THERMO FISHER SCIENTIFIC INC.
Form 10-K
February 27, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2013 or

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

Commission file number 1-8002

THERMO FISHER SCIENTIFIC INC.
(Exact name of Registrant as specified in its charter)

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

81 Wyman Street Waltham, Massachusetts	02451
(Address of principal executive offices)	(Zip Code)

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

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

Title of each class	Name of each exchange on which registered
Common Stock, $1.00 par value	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes o No x

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 o

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer x   Accelerated filer o   Non-accelerated filer o   Smaller reporting company o

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

As of June 29, 2013, the aggregate market value of the voting stock held by nonaffiliates of the Registrant was approximately $30,411,997,000 (based on the last reported sale of common stock on the New York Stock Exchange Composite Tape reporting system on June 29, 2013).

As of February 1, 2014, the Registrant had 391,792,194 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Sections of Thermo Fisher's definitive Proxy Statement for the 2014 Annual Meeting of Shareholders are incorporated by reference into Parts II and III of this report.

THERMO FISHER SCIENTIFIC INC.

ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

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THERMO FISHER SCIENTIFIC INC.

PART I

Item 1. Business

General Development of Business

Thermo Fisher Scientific Inc. (also referred to in this document as "Thermo Fisher," "we," the "company," or the "registrant") is the world leader in serving science. Our mission is to enable our customers to make the world healthier, cleaner and safer. We help our customers accelerate life sciences research, solve complex analytical challenges, improve patient diagnostics and increase laboratory productivity.

On February 3, 2014, we completed our acquisition of Life Technologies Corporation ("Life Technologies"). In connection with obtaining certain regulatory approvals for the acquisition, which we refer to as the "Life Technologies Acquisition," in December 2013, we entered an agreement to sell our sera and media, gene modulation and magnetic beads businesses to GE Healthcare, for approximately $1.06 billion. References in this document to "Thermo Fisher," "we," the "company," or the "registrant" pertain to the combined company including both the legacy Thermo Fisher and legacy Life Technologies businesses, except where indicated and for the information included in Part II, Items 6 through 9A of this Annual Report on Form 10-K, which pertain to only legacy Thermo Fisher businesses. The information in these items has been presented in this way to provide consistency with Thermo Fisher's 2013 financial statements.

Thermo Fisher has approximately 50,000 employees and serves more than 400,000 customers within pharmaceutical and biotech companies, hospitals and clinical diagnostic labs, universities, research institutions and government agencies, as well as environmental, industrial quality and process control settings.

We serve our customers through four premier brands, Thermo Scientific, Life Technologies, Fisher Scientific and Unity Lab Services:

- Under the Thermo Scientific brand, we offer customers in research, diagnostics, industrial, and applied markets a complete range of high-end analytical instruments as well as laboratory equipment, software, services, consumables and reagents. Our portfolio of products includes innovative technologies for mass spectrometry, elemental analysis, molecular spectroscopy, sample preparation, informatics, chemical research and analysis, cell culture, bioprocess production, cellular, protein and molecular biology research, allergy testing, drugs-of-abuse testing, therapeutic drug monitoring testing, microbiology, anatomical pathology, transplant diagnostics, as well as environmental monitoring and process control.

- Under the Life Technologies brand, we offer life sciences customers a broad range of superior-performing products to help them drive innovation in research, clinical and applied markets. Our portfolio includes some of the most cited products and technologies in qPCR, capillary electrophoresis (CE) sequencing, next-generation sequencing (NGS), molecular diagnostics, forensics, cell culture and analysis, and agriculture research.

- Fisher Scientific is our channels brand, offering customers a complete portfolio of laboratory equipment, chemicals, supplies and services used in scientific research, healthcare, safety, and education markets. These products are offered through an extensive network of direct sales professionals, industry-specific catalogs, e-commerce capabilities and supply-chain management services. We also offer a range of biopharma services for clinical trials management and biospecimen storage.

- Unity Lab Services is our services brand, offering a complete portfolio of services from enterprise level engagements to individual instruments and laboratory equipment, regardless of the original manufacturer. Through our network of world-class service and support personnel, we provide services that are designed to help our customers improve productivity, reduce costs, and drive decisions with better data.

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In addition to our four premier brands, we offer a number of specialty brands that cover a range of products.

We continuously increase our depth of capabilities in technologies, software and services, and leverage our extensive global channels to address our customers' emerging needs. Our goal is to make our customers more productive in an increasingly competitive business environment, and to allow them to solve their challenges, from complex research to improved patient care, environmental and process monitoring, and consumer safety.

Thermo Fisher is a Delaware corporation and was incorporated in 1956. The company completed its initial public offering in 1967 and was listed on the New York Stock Exchange in 1980.

Forward-looking Statements

Forward-looking statements, within the meaning of Section 21E of the Securities Exchange Act of 1934 (the Exchange Act), are made throughout this Annual Report on Form 10-K. 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 report.

A number of important factors could cause the results of the company to differ materially from those indicated by such forward-looking statements, including those detailed under the heading, “Risk Factors” in Part I, Item 1A.

Business Segments and Products

For the year ended December 31, 2013, we reported our business in three segments: Analytical Technologies; Specialty Diagnostics; and Laboratory Products and Services. For financial information about these segments, including domestic and international operations, see Note 3 to our Consolidated Financial Statements, which begin on page F-1 of this report.

With the completion of our acquisition of Life Technologies, we have established a new reporting segment, called Life Sciences Solutions. Effective January 1, 2014, the company's financial performance will be reported in four segments reflecting the following changes:

- The new Life Sciences Solutions Segment consists of the majority of the former Life Technologies businesses and Thermo Fisher biosciences businesses.
- Thermo Fisher's global chemicals business has moved from the Biosciences business in the Analytical Technologies Segment to the Laboratory Products and Services Segment.
- Thermo Fisher's Analytical Technologies Segment has been renamed Analytical Instruments to reflect the transfer of the biosciences businesses to other segments, as mentioned above.

- Two small specialty diagnostics businesses within Life Technologies have become part of the Specialty Diagnostics Segment.

- Thermo Fisher has agreed to divest of its sera and media, gene modulation and magnetic beads businesses.

The description of the company's businesses set forth below reflects the organization of the company prior to the completion of the Life Technologies Acquisition. The businesses have been presented in this way to provide consistency with the company's 2013 financial statements and management's discussion and analysis of the 2013 financial statements included in this Annual Report on Form 10-K. The Life Technologies businesses are described under the heading, "Life Technologies Businesses and Related 2014 Segment Changes and Divestitures."

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Analytical Technologies Segment

Through our Analytical Technologies Segment, we provide a broad offering of instruments, reagents, consumables, software and services that are used for a range of applications in the laboratory, on the production line and in the field. These products are used by customers in all four of our key end markets: pharmaceutical and biotechnology; academic and government; industrial and applied; and healthcare and diagnostics. This segment includes four primary businesses – Chromatography and Mass Spectrometry, Chemical Analysis, Environmental and Process Instruments, and Biosciences.

Chromatography and Mass Spectrometry

Our chromatography and mass spectrometry business provides analytical instrumentation for organic and inorganic sample analysis. These products are complemented by laboratory information management systems (LIMS); chromatography data systems (CDS); database analytical tools; automation systems; and a range of consumables, such as a full line of chromatography columns.

Mass spectrometry (MS) is a technique for analyzing chemical compounds, individually or in complex mixtures, by forming charged ions that are then analyzed according to their mass-to-charge ratios. In addition to molecular information, each discrete chemical compound generates a pattern that provides structurally identifiable information. Our comprehensive offering includes life sciences mass spectrometry systems; inorganic mass spectrometry systems; and elemental analysis instrumentation; as well as a range of sample preparation and separation products including auto-samplers and multiplexing systems.

- Life Sciences Mass Spectrometers include three major product lines: triple quadrupole, ion trap and hybrid systems. Our triple quadrupole systems provide high performance quantitative analysis of chemicals in biological fluids, environmental samples and food matrices. They are also used by the pharmaceutical industry for targeted quantitation during drug discovery. Our ion trap systems are used for in-depth structural analysis of large biomolecules, such as proteins, as well as structural characterization of small molecules, such as drugs and drug metabolites. Our hybrid (LC/MS/MS) mass spectrometers combine linear ion trap, quadrupole and Orbitrap technologies to provide high resolution and accurate mass capabilities for both research and applied markets and are well suited for drug metabolism, proteomics, environmental analysis, food safety, toxicology and clinical research applications. We also offer a comprehensive portfolio of instrument control and data analysis software to help customers simplify their workflows and obtain knowledge from often complex data.

- Inorganic Mass Spectrometers include four product lines: isotope ratio mass spectrometry (IRMS); multi-collector mass spectrometry (MC/IRMS); inductively coupled plasma mass spectrometry (ICP/MS); and high resolution trace mass spectrometry (HR Trace/MS). These products are primarily used for qualitative and quantitative analysis of inorganic matter in a range of applications, including environmental analysis, materials science and earth sciences.

