**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**
**FORM 10-Q**

☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Quarter Ended April 3, 2021 or

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

Commission File Number 1-8002

# THERMO FISHER SCIENTIFIC INC.

*(Exact name of Registrant as specified in its charter)*

| Delaware | 04-2209186 |
|---|---|
| *(State of incorporation)* | *(I.R.S. Employer Identification No.)* |

168 Third Avenue
Waltham, Massachusetts 02451
*(Address of principal executive offices) (Zip Code)*

Registrant's telephone number, including area code: (781) 622-1000

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, $1.00 par value | TMO | New York Stock Exchange |
| 0.750% Notes due 2024 | TMO 24A | New York Stock Exchange |
| 0.125% Notes due 2025 | TMO 25B | New York Stock Exchange |
| 2.000% Notes due 2025 | TMO 25 | New York Stock Exchange |
| 1.400% Notes due 2026 | TMO 26A | New York Stock Exchange |
| 1.450% Notes due 2027 | TMO 27 | New York Stock Exchange |
| 1.750% Notes due 2027 | TMO 27B | New York Stock Exchange |
| 0.500% Notes due 2028 | TMO 28A | New York Stock Exchange |
| 1.375% Notes due 2028 | TMO 28 | New York Stock Exchange |
| 1.950% Notes due 2029 | TMO 29 | New York Stock Exchange |
| 0.875% Notes due 2031 | TMO 31 | New York Stock Exchange |
| 2.375% Notes due 2032 | TMO 32 | New York Stock Exchange |
| 2.875% Notes due 2037 | TMO 37 | New York Stock Exchange |
| 1.500% Notes due 2039 | TMO 39 | New York Stock Exchange |
| 1.875% Notes due 2049 | TMO 49 | New York Stock Exchange |

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 ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months. Yes ☒ No ☐

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐
Smaller reporting company ☐ Emerging growth company ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 3, 2021, the Registrant had 393,027,886 shares of Common Stock outstanding.

**THERMO FISHER SCIENTIFIC INC.**
**QUARTERLY REPORT ON FORM 10-Q**
**FOR THE QUARTER ENDED APRIL 3, 2021**

**TABLE OF CONTENTS**


| | | Page |
|---|---|---|
| | **PART I** | |
| Item 1. | Financial Statements (Unaudited) | 3 |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 22 |
| Item 3. | Quantitative and Qualitative Disclosures About Market Risk | 28 |
| Item 4. | Controls and Procedures | 28 |
| | **PART II** | |
| Item 1. | Legal Proceedings | 28 |
| Item 1A. | Risk Factors | 29 |
| Item 2. | Unregistered Sales of Equity Securities and Use of Proceeds | 30 |
| Item 6. | Exhibits | 31 |

## PART I FINANCIAL INFORMATION

### Item 1. Financial Statements

**CONDENSED CONSOLIDATED BALANCE SHEET**
**(Unaudited)**

| (In millions except share and per share amounts) | April 3, 2021 | December 31, 2020 |
|---|---|---|
| **Assets** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 5,583 | $ 10,325 |
| Accounts receivable, less allowances of $143 and $135 | 5,554 | 5,741 |
| Inventories | 4,342 | 4,029 |
| Contract assets, net | 783 | 731 |
| Other current assets | 1,423 | 1,131 |
| Total current assets | 17,685 | 21,957 |
| Property, Plant and Equipment, Net | 6,133 | 5,912 |
| Acquisition-related Intangible Assets, Net | 12,831 | 12,685 |
| Other Assets | 2,459 | 2,457 |
| Goodwill | 26,823 | 26,041 |
| **Total Assets** | $ 65,931 | $ 69,052 |
| | | |
| **Liabilities and Shareholders' Equity** | | |
| Current Liabilities: | | |
| Short-term obligations and current maturities of long-term obligations | $ 4 | $ 2,628 |
| Accounts payable | 2,146 | 2,175 |
| Accrued payroll and employee benefits | 1,314 | 1,916 |
| Contract liabilities | 1,396 | 1,271 |
| Other accrued expenses | 2,135 | 2,314 |
| Total current liabilities | 6,995 | 10,304 |
| Deferred Income Taxes | 1,885 | 1,794 |
| Other Long-term Liabilities | 3,352 | 3,340 |
| Long-term Obligations | 18,641 | 19,107 |
| Shareholders' Equity: | | |
| Preferred stock, $100 par value, 50,000 shares authorized; none issued | | |
| Common stock, $1 par value, 1,200,000,000 shares authorized; 437,622,084 and 437,088,297 shares issued | 438 | 437 |
| Capital in excess of par value | 15,684 | 15,579 |
| Retained earnings | 30,350 | 28,116 |
| Treasury stock at cost, 44,594,198 and 40,417,789 shares | (8,852) | (6,818) |
| Accumulated other comprehensive items | (2,562) | (2,807) |
| Total shareholders' equity | 35,058 | 34,507 |
| **Total Liabilities and Shareholders' Equity** | $ 65,931 | $ 69,052 |

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

**THERMO FISHER SCIENTIFIC INC.**

**CONDENSED CONSOLIDATED STATEMENT OF INCOME**
**(Unaudited)**

| (In millions except per share amounts) | Three Months Ended April 3, 2021 | Three Months Ended March 28, 2020 |
|---|---|---|
| **Revenues** | | |
| Product revenues | $ 7,856 | $ 4,630 |
| Service revenues | 2,050 | 1,600 |
| Total revenues | 9,906 | 6,230 |
| | | |
| Costs and Operating Expenses: | | |
| Cost of product revenues | 3,327 | 2,340 |
| Cost of service revenues | 1,370 | 1,150 |
| Selling, general and administrative expenses | 1,826 | 1,551 |
| Research and development expenses | 320 | 245 |
| Restructuring and other costs | 14 | 38 |
| Total costs and operating expenses | 6,857 | 5,324 |
| Operating Income | 3,049 | 906 |
| Interest Income | 12 | 36 |
| Interest Expense | (125) | (126) |
| Other (Expense) Income | (183) | 12 |
| Income Before Income Taxes | 2,753 | 828 |
| Provision for Income Taxes | (416) | (40) |
| **Net Income** | $ 2,337 | $ 788 |
| | | |
| **Earnings per Share** | | |
| Basic | $ 5.93 | $ 1.99 |
| Diluted | $ 5.88 | $ 1.97 |
| | | |
| **Weighted Average Shares** | | |
| Basic | 394 | 397 |
| Diluted | 397 | 400 |

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

**THERMO FISHER SCIENTIFIC INC.**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**(Unaudited)**

| (In millions) | Three Months Ended April 3, 2021 | Three Months Ended March 28, 2020 |
|---|---|---|
| **Comprehensive Income** | | |
| Net Income | $ 2,337 | $ 788 |
| Other Comprehensive Items: | | |
| Currency translation adjustment: | | |
| Currency translation adjustment (net of tax provision of $118 and $22) | 224 | (357) |
| Unrealized gains and losses on hedging instruments: | | |
| Unrealized losses on hedging instruments (net of tax benefit of $0 and $19) | — | (62) |
| Reclassification adjustment for losses included in net income (net of tax benefit of $4 and $1) | 13 | 1 |
| Pension and other postretirement benefit liability adjustments: | | |
| Pension and other postretirement benefit liability adjustments arising during the period (net of tax benefit (provision) of $(2) and $(5)) | 6 | 5 |
| Amortization of net loss included in net periodic pension cost (net of tax benefit of $1 and $1) | 2 | 4 |
| Total other comprehensive items | 245 | (409) |
| **Comprehensive Income** | $ 2,582 | $ 379 |

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

**THERMO FISHER SCIENTIFIC INC.**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**
**(Unaudited)**

| (In millions) | Three Months Ended April 3, 2021 | Three Months Ended March 28, 2020 |
|---|---|---|
| **Operating Activities** | | |
| Net income | $ 2,337 | $ 788 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation of property, plant and equipment | 198 | 149 |
| Amortization of acquisition-related intangible assets | 423 | 425 |
| Change in deferred income taxes | 24 | (41) |
| Loss on early extinguishment of debt | 197 | — |
| Stock-based compensation | 51 | 46 |
| Other non-cash expenses, net | 69 | 64 |
| Changes in assets and liabilities, excluding the effects of acquisitions | (1,321) | (1,075) |
| Net cash provided by operating activities | 1,978 | 356 |
| | | |
| **Investing Activities** | | |
| Acquisitions, net of cash acquired | (1,343) | (4) |
| Purchase of property, plant and equipment | (628) | (253) |
| Proceeds from sale of property, plant and equipment | 5 | 4 |
| Other investing activities, net | (32) | (7) |
| Net cash used in investing activities | (1,998) | (260) |
| | | |
| **Financing Activities** | | |
| Net proceeds from issuance of debt | — | 2,185 |
| Repayment of debt | (2,804) | (1) |
| Proceeds from issuance of commercial paper | — | 382 |
| Repayments of commercial paper | — | (321) |
| Purchases of company common stock | (2,000) | (1,500) |
| Dividends paid | (87) | (76) |
| Net proceeds from issuance of company common stock under employee stock plans | 20 | 48 |
| Other financing activities, net | 21 | (98) |
| Net cash (used in) provided by financing activities | (4,850) | 619 |
| | | |
| Exchange Rate Effect on Cash | 137 | (127) |
| (Decrease) Increase in Cash, Cash Equivalents and Restricted Cash | (4,733) | 588 |
| Cash, Cash Equivalents and Restricted Cash at Beginning of Period | 10,336 | 2,422 |
| Cash, Cash Equivalents and Restricted Cash at End of Period | $ 5,603 | $ 3,010 |

