UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(mark one)
[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Quarter Ended March 29, 2003

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

Commission File Number 1-8002

THERMO ELECTRON CORPORATION
(Exact name of Registrant as specified in its charter)

Delaware	04-2209186
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

81 Wyman Street, P.O. Box 9046	
Waltham, Massachusetts	02454-9046
(Address of principal executive offices)	(Zip Code)

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

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

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [X] No [ ]

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date.

Class	Outstanding at April 25, 2003
Common Stock, $1.00 par value	161,749,688

PART I – FINANCIAL INFORMATION

Item 1 – Financial Statements

THERMO ELECTRON CORPORATION

Consolidated Balance Sheet
(Unaudited)

Assets

(In thousands)	March 29, 2003	December 28, 2002
Current Assets:		
Cash and cash equivalents	$ 249,111	$ 339,038
Short-term available-for-sale investments, at quoted market value (amortized cost of $313,602 and $493,002)	379,100	536,430
Accounts receivable, less allowances of $25,711 and $25,576	412,411	429,740
Inventories:		
Raw materials and supplies	143,704	134,039
Work in process	48,730	50,894
Finished goods (includes $13,534 and $18,982 at customer locations)	149,812	147,871
Deferred tax asset	78,184	79,057
Other current assets (Note 15)	94,717	54,490
	1,555,769	1,771,559
Property, Plant, and Equipment, at Cost	563,324	553,349
Less: Accumulated depreciation and amortization	290,298	280,441
	273,026	272,908
Other Assets (Note 10)	158,853	186,390
Goodwill	1,418,926	1,416,205
	$3,406,574	$3,647,062

THERMO ELECTRON CORPORATION

Consolidated Balance Sheet (continued)
(Unaudited)

Liabilities and Shareholders' Equity

(In thousands except share amounts)	March 29, 2003	December 28, 2002
Current Liabilities:		
Short-term obligations and current maturities of long-term obligations (Note 15)	$ 246,086	$ 484,480
Accounts payable	105,510	111,994
Accrued payroll and employee benefits	74,632	97,856
Accrued income taxes	60,222	44,519
Deferred revenue	70,033	58,490
Accrued restructuring costs (Note 12)	31,806	41,579
Other accrued expenses (Notes 2 and 11)	165,058	170,996
Net liabilities of discontinued operations	77,958	93,806
	831,305	1,103,720
Long-term Deferred Income Taxes and Other Deferred Items	61,357	58,678
Long-term Obligations:		
Senior notes (Note 10)	142,292	141,032
Subordinated convertible obligations	288,414	304,549
Other	5,157	5,760
	435,863	451,341
Shareholders' Equity:		
Preferred stock, $100 par value, 50,000 shares authorized; none issued		
Common stock, $1 par value, 350,000,000 shares authorized; 170,898,573 and 169,952,419 shares issued	170,899	169,952
Capital in excess of par value	1,223,144	1,212,145
Retained earnings	855,838	819,411
Treasury stock at cost, 8,844,614 and 7,098,501 shares	(161,005)	(129,675)
Deferred compensation	(4,705)	(4,852)
Accumulated other comprehensive items (Notes 7 and 10)	(6,122)	(33,658)
	2,078,049	2,033,323
	$3,406,574	$3,647,062

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

THERMO ELECTRON CORPORATION

Consolidated Statement of Income
(Unaudited)

(In thousands except per share amounts)	Three Months Ended March 29, 2003	Three Months Ended March 30, 2002
Revenues (Note 4)	$ 500,205	$ 491,326
Costs and Operating Expenses:		
Cost of revenues	276,367	267,670
Selling, general, and administrative expenses	139,119	138,913
Research and development expenses	37,321	39,626
Restructuring and other costs, net (Note 12)	8,102	8,383
	460,909	454,592
Operating Income	39,296	36,734
Other Income, Net (Note 5)	5,901	59,921
Income from Continuing Operations Before Provision for Income Taxes and Minority Interest	45,197	96,655
Provision for Income Taxes	(13,806)	(33,312)
Minority Interest Income	–	331
Income from Continuing Operations	31,391	63,674
Gain on Disposal of Discontinued Operations (net of income tax provision of $3,564 and $5,593; Note 13)	5,036	51,370
Net Income	$ 36,427	$ 115,044
Earnings per Share from Continuing Operations (Note 6):		
Basic	$ .19	$ .37
Diluted	$ .19	$ .34
Earnings per Share (Note 6):		
Basic	$ .22	$ .66
Diluted	$ .22	$ .59
Weighted Average Shares (Note 6):		
Basic	162,844	174,250
Diluted	165,614	204,189

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

THERMO ELECTRON CORPORATION

Consolidated Statement of Cash Flows
(Unaudited)

(In thousands)	Three Months Ended March 29, 2003	Three Months Ended March 30, 2002
Operating Activities:		
Net income	$ 36,427	$ 115,044
Gain on disposal of discontinued operations (Note 13)	(5,036)	(51,370)
Income from continuing operations	31,391	63,674
Adjustments to reconcile income from continuing operations to net cash provided by (used in) operating activities:		
Depreciation and amortization	14,034	14,536
Noncash restructuring and other costs, net (Note 12)	2,974	991
Provision for losses on accounts receivable	661	818
Change in deferred income taxes	1,627	(5,605)
Gain on sale of businesses	(262)	(2,270)
Gain on investments, net (Note 5)	(5,175)	(57,953)
Equity in earnings of unconsolidated subsidiaries (Note 5)	–	(2,169)
Minority interest income	–	(331)
Other	1,505	2,575
Changes in current accounts, excluding the effects of acquisitions and dispositions:		
Accounts receivable	20,984	9,667
Inventories	(6,590)	(7,100)
Other current assets	(8,756)	(5,066)
Accounts payable	(7,381)	(6,833)
Other current liabilities	(27,722)	(15,169)
Net cash provided by (used in) continuing operations	17,290	(10,235)
Net cash used in discontinued operations	(5,359)	(7,877)
Net cash provided by (used in) operating activities	11,931	(18,112)
Investing Activities:		
Proceeds from maturities of available-for-sale investments	173,848	18,882
Proceeds from sale of available-for-sale investments	10,788	39,237
Purchases of property, plant, and equipment	(12,587)	(13,466)
Proceeds from sale of property, plant, and equipment	1,236	1,051
Acquisition, net of cash acquired (Note 2)	(2,620)	–
Proceeds from sale of businesses, net of cash divested	384	3,185
Proceeds from sale of other investments	39	80,595
Acquisition of minority interest of subsidiary	–	(21,283)
Increase in other assets	(528)	(5,662)
Other	503	346
Net cash provided by continuing operations	171,063	102,885
Net cash provided by discontinued operations	1,871	107,540
Net cash provided by investing activities	172,934	210,425

THERMO ELECTRON CORPORATION

Consolidated Statement of Cash Flows (continued)
(Unaudited)

(In thousands)	Three Months Ended March 29, 2003	Three Months Ended March 30, 2002
Financing Activities:		
Redemption and repayment of long-term obligations	$ (1,084)	$(457,009)
Purchases of company common stock and subordinated convertible debentures	(46,102)	(100,036)
Net proceeds from issuance of company common stock	10,540	10,693
Increase (decrease) in short-term notes payable	(237,336)	369,162
Other	–	293
Net cash used in continuing operations	(273,982)	(176,897)
Net cash used in discontinued operations	(3,707)	(1,789)
Net cash used in financing activities	(277,689)	(178,686)
Exchange Rate Effect on Cash of Continuing Operations	2,950	(746)
Exchange Rate Effect on Cash of Discontinued Operations	(82)	(60)
Increase (Decrease) in Cash and Cash Equivalents	(89,956)	12,821
Cash and Cash Equivalents at Beginning of Period	339,067	305,200
	249,111	318,021
Cash and Cash Equivalents of Discontinued Operations at End of Period	–	(3,026)
Cash and Cash Equivalents at End of Period	$ 249,111	$ 314,995
Noncash Investing Activities:		
Fair value of assets of product line	$ 3,063	$ –
Cash paid for product line	(2,769)	–
Liabilities assumed of product line	$ 294	$ –

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

Notes to Consolidated Financial Statements

1. General

The interim consolidated financial statements presented have been prepared by Thermo Electron Corporation (the company or the Registrant), 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 March 29, 2003, and the results of operations and cash flows for the three-month periods ended March 29, 2003, and March 30, 2002. Prior-period amounts have been reclassified to conform to the presentation in the current financial statements. Interim results are not necessarily indicative of results for a full year.