Chromatography is a technique for separating, identifying and quantifying individual chemical components of substances based on their specific physical and chemical characteristics. Our chromatography product line includes high performance liquid chromatography, ion chromatography and gas chromatography systems, all of which are supported by our Chromeleon chromatography data system software. Our comprehensive array of consumables and environmental sampling products complete the workflow solution.

- Liquid Chromatography (LC) Systems analyze complex sample matrices in liquids. Our high pressure liquid chromatography (HPLC) and ultrahigh pressure liquid chromatography (UHPLC) systems offer high throughput and sensitivity and are sold either as stand-alone systems or integrated with our mass spectrometers (LC/MS and LC/MS/MS). These systems are used for a range of applications, from complex proteomic analyses to routine industrial QA/QC.

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- Ion Chromatography (IC) Systems separate ionic (charged) or highly polar molecules (e.g., sugars and carbohydrates), usually found in water-based solutions, and typically detect them based on their electrical conductivity. Our IC products are used in a wide range of applications, including scientific research, and environmental testing, as well as quality control in pharmaceutical, food and beverage, and other industrial processes.

- Gas Chromatography (GC) Systems analyze complex sample matrices in gases, comprising both separation and detection technology. Separation technology is common to all gas chromatography analyzers, and is paired with either a conventional detector (GC) or with different types of mass spectrometers (GC/MS). Our GC/MS offering includes a triple stage quadrupole, a single stage quadrupole, and an ion trap, for a range of applications, including food safety testing, quantitative screening of environmental samples, and complex molecular analyses.

Our elemental analysis spectrometers include two product lines: atomic absorption (AA) and inductively coupled plasma (ICP) systems, which use atomic spectroscopy techniques to identify trace concentrations of elements in liquid and solid samples primarily in environmental, petrochemical, food safety, metallurgical, geochemical and clinical/toxicology research applications. These products are widely used in growth markets such as China, India and Latin America to support compliance with increasingly stringent international environmental and consumer safety regulations.

Chemical Analysis

Our chemical analysis products fall into four main categories: materials and minerals; molecular spectroscopy; portable analytical instruments; and radiation measurement and security instruments. Customers use these products to quickly and accurately analyze the composition of materials to optimize workflows in academic, life sciences, pharmaceutical, and industrial applications or to help them comply with governmental regulations and industry safety standards. Our product lines range from those used in the laboratory for research or forensics, to those used on the production line to improve quality and efficiency, to portable systems for rapid and real-time identification in the field or to analyze, measure or respond to hazardous situations.

- Materials and Minerals Instruments include bench-top, production line, and stand-alone systems for a range of industrial applications. For example, our laboratory elemental analyzers use X-ray fluorescence (XRF), X-ray diffraction (XRD), and arc spark optical emission (OES) techniques for accurate and precise analysis of bulk materials in the metals, cement, minerals, and petrochemicals industries. We also offer on line analyzers that employ neutron activation and measurement of gamma rays to analyze bulk materials non-invasively and in real time, as well as systems that enable high-speed weighing during bulk materials handling. We also offer gauging systems that employ ionizing and non-ionizing technologies to measure the total thickness, basis weight and coating thickness of flat-sheet materials, such as steel, plastics, foil, rubber and glass. We also offer on line analyzers based on a variety of technologies such as X-ray imaging and ultra-trace chemical detection, to inspect packaged goods for physical contaminants, validate fill quantities, or check for missing or broken parts on line and at high speeds in the food and beverage, pharmaceutical production and packaging industries to maintain safety and quality standards.

- Molecular Spectroscopy Instruments are divided into five primary techniques: Fourier transform infrared (FTIR), Raman, near-infrared (NIR), ultraviolet/visible (UV/Vis), and Nuclear Magnetic Resonance (NMR) spectroscopy.

These technologies are typically used in the laboratory to provide information on the structure of molecules to identify, verify and quantify organic materials in pharmaceutical, biotechnology, polymer, chemical, and forensic sciences. Our material characterization instruments include rheometers and extruders that measure viscosity, elasticity, processability, and temperature-related mechanical changes of various materials. We also provide a range of surface analysis instruments commonly used in the semiconductor, metals, coatings, and polymer industries as a product development and failure analysis tool.

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- Portable Analytical Instruments are rugged handheld products that provide rapid, precise, real-time analysis at the point of need. Our two main product categories are elemental and optical analyzers. Our portable elemental analyzers use XRF technology for identifying metal alloys in scrap metal recycling; QA/QC; precious metals analysis; environmental analysis; and lead screening in a range of consumer products. Our portable optical analyzers utilize Raman, FTIR and NIR technologies for use in the field by first responders, and law enforcement and military personnel who need to quickly and accurately identify chemicals and explosives in critical safety and security situations. Other applications include QA/QC in pharmaceutical production and identification of counterfeit drugs.

- Radiation Measurement and Security Products are used to monitor, detect and identify specific forms of radiation and trace explosives in nuclear power, environmental, industrial, medical, and security applications. Our primary customers include national, regional, and local government agencies responsible for monitoring cargo, vehicles and people traveling across borders. These products are also used by first-responders in safety and security situations, and for worker safety in the nuclear power and other industrial markets.

Environmental and Process Instruments

Our environmental and process instruments include fixed and portable instrumentation that help our customers protect people and the environment as well as comply with government regulations and industry safety standards.

Our products are used by environmental regulatory agencies and power plant operators to measure ambient air, stack gas emissions, and particulates in compliance with regulated emissions standards. Our products are also used in process monitoring applications by customers in natural gas, petrochemical, refining, and a wide variety of other industrial markets to provide measurements that improve efficiency, provide process and quality control, and increase worker safety.

Biosciences

Our biosciences offerings include reagents, instruments and consumables that help our customers conduct biological and medical research, discover and produce new drugs and vaccines, and diagnose disease. These products fall into three main categories: life science research, global chemicals and bioprocess production.

- Life Science Research reagents, instruments, and consumables are used for cell culture, protein, biology, molecular biology, and cell biology research and applied testing. The portfolio includes antibodies and products for protein purification, detection, modification, and analysis; products for nucleic acid sequencing, detection and purification, cloning and analysis, RNA interference and gene expression; and cellular imaging instruments and software reagents for high content analysis. Many of these products are also used in applied markets, including agriculture, forensics, diagnostics product development, and toxicology research.

- Global Chemicals comprises a broad range of chemicals, solvents and reagents supporting virtually every laboratory application – from research to drug discovery and development and manufacturing. This portfolio includes organic chemicals used to synthesize new materials; essential laboratory chemicals used by scientists to purify, extract, separate, identify and manufacture products; high purity analytical reagents, bioreagents used in many different applications, from cell growth to detailed protein analysis; and novel chemical building blocks, reactive

intermediates and screening libraries used to accelerate drug discovery. We provide bulk volumes of many products for scale-up from research to development and customized services for chemical procurement, processing, production, testing, and packaging.

- BioProcess Production products include customized, single-use containers and single-use bioreactor systems, liquid and dry powder cell-culture media (serum-free, chemically defined, protein-free, and animal derived component-free media), sera and process liquids. These products are used in the manufacturing of human and animal vaccines, monoclonal antibodies, protein-based therapeutics and products for wound healing. Available in turnkey and open architecture formats, these single-use systems have been specifically qualified for bioprocess production applications in the biopharmaceutical, biotechnology and diagnostic industries. Custom services are also available for media and feed formulation media optimization, analytical services, production method development and optimization, rapid prototyping, and supply chain management.

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Specialty Diagnostics Segment

Our Specialty Diagnostics Segment offers a wide range of diagnostic test kits, reagents, culture media, instruments and associated products in order to serve customers in healthcare, clinical, pharmaceutical, industrial, and food safety laboratories. Our healthcare products are used to increase the speed and accuracy of diagnoses, which improves patient care in a more cost efficient manner. This segment has six primary businesses – ImmunoDiagnostics, Clinical Diagnostics, Transplant Diagnostics, Microbiology, Anatomical Pathology, and our Healthcare Market Channel.

ImmunoDiagnostics

Our immunodiagnostics offerings include developing, manufacturing and marketing complete blood-test systems to support the clinical diagnosis and monitoring of allergy, asthma and autoimmune diseases. Unlike skin prick tests, our in vitro allergy diagnostic tests utilize flexible systems which provide for convenient and accurate allergy diagnoses on low and high-throughput automation. In addition, we now can offer antibody tests for approximately 20 indications to help diagnose autoimmune diseases such as rheumatoid arthritis, celiac disease, lupus and scleroderma. These allergy and autoimmunity product lines operate on a common instrument platform which supports both productivity and cost efficiencies in clinical laboratories around the world. Our products include ImmunoCAP for allergy and asthma tests and EliA for autoimmunity tests.