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

**THERMO FISHER SCIENTIFIC INC.**

**CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY**
**(Unaudited)**

| (In millions) | Common Stock Shares | Common Stock Amount | Capital in Excess of Par Value | Retained Earnings | Treasury Stock Shares | Treasury Stock Amount | Accumulated Other Comprehensive Items | Total Shareholders' Equity |
|---|---|---|---|---|---|---|---|---|
| | | | | **Three Months Ended April 3, 2021** | | | | |
| **Balance at December 31, 2020** | 437 | $ 437 | $ 15,579 | $ 28,116 | 40 | $ (6,818) | $ (2,807) | $ 34,507 |
| Issuance of shares under employees' and directors' stock plans | 1 | 1 | 54 | — | 1 | (34) | — | 21 |
| Stock-based compensation | — | — | 51 | — | — | — | — | 51 |
| Purchases of company common stock | — | — | — | — | 4 | (2,000) | — | (2,000) |
| Dividends declared ($0.26 per share) | — | — | — | (103) | — | — | — | (103) |
| Net income | — | — | — | 2,337 | — | — | — | 2,337 |
| Other comprehensive items | — | — | — | — | — | — | 245 | 245 |
| **Balance at April 3, 2021** | 438 | $ 438 | $ 15,684 | $ 30,350 | 45 | $ (8,852) | $ (2,562) | $ 35,058 |
| | | | | **Three Months Ended March 28, 2020** | | | | |
| **Balance at December 31, 2019** | 434 | $ 434 | $ 15,064 | $ 22,092 | 36 | $ (5,236) | $ (2,679) | $ 29,675 |
| Cumulative effect of accounting changes | — | — | — | (1) | — | — | — | (1) |
| Issuance of shares under employees' and directors' stock plans | 1 | 1 | 76 | — | — | (29) | — | 48 |
| Stock-based compensation | — | — | 46 | — | — | — | — | 46 |
| Purchases of company common stock | — | — | — | — | 4 | (1,500) | — | (1,500) |
| Dividends declared ($0.22 per share) | — | — | — | (88) | — | — | — | (88) |
| Net income | — | — | — | 788 | — | — | — | 788 |
| Other comprehensive items | — | — | — | — | — | — | (409) | (409) |
| **Balance at March 28, 2020** | 435 | $ 435 | $ 15,186 | $ 22,791 | 40 | $ (6,765) | $ (3,088) | $ 28,559 |

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

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

*Nature of Operations*

Thermo Fisher Scientific Inc. (the company or Thermo Fisher) enables customers to make the world healthier, cleaner and safer by helping them accelerate life sciences research, solve complex analytical challenges, improve patient diagnostics and therapies, and increase laboratory productivity. Markets served include pharmaceutical and biotech, academic and government, industrial and applied, as well as healthcare and diagnostics.

*Interim Financial Statements*

The interim condensed consolidated financial statements presented herein have been prepared by the company, are unaudited and, in the opinion of management, reflect all adjustments of a normal recurring nature necessary for a fair statement of the financial position at April 3, 2021, the results of operations for the three-month periods ended April 3, 2021 and March 28, 2020, and the cash flows for the three-month periods ended April 3, 2021 and March 28, 2020. Interim results are not necessarily indicative of results for a full year.

The condensed consolidated balance sheet presented as of December 31, 2020, has been derived from the audited consolidated financial statements as of that date. The condensed consolidated financial statements and notes are presented as permitted by Form 10-Q and do not contain all information that is included in the annual financial statements and notes thereto of the company. The condensed consolidated financial statements and notes included in this report should be read in conjunction with the 2020 financial statements and notes included in the company's Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC).

Note 1 to the consolidated financial statements for 2020 describes the significant accounting estimates and policies used in preparation of the consolidated financial statements. There have been no material changes in the company's significant accounting policies during the three months ended April 3, 2021.

*Inventories*

The components of inventories are as follows:

| (In millions) | April 3, 2021 | December 31, 2020 |
|---|---|---|
| Raw Materials | $ 1,491 | $ 1,305 |
| Work in Process | 602 | 540 |
| Finished Goods | 2,249 | 2,184 |
| Inventories | $ 4,342 | $ 4,029 |

*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.

The company's estimates include, among others, asset reserve requirements as well as the amounts of future cash flows associated with certain assets and businesses that are used in assessing the risk of impairment. Risks and uncertainties associated with the ongoing COVID-19 global pandemic materially adversely affected certain of the company's businesses in 2020, particularly in the Analytical Instruments segment and, to a lesser extent, some businesses within the other three segments. The extent and duration of negative impacts continuing into the remainder of 2021 are uncertain and may require changes to estimates. Actual results could differ from those estimates.

*Recent Accounting Pronouncements*

In December 2019, the FASB issued new guidance to simplify the accounting for income taxes. Among other things, the new guidance requires the effects of enacted changes in tax laws or rates to be reflected in the annual effective tax rate computation in the interim period that includes the enactment date. The company adopted this guidance in 2021 using a prospective method. The adoption of this guidance did not have a material impact on the company's consolidated financial

statements; however, the impact in future periods will be dependent on the extent of future events or conditions that would be affected such as enacted changes in tax laws or rates.

**Note 2. Acquisitions**

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

Acquisitions have been accounted for using the acquisition method of accounting, and the acquired companies' results have been included in the accompanying financial statements from their respective dates of acquisition.

*Proposed Acquisition*

On April 15, 2021, the company entered into a definitive agreement under which it will acquire PPD, Inc. for $47.50 per share for a total cash purchase price of $17.4 billion plus the assumption of approximately $3.5 billion of net debt. PPD provides a broad range of clinical research and specialized laboratory services to enable customers to accelerate innovation and increase drug development productivity. Upon close of the transaction, PPD will become part of the Laboratory Products and Services Segment. The transaction, which is expected to be completed by the end of 2021, is subject to the satisfaction of customary closing conditions, including the receipt of applicable regulatory approvals. Shareholders holding in aggregate approximately 60% of the issued and outstanding shares of common stock of PPD have approved the transaction by written consent. No further action by other PPD shareholders is required to approve the transaction.

*2021*

On January 15, 2021, the company acquired, within the Laboratory Products and Services segment, the Belgium-based European viral vector manufacturing business of Groupe Novasep SAS for approximately $834 million in net cash consideration. The European viral vector manufacturing business provides manufacturing services for vaccines and therapies to biotechnology companies and large biopharma customers. The acquisition expands the segment's capabilities for cell and gene vaccines and therapies. The goodwill recorded as a result of the acquisition is not tax deductible.

On February 25, 2021, the company acquired, within the Life Sciences Solutions segment, Mesa Biotech, Inc., a U.S.-based molecular diagnostic company, for approximately $406 million in net cash consideration and contingent consideration with an initial fair value of $65 million due upon the completion of certain milestones. Mesa Biotech has developed and commercialized a polymerase chain reaction (PCR) based rapid point-of-care testing platform available for detecting infectious diseases including COVID-19. The acquisition enables the company to accelerate the availability of reliable and accurate advanced molecular diagnostics at the point of care. The goodwill recorded as a result of the acquisition is not tax deductible.

In addition, in the first three months of 2021 the company acquired, within the Life Sciences Solutions segment, cell sorting technology assets and, also within the Life Sciences Solutions segment, an Ireland-based life sciences distributor.

The components of the purchase prices and the preliminary allocations to the net assets acquired for 2021 acquisitions are as follows:

| (In millions) | European Viral Vector Business | Mesa Biotech | Other |
|---|---|---|---|
| **Purchase Price** | | | |
| Cash paid | $ 853 | $ 420 | $ 107 |
| Fair value of contingent consideration | — | 65 | 97 |
| Cash acquired | (19) | (14) | (4) |
| | $ 834 | $ 471 | $ 200 |
| | | | |
| **Net Assets Acquired** | | | |
| Current assets | $ 40 | $ 54 | $ 8 |
| Property, plant and equipment | 39 | 2 | 1 |
| Definite-lived intangible assets: | | | |
| Customer relationships | 311 | — | 3 |
| Product technology | 26 | 263 | 110 |
| Tradenames | — | 2 | 2 |
| Goodwill | 593 | 248 | 83 |
| Other assets | 19 | 3 | 1 |
| Contract liabilities | (59) | — | (1) |
| Deferred tax liabilities | (82) | (68) | — |
| Other liabilities assumed | (53) | (33) | (7) |
| | $ 834 | $ 471 | $ 200 |

The weighted-average amortization periods for definite-lived intangible assets acquired in 2021 are 14 years for customer relationships, 6 years for product technology and 3 years for tradenames. The weighted average amortization period for all definite-lived intangible assets acquired in 2021 is 9 years.

The preliminary allocations of the purchase price for the acquisitions of the European viral vector business and Mesa Biotech were based on estimates of the fair value of the net assets acquired and are subject to adjustment upon finalization, largely with respect to acquired intangible assets and deferred taxes. Measurements of these items inherently require significant estimates and assumptions.

