9%	36.8%	34.4%	34.9%	35.6%
Operating Income Margin Expansion	+2.7 pts	+1.4 pts	+0.2 pts	+1.3 pts	+1.3 pts	+0.4 pts	+2.3 pts
Analytical Instruments Segment							
Revenues	1,257	1,311	1,333	1,568	5,469	1,322	1,324
Total Revenue Growth	19%	13%	12%	11%	13%	5%	1%
Acquisitions net of Divestitures	1%	1%	1%	1%	1%	0%	0%
Currency Translation	5%	2%	-1%	-2%	1%	-3%	-2%
Organic Revenue Growth	13%	9% **	12%	12%	12% **	8%	3%
Operating Income	246	291	294	416	1,247	282	286
Operating Income Margin	19.6%	22.2%	22.0%	26.6%	22.8%	21.3%	21.6%
Operating Income Margin Expansion	+1.4 pts	+2.3 pts	+0.4 pts	+2.1 pts	+1.5 pts	+1.7 pts	-0.6 pts
Specialty Diagnostics Segment							
Revenues	947	932	894	951	3,724	957	943
Total Revenue Growth	9%	8%	6%	4%	7%	1%	1%
Acquisitions net of Divestitures	0%	0%	0%	0%	0%	0%	0%
Currency Translation	4%	2%	-1%	-1%	1%	-3%	-2%
Organic Revenue Growth	5%	5% **	7%	5%	5% **	4%	3%
Operating Income	243	253	223	233	952	242	242
Operating Income Margin	25.6%	27.2%	25%	24.5%	25.6%	25.3%	25.7%
Operating Income Margin Expansion	-1.3 pts	0.0 pts	-0.9 pts	-1.9 pts	-1.0 pts	-0.3 pts	-1.5 pts
Laboratory Products & Services Segment							
Revenues	2,413	2,550	2,470	2,602	10,035	2,513	2,633
Total Revenue Growth	42%	42%	28%	8%	28%	4%	3%
Acquisitions net of Divestitures	33%	31%	18%	0%	19%	0%	1%
Currency Translation	4%	2%	-1%	-1%	1%	-3%	-2%
Organic Revenue Growth	6% **	9%	11%	9%	9% **	7%	4%
Operating Income	280	337	299	342	1,258	285	345
Operating Income Margin	11.6%	13.2%	12.1%	13.1%	12.5%	11.3%	13.1%
Operating Income Margin Expansion	-1.1 pts	-0.5 pts	-0.5 pts	+0.6 pts	-0.3 pts	-0.3 pts	-0.1 pts

** Results do not sum due to rounding.

Balance Sheet and Leverage Ratios

(Dollars in millions)

	<u>12/31/2016</u>	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>3/30/2019</u>	<u>6/29/2019</u>
Assets					
Current Assets:					
Cash and cash equivalents	786	1,335	2,103	1,106	2,288
Accounts receivable, net	3,049	3,879	4,136	4,155	4,129
Inventories	2,213	2,971	3,005	3,124	3,209
Other current assets	973	1,236	1,381	1,554	1,597
Total Current Assets	7,021	9,421	10,625	9,939	11,223
Property, Plant and Equipment, Net	2,578	4,047	4,165	4,192	4,394
Acquisition-related Intangible Assets	13,969	16,684	14,978	14,489	14,863
Other Assets	1,012	1,227	1,117	1,740	1,733
Goodwill	21,328	25,290	25,347	25,236	25,757
	45,908	56,669	56,232	55,596	57,970
Liabilities and Shareholders' Equity					
Current Liabilities:					
Short-term obligations and current maturities of long-term obligations	1,255	2,135	1,271	1,336	2,377
Accounts payable	926	1,428	1,615	1,462	1,391
Other current liabilities	2,685	3,485	3,261	3,100	3,741
Total Current Liabilities	4,866	7,048	6,147	5,898	7,509
Other Long-term Liabilities	4,130	5,335	4,780	5,193	5,069
Long-term Obligations	15,372	18,873	17,719	16,812	16,663
Total Shareholders' Equity	21,540	25,413	27,586	27,693	28,729
	45,908	56,669	56,232	55,596	57,970
Leverage Ratios					
Total Debt / TTM EBITDA	4.0X	4.2X	3.1X	2.9X	2.8X
Effect of Adjusted Items	-0.4X	-0.2X	0.0X	0.0X	0.2X
Total Debt / Adjusted TTM EBITDA (a)	3.6X	4.0X	3.1X	2.9X	3.0X
Net Debt (b) / TTM EBITDA	3.8X	3.9X	2.8X	2.8X	2.5X
Effect of Adjusted Items	-0.4X	-0.2X	-0.1X	-0.1X	0.2X
Net Debt (b) / Adjusted TTM EBITDA (a)	3.4X	3.7X	2.7X	2.7X	2.7X