Clinical Diagnostics

Our clinical diagnostics products include a broad offering of liquid, ready-to-use and lyophilized immunodiagnostic reagent kits, calibrators, controls and calibration verification fluids. In particular, we provide products used for drugs-of-abuse testing; therapeutic drug monitoring, including immunosuppressant drug testing; thyroid hormone testing; serum toxicology; clinical chemistry; immunology; hematology; coagulation; glucose tolerance testing; first trimester screening; tumor markers testing; and biomarkers testing for sepsis, acute myocardial infarction and congestive heart failure. We also private label many of our reagents and controls for major in vitro diagnostics companies through OEM arrangements. In many instances, we will work with customers or partners to develop new products and applications for their instrument platforms.

We have developed one of the broadest menus for drugs-of-abuse immunoassays. We also offer a line of immunosuppressant drug immunoassays that can be used on a variety of clinical chemistry analyzers.

Our clinical chemistry systems include analyzers and reagents to analyze and measure routine blood and urine chemistry, such as glucose and cholesterol; and advanced testing for specific proteins, therapeutic drug monitoring and drugs-of-abuse. Our diagnostic test range currently covers approximately 80 different validated methods. We also provide pre- and post-analytical automation for preparation of blood specimens before and after analysis, and specialty diagnostic tests based on patented biomarkers for sepsis, cardiovascular and pulmonary diseases, as well as intensive care treatments and prenatal screening.

Transplant Diagnostics

Our transplant diagnostics products include human leukocyte antigen ("HLA") typing and testing for the organ transplant market. Our diagnostic tests are used by transplant centers for tissue typing, primarily to determine the

compatibility of donors and recipients pre-transplant, and to detect the presence of antibodies post-transplant that can lead to transplant rejection. These transplant diagnostic tests are widely used across the transplant-testing workflow to improve patient outcomes. Our transplant diagnostic offerings include several lines of HLA typing and antibody detection assays utilizing serological, molecular, ELISA, flow, and Luminex xMAP technologies.

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Microbiology

Our microbiology offerings include dehydrated and prepared culture media, collection and transport systems, instrumentation and consumables to detect pathogens in blood, diagnostic and rapid direct specimen tests, quality-control products and associated products for the microbiology laboratory. Our products help customers worldwide to diagnose infectious disease; determine appropriate antimicrobial therapy; implement effective infection control programs; and detect microbial contamination of their products or manufacturing facilities.

Within the food and pharmaceutical industries, our products are used to assure the safety and quality of consumer products by monitoring production environments; raw materials and end products for bacterial contamination; and animal health in the dairy industry.

Anatomical Pathology

Our anatomical pathology offerings include a broad portfolio of products primarily for cancer diagnosis and medical research in histology, cytology and hematology applications. These products include a wide range of instruments, consumables and reagents for specimen collection and transport, tissue preparation, staining and immunohistochemistry assays and controls. Reagent and consumable products include sample collection and preservation products used to ensure specimen integrity; tissue cassettes and reagents necessary for same-day, high-quality specimen processing; blades and paraffin used to section tissue; and a wide range of leading stains. Also included are a full line of immunohistochemistry antibodies, detection systems, ancillaries and controls.

We also provide a complete range of anatomical pathology instruments including cassette and slide labeling systems, which enable on-demand slide and cassette printing; tissue processors for same-day tissue-processing; superior reagent management and higher lab efficiency; embedding stations, microtomes and cryostats used to section tissue; and automated staining and cover slip systems used for primary and immunohistochemistry staining. In cytology, we offer low-speed centrifugation technology coupled with patented EZ cytofunnels to deposit a thin layer of cells onto a microscope slide to ensure better cell capture and better preservation of cell morphology. We manufacture high-quality flat-sheet glass to produce medical disposable products such as microscope slides, plates, cover glass, and microarray substrates serving the medical, diagnostics, and scientific communities. We also offer specialized hydrophobic, adhesive, and fluorescent slides through proprietary coating techniques.

Healthcare Market Channel

Our Healthcare Market channel offerings include a broad array of consumables, diagnostic kits and reagents, equipment, instruments, solutions and services for hospitals, clinical laboratories, reference laboratories, physicians' offices and other clinical testing facilities. These products are manufactured by Thermo Fisher and third parties.

Healthcare Market products and solutions focus on the collection, transportation and analysis of biological samples. Major product lines include anatomical pathology, molecular diagnostic, and cardiac risk management solutions; blood collection devices; and an extensive portfolio of rapid diagnostic testing kits.

Laboratory Products and Services Segment

Our Laboratory Products and Services segment offers virtually everything needed for the laboratory. Our unique combination of self-manufactured and sourced products and extensive service offering enables our customers to focus on their core activities and helps them to be more efficient, productive and cost effective. We serve the pharmaceutical, biotechnology, academic, government and other research and industrial markets, as well as the clinical laboratory through four key businesses: Laboratory Equipment, Laboratory Consumables, Research and Safety Market Channel, and BioPharma Services.

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Laboratory Equipment

Our Laboratory Equipment products are used primarily by pharmaceutical companies for drug discovery and development and by biotechnology companies and universities for life science research to advance the prevention and cure of diseases and enhance quality of life. This offering consists of equipment, accessories, and services for sample preparation, storage and protection, and analysis, with product categories including:

- Sample Preparation and Preservation Equipment protects our customers' chemical and biological samples and supports the growth of cells and organisms in optimal conditions such as temperature, carbon dioxide and humidity. This offering includes a comprehensive range of incubators and other related products.

- Cold Storage Equipment such as our leading laboratory refrigerators and freezers, ultralow-temperature freezers and cryopreservation storage tanks maintain samples in a cold environment to protect them from degradation.

- Centrifugation Products are used to separate biological matrices and inorganic materials. Our broad range includes microcentrifuges, which are used primarily for the purification of nucleic acids in the molecular biology laboratory; general use bench-top centrifuges for processing clinical samples such as blood and urine; and our floor models, which are used for large-volume blood processing or in laboratories with high-throughput needs. Our super-speed and ultra-speed models are used for applications such as protein purification.

- Biological Safety Cabinets enable technicians to handle samples without risk to themselves or their environment and without risk of cross-contamination of samples. These cabinets, equipped with filtered-air ventilation, controlled laminar flow and an ultraviolet source, can be used for tissue culture; handling of infectious samples; forensic analysis; bioterrorism research; and other applications.

- Temperature Control Products include heated bath circulators, immersion coolers, recirculating chillers, water baths, and dry baths in a range of sizes, temperatures and configurations for life science, analytical chemistry, manufacturing and quality-control applications.

- Water Analysis Instruments include meters, electrodes and solutions for the measurement of pH, ions, conductivity, dissolved oxygen, turbidity and other key parameters in the lab and production line. Based upon electrochemical and optical sensing technologies, these products are used wherever the quality of water and water-based products or processes are critical, such as QA/QC in the food and beverage industry, chemical and pharmaceutical production, and for environmental compliance.

- Other Laboratory Equipment includes water purification systems, shakers, vacuum concentrators, microbiological incubators, ovens, furnaces, hotplates, stirrers, stirring hotplates, and other related products.

Laboratory Consumables

Our laboratory consumables products include plastics, glass and related equipment, which customers use every day to support their scientific research; drug discovery and development; quality and process control; and clinical and basic research and development needs. Our product categories include cell culture and bioproduction; sample preparation and storage; liquid handling; detection instruments; and specialty products and services.

- Cell Culture and Bioproduction Products support customers in research to production-scale activities. We offer a broad range of surface technologies for different application needs, including applications with traditional stem cell and human stem cell lines. Products include chamber slides, dishes, multidishes, flasks and gas permeable technologies. We also offer a complete line of serological pipettes and conical tubes to address cell-culture sample handling, as well as cell factories and roller bottles, and research serum and media products. These products are widely used in research and in the manufacture of vaccines and biotherapeutics.

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- Sample Preparation and Storage Products include a full line of centrifugation consumables as well as vials and organization systems for ultralow temperature and cryogenic storage, with specific products designed for low protein binding and low DNA binding. We also offer containers for packaging life science and diagnostic reagents as well for the storage and transport of bulk intermediates and active pharmaceutical ingredients.

- Liquid Handling Products include a leading offering of laboratory pipette tips and a complementary range of handheld and automated pipetting systems, supporting low- through high-throughput activity. These products optimize productivity and ergonomics, and ensure accurate results.

- Detection Instruments include microplate readers, washers, purification systems, and PCR and qPCR instruments. These instruments offer researchers in the fields of cancer research, drug development, proteomics, and genomics efficiency, high-quality performance and accurate results.

- Specialty Products and Services include a complete selection of clinical specimen collection, drug-of-abuse collection kits and environmental and food-safety glass and plastic vials, bottles and containers. We also manufacture plastic transfer pipettes and general purpose clinical laboratory consumables. We also offer containers for breast milk collection, storage and feeding primarily used in neo-natal units and by lactation specialists. In addition, we provide OEM and custom kit assembly services for clinical and drugs-of-abuse test kits.