**Note 3. Revenues and Contract-related Balances**

*Disaggregated Revenues*

Revenues by type are as follows:

| (In millions) | Three Months Ended April 3, 2021 | Three Months Ended March 28, 2020 |
|---|---|---|
| **Revenues** | | |
| Consumables | $ 5,964 | $ 3,379 |
| Instruments | 1,892 | 1,251 |
| Services | 2,050 | 1,600 |
| Consolidated revenues | $ 9,906 | $ 6,230 |

Revenues by geographic region based on customer location are as follows:

| (In millions) | Three Months Ended April 3, 2021 | Three Months Ended March 28, 2020 |
|---|---|---|
| **Revenues** | | |
| North America | $ 5,101 | $ 3,287 |
| Europe | 2,785 | 1,649 |
| Asia-Pacific | 1,709 | 1,118 |
| Other regions | 311 | 176 |
| Consolidated revenues | $ 9,906 | $ 6,230 |

Each reportable segment earns revenues from consumables, instruments and services in North America, Europe, Asia-Pacific and other regions. See Note 4 for revenues by reportable segment and other geographic data.

*Remaining Performance Obligations*

The aggregate amount of the transaction price allocated to the remaining performance obligations for all open customer contracts as of April 3, 2021 was $13.29 billion. The company will recognize revenues for these performance obligations as they are satisfied, approximately 74% of which is expected to occur within the next twelve months.

*Contract-related Balances*

Noncurrent contract assets are included within other assets in the accompanying balance sheet. Noncurrent contract liabilities are included within other long-term liabilities in the accompanying balance sheet. Contract asset and liability balances are as follows:

| (In millions) | April 3, 2021 | December 31, 2020 |
|---|---|---|
| Current Contract Assets, Net | $ 783 | $ 731 |
| Noncurrent Contract Assets, Net | 10 | 11 |
| Current Contract Liabilities | 1,396 | 1,271 |
| Noncurrent Contract Liabilities | 760 | 763 |

In the three months ended April 3, 2021, the company recognized revenues of $566 million that were included in the contract liabilities balance at December 31, 2020. In the three months ended March 28, 2020, the company recognized revenues of $405 million that were included in the contract liabilities balance at December 31, 2019.

## Note 4. Business Segment and Geographical Information

*Business Segment Information*

| (In millions) | Three Months Ended April 3, 2021 | Three Months Ended March 28, 2020 |
|---|---|---|
| Revenues | | |
| Life Sciences Solutions | $ 4,203 | $ 1,774 |
| Analytical Instruments | 1,387 | 1,101 |
| Specialty Diagnostics | 1,615 | 958 |
| Laboratory Products and Services | 3,597 | 2,730 |
| Eliminations | (896) | (333) |
| Consolidated revenues | 9,906 | 6,230 |
| | | |
| Segment Income | | |
| Life Sciences Solutions | 2,279 | 675 |
| Analytical Instruments | 272 | 171 |
| Specialty Diagnostics | 428 | 236 |
| Laboratory Products and Services | 531 | 295 |
| Subtotal reportable segments | 3,510 | 1,377 |
| Cost of revenues charges | (8) | (2) |
| Selling, general and administrative charges | (16) | (6) |
| Restructuring and other costs | (14) | (38) |
| Amortization of acquisition-related intangible assets | (423) | (425) |
| Consolidated operating income | 3,049 | 906 |
| Interest income | 12 | 36 |
| Interest expense | (125) | (126) |
| Other (expense) income | (183) | 12 |
| Income before income taxes | $ 2,753 | $ 828 |

*Geographical Information*

| (In millions) | Three Months Ended April 3, 2021 | Three Months Ended March 28, 2020 |
|---|---|---|
| **Revenues** (a) | | |
| United States | $ 4,892 | $ 3,139 |
| China | 775 | 464 |
| Other | 4,239 | 2,627 |
| Consolidated revenues | $ 9,906 | $ 6,230 |

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

## Note 5. Income Taxes

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

| | Three Months Ended | |
|---|---|---|
| (In millions) | April 3, 2021 | March 28, 2020 |
| Statutory Federal Income Tax Rate | 21 % | 21 % |
| Provision for Income Taxes at Statutory Rate | $ 578 | $ 174 |
| Increases (Decreases) Resulting From: | | |
| Foreign rate differential | (55) | (88) |
| Income tax credits | (89) | (26) |
| Global intangible low-taxed income | 20 | 20 |
| Foreign-derived intangible income | (60) | (17) |
| Excess tax benefits from stock options and restricted stock units | (28) | (28) |
| State income taxes, net of federal tax | 49 | 9 |
| Other, net | 1 | (4) |
| Provision for Income Taxes | $ 416 | $ 40 |

The company has operations and a taxable presence in approximately 50 countries outside the U.S. The company's effective income tax rate differs from the U.S. federal statutory rate each year due to certain operations that are subject to tax incentives, state and local taxes, and foreign taxes that are different than the U.S. federal statutory rate.

*Unrecognized Tax Benefits*

As of April 3, 2021, the company had $1.11 billion of unrecognized tax benefits substantially all of 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) | 2021 |
|---|---|
| **Balance at Beginning of Year** | $ 1,091 |
| Additions for tax positions of current year | 8 |
| Additions for tax positions of prior years | 15 |
| **Balance at End of Period** | $ 1,114 |

## Note 6. Earnings per Share

| | Three Months Ended | |
|---|---|---|
| (In millions except per share amounts) | April 3, 2021 | March 28, 2020 |
| Net Income | $ 2,337 | $ 788 |
| Basic Weighted Average Shares | 394 | 397 |
| Plus Effect of: Stock options and restricted stock units | 3 | 3 |
| Diluted Weighted Average Shares | 397 | 400 |
| Basic Earnings per Share | $ 5.93 | $ 1.99 |
| Diluted Earnings per Share | $ 5.88 | $ 1.97 |
| Antidilutive Stock Options Excluded from Diluted Weighted Average Shares | 1 | 1 |

## Note 7. Debt and Other Financing Arrangements

| (Dollars in millions) | Effective Interest Rate at April 3, 2021 | April 3, 2021 | December 31, 2020 |
|---|---|---|---|
| 2.15% 7-Year Senior Notes, Due 7/21/2022 (euro-denominated) | | $ — | $ 611 |
| 3.00% 7-Year Senior Notes, Due 4/15/2023 | | — | 1,000 |
| 4.15% 10-Year Senior Notes, Due 2/1/2024 | | — | 1,000 |
| 0.75% 8-Year Senior Notes, Due 9/12/2024 (euro-denominated) | 0.95 % | 1,176 | 1,222 |
| 0.125% 5.5-Year Senior Notes, Due 3/1/2025 (euro-denominated) | 0.42 % | 940 | 977 |
| 4.133% 5-Year Senior Notes, Due 3/25/2025 | 4.32 % | 1,100 | 1,100 |
| 2.00% 10-Year Senior Notes, Due 4/15/2025 (euro-denominated) | 2.10 % | 752 | 782 |
| 3.65% 10-Year Senior Notes, Due 12/15/2025 | 3.77 % | 350 | 350 |
| 1.40% 8.5-Year Senior Notes, Due 1/23/2026 (euro-denominated) | 1.53 % | 823 | 855 |
| 2.95% 10-Year Senior Notes, Due 9/19/2026 | 3.19 % | 1,200 | 1,200 |
| 1.45% 10-Year Senior Notes, Due 3/16/2027 (euro-denominated) | 1.67 % | 589 | 611 |
| 1.75% 7-Year Senior Notes, Due 4/15/2027 (euro-denominated) | 1.98 % | 706 | 733 |
| 3.20% 10-Year Senior Notes, Due 8/15/2027 | 3.39 % | 750 | 750 |
| 0.50% 8.5-Year Senior Notes, Due 3/1/2028 (euro-denominated) | 0.78 % | 940 | 977 |
| 1.375% 12-Year Senior Notes, Due 9/12/2028 (euro-denominated) | 1.46 % | 706 | 733 |
| 1.95% 12-Year Senior Notes, Due 7/24/2029 (euro-denominated) | 2.08 % | 823 | 855 |
| 2.60% 10-Year Senior Notes, Due 10/1/2029 | 2.74 % | 900 | 900 |
| 4.497% 10-Year Senior Notes, Due 3/25/2030 | 5.31 % | 1,100 | 1,100 |
| 0.875% 12-Year Senior Notes, Due 10/1/2031 (euro-denominated) | 1.14 % | 1,058 | 1,099 |
| 2.375% 12-Year Senior Notes, Due 4/15/2032 (euro-denominated) | 2.56 % | 706 | 733 |
| 2.875% 20-Year Senior Notes, Due 7/24/2037 (euro-denominated) | 2.94 % | 823 | 855 |
| 1.50% 20-Year Senior Notes, Due 10/1/2039 (euro-denominated) | 1.73 % | 1,058 | 1,099 |
| 5.30% 30-Year Senior Notes, Due 2/1/2044 | 5.37 % | 400 | 400 |
| 4.10% 30-Year Senior Notes, Due 8/15/2047 | 4.23 % | 750 | 750 |
| 1.875% 30-Year Senior Notes, Due 10/1/2049 (euro-denominated) | 1.99 % | 1,176 | 1,222 |
| Other | | 17 | 12 |
| Total Borrowings at Par Value | | 18,843 | 21,926 |
| Fair Value Hedge Accounting Adjustments | | — | 25 |
| Unamortized Discount | | (93) | (102) |
| Unamortized Debt Issuance Costs | | (105) | (114) |
| Total Borrowings at Carrying Value | | 18,645 | 21,735 |
| Less: Short-term Obligations and Current Maturities | | 4 | 2,628 |
| Long-term Obligations | | $ 18,641 | $ 19,107 |

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

See Note 10 for fair value information pertaining to the company's long-term obligations.