The consolidated balance sheet presented as of December 28, 2002, has been derived from the audited consolidated financial statements as of that date. The consolidated financial statements and notes are presented as permitted by Form 10-Q and do not contain all of the information that is included in the annual financial statements and notes of the company. The consolidated financial statements and notes included in this report should be read in conjunction with the financial statements and notes included in the company's Annual Report on Form 10-K for the fiscal year ended December 28, 2002, filed with the Securities and Exchange Commission. During the first quarter of 2003, the company changed its year end to December 31 from the Saturday closest to December 31. This change is effective in 2003 and thereafter.

2. Acquisitions

In January 2003, the Measurement and Control segment acquired a product line of emission monitoring products for $2.6 million in cash, net of cash acquired. The segment recorded $2.5 million of intangible assets consisting of product technology, which is being amortized over 10 years.

The company has undertaken restructuring activities at acquired businesses. These activities, which were accounted for in accordance with Emerging Issues Task Force (EITF) No. 95-3, "Recognition of Liabilities in Connection with a Purchase Business Combination," have primarily included reductions in staffing levels and the abandonment of excess facilities. In connection with these restructuring activities, as part of the cost of acquisitions, the company established reserves, primarily for severance and excess facilities. In accordance with EITF No. 95-3, the company finalizes its restructuring plans no later than one year from the respective dates of the acquisitions. Accrued acquisition expenses are included in other accrued expenses in the accompanying balance sheet.

A summary of the changes in accrued acquisition expenses for acquisitions completed during 2002 is as follows:

(In thousands)	Severance	Abandonment of Excess Facilities	Other	Total
Balance at December 28, 2002	$1,319	$ 588	$ 499	$2,406
Payments	(559)	(97)	–	(656)
Decrease recorded as a reduction in goodwill and other intangible assets	(155)	(401)	(2)	(558)
Currency translation	(2)	(58)	(2)	(62)
Balance at March 29, 2003	$ 603	$ 32	$ 495	$1,130

The 2002 acquisitions primarily included Thermo CRS and the radiation-monitoring products business (RMP) of St. Gobain Corporation. The principal accrued acquisition expenses for 2002 acquisitions were for severance for approximately 102 employees at the acquired businesses, primarily in manufacturing, research and development, and

2. Acquisitions (continued)

sales and service; closure of a Thermo CRS manufacturing facility in Austria, with a lease that expired in 2003 and whose operations were consolidated into other existing facilities; and relocation of RMP employees from the seller's operations in Ohio and the United Kingdom to the company's facilities. The company expects to pay amounts accrued for acquisition expenses through the third quarter of 2003.

A summary of the changes in accrued acquisition expenses for acquisitions completed before 2002 is as follows:

(In thousands)	Abandonment of Excess Facilities
Balance at December 28, 2002	$6,422
Payments	(144)
Currency translation	(93)
Balance at March 29, 2003	$6,185

The remaining accrued acquisition expenses for pre-2002 acquisitions represent lease obligations for four abandoned operating facilities in England with leases expiring through 2014.

3. Business Segment Information

(In thousands)	Three Months Ended March 29, 2003	Three Months Ended March 30, 2002
Revenues:		
Life and Laboratory Sciences	$299,465	$281,314
Measurement and Control	153,920	151,689
Optical Technologies	50,202	61,553
Intersegment (a)	(3,382)	(3,230)
	$500,205	$491,326
Income from Continuing Operations Before Provision for Income Taxes and Minority Interest:		
Life and Laboratory Sciences (b)	$ 39,022	$ 42,119
Measurement and Control (c)	10,819	13,831
Optical Technologies (d)	(3,677)	(11,898)
Intersegment	324	(109)
Total Segment Operating Income (e)	46,488	43,943
Corporate/Other (f)	(1,291)	52,712
	$ 45,197	$ 96,655

3. Business Segment Information (continued)

(In thousands)	Three Months Ended March 29, 2003	Three Months Ended March 30, 2002
Depreciation:		
Life and Laboratory Sciences	$ 5,363	$ 5,488
Measurement and Control	2,579	2,922
Optical Technologies	2,963	3,863
Corporate	737	696
	$ 11,642	$ 12,969
Amortization:		
Life and Laboratory Sciences	$ 1,588	$ 1,016
Measurement and Control	523	284
Optical Technologies	281	267
	$ 2,392	$ 1,567

During the first quarter of 2003, the company transferred management responsibility for several businesses between segments as follows: (1) the compositional-metrology business was moved to the Life and Laboratory Sciences segment from the Optical Technologies segment; (2) the ultra-high vacuum systems and semiconductor testing businesses were moved to the Measurement and Control segment from the Optical Technologies segment; and (3) Thermo Euroglas was moved to the Life and Laboratory Sciences segment from the Measurement and Control segment. In addition to these changes, during the first quarter of 2003, the company began allocating certain costs to the business segments previously classified as corporate expenses based on the estimated extent to which the segment benefited from the cost. Allocated costs principally include e-commerce, global sourcing, and marketing as well as some legal, human resources, and information systems costs. Prior-period segment information has been restated to reflect these changes.

(a) Intersegment sales are accounted for at prices that are representative of transactions with unaffiliated parties.
(b) Includes restructuring and other costs, net, of $2.6 million in the first quarter of 2003 and restructuring and other income, net, of $0.3 million in the first quarter of 2002.
(c) Includes restructuring and other costs, net, of $3.6 million in the first quarter of 2003 and restructuring and other income, net, of $0.2 million in the first quarter of 2002.
(d) Includes restructuring and other costs, net, of $1.3 million and $8.3 million in the first quarter of 2003 and 2002, respectively.
(e) Segment operating income is operating income excluding costs incurred at the company's corporate office that are not allocated to the segments.
(f) Includes corporate general and administrative expenses and other income and expense. Includes corporate restructuring and other costs of $0.6 million and $0.7 million in the first quarter of 2003 and 2002, respectively. Other income, net, includes gains on the sale of shares of FLIR Systems, Inc. of $3.7 million and $56.3 million in the first quarter of 2003 and 2002, respectively.

4. Revenue Recognition

In November 2002, the EITF reached a consensus on EITF No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables." The company elected to early adopt the provisions of EITF No. 00-21 and began applying the consensus prospectively in the first quarter of 2003. Under EITF No. 00-21, the company recognizes revenue and related costs for arrangements with customers that have multiple deliverables such as equipment and installation as each of these is delivered or completed based on their fair value. Previously, when installation was essential to

4. Revenue Recognition (continued)

functionality and not deemed inconsequential or perfunctory, all revenue was deferred until completion of installation. Revenues for products sold where installation was not essential to functionality and was deemed inconsequential or perfunctory were previously recognized upon shipment with estimated installation costs accrued. The adoption of EITF No. 00-21 increased revenues and diluted earnings per share by $7.6 million and $.01, respectively, during the first quarter of 2003.

5. Other Income, Net

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

(In thousands)	Three Months Ended March 29, 2003	Three Months Ended March 30, 2002
Interest Income	$ 7,685	$ 14,358
Interest Expense (Note 10)	(6,904)	(13,479)
Gain on Investments, Net	5,175	57,953
Equity in Earnings of Unconsolidated Subsidiaries	–	2,169
Other Items, Net	(55)	(1,080)
	$ 5,901	$ 59,921

The company sold 100,000 and 1,250,000 shares of FLIR Systems, Inc. common stock during the first quarter of 2003 and 2002, respectively, and realized gains of $3.7 million and $56.3 million, respectively. These gains included $1.2 million and $14.4 million in the first quarter of 2003 and 2002, respectively, from the recovery of amounts written down in prior years.

6. Earnings per Share

Basic and diluted earnings per share were calculated as follows:

(In thousands except per share amounts)	Three Months Ended March 29, 2003	Three Months Ended March 30, 2002
Income from Continuing Operations	$ 31,391	$ 63,674
Gain on Disposal of Discontinued Operations, Net	5,036	51,370
Net Income for Basic Earnings per Share	36,427	115,044
Effect of Convertible Debentures	52	5,908
Income Available to Common Shareholders, as Adjusted for Diluted Earnings per Share	$ 36,479	$120,952
Basic Weighted Average Shares	162,844	174,250
Effect of:		
Stock options	1,653	2,974
Convertible debentures	917	26,965
Contingently issuable shares	200	–
Diluted Weighted Average Shares	165,614	204,189

6. Earnings per Share (continued)

(In thousands except per share amounts)	Three Months Ended March 29, 2003	Three Months Ended March 30, 2002
Basic Earnings per Share:		
Continuing operations	$ .19	$ .37
Discontinued operations	.03	.29
	$ .22	$ .66
Diluted Earnings per Share:		
Continuing operations	$ .19	$ .34
Discontinued operations	.03	.25
	$ .22	$ .59

Options to purchase 12,139,000 and 7,575,000 shares of common stock were not included in the computation of diluted earnings per share for the first quarter of 2003 and 2002, respectively, because the options' exercise prices were greater than the average market price for the common stock and their effect would have been antidilutive.