Research and Safety Market Channel

Our Research and Safety Market channel serves academic, pharmaceutical, biotechnology, government and industrial customers. We go to market through our broad sales force, printed catalogs in eight different languages, a state-of-the-art website, www.fishersci.com, containing full product content for more than 370,000 products, and our global network of resellers and distributors. The Fisher Scientific catalog has been published for more than 100 years and is an internationally recognized scientific supply resource.

We have an international network of warehouses in our primary markets through which we maintain inventory and coordinate product delivery. With specialized product vaults and warehouse management systems, we are able to handle the complete range of products we offer to our customers. Our transportation capabilities include our dedicated fleet of delivery vehicles as well as parcel shipping capabilities that are closely integrated with our third-party parcel carriers. Throughout the product delivery process, we provide our customers with convenient access to comprehensive electronic systems that offer automated catalog search, product order and invoicing, and payment capabilities.

Our channel offers a mix of products that are manufactured by Thermo Fisher, by third parties for us on a private-label basis, and by third parties under their brand but offered for sale exclusively through us. We also offer a broad range of third-party products representing leading industry brand names on a non-exclusive basis.

Our research products include a complete offering of laboratory products, ranging from capital equipment and instruments to chemicals to consumable products. Our safety products include clean-room and controlled-environment supplies, personal protective equipment, firefighting, military, and first responder equipment and supplies, and environmental monitoring and sampling equipment. Our education products include science-related and laboratory products for the K-12 and secondary education market.

Our Cole-Parmer offerings include a wide variety of laboratory and industrial fluid-handling products, instrumentation, equipment, and supplies for the industrial, government, academic, biotechnology, pharmaceutical and healthcare markets.

Our Doe & Ingalls offerings include chemical distribution and supply chain services that help life science and advanced technology manufacturers have reliable, secure supply chains for their chemical raw materials.

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In addition to our broad product offerings, we offer a variety of specialized services to our customers through our Unity Lab Services team, including training, equipment servicing and asset management, and dedicated supply management personnel. We also offer scientific support services including desktop delivery, coordination of instrument calibration and service, and on-site customer service.

BioPharma Services

Our BioPharma Services offerings include global services for pharmaceutical and biotechnology companies engaged in clinical trials, including specialized packaging; over-encapsulation; multi-lingual and specialized labeling and distribution for phase I through phase IV clinical trials; biological-specimen management; specialty pharmaceutical logistics; and clinical supply-chain management. Thermo Fisher's biorepository business provides temperature-controlled repository services for pharmaceutical, biotechnology, university, government, clinical and blood-processing customers. Our biorepository services business stores pharmacological and biospecimen samples at commercial sites. Additional services include inventory management, validation, business continuity, and repository management and transportation capabilities, resulting in a complete cold chain sample management solution.

Life Technologies Businesses and Related 2014 Segment Changes and Divestitures

With the acquisition of Life Technologies, we have enhanced our scale and depth of capabilities in research, specialty diagnostics and applied markets. We have established a new reporting segment, called Life Sciences Solutions, and effective January 1, 2014, the company's financial performance will be reported in four segments reflecting the following changes:

- The new Life Sciences Solutions Segment consists of the majority of the former Life Technologies businesses and Thermo Fisher biosciences businesses.

- Thermo Fisher's global chemicals business has moved from the Biosciences business in the Analytical Technologies Segment to the Laboratory Products and Services Segment.

- Thermo Fisher's Analytical Technologies Segment has been renamed Analytical Instruments to reflect the transfer of the biosciences businesses to other segments, as mentioned above.

- Two small specialty diagnostics businesses within Life Technologies have become part of the Specialty Diagnostics Segment.

- Thermo Fisher has agreed to divest of its sera and media, gene modulation and magnetic beads businesses.

The systems and reagents offered through Life Sciences Solutions enable, simplify and accelerate a broad spectrum of biological research of genes, proteins and cells within academic and life science research, clinical research and commercial applications. Our scientific expertise assists in making biodiscovery research techniques more effective and efficient for pharmaceutical, biotechnology, agricultural, clinical, government and academic scientific professionals with backgrounds in a wide range of scientific disciplines. The new Life Sciences Solutions Segment includes three primary businesses – Biosciences; Genetic, Medical & Applied Sciences; and BioProduction.

Biosciences

Our new Biosciences business includes Life Technologies' former Life Sciences business (with the exception of its bioproduction business) combined with Thermo Fisher's molecular and protein biology reagents businesses from its former biosciences business.

Our biosciences offerings include:

- Reagents, instruments, and consumables used for protein biology, molecular biology, and cell imaging and analysis. The portfolio includes antibodies and products for protein purification, detection, modification, and analysis; and products for nucleic acid sequencing, detection and purification for high content analysis. Many of these products are also used in applied markets, including agriculture, forensics, diagnostics product development, and toxicology research.

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- Molecular Probes fluorescence-based technologies, which facilitate the labeling of molecules for biological research and drug discovery. This product line also leverages a wide range of cell analysis instruments, such as the Attune Acoustic Focusing Cytometer, and imaging platforms to enable fluorescence microscopy.

- Gibco cell culture media and reagents for preserving and growing mammalian cells, which are used in many life science research applications. This product line also features the cell therapy systems line of growth media, some of which has received FDA 510K clearance in recent years.

- Invitrogen products, which are among the most cited in research papers, and are comprised of tools used for genetic engineering, amplification, quantification and analysis. This product line includes stem cell reprogramming kits, used for the development of iPS cells; transfection reagents, which are widely used to transfer genetic elements into living cells, enable the study of protein function and gene regulation; RNA interference reagents, which enable scientists to selectively "turn off" genes in biology systems to gain insight into biological pathways; along with gene editing tools and gene synthesis products.

- Ambion products, consisting primarily of tools used for RNA isolation, the first step for performing many molecular techniques, such as NGS, real-time qPCR, etc. Specific products include: Dynabeads, Cells-to-CT, PUlreLink and MagMax.

- Novex high-performance protein analysis products, including pre-cast electrophoresis gels for separating nucleic acids and proteins, and western blotting and staining tools. Other products include antibodies, which allow researchers to capture and label proteins, visualize their location through the use of dyes, and discern their role in disease.

Genetic, Medical & Applied Sciences

Our new Genetic, Medical and Applied Sciences business includes Life Technologies' Ion Torrent, Genetic Analysis and Medical Sciences businesses, with the addition of the Human Identification (HID) and Food and Animal Health business from Life Technologies' Applied Sciences group. This business combines a wide variety of instruments and related reagents used to analyze DNA across a broad range of applications in research, clinical and applied markets.

Our Genetic, Medical and Applied Sciences offerings include:

- Genetic Analysis, which primarily provides qPCR, capillary electrophoresis (CE) and next-generation sequencing (NGS) platforms and reagents. –These products are used to discover sources of genetic and epigenetic variation, to catalog the DNA structure of organisms, and to verify the composition of genetic research material. These approaches to genetic analysis are used in clinical research, human identification (HID), animal health and food safety applications. In addition, our PCR and real-time PCR systems, reagents and assays enable researchers to amplify and detect targeted nucleic acids (DNA and RNA molecules for a host of applications in molecular biology.

- Medical Sciences provides qPCR and NGS technologies and assays for applications in molecular diagnostics, diagnostic development, clinical and translational research, and public health monitoring and is primarily focused on cancer and inherited disease.

- Human Identification, which provides instrumentation (qPCR, CE sequencing and NGS) and reagents to forensic laboratories that analyze DNA recovered from crime scenes. These products are routinely used to positively convict criminals and exonerate the innocent. Primary customers include the FBI and police departments around the world.

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- Animal Health/Food Safety offers qPCR, Elisa, Sample Preparation and NGS platforms for analysis applications in animal health and food safety. In animal health, we provide kits that are used to monitor health of farm animals by detection of viruses and pathogens. In food safety, we provide solutions to detect pathogens commonly at the root of many outbreaks: Salmonella, E. coli, Listeria, etc. We also provide the beverage industry with kits used to monitor bacterial contamination during beer and wine production.

BioProduction

The new BioProduction business includes Thermo Fisher's bioprocessing business and Life Technologies' bioproduction business. This business supports developers and manufacturers of biological-based therapeutics and vaccines with a portfolio of premium solutions and services focused on upstream cell culture, downstream purification, analytics for detection and quantitation of process/product impurities, and a suite of single-use solutions spanning the biologics workflow.

Our bioproduction offerings include:

- Single Use Technologies, which includes our Thermo Scientific single-use bioproduction solutions that deliver faster turnaround and set-up times, require minimal validation, reduce investment and running costs, and increase flexibility of manufacturing capacity.

- Cell Culture Media and Services, which includes our Gibco media solutions, used by leading biotechnology and pharmaceutical companies to grow cells in controlled conditions and enable the large scale cGMP manufacturing of life saving drugs and vaccines, along with associated services to optimize the productivity of these production platforms.

- Chromatography, which includes POROS products that deliver unmatched capacity and resolution for process-scale bioseparations, and CaptureSelect affinity products that offer a broad set of scalable options for the purification of antibodies, antibody fragments and proteins.