In connection with the agreement to acquire PPD (Note 2), the company obtained, but does not currently expect to utilize, up to $9.5 billion of committed financing. The company intends to finance the purchase price with cash on hand and the net proceeds from issuance of debt. The company is currently evaluating future debt financings and the timing of such transactions is subject to market and other conditions.

*Credit Facilities*

The company has a revolving credit facility (the Facility) with a bank group that provides for up to $3.00 billion of unsecured multi-currency revolving credit. The Facility expires on December 4, 2025. The revolving credit agreement calls for interest at either a LIBOR-based rate (or LIBOR successor rate), a EURIBOR-based rate (for funds drawn in euro) or a rate based on the prime lending rate of the agent bank, at the company's option. The agreement contains affirmative, negative and financial covenants, and events of default customary for facilities of this type. The covenants in the Facility include a Consolidated Net Interest Coverage Ratio (Consolidated EBITDA to Consolidated Net Interest Expense), as such terms are defined in the Facility. Specifically, the company has agreed that, so long as any lender has any commitment under the Facility, any letter of credit is outstanding under the Facility, or any loan or other obligation is outstanding under the Facility, it will maintain a minimum Consolidated Interest Coverage Ratio of 3.5:1.0 as of the last day of any fiscal quarter. As of April 3, 2021, no borrowings were outstanding under the Facility, although available capacity was reduced by approximately $31 million as a result of outstanding letters of credit.

*Commercial Paper Programs*

The company has commercial paper programs pursuant to which it may issue and sell unsecured, short-term promissory notes (CP Notes). Under the U.S. program, a) maturities may not exceed 397 days from the date of issue and b) the CP Notes are issued on a private placement basis under customary terms in the commercial paper market and are not redeemable prior to maturity nor subject to voluntary prepayment. Under the euro program, maturities may not exceed 183 days and may be denominated in euro, U.S. dollars, Japanese yen, British pounds sterling, Swiss franc, Canadian dollars or other currencies. Under both programs, the CP Notes are issued at a discount from par (or premium to par, in the case of negative interest rates), or, alternatively, are sold at par and bear varying interest rates on a fixed or floating basis. As of April 3, 2021, there were no outstanding borrowings under these programs.

*Senior Notes*

Interest is payable annually on the euro-denominated senior notes and semi-annually on all other senior notes. Each of the notes may be redeemed at a redemption price of 100% of the principal amount plus a specified make-whole premium and accrued interest. The company is subject to certain affirmative and negative covenants under the indentures governing the senior notes, the most restrictive of which limits the ability of the company to pledge principal properties as security under borrowing arrangements. The company was in compliance with all covenants at April 3, 2021.

In the first quarter of 2021, the company redeemed some of its existing senior notes. In connection with these redemptions, the company incurred $197 million of losses on the early extinguishment of debt included in Other (Expense) Income on the accompanying statement of income. Upon redemption of the senior notes, the company terminated the related fixed to floating rate interest rate swap arrangements and received $22 million, included in other financing activities, net, in the accompanying statement of cash flows.

## Note 8. Commitments and Contingencies

*Environmental Matters*

The company is currently involved in various stages of investigation and remediation related to environmental matters. The company cannot predict all potential costs related to environmental remediation matters and the possible impact on future operations given the uncertainties regarding the extent of the required cleanup, the complexity and interpretation of applicable laws and regulations, the varying costs of alternative cleanup methods and the extent of the company's responsibility. Expenses for environmental remediation matters related to the costs of installing, operating and maintaining groundwater-treatment systems and other remedial activities related to historical environmental contamination at the company's domestic and international facilities were not material in any period presented. At April 3, 2021, there have been no material changes to the accruals for pending environmental-related matters disclosed in the company's 2020 financial statements and notes included in the company's Annual Report on Form 10-K. While management believes the accruals for environmental remediation are adequate based on current estimates of remediation costs, the company may be subject to additional remedial or compliance costs due to future events such as changes in existing laws and regulations, changes in agency direction or enforcement policies, developments in remediation technologies or changes in the conduct of the company's operations, which could have a material adverse effect on the company's financial position, results of operations or cash flows.

*Litigation and Related Contingencies*

The company is involved in various disputes, governmental and/or regulatory inspections, inquiries, investigations and proceedings, and litigation matters that arise from time to time in the ordinary course of business. The disputes and litigation matters include product liability, intellectual property, employment and commercial issues. Due to the inherent uncertainties associated with pending litigation or claims, the company cannot predict the outcome, nor, with respect to certain pending litigation or claims where no liability has been accrued, make a meaningful estimate of the reasonably possible loss or range of loss that could result from an unfavorable outcome. The company has no material accruals for pending litigation or claims for which accrual amounts are not disclosed in the company's 2020 financial statements and notes included in the company's Annual Report on Form 10-K, nor are material losses deemed probable for such matters. It is reasonably possible, however, that an unfavorable outcome that exceeds the company's current accrual estimate, if any, for one or more of the matters described below could have a material adverse effect on the company's results of operations, financial position and cash flows.

*Product Liability, Workers Compensation and Other Personal Injury Matters*

The company is involved in various proceedings and litigation that arise from time to time in connection with product liability, workers compensation and other personal injury matters. At April 3, 2021, there have been no material changes to the accruals for pending product liability, workers compensation, and other personal injury matters disclosed in the company's 2020 financial statements and notes included in the company's Annual Report on Form 10-K. Although the company believes that the amounts accrued and estimated insurance 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, which could have a material adverse effect on the company's results of operations, financial position, and cash flows. Insurance contracts do not relieve the company of its primary obligation with respect to any losses incurred. The collectability of amounts due from its insurers is subject to the solvency and willingness of the insurer to pay, as well as the legal sufficiency of the insurance claims. Management monitors the payment history as well as the financial condition and ratings of its insurers on an ongoing basis.

*Strategic Partnership and Long-term Lease*

In May 2020, the company entered a strategic partnership with CSL Limited (CSL). Through a long-term lease agreement with CSL, the company will operate a new state-of-the-art biologics manufacturing facility in Lengnau, Switzerland, when construction is completed in the second half of 2021, to perform pharma services for CSL with capacity to serve other customers as well. The company made an initial lease payment of $50 million in the second quarter of 2020 (included within other assets in the accompanying balance sheet) and expects to make additional fixed lease payments aggregating to $555 million (excluding renewals) from 2021 to 2041, with additional amounts dependent on the extent of revenues from customers of the facility other than CSL.

## Note 9. Comprehensive Income

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

| (In millions) | Currency Translation Adjustment | Unrealized Losses on Hedging Instruments | Pension and Other Postretirement Benefit Liability Adjustment | Total |
|---|---|---|---|---|
| **Balance at December 31, 2020** | $ (2,438) | $ (91) | $ (278) | $ (2,807) |
| Other comprehensive items before reclassifications | 224 | — | 6 | 230 |
| Amounts reclassified from accumulated other comprehensive items | — | 13 | 2 | 15 |
| Net other comprehensive items | 224 | 13 | 8 | 245 |
| **Balance at April 3, 2021** | $ (2,214) | $ (78) | $ (270) | $ (2,562) |

**Note 10. Fair Value Measurements and Fair Value of Financial Instruments**

*Fair Value Measurements*

The following tables present information about the company's financial assets and liabilities measured at fair value on a recurring basis as of April 3, 2021 and December 31, 2020:

| (In millions) | April 3, 2021 | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash equivalents | $ 3,957 | $ 3,957 | $ — | $ — |
| Investments in common stock, mutual funds and other similar instruments | 22 | 22 | — | — |
| Warrants | 19 | — | 19 | — |
| Insurance contracts | 159 | — | 159 | — |
| Derivative contracts | 121 | — | 121 | — |
| Total Assets | $ 4,278 | $ 3,979 | $ 299 | $ — |
| **Liabilities** | | | | |
| Derivative contracts | $ 11 | $ — | $ 11 | $ — |
| Contingent consideration | 227 | — | — | 227 |
| Total Liabilities | $ 238 | $ — | $ 11 | $ 227 |

| (In millions) | December 31, 2020 | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash equivalents | $ 8,971 | $ 8,971 | $ — | $ — |
| Investments in common stock, mutual funds and other similar instruments | 21 | 21 | — | — |
| Warrants | 7 | — | 7 | — |
| Insurance contracts | 157 | — | 157 | — |
| Derivative contracts | 28 | — | 28 | — |
| Total Assets | $ 9,184 | $ 8,992 | $ 192 | $ — |
| **Liabilities** | | | | |
| Derivative contracts | $ 132 | $ — | $ 132 | $ — |
| Contingent consideration | 70 | — | — | 70 |
| Total Liabilities | $ 202 | $ — | $ 132 | $ 70 |

The company uses the Black-Scholes model to value its warrants. The company determines the fair value of its insurance contracts by obtaining the cash surrender value of the contracts from the issuer. The fair value of derivative contracts is the estimated amount that the company would receive/pay upon liquidation of the contracts, taking into account the change in interest rates and currency exchange rates. The company initially measures the fair value of acquisition-related contingent consideration based on amounts expected to be transferred (probability-weighted) discounted to present value. Changes to the fair value of contingent consideration are recorded in selling, general and administrative expense. The following table provides

a rollforward of the fair value, as determined by level 3 inputs (such as likelihood of achieving production or revenue milestones), of the contingent consideration.