The computation of diluted earnings per share excludes the effect of assuming the conversion of the following convertible debentures because the effect would be antidilutive: in the first quarter of 2003, the company's 3 1/4%, 4%, and 4 3/8% subordinated convertible debentures with principal balances as of March 29, 2003, of $78.0 million, $210.4 million, and $70.9 million, respectively, and convertible at $41.84, $35.77, and $111.83 per share, respectively; and in the first quarter of 2002, the company's 4 3/8% subordinated convertible debentures.

7. Comprehensive Income

Comprehensive income combines net income and other comprehensive items. Other comprehensive items represents certain amounts that are reported as components of shareholders' equity in the accompanying balance sheet, including currency translation adjustments, unrealized net of tax gains and losses on available-for-sale investments and hedging instruments, and minimum pension liability adjustment. During the first quarter of 2003 and 2002, the company had comprehensive income of $67.4 million and $59.4 million, respectively. Comprehensive income in the first quarter of 2002 excludes the effect of unrealized gains of $111 million that existed at the date the company reclassified equity interests in FLIR and Thoratec Corporation to available-for-sale investments.

8. Stock-based Compensation Plans and Pro Forma Stock-based Compensation Expense

The company applies Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees" and related interpretations in accounting for its stock-based compensation plans. Accordingly, no accounting recognition is given to stock options granted at fair market value until they are exercised. Upon exercise, net proceeds, including tax benefits realized, are credited to shareholders' equity.

In October 1995, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," which sets forth a fair-value-based method of recognizing stock-based compensation expense. As permitted by SFAS No. 123, the company has elected to continue to apply APB No. 25 to account for its stock-based compensation plans. Had compensation cost for awards granted after 1994 under the company's stock-based compensation plans been determined based on the fair value at the

8. Stock-based Compensation Plans and Pro Forma Stock-based Compensation Expense (continued)

grant dates consistent with the method set forth under SFAS No. 123, the effect on certain financial information of the company would have been as follows:

(In thousands except per share amounts)	Three Months Ended March 29, 2003	Three Months Ended March 30, 2002
Income from Continuing Operations:		
As reported	$ 31,391	$ 63,674
Add: Stock-based employee compensation expense included in reported results, net of tax	484	386
Deduct: Total stock-based employee compensation expense determined under the fair-value-based method for all awards, net of tax	(6,561)	(7,119)
Pro forma	$ 25,314	$ 56,941
Basic Earnings per Share from Continuing Operations:		
As reported	$ .19	$ .37
Pro forma	$ .16	$ .33
Diluted Earnings per Share from Continuing Operations:		
As reported	$ .19	$ .34
Pro forma	$ .15	$ .31
Net Income:		
As reported	$ 36,427	$115,044
Add: Stock-based employee compensation expense included in reported net income, net of tax	484	386
Deduct: Total stock-based employee compensation expense determined under the fair-value-based method for all awards, net of tax	(6,561)	(7,119)
Pro forma	$ 30,350	$108,311
Basic Earnings per Share:		
As reported	$ .22	$ .66
Pro forma	$ .19	$ .62
Diluted Earnings per Share:		
As reported	$ .22	$ .59
Pro forma	$ .18	$ .56

9. Recent Accounting Pronouncements

In June 2001, the FASB issued SFAS No. 143, “Accounting for Asset Retirement Obligations.” SFAS No. 143 addresses accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs and is effective in 2003. The adoption of this new standard did not have a material impact on the company’s financial statements.

9. Recent Accounting Pronouncements (continued)

In May 2002, the FASB issued SFAS No. 145, “Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections.” The company adopted this standard in the first quarter of 2003. Under the standard, all of the transactions previously classified by the company as extraordinary items are no longer treated as such, but instead are reported in other income, net, in the accompanying statement of income. Prior periods were restated to conform to this presentation.

In June 2002, the FASB issued SFAS No. 146, “Accounting for Costs Associated with Exit or Disposal Activities,” which supersedes EITF No. 94-3, “Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (Including Certain Costs Incurred in a Restructuring).” The standard affects the accounting for restructuring charges and related activities and generally lengthens the timeframe for reporting of expenses relating to restructuring activities beyond the period in which a plan is initiated. The company adopted the provisions of this statement for exit or disposal activities that were initiated in the first quarter of 2003. The provisions of EITF No. 94-3 will continue to apply with regard to the company’s restructuring plans that commenced prior to 2003.

In November 2002, the FASB issued FASB Interpretation (FIN) No. 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others.” FIN No. 45 clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions of FIN No. 45 are applicable on a prospective basis to guarantees issued or modified after December 31, 2002, while the disclosure requirements became applicable in 2002. The company is complying with the disclosure requirements of FIN No. 45. The other requirements did not materially affect the company’s financial statements.

In January 2003, the FASB issued FIN No. 46, “Consolidation of Variable Interest Entities, an Interpretation of ARB 51.” The primary objectives of FIN No. 46 are to provide guidance on the identification of entities for which control is achieved through means other than through voting rights (“variable interest entities” or “VIEs”) and how to determine when and which business enterprise should consolidate the VIE. This new model for consolidation applies to an entity for which either: (a) the equity investors (if any) do not have a controlling financial interest; or (b) the equity investment at risk is insufficient to finance that entity’s activities without receiving additional subordinated financial support from other parties. In addition, FIN No. 46 requires that both the primary beneficiary and all other enterprises with a significant variable interest in a VIE make additional disclosures. The company is required to apply FIN No. 46 to all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the company is required to apply FIN No. 46 on July 1, 2003. FIN No. 46 did not materially affect the company’s financial statements.

10. Derivative Instruments and Hedging

The company uses forward currency-exchange contracts primarily to hedge certain operational (cash-flow hedges) and balance sheet (fair-value hedges) exposures resulting from changes in currency exchange rates. Such exposures result from sales that are denominated in currencies other than the functional currencies of the respective operations. The company enters into these currency-exchange contracts to hedge anticipated product sales and recorded accounts receivable made in the normal course of business. Accordingly, the hedges are not speculative in nature. As part of the company’s overall strategy to manage the level of exposure to the risk of currency-exchange fluctuations, some operating units hedge a portion of their currency exposures anticipated over the ensuing 12-month period, using exchange contracts that have maturities of 12 months or less. The company does not hold or engage in transactions involving derivative instruments for purposes other than risk management.

10. Derivative Instruments and Hedging (continued)

The company records its forward currency-exchange contracts at fair value in its balance sheet as other current assets or other accrued expenses and, for cash-flow hedges, the related gains or losses on these contracts are deferred as a component of accumulated other comprehensive items in the accompanying balance sheet. These deferred gains and losses are recognized in income in the period in which the underlying anticipated transaction occurs. Unrealized gains and losses resulting from the impact of currency exchange rate movements on fair-value hedges are recognized in earnings in the period in which the exchange rates change and offset the currency losses and gains on the underlying exposure being hedged. Cash flows resulting from currency-exchange contracts qualifying as cash-flow hedges are recorded in the accompanying statement of cash flows in the same category as the item being hedged. At March 29, 2003, the company had deferred losses, net of income taxes, relating to forward currency-exchange contracts of approximately $1.0 million, substantially all of which is expected to be recognized as expense over the next 12 months to approximately offset gains on the exposures being hedged. The ineffective portion of the gain or loss on derivative instruments is recorded in other income, net, in the accompanying statement of income and is not material.

During 2002, the company entered into interest-rate swap arrangements for its $128.7 million principal amount 7.625% senior notes, due in 2008, with the objective of reducing interest costs. The arrangements provide that the company will receive a fixed interest rate of 7.625%, and will pay a variable rate of 90-day LIBOR plus 2.19% (3.46% as of March 29, 2003). The swaps have terms expiring at the maturity of the debt. The swaps are designated as fair-value hedges and as such, are carried at fair value, which resulted in an increase in other long-term assets and long-term debt of $13.6 million at March 29, 2003. The swap arrangements are with different counterparties than the holders of the underlying debt. Management believes that any credit risk associated with the swaps is remote based on the creditworthiness of the financial institutions issuing the swaps.

11. Warranty Obligations and Other Indemnifications

Product warranties are included in other accrued expenses in the accompanying balance sheet. The changes in the carrying amount of product warranties for the quarter ended March 29, 2003, are as follows:

(In thousands)	
Balance at December 28, 2002	$27,361
Provision charged to income	5,949
Usage	(5,325)
Adjustments to previously provided warranties, net	(496)
Other, net (a)	205
Balance at March 29, 2003	$27,694

(a) Primarily represents the effects of currency translation.

The company’s outstanding indemnification agreements, including letters of credits and guarantees, have not changed materially from year-end 2002.