- Pharma Analytics, which are rapid molecular products that deliver accurate results in less than four hours for contaminant detection, identification and quantitation.

- Cell Therapy, which are scalable solutions for the manufacture of cell therapy-based drugs.

Sales and Marketing

We market and sell our products and services through a direct sales force, customer-service professionals, electronic commerce, third-party distributors and various catalogs.

We have approximately 14,300 sales and service personnel including over 2,000 highly trained technical specialists who enable us to better meet the needs of our more technical end-users. We also provide customers with product standardization and other supply-chain-management services to reduce procurement costs.

New Products and Research and Development

Our business includes the development and introduction of new products and may include entry into new business segments. During 2013, 2012 and 2011, we spent $396 million, $376 million and $340 million, respectively, on research and development. We anticipate that we will continue to make significant expenditures for research and development as we seek to provide a continuing flow of innovative products to maintain and improve our competitive position.

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Business (continued)

Raw Materials

Our management team believes that we have a readily available supply of raw materials for all of our significant products from various sources. We do not anticipate any difficulties obtaining the raw materials essential to our business.

Raw-material and fuel prices are subject to fluctuations due to market conditions. We employ many strategies, including the use of alternative materials, to mitigate the effect of these fluctuations on our results.

Patents, Licenses and Trademarks

Patents are important in all segments of our business. No particular patent, or related group of patents, is so important, however, that its loss would significantly affect our operations as a whole. Where appropriate, we seek patent protection for inventions and developments made by our personnel that are incorporated into our products or otherwise fall within our fields of interest. Patent rights resulting from work sponsored by outside parties do not always accrue exclusively to the company and may be limited by agreements or contracts.

We protect some of our technology as trade secrets and, where appropriate, we use trademarks or register trademarks used in connection with products. We also enter into license agreements with others to grant and/or receive rights to patents and know-how.

Seasonal Influences

Revenues in the fourth quarter are historically stronger than in other quarters due to the capital spending patterns of industrial, pharmaceutical and government customers. Sales of flu tests and related diagnostic products vary quarter to quarter and year to year based on the severity and duration of flu season. Sales of allergy tests vary quarter to quarter and year to year based on the severity and duration of airborne pollen allergens.

Working Capital Requirements

There are no special inventory requirements or credit terms extended to customers that would have a material adverse effect on our working capital.

Dependency on a Single Customer

There is no single customer the loss of which would have a material adverse effect on our business. No customer accounted for more than 5% of our total revenues in any of the past three years.

Backlog

Our backlog of firm orders at year-end 2013 and 2012 was as follows:

(In millions)	2013	2012

Analytical Technologies	$1,047.2	$1,014.6
Specialty Diagnostics	183.0	187.0
Laboratory Products and Services	399.0	388.8
Eliminations	(24.9)	(12.8)
	$1,604.3	$1,577.6

We believe that virtually all of our backlog at the end of 2013 will be filled during 2014. The table above does not include backlog of Life Technologies which was acquired on February 3, 2014.

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Government Contracts

Although the company transacts business with various government agencies, no government contract is of such magnitude that a renegotiation of profits or termination of the contract at the election of the government agency would have a material adverse effect on the company's financial results.

Competition

The company encounters aggressive and able competition in virtually all of the markets we serve. Because of the diversity of our products and services, we face many different types of competitors and competition. Our competitors include a broad range of manufacturers and third-party distributors. In general, competitive climates in the markets we serve are characterized by changing technology and customer demands that require continuing research and development. Our success in these markets primarily depends on the following factors:

- technical performance and advances in technology that result in new products and improved price/performance ratios;
- product differentiation, availability and reliability;
- the depth of our capabilities;
- our reputation among customers as a quality provider of products and services;
- customer service and support;
- active research and application-development programs; and
- relative prices of our products and services.

Environmental Matters

We are subject to various laws and governmental regulations concerning environmental matters and employee safety and health in the United States and other countries. U.S. federal environmental legislation that affects us includes the Toxic Substances Control Act, the Resource Conservation and Recovery Act, the Clean Air Act, the Clean Water Act, the Safe Drinking Water Act, and the Comprehensive Environmental Response Compensation and Liability Act (CERCLA). We are also subject to regulation by the Occupational Safety and Health Administration (OSHA) concerning employee safety and health matters. The United States Environmental Protection Agency (EPA), OSHA, and other federal agencies have the authority to promulgate regulations that have an effect on our operations.

In addition to these federal activities, various states have been delegated certain authority under the aforementioned federal statutes as well as having authority over these matters under state laws. Many state and local governments have adopted environmental and employee safety and health laws and regulations, some of which are similar to federal requirements.

A number of our operations involve the handling, manufacturing, use or sale of substances that are or could be classified as toxic or hazardous materials within the meaning of applicable laws. Consequently, some risk of environmental harm is inherent in our operations and products, as it is with other companies engaged in similar businesses.

Our expenses for environmental requirements are incurred generally for ongoing compliance and historical remediation matters. Based on current information, we believe that these compliance costs are not material. For historical remediation obligations, our expenditures relate primarily to the cost of permitting, installing, and operating and maintaining groundwater-treatment systems and other remedial measures.

Our Fair Lawn and Somerville, New Jersey, facilities are the subject of administrative consent orders issued by the New Jersey Department of Environmental Protection in 1984. Our Rockford, Illinois, facility is subject to a Resource Conservation and Recovery Act (RCRA) corrective action program administered by the Illinois Environmental Protection Agency. We are required to maintain groundwater-remediation activities at these sites. As the owner of the Fair Lawn facility, we are listed as a potentially responsible party for remediation within an area called the Fair Lawn Wellfields Superfund Site.

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We record accruals for environmental liabilities based on current interpretations of environmental laws and regulations when it is probable that a liability has been incurred and the amount of such liability can be reasonably estimated. We calculate estimates based upon several factors, including reports prepared by environmental specialists and management's knowledge and experience with these environmental matters. We include in these estimates potential costs for investigation, remediation and operation and maintenance of cleanup sites. Accrued liabilities for environmental matters totaled $29 million at December 31, 2013. The liability for environmental matters associated with Fisher was recorded at the date of merger at its fair value and as such was discounted to its net present value.

These environmental liabilities do not include third-party recoveries to which we may be entitled. We believe that our accrual is adequate for the environmental liabilities we currently expect to incur. As a result, we believe that our ultimate liability with respect to environmental matters will not have a material adverse effect on our financial position, results of operations or cash flows. However, we may be subject to additional remedial or compliance costs due to future events, such as changes in existing laws and regulations, changes in agency direction or enforcement policies, developments in remediation technologies, changes in the conduct of our operations, and the effect of changes in accounting rules, which could have a material adverse effect on our financial position, results of operations or cash flows.

Our recently acquired Life Technologies subsidiary also has certain environmental liabilities, including from its prior acquisitions, such as obligations for the clean-up of formerly-owned locations as well as several hazardous waste sites under state and federal environmental laws, in connection with its acquisitions of Dexter Corporation in 2000 and Applied Biosystems in 2008. Life Technologies has reserves accrued for these matters. Unexpected results related to the investigation and clean-up of any of these sites could cause our financial exposure in these matters to exceed stated reserves, requiring us to allocate additional funds and other resources to address these environmental liabilities, which could have a material adverse effect on our financial position, results of operations or cash flows.

Regulatory Affairs

Our operations, and some of the products we offer, are subject to a number of complex and stringent laws and regulations governing the production, handling, transportation and distribution of chemicals, drugs and other similar products, including the operating and security standards of the United States Drug Enforcement Administration, the Bureau of Alcohol, Tobacco, Firearms and Explosives, the Food and Drug Administration, and various state boards of pharmacy as well as comparable state and foreign agencies. As Thermo Fisher's businesses also include export and import activities, we are subject to pertinent laws enforced by the U.S. Departments of Commerce, State and Treasury. In addition, our logistics activities must comply with the rules and regulations of the Department of Transportation, the Federal Aviation Administration and similar foreign agencies. While we believe we are in compliance in all material respects with such laws and regulations, any noncompliance could result in substantial fines or otherwise restrict our ability to provide competitive distribution services and thereby have an adverse effect on our financial condition. To date, none has had a material impact on our operations.

We are subject to laws and regulations governing government contracts, and failure to address these laws and regulations or comply with government contracts could harm our business by leading to a reduction in revenue associated with these customers. We have agreements relating to the sale of our products to government entities and, as a result, we are subject to various statutes and regulations that apply to companies doing business with the government. We are also subject to investigation for compliance with the regulations governing government contracts.

A failure to comply with these regulations could result in suspension of these contracts, criminal, civil and administrative penalties or debarment.

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Business (continued)

Number of Employees

We have approximately 50,000 employees.

Financial Information About Geographic Areas

Financial information about geographic areas is summarized in Note 3 to our Consolidated Financial Statements, which begin on page F-1 of this report.