| | Three Months Ended | |
|---|---|---|
| (In millions) | April 3, 2021 | March 28, 2020 |
| **Contingent Consideration** | | |
| Beginning Balance | $ 70 | $ 55 |
| Acquisitions (including assumed balances) | 162 | — |
| Payments | (7) | (1) |
| Changes in fair value included in earnings | 2 | — |
| Ending Balance | $ 227 | $ 54 |

*Derivative Contracts*

The following table provides the aggregate notional value of outstanding derivative contracts.

| (In millions) | April 3, 2021 | December 31, 2020 |
|---|---|---|
| **Notional Amount** | | |
| Interest rate swaps - fair value hedges | $ — | $ 1,000 |
| Cross-currency interest rate swaps - designated as net investment hedges | 900 | 900 |
| Currency exchange contracts | 4,517 | 5,206 |

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

| | Fair Value – Assets | | Fair Value – Liabilities | |
|---|---|---|---|---|
| (In millions) | April 3, 2021 | December 31, 2020 | April 3, 2021 | December 31, 2020 |
| **Derivatives Designated as Hedging Instruments** | | | | |
| Interest rate swaps (a) | $ — | $ 25 | $ — | $ — |
| Cross-currency interest rate swaps (a) | 2 | — | 9 | 46 |
| **Derivatives Not Designated as Hedging Instruments** | | | | |
| Currency exchange contracts (b) | 119 | 3 | 2 | 86 |
| **Total Derivatives** | $ 121 | $ 28 | $ 11 | $ 132 |

(a) The fair values of the interest rate swaps and cross-currency interest rate swaps are included in the accompanying balance sheet under the caption other assets or other long-term liabilities.

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

The following amounts related to cumulative basis adjustments for fair value hedges were included in the accompanying balance sheet under the caption long-term obligations:

| | Carrying Amount of the Hedged Liability | | Cumulative Amount of Fair Value Hedging Adjustment - Increase (Decrease) Included in Carrying Amount of Liability | |
|---|---|---|---|---|
| (In millions) | April 3, 2021 | December 31, 2020 | April 3, 2021 | December 31, 2020 |
| Long-term Obligations | $ — | $ 1,020 | $ — | $ 25 |

| (In millions) | Gain (Loss) Recognized Three Months Ended April 3, 2021 | March 28, 2020 |
|---|---|---|
| **Fair Value Hedging Relationships** | | |
| Interest rate swaps | | |
| Hedged long-term obligations - included in other income (expense) | $ 25 | $ (36) |
| Derivatives designated as hedging instruments - included in other income (expense) | (3) | 36 |
| **Derivatives Designated as Cash Flow Hedges** | | |
| Interest rate swaps | | |
| Included in unrealized losses on hedging instruments within other comprehensive items | — | (81) |
| Amount reclassified from accumulated other comprehensive items to other expense | (17) | (2) |
| **Financial Instruments Designated as Net Investment Hedges** | | |
| Foreign currency-denominated debt | | |
| Included in currency translation adjustment within other comprehensive items | 466 | 83 |
| Cross-currency interest rate swaps | | |
| Included in currency translation adjustment within other comprehensive items | 38 | 9 |
| Included in other income (expense) | 2 | 5 |
| **Derivatives Not Designated as Hedging Instruments** | | |
| Currency exchange contracts | | |
| Included in cost of product revenues | 12 | 3 |
| Included in other income (expense) | 183 | 40 |
| Cross-currency interest rate swaps | | |
| Included in other income (expense) | — | (10) |

Gains and losses recognized on currency exchange contracts and the interest rate swaps designated as fair value hedges are included in the accompanying statement of income together with the corresponding, offsetting losses and gains on the underlying hedged transactions.

The company uses foreign currency-denominated debt and cross-currency interest rate swaps to partially hedge its net investments in foreign operations against adverse movements in exchange rates. The majority of the company's euro-denominated senior notes and its cross-currency interest rate swaps have been designated as, and are effective as, economic hedges of part of the net investment in a foreign operation. Accordingly, foreign currency transaction gains or losses due to spot rate fluctuations on the euro-denominated debt instruments and contract fair value changes on the cross-currency interest rate swaps, excluding interest accruals, are included in currency translation adjustment within other comprehensive items and shareholders' equity.

See Note 1 to the consolidated financial statements for 2020 included in the company's Annual Report on Form 10-K and Note 7 herein for additional information on the company's risk management objectives and strategies.

*Fair Value of Other Financial Instruments*

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

| (In millions) | April 3, 2021 Carrying Value | April 3, 2021 Fair Value | December 31, 2020 Carrying Value | December 31, 2020 Fair Value |
|---|---|---|---|---|
| Senior notes | $ 18,628 | $ 20,530 | $ 21,723 | $ 24,653 |
| Other | 17 | 17 | 12 | 12 |
| | $ 18,645 | $ 20,547 | $ 21,735 | $ 24,665 |

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

## Note 11. Supplemental Cash Flow Information

| (In millions) | Three Months Ended April 3, 2021 | Three Months Ended March 28, 2020 |
|---|---|---|
| **Non-cash Investing and Financing Activities** | | |
| Acquired but unpaid property, plant and equipment | $ 181 | $ 83 |
| Fair value of acquisition contingent consideration | 162 | — |
| Declared but unpaid dividends | 104 | 88 |
| Issuance of stock upon vesting of restricted stock units | 88 | 73 |

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

| (In millions) | April 3, 2021 | December 31, 2020 |
|---|---|---|
| Cash and Cash Equivalents | $ 5,583 | $ 10,325 |
| Restricted Cash Included in Other Current Assets | 19 | 10 |
| Restricted Cash Included in Other Assets | 1 | 1 |
| Cash, Cash Equivalents and Restricted Cash | $ 5,603 | $ 10,336 |

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

## Note 12. Restructuring and Other Costs

In the first three months of 2021 the company recorded restructuring and other costs primarily associated with charges for compensation contractually due to employees of acquired businesses at the date of acquisition, third-party transaction/integration costs related to recent acquisitions, and charges for the sale of inventories revalued at the date of acquisition. In the first three months of 2021, severance actions associated with facility consolidations and cost reduction measures affected less than 0.1% of the company's workforce.

As of May 7, 2021, the company has identified restructuring actions that will result in additional charges of approximately $40 million, primarily in 2021, and expects to identify additional actions during 2021 which will be recorded when specified criteria are met, such as communication of benefit arrangements or when the costs have been incurred.

During the first three months of 2021, the company recorded net restructuring and other costs (income) by segment as follows:

| (In millions) | Cost of Revenues | Selling, General and Administrative Expenses | Restructuring and Other Costs | Total |
|---|---|---|---|---|
| Life Sciences Solutions | $ 8 | $ 10 | $ 13 | $ 31 |
| Analytical Instruments | — | — | 3 | 3 |
| Specialty Diagnostics | — | (2) | — | (2) |
| Laboratory Products and Services | — | 8 | (3) | 5 |
| Corporate | — | — | 1 | 1 |
| | $ 8 | $ 16 | $ 14 | $ 38 |

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

*Life Sciences Solutions*

In the first three months of 2021, the Life Sciences Solutions segment recorded $13 million of restructuring and other costs, primarily charges for compensation contractually due to employees of acquired businesses at the date of acquisition. The segment recorded $10 million of charges to selling, general, and administrative expense, principally third-party transaction costs related to recent acquisitions. The segment also recorded $8 million of charges to cost of revenues for the sale of inventories revalued at the date of acquisition.

*Laboratory Products and Services*

In the first three months of 2021, the Laboratory Products and Services segment recorded $5 million of net restructuring and other charges, primarily for third-party transaction/integration costs related to recent acquisitions.

The following table summarizes the changes in the company's accrued restructuring balance. Other amounts reported as restructuring and other costs in the accompanying statement of income have been summarized in the notes to the table. Accrued restructuring costs are included in other accrued expenses in the accompanying balance sheet.

| (In millions) | | Total (a) |
|---|---|---|
| **Balance at December 31, 2020** | $ | 21 |
| Net restructuring charges incurred in 2021 (b) | | 3 |
| Payments | | (9) |
| **Balance at April 3, 2021** | $ | 15 |

(a) The movements in the restructuring liability principally consist of severance and other costs such as relocation and moving expenses associated with facility consolidations, as well as employee retention costs which are accrued ratably over the period through which employees must work to qualify for a payment.
(b) Excludes $11 million of net charges, principally for compensation contractually due and paid to employees of acquired businesses at the date of acquisition.

The company expects to pay accrued restructuring costs primarily through 2021.

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

Forward-looking statements, within the meaning of Section 21E of the Securities Exchange Act of 1934 are made throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements, including without limitation statements regarding: projections of revenues, expenses, earnings, margins, tax rates, tax provisions, cash flows, pension and benefit obligations and funding requirements, our liquidity position; cost reductions, restructuring activities, new product and service developments, competitive strengths or market position, acquisitions or divestitures; growth, declines and other trends in markets we sell into; new or modified laws, regulations and accounting pronouncements; outstanding claims, legal proceedings, tax audits and assessments and other contingent liabilities; foreign currency exchange rates and fluctuations in those rates; general economic and capital markets conditions; the timing of any of the foregoing; assumptions underlying any of the foregoing; the expected impact of the COVID-19 pandemic on the company's business; and any other statements that address events or developments that Thermo Fisher intends or believes will or may occur in the future. Without limiting the foregoing, the words "believes," "anticipates," "plans," "expects," "seeks," "estimates," and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements are accompanied by such words. While the company may elect to update forward-looking statements in the future, it specifically disclaims any obligation to do so, even if the company's estimates change, and readers should not rely on those forward-looking statements as representing the company's views as of any date subsequent to the date of the filing of this Quarterly Report.