12. Restructuring and Other Costs, Net

In response to a continued downturn in markets served by the company, restructuring actions were initiated in 2002 in a number of business units to reduce costs principally through headcount reductions and consolidation of facilities. Certain costs associated with these actions are recorded when incurred. Further actions were initiated in the first quarter of 2003. The company expects to incur an additional $4 million of restructuring costs through the remainder of 2003 for charges associated with these actions that cannot be recorded until incurred. The company

12. Restructuring and Other Costs, Net (continued)

believes that restructuring actions undertaken in 2002 and 2003 will be substantially completed in 2003. The company expects to identify additional sites to consolidate during the remainder of 2003 and will record charges in connection with any such actions.

During the first quarter of 2003, the company recorded net restructuring and other costs by segment as follows:

(In thousands)	Life and Laboratory Sciences	Measurement and Control	Optical Technologies	Corporate	Total
Restructuring and Other Costs, Net	$2,573	$3,630	$1,294	$ 605	$8,102

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

Life and Laboratory Sciences

The Life and Laboratory Sciences segment recorded $2.6 million of net restructuring and other charges in the first quarter of 2003. These charges included $2.7 million of cash costs principally associated with facility consolidations. The cash costs included $1.0 million of net abandoned-facility lease costs for facilities described below; $0.7 million of employee-retention costs at facilities being closed; $0.6 million of severance for 25 employees, primarily in administrative, sales, and service functions; and $0.4 million of other cash costs, primarily relocation expenses. The charges for abandoned facilities include costs of $1.2 million, net of reversals of $0.2 million, and primarily represent revised estimates of future lease costs for facilities in Europe that the segment provided for in 2001. The charges for severance are net of reversals of $0.3 million that the segment had provided in 2002, which are no longer required due to employee attrition. In addition, the segment recorded a charge of $0.4 million to write down the carrying value of a building held for sale to net realizable value, offset by $0.5 million of net gains, primarily from the sale of a product line.

Measurement and Control

The Measurement and Control segment recorded $3.6 million of net restructuring and other charges in the first quarter of 2003. These charges included $2.0 million of cash costs principally associated with facility consolidations. The cash costs included $1.1 million of severance for 46 employees across all functions; $0.2 million of employee-retention costs at facilities being closed; $0.1 million of abandoned-facility lease costs; and $0.6 million of other cash costs, primarily relocation expenses. The charges for severance are net of reversals of $0.4 million that the segment had provided previously, which are no longer required due to employee attrition. In addition, the segment recorded a charge of $1.6 million, primarily for the writedown of goodwill in a business held for sale to reduce the carrying value to estimated disposal value.

Optical Technologies

The Optical Technologies segment recorded $1.3 million of net restructuring and other charges in the first quarter of 2003. These charges included $1.0 million for the writedown of a facility held for sale to estimated disposal value. In addition, the segment recorded $0.3 million of cash costs, including $0.1 million of severance for 21 employees, primarily in manufacturing functions; $0.1 million of employee-retention costs at facilities being closed; and $0.1 million of other cash costs.

12. Restructuring and Other Costs, Net (continued)

Corporate

The company recorded $0.6 million of restructuring and other charges at its corporate office in the first quarter of 2003, all of which were cash costs, primarily for third-party advisory fees. While the company no longer has any public subsidiaries, it has numerous non-U.S. subsidiaries through which the formerly public subsidiaries conducted business. The third-party advisory fees are being incurred to simplify this legal structure.

General

The following table summarizes the company's severance actions in 2003.

2001 Restructuring Plans	Number of Employees
Remaining Terminations at December 28, 2002	30
Terminations Occurring in 2003	(16)
Adjustment to Plan	(2)
Remaining Terminations at March 29, 2003	12
2002 Restructuring Plans	
Remaining Terminations at December 28, 2002	311
Terminations Occurring in 2003	(200)
Adjustment to Plan	(11)
Remaining Terminations at March 29, 2003	100
2003 Restructuring Plans	
Terminations Announced in 2003	94
Terminations Occurring in 2003	(51)
Remaining Terminations at March 29, 2003	43

12. Restructuring and Other Costs, Net (continued)

The following table summarizes the cash components of the company's restructuring plans. The noncash components and other amounts reported as restructuring and other costs, net, in the accompanying 2003 statement of income have been summarized in the notes to the table.

(In thousands)	Severance	Employee Retention (a)	Abandonment of Excess Facilities	Other	Total
Pre-2000 Restructuring Plans					
Balance at December 28, 2002	$ 264	$ –	$ –	$ –	$ 264
Payments	(82)	–	–	–	(82)
Balance at March 29, 2003	$ 182	$ –	$ –	$ –	$ 182
2000 Restructuring Plans					
Balance at December 28, 2002	$ 426	$ 233	$ 65	$ 80	$ 804
Payments	(45)	(39)	–	(4)	(88)
Currency translation	10	–	–	–	10
Balance at March 29, 2003	$ 391	$ 194	$ 65	$ 76	$ 726
2001 Restructuring Plans					
Balance at December 28, 2002	$ 5,605	$ 417	$ 11,501	$ 1,665	$ 19,188
Costs incurred in 2003	5	58	1,103	141	1,307
Reserves reversed (b)	(350)	(90)	(189)	(63)	(692)
Payments	(1,142)	(120)	(2,919)	(223)	(4,404)
Currency translation	123	–	73	(1)	195
Balance at March 29, 2003	$ 4,241	$ 265	$ 9,569	$ 1,519	$ 15,594
2002 Restructuring Plans					
Balance at December 28, 2002	$ 11,868	$ 967	$ 7,800	$ 688	$ 21,323
Costs incurred in 2003	942	483	236	897	2,558
Reserves reversed (b)	(411)	(11)	(140)	–	(562)
Payments	(6,311)	(772)	(1,000)	(1,108)	(9,191)
Currency translation	147	2	46	22	217
Balance at March 29, 2003	$ 6,235	$ 669	$ 6,942	$ 499	$ 14,345
2003 Restructuring Plans					
Costs incurred in 2003 (c)	$ 1,653	$ 535	$ 75	$ 714	$ 2,977
Payments	(799)	(535)	(75)	(609)	(2,018)
Currency translation	3	–	–	(3)	–
Balance at March 29, 2003	$ 857	$ –	$ –	$ 102	$ 959

(a) Employee-retention costs are accrued ratably over the period through which employees must work to qualify for a payment.
(b) Represents reductions in cost of plans as described in the discussion of restructuring actions by segment.
(c) Excludes net gains of $0.1 million, primarily from the sale of a product line, in the Life and Laboratory Sciences segment and noncash charges of $1.6 million and $1.0 million in the Measurement and Control and Optical Technologies segments, respectively.

12. Restructuring and Other Costs, Net (continued)

The company expects to pay accrued restructuring costs as follows: severance, employee-retention obligations, and other costs, which primarily represent cancellation/termination fees, primarily through 2003; and abandoned-facility payments, over lease terms expiring through 2012.

13. Discontinued Operations

During the first quarter of 2003, the company recorded an after-tax gain on disposal of discontinued operations of $5.0 million, resulting primarily from the sale of the last remaining business in discontinued operations, Peter Brotherhood Ltd., and a favorable post-closing adjustment resulting from the 2002 sale of its Trophy Radiologie business.

14. Litigation

Continuing Operations

The company has been named a defendant, along with many other companies, in a patent-infringement lawsuit brought by the Lemelson Medical, Education & Research Foundation, L.P. The suit asserts that products manufactured, used, or sold by the defendants infringe one or more patents related to methods of machine vision or computer-image analysis. The Lemelson action seeks damages, including enhanced damages for alleged willful infringement, attorney's fees, and injunctive relief.

Discontinued Operations

The company's Thermo Coleman Corporation subsidiary has been named as a defendant in a lawsuit initiated by two former employees. The suit alleges, among other things, that Thermo Coleman violated the Federal False Claims Act in connection with the performance of a government contract. The complaint seeks the award of treble damages in an unspecified amount, plus other penalties. The amount of billings under the contract activities in question were approximately $7.6 million. Thermo Coleman sold its core business in 2000, but retained this litigation as a term of the sale.

The company intends to vigorously defend the unresolved matters in continuing and discontinued operations described above. In the opinion of management, an unfavorable outcome in one or both of the unresolved matters described above could materially affect the company's financial position as well as its results of operations and cash flows for a particular quarterly or annual period.

The company's continuing and discontinued operations are a defendant in a number of other pending legal proceedings incidental to present and former operations. The company does not expect the outcome of these proceedings, either individually or in the aggregate, to have a material adverse effect on its financial position, results of operations, or cash flows.

15. Subsequent Events

In April 2003, the company redeemed all of its outstanding 4 3/8% subordinated convertible debentures due 2004 with the objective of reducing interest costs. The principal amount redeemed for these debentures was $70.9 million. The redemption price was 100% of the principal amount of the debentures, plus accrued interest. Accordingly, the obligations have been presented as current liabilities in the accompanying balance sheet.