Available Information

The company files annual, quarterly and current reports, proxy statements and other documents with the Securities and Exchange Commission (SEC) under the Exchange Act. The public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street NE, Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Also, the SEC maintains a website that contains reports, proxy and information statements and other information that issuers, including the company, file electronically with the SEC. The public can obtain any documents that we file with the SEC at www.sec.gov. We also make available free of charge on or through our own website at www.thermofisher.com our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and, if applicable, amendments to those reports filed or furnished pursuant to Section 13(a) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. In addition, paper copies of these documents may be obtained free of charge by writing to the company care of its Investor Relations Department at our principal executive office located at 81 Wyman Street, Waltham, Massachusetts 02451.

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Business (continued)

Executive Officers of the Registrant

Name	Age	Present Title (Fiscal Year First Became Executive Officer)
Marc N. Casper	45	President and Chief Executive Officer (2001)
Alan J. Malus	54	Executive Vice President (2006)
Mark P. Stevenson	51	Executive Vice President (2014)
Seth H. Hoogasian	59	Senior Vice President, General Counsel and Secretary (2001)
Thomas W. Loewald	50	Senior Vice President (2012)
Edward A. Pesicka	46	Senior Vice President and Chief Commercial Officer (2008)
Andrew J. Thomson	49	Senior Vice President (2012)
Peter M. Wilver	54	Senior Vice President and Chief Financial Officer (2003)
Peter E. Hornstra	54	Vice President and Chief Accounting Officer (2001)

Mr. Casper was appointed President and Chief Executive Officer in October 2009. He was Chief Operating Officer from May 2008 to October 2009 and Executive Vice President from November 2006 to October 2009. He was Senior Vice President from December 2003 to November 2006. From December 2001 to December 2003 he was Vice President.

Mr. Malus was appointed Executive Vice President of Thermo Fisher Scientific in January 2012 and was appointed President, Laboratory Products and Services in January 2014. He was President, Analytical Technologies from January 2012 to January 2014. He was President, Laboratory Products from July 2008 to January 2012 and was appointed Senior Vice President of Thermo Fisher Scientific in November 2006.

Mr. Stevenson was appointed Executive Vice President and President, Life Sciences Solutions in February 2014. Prior to the acquisition of Life Technologies, Mr. Stevenson was President and Chief Operating Officer of Life Technologies from November 2008 to February 2014 and previously President and Chief Operating Officer of Applied Biosystems, Life Technologies' predecessor entity, from December 2007 to November 2008.

Mr. Hoogasian was appointed Senior Vice President in November 2006, Secretary in 2001 and General Counsel in 1992. He was Vice President from 1996 to November 2006.

Mr. Loewald was appointed Senior Vice President of Thermo Fisher Scientific in January 2012 and appointed President, Analytical Instruments in January 2014. He was President, Laboratory Products from January 2012 to January 2014. He was appointed President of the Laboratory Equipment business in August 2008, and was President

of the Environmental Instruments business from October 2006 until August 2008.

Mr. Pesicka was appointed Senior Vice President of Thermo Fisher Scientific in July 2008 and was appointed Chief Commercial Officer in January 2014. He was President, Customer Channels from July 2008 to January 2014. He was President, Research Market from November 2006 to July 2008.

Mr. Thomson was appointed Senior Vice President of Thermo Fisher Scientific and President, Specialty Diagnostics in February 2012. He was President of the Clinical Diagnostics business from October 2009 to May 2012 and was Vice President and General Manager for North America for the Microbiology business from January 2009 until October 2009.

Mr. Wilver was appointed Senior Vice President in November 2006 and Chief Financial Officer in October 2004. He was Vice President and Chief Financial Officer from October 2004 to November 2006.

Mr. Hornstra was appointed Vice President in February 2007 and Chief Accounting Officer in January 2001. He was Corporate Controller from January 1996 to February 2007.

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Item 1A. Risk Factors

Set forth below are the risks that we believe are material to our investors. This section contains forward-looking statements. You should refer to the explanation of the qualifications and limitations on forward-looking statements beginning on page 4.

We must develop new products, adapt to rapid and significant technological change and respond to introductions of new products by competitors to remain competitive. Our growth strategy includes significant investment in and expenditures for product development. 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. Competitive factors include technological innovation, price, service and delivery, breadth of product line, customer support, e-business capabilities and the ability to meet the special requirements of customers. Our competitors may adapt more quickly to new technologies and changes in customers' requirements than we can. 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.

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. 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.

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:

- strengthening our presence in selected geographic markets;
- allocating research and development funding to products with higher growth prospects;
- developing new applications for our technologies;
- expanding our service offerings;
- continuing key customer initiatives;
- combining sales and marketing operations in appropriate markets to compete more effectively;
- finding new markets for our products; and
- continuing the development of commercial tools and infrastructure to increase and support cross-selling opportunities of products and services to take advantage of our depth in product offerings.

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

Our business is affected by general economic conditions and related uncertainties affecting markets in which we operate. Our business is affected by general economic conditions, both inside and outside the U.S. If the global economy and financial markets, or economic conditions in Europe, the U.S. or other key markets, are unstable, it could adversely affect the business, results of operations and financial condition of the company and its customers, distributors, and suppliers, having the effect of:

- reducing demand for some of our products;
- increasing the rate of order cancellations or delays;
- increasing the risk of excess and obsolete inventories;
- increasing pressure on the prices for our products and services; and
- creating longer sales cycles and greater difficulty in collecting sales proceeds.

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Risk Factors (continued)

For example, recent developments in Europe have created uncertainty with respect to the ability of certain European countries to continue to service their sovereign debt obligations. This debt crisis and related European financial restructuring efforts may cause the value of the euro to deteriorate, reducing the purchasing power of our European customers and reducing our U.S. dollar revenues as translated from the euro. In addition, the European crisis could result in customers in Europe taking longer to pay for products they have purchased from us, or being unable to pay at all. The continued weakness in world economies makes the strength and timing of any economic recovery uncertain, and there can be no assurance that global economic conditions will not deteriorate further.

Demand for some of our products depends on capital spending policies of our customers and on government funding policies. Our customers include 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.

Spending by some of these customers fluctuates based on budget allocations and the timely passage of the annual federal budget. An impasse in federal government budget decisions could lead to substantial delays or reductions in federal spending. The U.S. Government has been unable to reach agreement on budget reduction measures required by the Budget Control Act of 2011. As a result, on March 1, 2013, an enforcement mechanism known as sequestration went into effect, which will trigger a total of $1.2 trillion in spending reductions over the next decade, divided between domestic and defense spending. Unless Congress and the Administration take further action, government funding would be reduced for certain of our customers, including those who are dependent on funding from the National Institutes of Health, which would likely have a significant effect on these entities' spending policies. These policies in turn can have a significant effect on the demand for our products.

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

If we experience difficulties with the integration process, the anticipated benefits of the transaction may not be realized fully or at all, or may take longer to realize than expected. Integration efforts between the two companies may also divert management attention and resources. These integration matters could have an adverse effect on the company.

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Risk Factors (continued)

As a multinational corporation, we are exposed to fluctuations in currency exchange rates, which could adversely affect our cash flows and results of operations. International markets contribute a substantial portion of our revenues, and we intend to continue expanding our presence in these regions. The exposure to fluctuations in currency exchange rates takes on different forms. International revenues and costs are subject to the risk that fluctuations in exchange rates could 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. As a multinational corporation, our businesses occasionally invoice third-party customers in currencies other than the one in which they primarily do business (the "functional currency"). Movements in the invoiced currency relative to the functional currency could adversely impact our cash flows and our results of operations. In addition, reported sales made in non-U.S. currencies by our international businesses, when translated into U.S. dollars for financial reporting purposes, fluctuate due to exchange rate movement. Should our international sales grow, exposure to fluctuations in currency exchange rates could have a larger effect on our financial results. In 2012, currency translation had an unfavorable effect of $227 million on the revenues of our continuing operations due to the strengthening of the U.S. dollar relative to other currencies in which the company sells products and services, and in 2013, currency translation had an unfavorable effect on revenues of our continuing operations of $36 million.

Healthcare reform legislation could adversely impact us. The Patient Protection and Affordable Care Act could have an adverse impact on us. Some of the potential consequences, such as a reduction in governmental support of healthcare services or adverse changes to the delivery or pricing of healthcare services or products or mandated benefits, may cause healthcare-industry participants to purchase fewer of our products and services or to reduce the prices they are willing to pay for our products or services.

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 with 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. With our recent acquisition of Life Technologies, we have become party to several lawsuits in which plaintiffs claim we infringe their intellectual property. 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.

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 or increase our expenses. 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.

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THERMO FISHER SCIENTIFIC INC.