Important factors that could cause actual results to differ materially from those indicated by such forward-looking statements are set forth under the caption "Risk Factors" in the company's Annual Report on Form 10-K for the year ended December 31, 2020 (which is on file with the SEC) as updated under the heading "Risk Factors" in Part II, Item 1A of this report on Form 10-Q. Important factors that could cause actual results to differ materially from those indicated by forward-looking statements include risks and uncertainties relating to: the duration and severity of the COVID-19 pandemic; the need to develop new products and adapt to significant technological change; implementation of strategies for improving growth; general economic conditions and related uncertainties, dependence on customers' capital spending policies and government funding policies; the effect of economic and political conditions and exchange rate fluctuations on international operations; use and protection of intellectual property; the effect of changes in governmental regulations; any natural disaster, public health crisis or other catastrophic event; and the effect of laws and regulations governing government contracts, as well as the possibility that expected benefits related to recent or pending acquisitions, including our pending acquisition of PPD, Inc., may not materialize as expected.

### Overview

The company develops, manufactures and sells a broad range of products that are sold worldwide. The company expands the product lines and services it offers by developing and commercializing its own technologies and by making strategic acquisitions of complementary businesses. The company's operations fall into four segments (Note 4): Life Sciences Solutions, Analytical Instruments, Specialty Diagnostics and Laboratory Products and Services.

The company mobilized in early 2020 to support the COVID-19 pandemic response with products and services that help analyze, diagnose and protect from the virus. However, the company saw a significant reduction in customer activity in several businesses by late March 2020 that materially adversely affected primarily the 2020 results of the Analytical Instruments segment and, to a lesser extent, some businesses within the company's other three segments. The extent and duration of the negative impacts continuing into the remainder of 2021 are uncertain and dependent in part on the success of global efforts to control the pandemic and economic activity ramping up. The company believes the impacted businesses' long-term prospects remain excellent given the company's attractive markets served, its industry-leading position and proven growth strategy. Several of the company's businesses have had a significant increase in revenues due to sales of product and services addressing diagnosis and treatment of COVID-19, including test kits and, to a lesser extent, products and services for therapy and vaccine development and manufacturing. While these positive impacts are expected to continue through 2021, the duration and extent of future revenues from such sales are uncertain and dependent primarily on customer testing as well as therapy and vaccine demand.

Sales in the first quarter of 2021 were $9.91 billion, an increase of $3.68 billion from the first quarter of 2020. Excluding the effects of currency translation and acquisitions, revenues increased $3.31 billion (53%).

In the first quarter of 2021, total company operating income and operating income margin were $3.05 billion and 30.8%, respectively, compared with $0.91 billion and 14.5%, respectively, in 2020.

**Overview (continued)**

Net income increased to $2.34 billion in the first quarter of 2021 from $0.79 billion in the first quarter of 2020, primarily due to an increase in operating income, offset in part by an increase in the income tax provision and $197 million of losses on the early extinguishment of debt.

During the first three months of 2021, the company's cash flow from operations totaled $1.98 billion compared with $0.36 billion for 2020.

On January 15, 2021, the company acquired, within the Laboratory Products and Services segment, the Belgium-based European viral vector manufacturing business of Groupe Novasep SAS for approximately $834 million in net cash consideration. The European viral vector manufacturing business provides manufacturing services for vaccines and therapies to biotechnology companies and large biopharma customers. The acquisition expands the segment's capabilities for cell and gene vaccines and therapies.

On February 25, 2021, the company acquired, within the Life Sciences Solutions segment, Mesa Biotech, Inc., a U.S.-based molecular diagnostic company, for approximately $406 million in net cash consideration and contingent consideration with an initial fair value of $65 million due upon the completion of certain milestones. Mesa Biotech has developed and commercialized a PCR based rapid point-of-care testing platform available for detecting infectious diseases including COVID-19. The acquisition enables the company to accelerate the availability of reliable and accurate advanced molecular diagnostics at the point of care.

On April 15, 2021, the company entered into a definitive agreement under which it will acquire PPD, Inc. for $47.50 per share for a total cash purchase price of $17.4 billion plus the assumption of approximately $3.5 billion of net debt. PPD provides a broad range of clinical research and specialized laboratory services to enable customers to accelerate innovation and increase drug development productivity. In 2020, PPD generated revenue of $4.7 billion.. Upon close of the transaction, PPD will become part of the Laboratory Products and Services Segment. The transaction, which is expected to be completed by the end of 2021, is subject to the satisfaction of customary closing conditions, including the receipt of applicable regulatory approvals. Shareholders holding in aggregate approximately 60% of the issued and outstanding shares of common stock of PPD have approved the transaction by written consent. No further action by other PPD shareholders is required to approve the transaction. The company intends to finance the purchase price with cash on hand and the net proceeds from issuance of debt. The company is currently evaluating future debt financings and the timing of such transactions is subject to market and other conditions. The company also has available, but it does not currently expect to utilize, up to $9.5 billion of committed bridge financing.

**Critical Accounting Policies and Estimates**

Management's Discussion and Analysis and Note 1 to the Consolidated Financial Statements of the company's Annual Report on Form 10-K for 2020, describe the significant accounting estimates and policies used in preparation of the consolidated financial statements. There have been no significant changes in the company's critical accounting policies during the first three months of 2021.

**Results of Operations**

***First Quarter 2021 Compared With First Quarter 2020***

| | Three Months Ended | | | | | |
|---|---|---|---|---|---|---|
| (In millions) | April 3, 2021 | March 28, 2020 | Total Change | Currency Translation | Acquisitions/ Divestitures | Operations |
| **Revenues** | | | | | | |
| Life Sciences Solutions | $ 4,203 | $ 1,774 | $ 2,429 | $ 101 | $ 32 | $ 2,296 |
| Analytical Instruments | 1,387 | 1,101 | 286 | 46 | — | 240 |
| Specialty Diagnostics | 1,615 | 958 | 657 | 32 | — | 625 |
| Laboratory Products and Services | 3,597 | 2,730 | 867 | 92 | 76 | 699 |
| Eliminations | (896) | (333) | (563) | (8) | — | (555) |
| Consolidated Revenues | $ 9,906 | $ 6,230 | $ 3,676 | $ 263 | $ 108 | $ 3,305 |

**Results of Operations (continued)**

Sales in the first quarter of 2021 increased $3.68 billion from the first quarter of 2020. Aside from the effects of currency translation and acquisitions, revenues increased $3.31 billion (53%) primarily due to increased demand. The first quarter of 2021 had three extra selling days in the quarter compared to the 2020 quarter. The company's fourth quarter of 2021 will have four fewer selling days than the corresponding 2020 quarter. Sales of products that address COVID-19 testing and treatment increased $2.68 billion to $2.85 billion in the first quarter of 2021. Sales were particularly strong in diagnostic and healthcare markets, primarily due to demand for products supporting customers diagnosing the COVID-19 virus, as well as to customers in pharma and biotech markets where demand was strong for products and services and pandemic-related demand for vaccines and therapies also contributed to growth. Sales to academic and government customers and customers in industrial markets were strong primarily due to robust customer activity. Sales growth was strong in each of the company’s primary geographic areas during the first quarter of 2021.

In the first quarter of 2021, total company operating income and operating income margin were $3.05 billion and 30.8%, respectively, compared with $0.91 billion and 14.5%, respectively, in 2020. The increase in operating income was primarily due to profit on higher sales and, to a lesser extent, sales mix, offset in part by strategic growth investments in 2021 to support the company’s near and long-term growth. The company’s references to strategic growth investments generally refer to targeted spending for enhancing commercial capabilities, including expansion of geographic sales reach and e-commerce platforms, marketing initiatives, expanded service and operational infrastructure, focused research and development projects and other expenditures to enhance the customer experience, as well as incentive compensation and recognition for employees. The company’s references throughout this discussion to productivity improvements generally refer to improved cost efficiencies from its Practical Process Improvement (PPI) business system including reduced costs resulting from global sourcing initiatives, a lower cost structure following restructuring actions, including headcount reductions and consolidation of facilities, and low cost region manufacturing. Productivity improvements are calculated net of inflationary cost increases.

In the first quarter of 2021, the company recorded restructuring and other costs of $38 million. In the first quarter of 2020, the company recorded restructuring and other costs of $46 million. See Note 12 for restructuring charges expected in future periods.

*Segment Results*

Note 4 to the Consolidated Financial Statements of the company’s Annual Report on Form 10-K for 2020, describes the company’s measurement of segment income. There have been no significant changes in measurement methods used to determine segment income.