15. Subsequent Events (continued)

In April 2003, the company received cash of $36.7 million, including $31.0 million of principal payments, plus interest, from Trimble Navigation Limited as partial and early payment of Trimble's note to the company. The $31.0 million of principal that was paid was reclassified to current assets at March 29, 2003.

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. Without limiting the foregoing, the words "believes," "anticipates," "plans," "expects," "seeks," "estimates," and similar expressions are intended to identify forward-looking statements. 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. There are a number of important factors that could cause the actual results of the company to differ materially from those indicated by such forward-looking statements, including those detailed under the heading "Forward-looking Statements" in this report on Form 10-Q.

The company's discussion and analysis of its financial condition and results of operations is based upon its financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent liabilities. On an on-going basis, the company evaluates its estimates, including those related to bad debts, inventories, intangible assets, warranty obligations, income taxes, contingencies and litigation, restructuring, and discontinued operations. The company bases its estimates on historical experience, current market and economic conditions, and other assumptions that management believes are reasonable. The results of these estimates form the basis for judgments about the carrying value of assets and liabilities where the values are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The company believes the following represent its critical accounting policies and estimates used in the preparation of its financial statements:

(a) The company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to pay amounts due. If the financial condition of the company's customers were to deteriorate, reducing their ability to make payments, additional allowances would be required.

(b) The company writes down its inventories for estimated obsolescence for differences between the cost and estimated net realizable value based on recent usage and expected demand. If ultimate usage or demand varies significantly from expected usage or demand, additional writedowns may be required.

(c) The company assesses the realizability of its notes receivable based on judgments concerning the borrower's ability to make the required payments. If the financial condition of the borrower were to deteriorate, charges to reduce the carrying value of notes receivable may be necessary.

(d) The company periodically evaluates goodwill for impairment using market comparables for similar businesses and forecasts of discounted future cash flows. Should the fair value of the company's goodwill decline because of reduced operating performance, market declines, or other indicators of impairment, charges for impairment of goodwill may be necessary.

Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

(e) The company reviews other intangible assets for impairment when indication of potential impairment exists, such as a significant reduction in cash flows associated with the assets. Should future cash flows decline significantly from estimated amounts, charges for impairment of other intangible assets may be necessary.

(f) In instances where the company sells equipment with a related installation obligation, the company generally recognizes revenue related to the equipment when title passes. The company recognizes revenue related to the installation when it performs the installation. The allocation of revenue between the equipment and the installation is based on relative fair value at the time of sale. Should the fair value of either the equipment or the installation change, the company's revenue recognition would be affected.

(g) In instances where the company sells equipment with customer-specified acceptance criteria, the company must assess whether it can demonstrate adherence to the acceptance criteria prior to the customer's acceptance testing to determine the timing of revenue recognition. If the nature of customer-specified acceptance criteria were to change or grow in complexity such that the company could not demonstrate adherence, the company would be required to defer additional revenues upon shipment of its products until completion of customer acceptance testing.

(h) At the time the company recognizes revenue it provides for the estimated cost of product warranties based primarily on historical experience. Should product failure rates or the actual cost of correcting product failures vary from estimates, revisions to the estimated warranty liability would be necessary.

(i) The company estimates the degree to which tax assets and loss carryforwards will result in a benefit based on expected profitability by tax jurisdiction, and provides a valuation allowance for tax assets and loss carryforwards that it believes will more likely than not go unused. Should the company's actual future taxable income by tax jurisdiction vary from estimates, additional allowances may be necessary.

(j) The company estimates losses on contingencies and litigation and provides a reserve for these losses. Should the ultimate losses on contingencies and litigation vary from estimates, adjustments to those reserves may be required.

(k) The company records restructuring charges for asset impairment based on estimated future cash flows associated with the equipment and for the cost of vacating facilities based on expected sub-rental income. Should actual cash flows associated with impaired equipment and sub-rental income from vacated facilities vary from estimated amounts, adjustments may be required.

(l) The company estimates the expected proceeds from any businesses held for sale and, when necessary, records losses to reduce the carrying value of these businesses to estimated realizable value. Should the actual proceeds, which would include post-closing purchase price adjustments, vary from estimates, actual results could differ from expected amounts.

Results of Operations

During the first quarter of 2003, the company transferred management responsibility for several businesses between segments as follows: (1) the compositional-metrology business was moved to the Life and Laboratory Sciences segment from the Optical Technologies segment; (2) the ultra-high vacuum systems and semiconductor testing businesses were moved to the Measurement and Control segment from the Optical Technologies segment; and (3) Thermo Euroglas was moved to the Life and Laboratory Sciences segment from the Measurement and Control segment. In addition to these changes, during the first quarter of 2003, the company began allocating certain costs to the business segments previously classified as corporate expenses based on the estimated extent to which the segment

Results of Operations (continued)

benefited from the cost. Allocated costs principally include e-commerce, global sourcing, and marketing as well as some legal, human resources, and information systems costs. Prior-period segment information has been restated to reflect these changes.

In November 2002, the EITF reached a consensus on EITF No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables." The company elected to early adopt the provisions of EITF No. 00-21 and began applying the consensus prospectively in the first quarter of 2003. Under EITF No. 00-21, the company recognizes revenue and related costs for arrangements with customers that have multiple deliverables such as equipment and installation as each of these is delivered or completed based on their fair value. Previously, when installation was essential to functionality and not deemed inconsequential or perfunctory, all revenue was deferred until completion of installation. Revenues for products sold where installation was not essential to functionality and was deemed inconsequential or perfunctory were previously recognized upon shipment with estimated installation costs accrued. The adoption of EITF No. 00-21 increased revenues and diluted earnings per share by $7.6 million and $.01, respectively, during the first quarter of 2003.

First Quarter 2003 Compared With First Quarter 2002

Continuing Operations

Sales in the first quarter of 2003 were $500.2 million, an increase of $8.9 million, or 2%, from the first quarter of 2002. The favorable effects of currency translation resulted in an increase in revenues of $29.6 million in 2003. Sales increased $1.0 million due to acquisitions, net of divestitures. Excluding the effect of currency translation, acquisitions, and divestitures (detailed below by segment), revenues decreased $21.7 million, or 5% (6% excluding the effect of the adoption of EITF No. 00-21). Currency translation had a net favorable effect on revenues as discussed below by segment, due to the weakening of the U.S. dollar relative to currencies of countries in which the company operates.

Operating income was $39.3 million in the first quarter of 2003, compared with $36.7 million in the first quarter of 2002. Segment operating income increased to $46.5 million in 2003 from $43.9 million in 2002. (Segment operating income is operating income excluding costs incurred at the company's corporate office that are not allocated to the segments as discussed above.) Operating and segment operating income in the first quarter of 2003 were reduced by additional charges associated with restructuring plans initiated prior to 2003, other restructuring actions initiated in 2003, and certain other costs, net (Note 12). Operating and segment operating income in the first quarter of 2002 were reduced by charges associated with a restructuring plan initiated during the fourth quarter of 2001, other restructuring actions initiated in 2002, and certain other costs, net. The segment restructuring and other items totaled $7.5 million and $7.7 million in 2003 and 2002, respectively, and are discussed by segment below and in Note 12. Segment operating income increased primarily due to a lower cost base following restructuring actions in 2001 and 2002.

In response to a continued downturn in markets served by the company, restructuring actions were initiated in 2002 in a number of business units to reduce costs principally through headcount reductions and consolidation of facilities. Certain costs associated with these actions could not be recorded until incurred. Further actions were initiated in the first quarter of 2003. The company expects to incur an additional $4 million of restructuring costs through the remainder of 2003 for charges associated with these actions that cannot be recorded until incurred. The company believes that restructuring actions undertaken in 2002 and 2003 will be substantially completed in 2003. The company expects to identify additional sites to consolidate during the remainder of 2003 and will record charges in connection with any such actions.

First Quarter 2003 Compared With First Quarter 2002 (continued)

Life and Laboratory Sciences

Sales in the Life and Laboratory Sciences segment increased $18.2 million to $299.5 million in the first quarter of 2003. The favorable effects of currency translation resulted in an increase in revenues of $21.9 million in 2003. Sales decreased $2.5 million due to product line divestitures, net of acquisitions. Excluding the effect of currency translation, divestitures, and acquisitions, revenues decreased $1.2 million, or 0.4% (2% excluding the effect of the adoption of EITF No. 00-21). A 3% decrease in sales of laboratory equipment such as concentrators, freezers, and incubators, due primarily to economic pressures facing customers, was offset in part by higher sales of mass spectrometry equipment as well as rapid diagnostic tests and pathology products.