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

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

Debt

<i>(Dollars in millions)</i>	Effective Interest Rate at 6/29/19	Maturity Date	12/31/2016	12/31/2017	12/31/2018	3/30/2019	6/29/2019
Short-term							
TMO Floating Rate Senior Notes (euro denominated)	0.10%	7/24/2019	0	0	573	561	569
Life Technologies 6.00% Senior Notes	2.97%	3/1/2020	0	0	0	770	765
TMO 4.70% Senior Notes	4.23%	5/1/2020	0	0	0	0	301
Commercial Paper	0.00%		953	960	693	0	737
Other			302	1,175	5	5	5
Total Short-term			1,255	2,135	1,271	1,336	2,377
Long-term							
Life Technologies 6.00% Senior Notes		3/1/2020	818	797	776	0	0
TMO 4.70% Senior Notes		5/1/2020	304	303	302	301	0
TMO Floating Rate Senior Notes (euro denominated)	0.17%	8/7/2020	0	0	686	672	681
TMO 1.50% Senior Notes (euro denominated)	1.62%	12/1/2020	445	509	486	476	483
Life Technologies 5.00% Senior Notes	3.25%	1/15/2021	426	420	414	412	410
TMO 4.50% Senior Notes (a)	6.14%	3/1/2021	990	984	978	985	996
TMO 3.60% Senior Notes (a)	5.71%	8/15/2021	1,088	1,081	1,074	1,083	1,097
TMO 3.30% Senior Notes	3.42%	2/15/2022	795	796	797	797	797
TMO 2.15% Senior Notes (euro denominated)	2.28%	7/21/2022	522	597	571	559	567
TMO 3.15% Senior Notes	3.30%	1/15/2023	793	794	795	796	796
TMO 3.00% Senior Notes (a)	5.81%	4/15/2023	943	941	937	948	974
TMO 4.15% Senior Notes	4.16%	2/1/2024	992	993	994	994	995
TMO 0.75% Senior Notes (euro denominated)	0.94%	9/12/2024	1,037	1,186	1,135	1,111	1,127
TMO 2.00% Senior Notes (euro denominated)	2.10%	4/15/2025	668	763	729	714	724
TMO 3.65% Senior Notes	3.77%	12/15/2025	347	347	347	348	348
TMO 1.40% Senior Notes (euro denominated)	1.53%	1/23/2026	0	832	796	779	790
TMO 2.95% Senior Notes	3.19%	9/19/2026	1,176	1,178	1,180	1,181	1,182
TMO 1.45% Senior Notes (euro denominated)	1.66%	3/16/2027	0	591	565	553	561
TMO 3.20% Senior Notes	3.39%	8/15/2027	0	739	739	740	740
TMO 1.375% Senior Notes (euro denominated)	1.46%	9/12/2028	625	715	683	668	677
TMO 1.95% Senior Notes (euro denominated)	2.08%	7/24/2029	0	830	793	776	787
TMO 2.875% Senior Notes (euro denominated)	2.94%	7/24/2037	0	833	795	778	789
TMO 5.30% Senior Notes	5.37%	2/1/2044	396	396	396	396	396
TMO 4.10% Senior Notes	4.23%	8/15/2047	0	733	733	734	734
Other			3,007	1,515	18	11	12
Total Long-term			15,372	18,873	17,719	16,812	16,663
Total Debt			16,627	21,008	18,990	18,148	19,040
Total Cash			786	1,335	2,103	1,106	2,288
Net Debt (b)			15,841	19,673	16,887	17,042	16,752