**Results of Operations (continued)**

| (Dollars in millions) | Three Months Ended April 3, 2021 | March 28, 2020 | Change |
|---|---|---|---|
| **Revenues** | | | |
| Life Sciences Solutions | $ 4,203 | $ 1,774 | 137 % |
| Analytical Instruments | 1,387 | 1,101 | 26 % |
| Specialty Diagnostics | 1,615 | 958 | 69 % |
| Laboratory Products and Services | 3,597 | 2,730 | 32 % |
| Eliminations | (896) | (333) | 169 % |
| Consolidated Revenues | $ 9,906 | $ 6,230 | 59 % |
| | | | |
| **Segment Income** | | | |
| Life Sciences Solutions | $ 2,279 | $ 675 | 238 % |
| Analytical Instruments | 272 | 171 | 59 % |
| Specialty Diagnostics | 428 | 236 | 81 % |
| Laboratory Products and Services | 531 | 295 | 80 % |
| Subtotal Reportable Segments | 3,510 | 1,377 | 155 % |
| | | | |
| Cost of Revenues Charges | (8) | (2) | |
| Selling, General and Administrative Charges | (16) | (6) | |
| Restructuring and Other Costs | (14) | (38) | |
| Amortization of Acquisition-related Intangible Assets | (423) | (425) | |
| Consolidated Operating Income | $ 3,049 | $ 906 | 237 % |
| | | | |
| Reportable Segments Income Margin | 35.4 % | 22.1 % | |
| Consolidated Operating Income Margin | 30.8 % | 14.5 % | |

Income from the company's reportable segments increased 155% to $3.51 billion in the first quarter of 2021 due primarily to profit on higher sales and, to a lesser extent, sales mix, offset in part by strategic growth investments.

*Life Sciences Solutions*

| (Dollars in millions) | Three Months Ended April 3, 2021 | March 28, 2020 | Change |
|---|---|---|---|
| Revenues | $ 4,203 | $ 1,774 | 137 % |
| | | | |
| Operating Income Margin | 54.2 % | 38.0 % | 16.2 pt |

Sales in the Life Sciences Solutions segment increased $2.43 billion in the first quarter of 2021. Sales increased $2.30 billion (129%) due to higher revenues at existing businesses and $32 million due to acquisitions. The favorable effects of currency translation resulted in an increase in revenues of $101 million. The increase in revenues at existing businesses was primarily driven by demand for testing to diagnose COVID-19 with higher sales of genetic sciences products and, to a lesser extent, biosciences products. Sales also grew due to higher demand for bioproduction products.

The increase in operating income margin for the segment resulted primarily from profit on higher sales and, to a lesser extent, sales mix, offset in part by strategic growth investments.

**Results of Operations (continued)**

*Analytical Instruments*

| (Dollars in millions) | Three Months Ended April 3, 2021 | March 28, 2020 | Change |
|---|---|---|---|
| Revenues | $ 1,387 | $ 1,101 | 26 % |
| Operating Income Margin | 19.6 % | 15.5 % | 4.1 pt |

Sales in the Analytical Instruments segment increased $286 million in the first quarter of 2021. Sales increased $240 million (22%) due to higher revenues at existing businesses. The favorable effects of currency translation resulted in an increase in revenues of $46 million. The increase in revenues at existing businesses was due to increased demand for products sold by each of the segment's primary businesses with particular strength in chromatography and mass spectrometry instruments.

The increase in operating income margin for the segment was primarily due to profit on higher sales and, to a lesser extent, productivity improvements, offset in part by sales mix and strategic growth investments.

*Specialty Diagnostics*

| (Dollars in millions) | Three Months Ended April 3, 2021 | March 28, 2020 | Change |
|---|---|---|---|
| Revenues | $ 1,615 | $ 958 | 69 % |
| Operating Income Margin | 26.5 % | 24.7 % | 1.8 pt |

Sales in the Specialty Diagnostics segment increased $657 million in the first quarter of 2021. Sales increased $625 million (65%) due to higher revenues at existing businesses. The favorable effects of currency translation resulted in an increase in revenues of $32 million. The increase in revenues at existing businesses was due to higher demand primarily driven by products addressing treatment of COVID-19, with particular strength in sales of products sold through the segment's healthcare market channel business, and to a lesser extent, microbiology and clinical diagnostics products.

The increase in operating income margin for the segment was primarily due to profit on higher sales, offset in part by sales mix and, to a lesser extent, strategic growth investments.

*Laboratory Products and Services*

| (Dollars in millions) | Three Months Ended April 3, 2021 | March 28, 2020 | Change |
|---|---|---|---|
| Revenues | $ 3,597 | $ 2,730 | 32 % |
| Operating Income Margin | 14.8 % | 10.8 % | 4.0 pt |

Sales in the Laboratory Products and Services segment increased $867 million in the first quarter of 2021. Sales increased $699 million (26%) due to higher revenues at existing businesses and $76 million due to an acquisition. The favorable effects of currency translation resulted in an increase in revenues of $92 million. The increase in revenues at existing businesses was primarily due to increased demand in each of the segment's principal businesses.

The increase in operating income margin for the segment was primarily due to profit on higher sales and, to a lesser extent, productivity improvements, offset in part by strategic growth investments and, to a lesser extent, sales mix.

*Other Income/Expense*

The company reported other expense of $183 million in the first quarter of 2021 compared to other income of $12 million in the first quarter of 2020. In 2021, other expense includes $197 million of losses on the early extinguishment of debt.

*Provision for Income Taxes*

The company's effective tax rate was 15.1% for the first quarter of 2021. The company expects its effective tax rate for all of 2021 will be between 11% and 13% based on currently forecasted rates of profitability in the countries in which the company

**Results of Operations (continued)**

conducts business and expected generation of foreign tax credits. Due primarily to the non-deductibility of intangible asset amortization for tax purposes, the company's cash payments for income taxes are higher than its income tax expense for financial reporting purposes and are expected to total approximately $1.5 billion in 2021. In the first quarter of 2020, the company's effective tax rate was 4.8%.

The company has operations and a taxable presence in approximately 50 countries outside the U.S. Some of these countries have lower tax rates than the U.S. The company's ability to obtain a benefit from lower tax rates outside the U.S. is dependent on its relative levels of income in countries outside the U.S. and on the statutory tax rates in those countries. Based on the dispersion of the company's non-U.S. income tax provision among many countries, the company believes that a change in the statutory tax rate in any individual country is not likely to materially affect the company's income tax provision or net income, aside from any resulting one-time adjustment to the company's deferred tax balances to reflect a new rate.

***Recent Accounting Pronouncements***

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

**Liquidity and Capital Resources**

Consolidated working capital (current assets less current liabilities) was $10.69 billion at April 3, 2021, compared with $11.65 billion at December 31, 2020. Included in working capital were cash and cash equivalents of $5.58 billion at April 3, 2021 and $10.33 billion at December 31, 2020.

*First Three Months of 2021*

Cash provided by operating activities during the first three months of 2021 was $1.98 billion. Cash provided by income was offset in part by investments in working capital. A decrease in accounts receivable provided $149 million of cash. An increase in inventories used cash of $352 million, primarily to support growth in sales. Changes in other assets and other liabilities used cash of $1.20 billion primarily due to the timing of payments for compensation. Cash payments for income taxes increased to $542 million during the first three months of 2021, compared with $100 million in the first three months of 2020.

During the first three months of 2021, the company's investing activities used $2.00 billion of cash. Acquisitions used cash of $1.34 billion. The company's investing activities also included the purchase of $628 million of property, plant and equipment for capacity and capability investments.

The company's financing activities used $4.85 billion of cash during the first three months of 2021. Repayment of senior notes used cash of $2.80 billion. The company's financing activities also included the repurchase of $2.00 billion of the company's common stock and the payment of $87 million in cash dividends. On November 5, 2020, the Board of Directors replaced the existing authorization to repurchase the company's common stock with a new authorization to repurchase up to $2.50 billion of the company's common stock. At May 7, 2021, authorization remained for $500 million of future repurchases of the company's common stock.

The company's commitments for purchases of property, plant and equipment, contractual obligations and other commercial commitments did not change materially between December 31, 2020 and April 3, 2021 except for the agreement to acquire PPD, discussed in Note 2. The company expects that for all of 2021, expenditures for property, plant and equipment, net of disposals, will be between $2.5 and $2.7 billion.

As of April 3, 2021, the company's short-term debt totaled $4 million. The company has a revolving credit facility with a bank group that provides up to $3.00 billion of unsecured multi-currency revolving credit (Note 7). If the company borrows under this facility, it intends to leave undrawn an amount equivalent to outstanding commercial paper to provide a source of funds in the event that commercial paper markets are not available. As of April 3, 2021, no borrowings were outstanding under the company's revolving credit facility, although available capacity was reduced by approximately $31 million as a result of outstanding letters of credit.

Approximately half of the company's cash balances and cash flows from operations are from outside the U.S. The company uses its non-U.S. cash for needs outside of the U.S. including acquisitions and repayment of acquisition-related intercompany debt to the U.S. In addition, the company also transfers cash to the U.S. using non-taxable returns of capital as well as dividends where the related U.S. dividend received deduction or foreign tax credit equals any tax cost arising from the

**Liquidity and Capital Resources (continued)**

dividends. As a result of using such means of transferring cash to the U.S., the company does not expect any material adverse liquidity effects from its significant non-U.S. cash balances for the foreseeable future.

The company believes that its existing cash and cash equivalents and its future cash flow from operations together with available borrowing capacity under its revolving credit agreement and bridge loan agreement will be sufficient to meet the cash requirements of its existing businesses for the foreseeable future, including at least the next 24 months and to fund the pending PPD acquisition.

*First Three Months of 2020*

Cash provided by operating activities was $356 million during the first three months of 2020. Cash provided by income was offset in part by investments in working capital. Increases in accounts receivable and inventories used cash of $218 million and $141 million, respectively, primarily to support growth in sales. Changes in other assets and other liabilities used cash of $443 million primarily due to the timing of customer billings. Cash payments for income taxes totaled $100 million.