Operating income margin decreased to 13.0% in the first quarter of 2003 from 15.0% in the first quarter of 2002. (Operating income margin is segment operating income divided by segment revenues.) Operating income margin was affected by $2.6 million of restructuring and other costs, net, in 2003 and restructuring and other income, net, of $0.3 million in 2002. In addition to the increase in restructuring and other costs in 2003, the decrease in operating income margin resulted from higher marketing and selling expenses due to several key commercial initiatives and a lower operating margin in the Bioscience Technologies division due to lower sales and $0.7 million of higher amortization expense. The increase in amortization expense followed the acquisition of CRS Robotics in the second quarter of 2002. The segment's commercial initiatives include key customer account management, increased advertising for a branding transition, and establishment of divisional call centers.

In the first quarter of 2003, the segment recorded restructuring and other costs, net, of $2.6 million, including $2.7 million of cash costs, primarily for abandoned facilities, employee retention, and severance at businesses being consolidated. In addition, the segment recorded a charge of $0.4 million to write down the carrying value of a building held for sale to net realizable value, offset by $0.5 million of net gains, primarily from the sale of a product line (Note 12). Restructuring and other income, net, in 2002 represents a gain of $1.5 million on the sale of a product line, offset by cash costs of $1.2 million, primarily for employee retention and severance at businesses being consolidated.

Measurement and Control

Sales in the Measurement and Control segment increased $2.2 million to $153.9 million in the first quarter of 2003. The favorable effects of currency translation resulted in an increase in revenues of $7.5 million in 2003. Sales increased $4.3 million due to acquisitions, net of divestitures. Excluding the effect of currency translation, acquisitions, and divestitures, revenues decreased $9.6 million, or 7%. The decrease was due to economic conditions facing customers, particularly in the process instruments business where most of the decrease occurred. The decrease in sales was offset in part by higher revenues from equipment used in homeland security. The company expects that a continued downturn in some markets served by the segment will unfavorably affect the segment's revenue comparisons with corresponding prior-year periods in the near term. A prolonged downturn could adversely affect the realizability of the segment's assets, which may result in charges for impairment.

Operating income margin decreased to 7.0% in the first quarter of 2003 from 9.1% in the first quarter of 2002, due to restructuring and other costs, net, discussed below. Operating income margin was affected by restructuring and other costs, net, of $3.6 million in 2003 and restructuring and other income, net, of $0.2 million in 2002. The decrease in operating income margin resulted from the restructuring and other costs, net, offset in part by the effects of cost reduction and productivity measures undertaken in 2002, such as facility consolidations and headcount reductions.

In the first quarter of 2003, the segment recorded restructuring and other costs, net, of $3.6 million, including cash costs of $2.0 million, principally for severance and relocation expenses at businesses being consolidated. In addition, the segment recorded a charge of $1.6 million, primarily for the writedown of goodwill in a business held for sale to reduce the carrying value to estimated disposal value (Note 12). Restructuring and other income, net, in 2002

First Quarter 2003 Compared With First Quarter 2002 (continued)

included gains totaling $1.5 million from the favorable resolution of a dispute on a business sold in 2000 and the sale of a small business, offset in part by $1.1 million of cash costs associated with the restructuring actions initiated in 2001 and a charge of $0.2 million, primarily for asset impairment of a building held for sale.

Optical Technologies

Sales in the Optical Technologies segment decreased $11.4 million to $50.2 million in the first quarter of 2003. Sales decreased $0.7 million as a result of a divesture. Currency translation had a nominal impact on sales. Excluding the effect of the divesture and currency translation, revenues decreased $10.7 million, or 18% (22% excluding the effect of the adoption of EITF No. 00-21). The decrease was due to the severe slowdown in the semiconductor and other industrial markets that has adversely affected customers in the segment's businesses. These industries are highly cyclical and have experienced downturns that began in 2001. The company expects that the slowdowns in semiconductor and other industrial markets will continue to result in unfavorable revenue comparisons with corresponding prior-year periods in the near term. A prolonged downturn could adversely affect the realizability of the segment's assets, which may result in charges for impairment.

Operating income margin was negative 7.3% in the first quarter of 2003, compared with negative 19.3% in the first quarter of 2002. Operating income margin was affected by restructuring and other costs, net, of $1.3 million and $8.3 million in 2003 and 2002, respectively. The decrease in the segment's operating loss was due to lower restructuring and other costs, as well as cost reduction and productivity measures undertaken in 2002 and the suspension of telecommunications activities in the second quarter of 2002. These improvements were offset in part by the impact of lower revenues.

In the first quarter of 2003, the segment recorded $1.3 million of restructuring and other costs, net, including a charge of $1.0 million for the writedown of a facility held for sale to estimated disposal value, and $0.3 million of cash costs at businesses being consolidated (Note 12). Restructuring and other costs, net, in 2002 included $6.8 million of cash costs, primarily for abandoned leases and severance; $0.7 million of writedowns of abandoned assets; and a charge of $0.8 million resulting from the options to purchase shares of Spectra-Physics becoming options to purchase shares of Thermo Electron following the acquisition of the minority interest in this business in February 2002.

Other Income, Net

The company reported other income, net, of $5.9 million and $59.9 million in the first quarter of 2003 and 2002, respectively (Note 5). Other income, net, includes interest income, interest expense, gain on investments, net, equity in earnings of unconsolidated subsidiaries in 2002, and other items, net. Interest income decreased to $7.7 million in 2003 from $14.4 million in 2002, primarily due to lower invested cash balances following the repurchase and redemption of company securities, the payment of short-term notes payable, and, to a lesser extent, lower prevailing interest rates. The company expects that the lower market interest rates existing in 2003 will continue to adversely affect the yield it earns as maturing investments originally invested at higher rates and proceeds from the partial repayment of the company's note receivable from Trimble (Note 15) are reinvested at current lower market rates. Following a redemption of convertible debentures in April 2003 (Note 15), the repurchase of $46.1 million of the company's debt and equity securities in the first quarter of 2003, and ongoing repurchases of its securities in the second quarter of 2003, lower invested cash will also contribute to an expected reduction in interest income. Interest expense decreased to $6.9 million in 2003 from $13.5 million in 2002 as a result of the redemption, maturity, and repurchase of debentures, as well as entering into interest-rate swap arrangements, offset in part by interest on borrowings under securities-lending arrangements. Interest expense will decrease following the April 2003 redemption discussed above.

First Quarter 2003 Compared With First Quarter 2002 (continued)

During 2003 and 2002, the company had gains on investments, net, of $5.2 million and $58.0 million, respectively. The gains included $3.7 million and $56.3 million in 2003 and 2002, respectively, from the sale of shares of FLIR Systems, Inc. Of the total gain from the sale of FLIR shares, $1.2 million and $14.4 million in 2003 and 2002, respectively, represent a recovery of amounts written down in prior years. The company recorded income from equity in earnings of unconsolidated subsidiaries of $2.2 million in 2002, primarily related to the investment in FLIR. Following the first quarter of 2002, the company discontinued reporting its share of FLIR's earnings. In addition, during the first quarter of 2002, the company repurchased and redeemed debentures, resulting in a charge of $1.1 million.

Provision for Income Taxes

The company's effective tax rate was 30.5% and 34.5% in the first quarter of 2003 and 2002, respectively. The effective tax rate decreased in 2003, in part due to a reorganization of the company's subsidiaries in several European countries throughout 2002 that resulted in a more tax-efficient corporate structure and in approximately equal part due to a decrease in 2003 of gains from the sale of investment securities.

Minority Interest Income

Minority interest income of $0.3 million in the first quarter of 2002 represents minority shareholders' allocable share of losses at Spectra-Physics through the date on which the company acquired the minority interest in this subsidiary in February 2002.

Contingent Liabilities

The company is contingently liable with respect to certain lawsuits. An unfavorable outcome in one or both of the matters described in Note 14 could materially affect the company's financial position as well as its results of operations and cash flows for a particular quarterly or annual period.

Income from Continuing Operations

Income from continuing operations was $31.4 million in the first quarter of 2003, compared with $63.7 million in the first quarter of 2002. Results in both periods were affected by restructuring, gains on the sale of FLIR shares, and other items, discussed above.

Discontinued Operations

During the first quarter of 2003, the company recorded an after-tax gain on disposal of discontinued operations of $5.0 million, resulting primarily from the sale of the last remaining business in discontinued operations, Peter Brotherhood Ltd., and a favorable post-closing adjustment resulting from the 2002 sale of its Trophy Radiologie business.

During the first quarter of 2002, the company's discontinued operations sold 6.9 million shares of Thoratec Corporation stock for net proceeds of $104 million and realized an after-tax gain of $38.4 million. Also in the first quarter of 2002, the company sold the last remaining component of its former power-generation business and realized a gain from the disposition totaling $13.0 million, primarily for previously unrecognized tax benefits that were realized upon the sale.