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

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

2016 - 2019 Significant Acquisitions/Divestitures

Transaction Closing Date	Entity	Acquisition or Divestiture	Business Description	Principal Segment	Revenue (a) (millions)
2019					
June 28	Anatomical Pathology business	Divestiture	Provider of microscope slides, instruments and consumables	SDS	\$344
April 30	Brammer Bio	Acquisition	Leader in viral vector manufacturing for gene and cell therapies	LPS	\$140
2018					
October 25	Advanced Bioprocessing business	Acquisition	Provider of cell culture supplements that increase yield and reduce variability in the production of biologic drugs	LSS	\$100
March 16	IntegenX Inc.	Acquisition	Provider of genetic analysis products for use in forensics and law enforcement applications	LSS	\$15
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
(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>2016</u>	<u>2017</u>	<u>2018</u>	<u>Q1-2019</u>	<u>Q2-2019</u>
Total Number of Shares Purchased (millions)	9	5	2	3	—
Average Price Paid per Share	<u>\$138.28</u>	<u>\$148.59</u>	<u>\$231.91</u>	<u>\$225.26</u>	<u>\$0.00</u>
Total Spend (\$ millions)	\$1,250	\$750	\$500	\$750	\$0
Remaining Share Repurchase Authorization (in millions) as of 7/24/2019: \$1,250					

Dividends Paid	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Q1-2019</u>	<u>Q2-2019</u>
Amount per Share	\$0.60	\$0.60	\$0.66	\$0.17	\$0.19
<small>Future declarations of dividends are subject to board approval and may be adjusted as business needs or market conditions change.</small>					

Fiscal Calendar

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		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

2019 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	1	JULY 5 Weeks	30	1	2	3	4	5	6	27
	6	7	8	9	10	11	12	2		7	8	9	10	11	12	13	28
	13	14	15	16	17	18	19	3		14	15	16	17	18	19	20	29
	20	21	22	23	24	25	26	4		21	22	23	24	25	26	27	30
	27	28	29	30	31	1	2	5		28	29	30	31	1	2	3	31
FEB 4 Weeks	3	4	5	6	7	8	9	6	AUG 4 Weeks	4	5	6	7	8	9	10	32
	10	11	12	13	14	15	16	7		11	12	13	14	15	16	17	33
	17	18	19	20	21	22	23	8		18	19	20	21	22	23	24	34
	24	25	26	27	28	1	2	9		25	26	27	28	29	30	31	35
MARCH 4 Weeks	3	4	5	6	7	8	9	10	SEPT 4 Weeks	1	2	3	4	5	6	7	36
	10	11	12	13	14	15	16	11		8	9	10	11	12	13	14	37
	17	18	19	20	21	22	23	12		15	16	17	18	19	20	21	38
	24	25	26	27	28	29	30	13		22	23	24	25	26	27	28	39
SECOND QUARTER									FOURTH QUARTER								
APRIL 5 Weeks	31	1	2	3	4	5	6	14	OCT 5 Weeks	29	30	1	2	3	4	5	40
	7	8	9	10	11	12	13	15		6	7	8	9	10	11	12	41
	14	15	16	17	18	19	20	16		13	14	15	16	17	18	19	42
	21	22	23	24	25	26	27	17		20	21	22	23	24	25	26	43
	28	29	30	1	2	3	4	18		27	28	29	30	31	1	2	44
MAY 4 Weeks	5	6	7	8	9	10	11	19	NOV 4 Weeks	3	4	5	6	7	8	9	45
	12	13	14	15	16	17	18	20		10	11	12	13	14	15	16	46
	19	20	21	22	23	24	25	21		17	18	19	20	21	22	23	47
	26	27	28	29	30	31	1	22		24	25	26	27	28	29	30	48
JUNE 4 Weeks	2	3	4	5	6	7	8	23	DEC 4 Weeks	1	2	3	4	5	6	7	49
	9	10	11	12	13	14	15	24		8	9	10	11	12	13	14	50
	16	17	18	19	20	21	22	25		15	16	17	18	19	20	21	51
	23	24	25	26	27	28	29	26		22	23	24	25	26	27	28	52
									29	30	31						53