During the first three months of 2020, the company's investing activities used $260 million of cash, principally for the purchase of property, plant and equipment.

The company's financing activities provided $619 million of cash during the first three months of 2020. Issuance of senior notes provided cash of $2.19 billion. The company's financing activities also included the repurchase of $1.50 billion of the company's common stock and the payment of $76 million in cash dividends.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

The company's exposure to market risk from changes in interest rates and currency exchange rates has not changed materially from its exposure discussed in the company's Annual Report on Form 10-K for the year ended December 31, 2020.

## Item 4. Controls and Procedures

*Management's Evaluation of Disclosure Controls and Procedures*

The company's management, with the participation of the company's chief executive officer and chief financial officer, has evaluated the effectiveness of the company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on such evaluation, the company's chief executive officer and chief financial officer concluded that, as of the end of such period, the company's disclosure controls and procedures were effective at the reasonable assurance level.

*Changes in Internal Control over Financial Reporting*

There have been no changes in the company's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the fiscal quarter ended April 3, 2021, that have materially affected or are reasonably likely to materially affect the company's internal control over financial reporting.

# PART II OTHER INFORMATION

## Item 1. Legal Proceedings

There are various lawsuits and claims against the company involving product liability, intellectual property, employment and commercial issues. See "Note 8 to our Condensed Consolidated Financial Statements – Commitments and Contingencies."

**Item 1A. Risk Factors**

The risks that we believe are material to our investors are discussed in the company's Annual Report on Form 10-K for the year ended December 31, 2020 under the caption "Risk Factors," which is on file with the SEC. Except as set forth herein, there have been no material changes during the three months ended April 3, 2021 to our previously reported Risk Factors.

***Risks Relating to Our Proposed Acquisition of PPD***

**Regulatory approvals necessary for our acquisition of PPD may not be received, may take longer than expected or may impose conditions that are not presently anticipated or that could have an adverse effect on the combined company following the PPD acquisition.** Before the PPD acquisition may be completed, we must obtain certain required regulatory approvals, waivers or consents. These regulators may impose conditions on the completion of the transaction. Such conditions could have the effect of delaying or preventing completion of the transaction, causing us to incur additional costs or limiting the revenues of the combined company following the transaction, any of which might have an adverse effect on the combined company following the transaction. Additionally, any delay in closing may adversely affect the business of PPD and therefore the combined company following the transaction, including an adverse effect on PPD's ability to retain employees during the pendency of the transaction or on PPD's relationships with its vendors, customers and other parties if such vendors, customers or other parties attempt to negotiate changes in existing business relationships, consider entering into business relationships with parties other than PPD or delay or defer decisions concerning their business with PPD during the pendency of the transaction.

**Combining PPD with us may be more difficult, costly or time consuming than expected and the anticipated benefits and cost savings of the transaction may not be fully realized**. The success of the PPD acquisition, including the realization of anticipated benefits and cost savings, will depend, in part, on our ability to successfully combine our and PPD's businesses. The integration may be more difficult, costly or time consuming than expected. It is possible that the integration process could result in the loss of key employees or the disruption of each company's ongoing businesses or that the alignment of standards, controls, procedures and policies may adversely affect the combined company's ability to maintain relationships with clients, customers, suppliers and employees or to fully achieve the anticipated benefits and cost savings of the transaction. The loss of key employees could adversely affect our ability to successfully conduct our business in the markets in which PPD now operates, which could have an adverse effect on our financial results. Other potential difficulties of combining our and PPD's businesses include unanticipated issues in integrating logistics, information communications and other systems.

If we experience difficulties with the integration process, the anticipated benefits of the PPD acquisition may not be realized fully or at all, or may take longer to realize than expected. Integration efforts between the two companies may also divert management attention and resources. These integration matters could have an adverse effect on each of us and PPD during this transition period and for an undetermined period after completion of the PPD acquisition on the combined company.

***Risks Relating to Financial Profile***

**We have outstanding debt, and our debt will increase as a result of additional debt we expect to incur to finance the PPD acquisition. Our existing and future indebtedness may restrict our investment opportunities or limit our activities and negatively impact our credit ratings.** As of April 3, 2021, we had approximately $18.65 billion in outstanding indebtedness. In addition, we have availability to borrow under a revolving credit facility that provides for up to $3.00 billion of unsecured multi-currency revolving credit. We expect to incur additional indebtedness to fund a portion of the purchase price of the PPD acquisition. We may also obtain additional long-term debt and lines of credit to meet future financing needs, which would have the effect of increasing our total leverage.

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

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

Additionally, the agreements governing our debt require that we maintain certain financial ratios, and contain affirmative and negative covenants that restrict our activities by, among other limitations, limiting our ability to incur additional indebtedness, merge or consolidate with other entities, make investments, create liens, sell assets and enter into transactions with affiliates. The covenants in the Facility include a Consolidated Net Interest Coverage Ratio (Consolidated EBITDA to

**Risk Factors (continued)**

Consolidated Net Interest Expense), as such terms are defined in the Facility. Specifically, the company has agreed that, so long as any lender has any commitment under the Facility, any letter of credit is outstanding under the Facility, or any loan or other obligation is outstanding under the Facility, it will maintain a minimum Consolidated Interest Coverage Ratio of 3.5:1.0 as of the last day of any fiscal quarter.

Our ability to comply with these financial restrictions and covenants is dependent on our future performance, which is subject to prevailing economic conditions and other factors, including factors that are beyond our control such as the impact of public health epidemics/pandemics like COVID-19, foreign exchange rates and interest rates. Our failure to comply with any of these restrictions or covenants may result in an event of default under the applicable debt instrument, which could permit acceleration of the debt under that instrument and require us to prepay that debt before its scheduled due date. Also, an acceleration of the debt under certain of our debt instruments would trigger an event of default under other of our debt instruments.

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

*Issuer Purchases of Equity Securities*

A summary of the share repurchase activity for the company's first quarter of 2021 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 January (Jan. 1 - Feb. 6) | 2,999,334 | $ 500.11 | 2,999,334 | $ 1,000 |
| Fiscal February (Feb. 7 - Mar. 6) | — | $ — | — | 1,000 |
| Fiscal March (Mar. 7 - Apr. 3) | 1,101,277 | $ 454.02 | 1,101,277 | 500 |
| Total First Quarter | 4,100,611 | $ 487.73 | 4,100,611 | $ 500 |

(1) On November 5, 2020, the Board of Directors replaced the existing authorization to repurchase the company's common stock with a new authorization to repurchase up to $2.50 billion of the company's common stock. All of the shares of common stock repurchased by the company during the first quarter of 2021 were purchased under this program.

**Item 6. Exhibits**

| Exhibit Number | Description of Exhibit |
|---|---|
| 2.1 | Agreement and Plan of Merger, dated as of April 15, 2021, by and among Thermo Fisher Scientific Inc., Powder Acquisition Corp. and PPD, Inc. (filed as Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed April 16, 2021 [File No. 1-8002] and incorporated in this document by reference). |
| 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 - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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. |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101). |
| | *The Registrant agrees, pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, to furnish to the Commission, upon request, a copy of each instrument with respect to long-term debt of the Registrant or its consolidated subsidiaries.* |

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

** Certification is not deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section. Such certification is not deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act except to the extent that the registrant specifically incorporates it by reference.

**SIGNATURES**

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

Date: May 7, 2021

THERMO FISHER SCIENTIFIC INC.

/s/ Stephen Williamson

Stephen Williamson
Senior Vice President and Chief Financial Officer

/s/ Joseph R. Holmes

Joseph R. Holmes
Vice President and Chief Accounting Officer

**Exhibit 31.1**

**THERMO FISHER SCIENTIFIC INC.**

CERTIFICATION 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

I, Marc N. Casper, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Thermo Fisher Scientific Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2021

/s/ Marc N. Casper
Marc N. Casper
Chairman, President and Chief Executive Officer

**Exhibit 31.2**

**THERMO FISHER SCIENTIFIC INC.**

CERTIFICATION 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

I, Stephen Williamson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Thermo Fisher Scientific Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2021

/s/ Stephen Williamson

Stephen Williamson
Senior Vice President and Chief Financial Officer

**Exhibit 32.1**

**THERMO FISHER SCIENTIFIC INC.**

CERTIFICATION 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

In connection with the Quarterly Report on Form 10-Q of Thermo Fisher Scientific Inc. (the "Company") for the period ended April 3, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Marc N. Casper, Chairman, President and Chief Executive Officer of the Company, hereby certifies, pursuant to Securities Exchange Act of 1934 Rules 13a-14(b) and 15d-14(b), that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 7, 2021

/s/ Marc N. Casper
Marc N. Casper
Chairman, President and Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Thermo Fisher Scientific Inc. and will be retained by Thermo Fisher Scientific Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**Exhibit 32.2**

**THERMO FISHER SCIENTIFIC INC.**

CERTIFICATION 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

In connection with the Quarterly Report on Form 10-Q of Thermo Fisher Scientific Inc. (the "Company") for the period ended April 3, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Stephen Williamson, Senior Vice President and Chief Financial Officer of the Company, hereby certifies, pursuant to Securities Exchange Act of 1934 Rules 13a-14(b) and 15d-14(b), that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 7, 2021

/s/ Stephen Williamson
Stephen Williamson
Senior Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Thermo Fisher Scientific Inc. and will be retained by Thermo Fisher Scientific Inc. and furnished to the Securities and Exchange Commission or its staff upon request.