Liquidity and Capital Resources

First Quarter 2003

Consolidated working capital was $724.5 million at March 29, 2003, compared with $667.8 million at December 28, 2002. Included in working capital were cash, cash equivalents, and short-term available-for-sale investments of $628.2 million at March 29, 2003, compared with $875.5 million at December 28, 2002.

Cash provided by operating activities was $11.9 million during the first quarter of 2003, including $17.3 million provided by continuing operations and $5.4 million used by discontinued operations. Payments for restructuring actions of the company's continuing operations, principally severance, lease costs, and other expenses of real estate consolidation, used cash of $10.3 million, net of taxes, in the first quarter of 2003. Aside from cash used for restructuring actions, a decrease in other current liabilities used cash of $17.5 million, including $24.1 million of accrued payroll and employee benefits due to the timing of payments, offset in part by an increase in deferred revenue. The use of cash of $5.4 million from discontinued operations was principally due to the payment of liabilities, including settlement of litigation and lease payments on abandoned facilities.

In connection with restructuring actions undertaken by continuing operations, the company had accrued $31.8 million for restructuring costs at March 29, 2003. The company expects to pay approximately $15.2 million of this amount for severance, employee retention, and other costs primarily through 2003. The balance of $16.6 million will be paid for lease obligations over the remaining terms of the leases, with approximately 62% to be paid through 2003 and the remainder through 2012. In addition, at March 29, 2003, the company had accrued $7.4 million for acquisition expenses. Accrued acquisition expenses included $1.2 million of severance and relocation obligations, which the company expects to pay primarily through the third quarter of 2003. The balance primarily represents abandoned-facility payments that will be paid over the remaining terms of the leases through 2014.

During the first quarter of 2003, the primary investing activities of the company's continuing operations, excluding available-for-sale investment activities, included the purchase of property, plant, equipment and an acquisition. The company's continuing operations expended $11.4 million for purchases of property, plant, and equipment, net of dispositions, and $2.6 million for a product line acquisition (Note 2). In April 2003, the company received cash of $36.7 million, including $31.0 million of principal payments, plus interest, from Trimble Navigation Limited as partial and early payment of Trimble's note to the company. The $31.0 million of principal that was paid was reclassified to current assets at March 29, 2003.

The company's financing activities used $277.7 million of cash during the first quarter of 2003, including $274.0 million for continuing operations. During the first quarter of 2003, the company's continuing operations expended $237.3 million to reduce short-term notes payable. The company's continuing operations received net proceeds of $10.5 million from the exercise of employee stock options. During the first quarter of 2003, the company expended $46.1 million to repurchase its debt and equity securities, of which $30.4 million was used to repurchase 1.7 million shares of the company's common stock. As of March 29, 2003, the company had approximately $114.5 million remaining under Board of Directors' authorizations to repurchase its own securities. In April 2003, the company expended $70.9 million for the early redemption of all of its outstanding 4 3/8% subordinated convertible debentures due 2004. The principal amount of the debentures was classified as a current liability at December 28, 2002, and March 29, 2003, in anticipation of the early redemption.

The company has no material commitments for purchases of property, plant, and equipment and expects that for all of 2003, such expenditures will approximate $55 - $60 million. The company's contractual obligations and other commercial commitments did not change materially between December 28, 2002 and March 29, 2003.

Liquidity and Capital Resources (continued)

The company believes that its existing resources, including cash and investments, future cash flow from operations, and available borrowings under credit facilities are sufficient to meet the working capital requirements of its existing businesses for the foreseeable future, including at least the next 24 months.

First Quarter 2002

Operating activities used cash of $18.1 million during the first quarter of 2002, including $10.2 million for continuing operations and $7.9 million for discontinued operations. Payments for restructuring actions of the company's continuing operations, principally severance, lease costs, and other expenses of real estate consolidation, used cash of $13.0 million, net of taxes, in the first quarter of 2002. Aside from cash used for restructuring actions, a decrease in other current liabilities used $5.5 million of cash, including $6.9 million of accrued interest, principally due to a debt redemption, offset in part by an increase in deferred revenue. The use of cash of $7.9 million from discontinued operations was primarily due to the payment of liabilities, principally for the settlement of litigation.

During the first quarter of 2002, the primary investing activities of the company's continuing operations, excluding available-for-sale investment activities, included the sale of other investments, the purchase of shares of a majority-owned subsidiary, and the purchase of property, plant, and equipment. The company's continuing operations received proceeds of $80.6 million from the sale of other investments, principally shares of FLIR. In addition, the company's continuing operations expended $21.3 million to purchase the remaining minority-owned shares of its Spectra-Physics subsidiary and $12.4 million for purchases of property, plant, and equipment, net of dispositions. During the first quarter of 2002, investing activities of the company's discontinued operations provided $107.5 million of cash, primarily representing proceeds of $104 million from the sale of Thoratec common stock.

The company's financing activities used $178.7 million of cash during the first quarter of 2002, including $176.9 million for continuing operations. During the first quarter of 2002, the company's continuing operations expended $456.3 million to redeem all of its outstanding 4 1/4% and 4 5/8% subordinated convertible debentures due 2003. The redemption price was 100% of the principal amount of the debentures, plus accrued interest. The company increased short-term notes payable by $369.2 million to partially fund the debt redemption. During the first quarter of 2002, the company's continuing operations expended $100.0 million to repurchase its securities and received net proceeds of $10.7 million from the exercise of employee stock options.

Item 3 – Quantitative and Qualitative Disclosures About Market Risk

The company's exposure to market risk from changes in interest rates, currency exchange rates, and equity prices has not changed materially from its exposure at year-end 2002.

Item 4 – Controls and Procedures

The company's management, including its Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of disclosure controls and procedures within ninety days of the filing of this report pursuant to Exchange Act Rule 13a-14 and Rule 15d-14. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures are effective in ensuring that information required to be disclosed in the reports that the company files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms. There have been no significant changes in internal controls, or in factors that could significantly affect internal controls, subsequent to the date the company's management, including its Chief Executive Officer and Chief Financial Officer, completed its evaluation.

Forward-looking Statements

In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, we caution readers that the following important factors, among others, in some cases have affected, and in the future could affect, our actual results and could cause our actual results in 2003 and beyond to differ materially from those expressed in any forward-looking statements made by us.

We must develop new products, adapt to rapid and significant technological change, and respond to introductions of new products in order to remain competitive. Our growth strategy includes significant investment in and expenditures for product development, including in the area of proteomics. We sell our products in several industries that are characterized by rapid and significant technological changes, frequent new product and service introductions, and enhancements and evolving industry standards. Without the timely introduction of new products, services, and enhancements, our products and services will likely become technologically obsolete over time, in which case our revenue and operating results would suffer.

Our customers use many of our products to develop, test, and manufacture their own products. As a result, we must anticipate industry trends and develop products in advance of the commercialization of our customers' products. If we fail to adequately predict our customers' needs and future activities, we may invest heavily in research and development of products and services that do not lead to significant revenue.

Many of our existing products and those under development are technologically innovative and require significant planning, design, development, and testing at the technological, product, and manufacturing-process levels. These activities require us to make significant investments.

Products in our markets undergo rapid and significant technological change because of quickly changing industry standards and the introduction of new products and technologies that make existing products and technologies uncompetitive or obsolete. Our competitors may adapt more quickly to new technologies and changes in customers' requirements than we can. The products that we are currently developing, or those we will develop in the future, may not be technologically feasible or accepted by the marketplace, and our products or technologies could become uncompetitive or obsolete.

We sell our products and services to a number of companies that operate in cyclical industries, which would adversely affect our results of operations when those industries experience a downturn. The growth and profitability of some of our businesses depend in part on sales to industries that are subject to cyclical downturns and are experiencing slowing trends. For example, our Optical Technologies segment depends in part on sales to the semiconductor industry and our Measurement and Control segment depends in part on sales to the steel and cement industries. A continued slowdown in these industries would adversely affect sales by these segments, which in turn would adversely affect our revenues and results of operations.

Our business is adversely impacted by the continuing general worldwide economic slowdown and related uncertainties affecting markets in which we operate. Continuing adverse economic conditions worldwide could adversely impact our business in 2003 and beyond, resulting in:

- reduced demand for some of our products;
- increased rate of order cancellations or delays;
- increased risk of excess and obsolete inventories;
- increased pressure on the prices for our products and services; and
- greater difficulty in collecting accounts receivable.

For example, continued softness in the laboratory equipment, industrial manufacturing, and semiconductor markets could adversely affect our future operating results.

Forward-looking Statements (continued)

Changes in governmental regulations may reduce demand for our products or increase our expenses. We compete in many markets in which we and our customers must comply with federal, state, local, and international regulations, such as environmental, health and safety, and food and drug regulations. We develop, configure, and market our products to meet customer needs created by those regulations. Any significant change in regulations could reduce demand for our products. For example, many of our instruments are marketed to the pharmaceutical industry for use in discovering and developing drugs. Changes in the U.S. Food and Drug Administration's regulation of the drug discovery and development process could have an adverse effect on the demand for these products.