Risk Factors (continued)

If our security products do not operate as designed and fail to detect explosives or radiation, we could be exposed to product liability and related claims for which we may not have adequate insurance coverage. Products currently or previously sold by our environmental and process instruments and radiation measurement and security instruments businesses include fixed and portable instruments used for chemical, radiation and trace explosives detection. These products are used in airports, embassies, cargo facilities, border crossings and other high-threat facilities for the detection and prevention of terrorist acts. If any of these products were to malfunction, it is possible that explosive or radioactive material could fail to be detected by our product, which could lead to product liability claims. There are also many other factors beyond our control that could lead to liability claims, such as the reliability and competence of the customers' operators and the training of such operators. Any such product liability claims brought against us could be significant and any adverse determination may result in liabilities in excess of our insurance coverage. Although we carry product liability insurance, we cannot be certain that our current insurance will be sufficient to cover these claims or that it can be maintained on acceptable terms, if at all.

Our inability to complete pending acquisitions or to successfully integrate any new or previous acquisitions could have a material adverse effect on our business. Our business strategy includes the acquisition of technologies and businesses that complement or augment our existing products and services. Certain acquisitions may be difficult to complete for a number of reasons, including the need for antitrust and/or other regulatory approvals. Any acquisition we may complete may be made at a substantial premium over the fair value of the net identifiable assets of the acquired company. Further, we may not be able to integrate acquired businesses successfully into our existing businesses, make such businesses profitable, or realize anticipated cost savings or synergies, if any, from these acquisitions, which could adversely affect our business.

Moreover, we have acquired many companies and businesses. As a result of these acquisitions, we recorded significant goodwill and indefinite-lived intangible assets (tradenames) on our balance sheet, which amount to approximately $12.50 billion and $1.34 billion, respectively, as of December 31, 2013 and we will record additional goodwill and indefinite-lived intangible assets in connection with the Life Technologies Acquisition. We assess the realizability of goodwill and indefinite-lived intangible assets annually as well as whenever events or changes in circumstances indicate that these assets may be impaired. These events or circumstances would 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 and indefinite-lived intangible assets 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. If we are not able to realize the value of the goodwill and indefinite-lived intangible assets, we may be required to incur material charges relating to the impairment of those assets.

We are subject to laws and regulations governing government contracts, and failure to address these laws and regulations or comply with government contracts could harm our business by leading to a reduction in revenue associated with these customers. We have agreements relating to the sale of our products to government entities and, as a result, we are subject to various statutes and regulations that apply to companies doing business with the government. The laws governing government contracts differ from the laws governing private contracts and government contracts may contain pricing terms and conditions that are not applicable to private contracts. We are also subject to investigation for compliance with the regulations governing government contracts. A failure to comply with these regulations could result in suspension of these contracts, criminal, civil and administrative penalties or debarment.

Because we compete directly with certain of our larger customers and product suppliers, our results of operations could be adversely affected in the short term if these customers or suppliers abruptly discontinue or significantly modify their relationship with us. Our largest customer in the laboratory products business is also a significant competitor. Our business may be harmed in the short term if our competitive relationship in the marketplace with certain of our large customers results in a discontinuation of their purchases from us. In addition, we manufacture products that compete directly with products that we source from third-party suppliers. We also source competitive products from multiple suppliers. Our business could be adversely affected in the short term if any of our large third-party suppliers abruptly discontinues selling products to us.

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THERMO FISHER SCIENTIFIC INC.

Risk Factors (continued)

Because we rely heavily on third-party package-delivery services, a significant disruption in these services or significant increases in prices may disrupt our ability to ship products, increase our costs and lower our profitability. We ship a significant portion of our products to our customers through independent package delivery companies, such as Federal Express in the U.S. and DHL in Europe. We also maintain a small fleet of vehicles dedicated to the delivery of our products and ship our products through other carriers, including national and regional trucking firms, overnight carrier services and the U.S. Postal Service. If one or more of these third-party package-delivery providers were to experience a major work stoppage, preventing our products from being delivered in a timely fashion or causing us to incur additional shipping costs we could not pass on to our customers, our costs could increase and our relationships with certain of our customers could be adversely affected. In addition, if one or more of these third-party package-delivery providers were to increase prices, and we were not able to find comparable alternatives or make adjustments in our delivery network, our profitability could be adversely affected.

We are required to comply with a wide variety of laws and regulations, and are subject to regulation by various federal, state and foreign agencies. For example, some of our operations are subject to regulation by the U.S. Food and Drug Administration and similar international agencies. These regulations govern a wide variety of product activities, from design and development to labeling, manufacturing, promotion, sales and distribution. If we fail to comply with the U.S. Food and Drug Administration's regulations or those of similar international agencies, we may have to recall products and/or cease their manufacture and distribution, which would increase our costs and reduce our revenues.

We are also subject to a variety of federal, state, local and international laws and regulations that govern, among other things, the importation and exportation of products, the handling, transportation and manufacture of substances that could be classified as hazardous, and our business practices in the U.S. and abroad such as anti-corruption and anti-competition laws. A failure to comply with these laws and regulations could result in criminal, civil and administrative penalties.

New regulations related to "conflict minerals" may cause us to incur additional expenses and could limit the supply and increase the cost of certain metals used in manufacturing our products. On August 22, 2012, the SEC adopted a new rule requiring disclosures by public companies of specified minerals, known as conflict minerals, that are necessary to the functionality or production of products manufactured or contracted to be manufactured. The new rule, which is effective for 2013 and requires a disclosure report to be filed by May 31, 2014, will require companies to perform due diligence, disclose and report whether or not such minerals originate from the Democratic Republic of Congo or an adjoining country. The new rule could affect sourcing at competitive prices and availability in sufficient quantities of certain minerals used in the manufacture of our products, including tantalum, tin, gold and tungsten. The number of suppliers who provide conflict-free minerals may be limited. In addition, there may be material costs associated with complying with the disclosure requirements, such as costs related to determining the source of certain minerals used in our products, as well as costs of possible changes to products, processes, or sources of supply as a consequence of such verification activities. As our supply chain is complex, we may not be able to sufficiently verify the origins of the relevant minerals used in our products through the due diligence procedures that we implement, which may harm our reputation. In addition, we may encounter challenges to satisfy those customers who require that all of the components of our products be certified as conflict-free, which could place us at a competitive disadvantage if we are unable to do so.

Our business could be adversely affected by disruptions at our sites. We rely upon our manufacturing operations to produce many of the products we sell and our warehouse facilities to store products, pending sale. Any significant

disruption of those operations for any reason, such as strikes or other labor unrest, power interruptions, fire, earthquakes, or other events beyond our control could adversely affect our sales and customer relationships and therefore adversely affect our business. Although most of our raw materials are available from a number of potential suppliers, our operations also depend upon our ability to obtain raw materials at reasonable prices. If we are unable to obtain the materials we need at a reasonable price, we may not be able to produce certain of our products or we may not be able to produce certain of these products at a marketable price, which could have an adverse effect on our results of operations.

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THERMO FISHER SCIENTIFIC INC.

Risk Factors (continued)

Fluctuations in our effective tax rate may adversely affect our results of operations and cash flows. As a global company, we are subject to taxation in numerous countries, states and other jurisdictions. In preparing our financial statements, we record the amount of tax that is payable in each of the countries, states and other jurisdictions in which we operate. Our future effective tax rate, however, may be lower or higher than experienced in the past due to numerous factors, including a change in the mix of our profitability from country to country, changes in accounting for income taxes and recently enacted and future changes in tax laws in jurisdictions in which we operate. Any of these factors could cause us to experience an effective tax rate significantly different from previous periods or our current expectations, which could have an adverse effect on our business, results of operations and cash flows.

We may incur unexpected costs from increases in fuel and raw material prices, which could reduce our earnings and cash flow. Our primary commodity exposures are for fuel, petroleum-based resins and steel. While we may seek to minimize the impact of price increases through higher prices to customers and various cost-saving measures, our earnings and cash flows could be adversely affected in the event these measures are insufficient to cover our costs.

Unforeseen problems with the implementation and maintenance of our information systems could have an adverse effect on our operations. As a part of our ongoing effort to upgrade our current information systems, we periodically implement new enterprise resource planning software and other software applications to manage certain of our business operations. As we implement and add functionality, problems could arise that we have not foreseen. Such problems could adversely impact our ability to provide quotes, take customer orders and otherwise run our business in a timely manner. In addition, if our new systems fail to provide accurate pricing and cost data our results of operations and cash flows could be adversely affected.

We also rely on our technology infrastructure, among other functions, to interact with suppliers, sell our products and services, fulfill orders and bill, collect and make payments, ship products, provide services and support to customers, track customers, fulfill contractual obligations and otherwise conduct business. Our systems may be vulnerable to damage or interruption from natural disasters, power loss, telecommunication failures, terrorist attacks, computer viruses, computer denial-of-service attacks, unauthorized access to customer or employee data or company trade secrets, and other attempts to harm our systems. When we upgrade or change systems, we may suffer interruptions in service, loss of data or reduced functionality. Certain of our systems are not redundant, and our disaster recovery planning is not sufficient for every eventuality. Despite any precautions we may take, such problems could result in, among other consequences, interruptions in our services, which could harm our reputation and financial results.

