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# INSTRUMENT BUSINESS OUTLOOK



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## 2005 Company of the Year

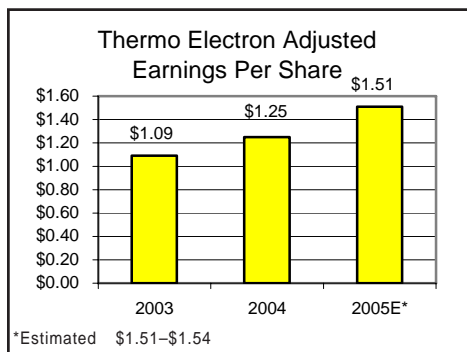
This year, *IBO* introduces a new regular feature to its annual forecast issue: company of the year. In choosing the company of the year, *IBO* recognizes an analytical instrument maker that recorded financial, operational and technical achievements during 2005. Such achievements are measured by financial performance, market leadership, product introductions and key strategic investments.

*IBO*'s 2005 company of the year is Thermo Electron. In 2005, Thermo Electron further strengthened its position in several markets and built upon its strategy as a comprehensive supplier of products for laboratory workflows and a leading supplier of environmental testing and process analytical instrumentation. During the year, the company capitalized on its diversified end-user markets by targeting growing applications and key regional investments. The company utilized its broad technology portfolio to create integrated solutions, launch a steady flow of new products, increase its sales to key customers and build its service business.

Thermo also continued to expand its business last year. It became the world's largest supplier of laboratory equipment through the acquisition of Kendro Laboratory Products (see *IBO* 1/31/05, 5/15/05), while its acquisition of Niton (see *IBO* 3/31/05) made it the leader in handheld x-ray fluorescence (XRF), the fastest growing segment of the XRF market (see page 8). And Thermo balanced its acquisitions with divestments (see *IBO* 9/30/05) in line with its clear, consistent strategy focused on selected product lines.

Thermo also continued to gain

share in the highly competitive and fast growing mass spectrometer (MS) market (see page 6). In 2005, it launched the LTQ Orbitrap Hybrid MS (see *IBO* 6/15/05), which introduced a new mass analyzer to the marketplace to compete with Q-TOF MS. Among other notable Thermo Electron product introductions during the year were the Darwin LIMS (see *IBO* 3/15/



05), Trace GCxGC (see *IBO* 3/31/05) and Finnigan Element GD double focusing magnetic sector field ICP-MS (see *IBO* 3/15/05).

In 2005, Thermo Electron continued to improve operating efficiencies and maintain steady sales growth. In the first nine months of the year, sales increased 19% to \$1,892.2 million. Adjusted operating income grew 27.0% to \$252.7 million, adjusted net income rose 19.4% to \$174.6 million, and adjusted operating margin improved 80 basis points to 13.3%. The company expects total 2005 revenues to grow 18%-19% to \$2.61-\$2.63 billion, including 4%-5% organic growth, and adjusted earnings per share (EPS) to grow 21%-23% to \$1.51-\$1.54. For 2006, it forecasts a 7% increase in sales, including 4%-5% organic sales

growth, a 16% increase in EPS and an over 100 basis-point expansion in adjusted operating margin (see *IBO* 12/31/05).

At a time when many instrument companies are adjusting to the realities of the life science market, seeking to enter faster growing markets and technology segments, and trying to leverage further their size and operational efficiencies, Thermo has already met these challenges. It has invested in MS, services and lab equipment to serve the evolving needs of pharmaceutical customers; successfully expanded its MS and services business; and refined a strategy particularly attuned to emerging markets and integrated products and workflows. ➤

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