Demand for most of our products depends on capital spending policies of our customers and on government funding policies. Our customers include manufacturers of semiconductors and products incorporating semiconductors, pharmaceutical and chemical companies, laboratories, universities, healthcare providers, government agencies, and public and private research institutions. Many factors, including public policy spending priorities, available resources, and product and economic cycles, have a significant effect on the capital spending policies of these entities. These policies in turn can have a significant effect on the demand for our products.

Our inability to protect our intellectual property could have a material adverse effect on our business. In addition, third parties may claim that we infringe their intellectual property, and we could suffer significant litigation or licensing expense as a result. We place considerable emphasis on obtaining patent and trade secret protection for significant new technologies, products, and processes because of the length of time and expense associated with bringing new products through the development process and into the marketplace. Our success depends in part on our ability to develop patentable products and obtain and enforce patent protection for our products both in the United States and in other countries. We own numerous U.S. and foreign patents, and we intend to file additional applications, as appropriate, for patents covering our products. Patents may not be issued for any pending or future patent applications owned by or licensed to us, and the claims allowed under any issued patents may not be sufficiently broad to protect our technology. Any issued patents owned by or licensed to us may be challenged, invalidated, or circumvented, and the rights under these patents may not provide us with competitive advantages. In addition, competitors may design around our technology or develop competing technologies. Intellectual property rights may also be unavailable or limited in some foreign countries, which could make it easier for competitors to capture increased market position. We could incur substantial costs to defend ourselves in suits brought against us or in suits in which we may assert our patent rights against others. An unfavorable outcome of any such litigation could materially adversely affect our business and results of operations.

We also rely on trade secrets and proprietary know-how which we seek to protect our products, in part, by confidentiality agreements with our collaborators, employees, and consultants. These agreements may be breached and we may not have adequate remedies for any breach. In addition, our trade secrets may otherwise become known or be independently developed by our competitors.

Third parties may assert claims against us to the effect that we are infringing on their intellectual property rights. We could incur substantial costs and diversion of management resources in defending these claims, which could have a material adverse effect on our business, financial condition, and results of operations. In addition, parties making these claims could secure a judgment awarding substantial damages, as well as injunctive or other equitable relief, which could effectively block our ability to make, use, sell, distribute, or market our products and services in the United States or abroad. In the event that a claim relating to intellectual property is asserted against us, or third parties not affiliated with us hold pending or issued patents that relate to our products or technology, we may seek licenses to such intellectual property or challenge those patents. However, we may be unable to obtain these licenses on commercially reasonable terms, if at all, and our challenge of the patents may be unsuccessful. Our failure to obtain the necessary licenses or other rights could prevent the sale, manufacture, or distribution of our products and, therefore, could have a material adverse effect on our business, financial condition, and results of operations.

Forward-looking Statements (continued)

We have retained contingent liabilities from businesses that we have sold. From 1997 through 2002, we divested over 60 businesses with aggregate annual revenues in excess of $2 billion. As part of these transactions, we retained responsibility for some of the contingent liabilities related to these businesses, such as lawsuits, product liability claims, and potential claims by buyers that representations and warranties we made about the businesses were inaccurate. The resolution of these contingencies has not had a material adverse effect on our results of operations or financial condition; however, we can not be certain that this favorable pattern will continue.

We face a number of challenges in integrating and consolidating our businesses. We have historically operated our businesses largely as autonomous, unaffiliated operations. For the past few years, we have been consolidating our operations and managing them in a more coordinated manner. The following factors may make it difficult to successfully complete the integration and consolidation of our operations:

– Our success in integrating our businesses depends on our ability to coordinate or consolidate geographically separate organizations and integrate personnel with different business backgrounds and corporate cultures.
– Our ability to combine our businesses requires coordination of previously autonomous administrative, sales and marketing, distribution, and accounting and finance functions, and expansion and integration of information and management systems.
– The integration and consolidation process could be disruptive to our businesses.

Moreover, we may not be able to realize all of the cost savings and other benefits that we expect to result from the integration and consolidation process.

Our results could be impacted if we are unable to realize potential future savings from new sourcing initiatives. As part of our corporate consolidation over the past two years, we have undertaken significant real estate consolidations and cost-savings initiatives relating to sourcing materials and services purchased by us throughout our businesses. While we anticipate continued significant savings from additional sourcing initiatives and further real estate consolidations, future savings opportunities may be fewer and smaller in size, and may be more difficult to achieve.

Implementation of our new branding strategy may be difficult and could adversely affect our business. We historically operated our business largely as autonomous, unaffiliated companies and as a result each of our businesses independently created and developed its own brand names. We are implementing a new marketing and branding strategy which involves the transition from multiple, unrelated brands to two brands, Thermo Electron and Spectra-Physics. Several of our existing brands such as Finnigan, Nicolet, and Oriel command strong market recognition and customer loyalty. We believe the transition to the two new brands will enhance and strengthen our collective brand image and brand awareness across the entire company. Our success in transitioning our brands depends on many factors, including effective communication of the transition to our customers, acceptance and recognition by customers of these new brands, and successful execution of the branding campaign by our marketing and sales teams. If we are not successful in implementing this strategy and transitioning our brands, we may experience erosion in our product recognition, brand image and customer loyalty, and a decrease in demand for our products.

Forward-looking Statements (continued)

It may be difficult for us to implement our strategies for improving internal growth. Some of the markets in which we compete have been flat or declining over the past several years. To address this issue, we are pursuing a number of strategies to improve our internal growth, including:

- finding new markets for our products, including in the area of proteomics;
- developing new applications for our technologies;
- combining sales and marketing operations in appropriate markets to compete more effectively;
- actively funding research and development;
- commencing key customer initiatives;
- strengthening our presence in selected geographic markets; and
- developing commercial tools and infrastructure to increase and support cross-selling opportunities of products and services to take advantage of our breadth in product offerings.

We may not be able to successfully implement these strategies, and these strategies may not result in the growth of our business.

We have significant international operations, which entail the risk that exchange rate fluctuations may negatively affect demand for our products and our profitability. International revenues account for a substantial portion of our revenues, and we intend to continue expanding our presence in international markets. In 2002, our international revenues from continuing operations, including export revenues from the United States, accounted for approximately 52% of our total revenues. International revenues are subject to the risk that fluctuations in exchange rates may adversely affect product demand and the profitability in U.S. dollars of products and services provided by us in international markets, where payment for our products and services is made in the local currency. For example, while in fiscal 2002, currency translation had a favorable effect on revenues of our continuing operations of $28.7 million, in fiscal 2001, the unfavorable effects of currency translation decreased revenues of our continuing operations by $46.5 million.

We have acquired several companies and businesses; as a result we have recorded significant goodwill on our balance sheet, which we must continually evaluate for potential impairment. We have acquired significant intangible assets, including approximately $1.4 billion of goodwill that we have recorded on our balance sheet as of March 29, 2003. We assess the realizability of the goodwill we have on our books annually as well as whenever events or changes in circumstances indicate that the goodwill may be impaired. These events or circumstances generally include operating losses or a significant decline in earnings associated with the acquired business or asset. Our ability to realize the value of the goodwill will depend on the future cash flows of these businesses. These cash flows in turn depend in part on how well we have integrated these businesses.

PART II – OTHER INFORMATION

Item 6 – Exhibits and Reports on Form 8-K

(a) Exhibits

See Exhibit Index on page immediately preceding exhibits.

(b) Report on Form 8-K

On February 27, 2003, the company filed a Current Report on Form 8-K with respect to the company's financial results for the quarter ended December 28, 2002.

On March 7, 2003, the company filed a Current Report on Form 8-K with respect to a change in the company's fiscal year from the Saturday nearest December 31 to December 31 effective for the 2003 fiscal year and beyond.

THERMO ELECTRON CORPORATION

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 as of the 8th day of May 2003.

THERMO ELECTRON CORPORATION

/s/ Theo Melas-Kyriazi
Theo Melas-Kyriazi
Vice President and Chief Financial Officer

/s/ Peter E. Hornstra
Peter E. Hornstra
Corporate Controller and Chief Accounting Officer

THERMO ELECTRON CORPORATION

CERTIFICATIONS

I, Marijn E. Dekkers, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Thermo Electron Corporation;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 8, 2003

/s/ Marijn E. Dekkers
Marijn E. Dekkers
President and Chief Executive Officer

THERMO ELECTRON CORPORATION

I, Theo Melas-Kyriazi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Thermo Electron Corporation;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 8, 2003

/s/ Theo Melas-Kyriazi
Theo Melas-Kyriazi
Chief Financial Officer

THERMO ELECTRON CORPORATION

EXHIBIT INDEX

Exhibit Number	Description
99.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.