Our debt may restrict our investment opportunities or limit our activities. As of December 31, 2013, we had approximately $10.49 billion in outstanding indebtedness. In addition, we have a revolving credit facility that provides for up to $1.50 billion of unsecured multi-currency revolving credit and a $5.00 billion term facility that we entered into to partially finance the Life Technologies Acquisition (which we drew down in the first quarter of 2014). We may also obtain additional long-term debt and lines of credit to meet future financing needs, which would have the effect of increasing our total leverage.

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

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

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THERMO FISHER SCIENTIFIC INC.

Risk Factors (continued)

Additionally, the agreements governing our debt require that we maintain certain financial ratios, and contain affirmative and negative covenants that restrict our activities by, among other limitations, limiting our ability to incur additional indebtedness, make investments, create liens, sell assets and enter into transactions with affiliates. The covenants in our revolving credit facility and the term credit facility that we entered into to partially finance the Life Technologies Acquisition include a total debt-to-EBITDA ratio and an interest coverage ratio. Specifically, the company has agreed that, so long as any lender has any commitment under either facility, or any loan or other obligation is outstanding under either facility, or any letter of credit is outstanding under the revolving credit facility, it will not permit (as the following terms are defined in the facility) the Consolidated Leverage Ratio (the ratio of consolidated Indebtedness to Consolidated EBITDA) as at the last day of any fiscal quarter to be greater than 5.5 to 1.0 during the first six months after the closing date of the Life Technologies Acquisition (which was February 3, 2014) and decreasing, based on the passage of time, to 3.5 to 1.0, after 18 months or the Consolidated Interest Coverage Ratio (the ratio of Consolidated EBITDA to Consolidated Interest Expense) to be less than 3.0 to 1.0.

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

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

The location and general character of our principal properties by segment are as follows:

Life Sciences Solutions

We own approximately 2.2 million square feet of office, engineering, laboratory and production space, principally in California, New York, Utah, Maryland and Illinois within the U.S., and in the U.K., Lithuania and New Zealand. We lease approximately 2.9 million square feet of office, engineering, laboratory and production space, principally in California, Texas, Utah, Colorado and Massachusetts within the U.S., and in Singapore, China, Germany, Netherlands and India, under various leases that expire between 2014 and 2028.

Analytical Technologies

We own approximately 1.8 million square feet of office, engineering, laboratory and production space, principally in California, Massachusetts, Wisconsin, and Minnesota within the U.S., and in Germany, Italy and Switzerland. We lease approximately 1.7 million square feet of office, engineering, laboratory and production space, principally in Texas, Tennessee, Massachusetts, California, Florida, Pennsylvania and Colorado within the U.S., and in China, Germany, the U.K., Australia, Japan and Canada, under various leases that expire between 2014 and 2029.

Specialty Diagnostics

We own approximately 2.3 million square feet of office, engineering, laboratory and production space, principally in Virginia, Texas, Kansas, California and New Hampshire within the U.S., and in Sweden, Germany, the U.K. and Switzerland. We lease approximately 1.6 million square feet of office, engineering, laboratory and production space, principally in California, Michigan, Kansas and Wisconsin within the U.S., and in Finland, Germany, the U.K., China, and France under various leases that expire between 2014 and 2024.

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THERMO FISHER SCIENTIFIC INC.

Laboratory Products and Services

We own approximately 5.9 million square feet of office, engineering, laboratory, warehouse and production space, principally in Pennsylvania, New York, New Jersey, North Carolina, Illinois, Ohio, Georgia and Massachusetts within the U.S., and in the U.K., Germany, Canada, Denmark and France. We lease approximately 3.7 million square feet of office, engineering, laboratory, warehouse and production space, principally in California, Illinois, Pennsylvania, Maryland, North Carolina, Tennessee and New Jersey within the U.S. and in Australia, Germany, Mexico, the U.K. and Singapore under various leases that expire between 2014 and 2038.

Corporate Headquarters

We own approximately 81,000 square feet of office space in Massachusetts. We also lease approximately 22,000 square feet of office space in Massachusetts under a lease that expires in 2015.

We believe that all of the facilities that we are currently using are in good condition and are suitable and adequate to meet our current needs. If we are unable to renew any of the leases that are due to expire in 2014 or 2015, we believe that suitable replacement properties are available on commercially reasonable terms.

Item 3. Legal Proceedings

Our business involves a risk of product liability and other claims in the ordinary course of business. We are a party to various lawsuits and legal proceedings, including individual and consolidated multi-party product liability actions for products we may have distributed or manufactured. These matters have arisen in the ordinary course and conduct of our business, as well as through acquisitions. We believe that some of the costs incurred in defending and ultimately disposing of many of these claims for personal injury and other matters may be covered in part by insurance policies maintained by certain insurance carriers or subject to indemnification by our suppliers or purchasers. Management, after review and consideration with counsel, considers that any ultimate liability with respect to these matters should not have a material adverse effect on our results of operations, financial position or cash flows. While liabilities arising from potential future claims could become material, we currently believe, on the basis of our claims history and related factors, that such potential future claims are not likely to have a material impact on our business, financial condition and results of operations. Actual costs incurred will depend on the solvency of our insurance carriers, the degree of coverage with respect to any particular claim, our success in litigating these claims and the solvency of third parties who may be jointly and severally liable. See "Note 10 to our Consolidated Financial Statements – Commitments and Contingencies."

On February 3, 2014, we acquired Life Technologies. Life Technologies and its subsidiaries are party to several lawsuits in which plaintiffs claim infringement of their intellectual property. For example:

On June 6, 2004, Enzo Biochem, Enzo Life Sciences and Yale University filed a complaint against Life Technologies in United States District Court for the District of Connecticut (Enzo Biochem, Enzo Life Sciences, & Yale Univ. v. Applera Corp. & Tropix, Inc., D-Conn Case No. 3:04-cv-00929). The plaintiffs allege patent infringement by Applera's labeled DNA terminator products used in DNA sequencing and fragment analysis. The plaintiff sought damages for alleged willful infringement, attorneys' fees, costs, prejudgment interest, and injunctive relief. In November 2012, the jury awarded damages of $48.5 million. Prejudgment interest of $12.4 million was also granted. The $60.9 million judgment and interest has been accrued by Life Technologies. The case is currently on appeal to the United States Court of Appeal for the Federal Circuit.

On January 30, 2012, Enzo Life Sciences filed a complaint against Life Technologies in United States District Court for the District of Delaware (Enzo Life Sciences, v. Life Technologies, D-Del. Case No. 12-cv-00105). The plaintiff alleges patent infringement by Life Technologies' Taqman probes and assays, Dynabead oligo-dT beads, and NCode oligonucleotide array products. The plaintiff seeks damages for alleged willful infringement, attorneys' fees, costs, prejudgment interest and injunctive relief.

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On May 26, 2010, Promega Corp. & Max-Planck-Gesellschaft Zur Forderung Der Wissenschaften EV filed a complaint against Life Technologies in the United States District Court for the Western District of Wisconsin (Promega Corp. & Max-Planck-Gesellschaft Zur Forderung Der Wissenschaften EV v. Life Technologies Corp., Invitrogen IP Holdings, Inc. and Applied Biosystems, LLC, WD-WI Case No. 10-cv-00281). The plaintiffs allege patent infringement by sales and uses of Applied Biosystems' short tandem repeat DNA identification products outside the scope of a 2006 license agreement. The plaintiff sought damages for alleged willful infringement, attorneys' fees, costs, prejudgment interest, and injunctive relief. Although a jury initially found willful infringement and assessed damages at $52 million, the District Court subsequently overturned the verdict on the grounds that the plaintiff had failed to prove infringement. The District Court entered judgment in favor of Life Technologies, and the case is currently on appeal to the United States Court of Appeals for the Federal Circuit. The $52 million award has been accrued by Life Technologies.

On September 29, 2009, Life Technologies filed a complaint against Illumina, Inc. and Solexa, Inc. in the United States District Court for the District of Delaware (Life Technologies Corp., Applied Biosystems, LLC et al. v. Illumina, Inc. and Solexa, Inc., D-Del. Case No. 09-cv-00706) alleging infringement of patents relating to clonal amplification of nucleic acids by Illumina's next generation Genome Analyzer, HiSeq, and MiSeq DNA sequencing systems. Illumina asserted counterclaims in that case alleging infringement of patents relating to optical tracking, generating linked pairs of nucleic acid segments, and genome-wide variation analysis by Life Technologies' next generation SOLiD sequencing system and Ion Torrent's semiconductor sequencing system. On April 6, 2011, the case was transferred to the United States District Court for the Southern District of California (SD-Cal. Case No. 3:11-cv-00703). Life Technologies seeks damages for alleged willful infringement, attorneys' fees, costs, pre- and post-judgment interest, and injunctive relief. On its counterclaims, Illumina seeks damages for alleged infringement, attorneys' fees, costs, pre- and post-judgment interest, and injunctive relief.

On December 27, 2011, Illumina Inc. filed a complaint against Life Technologies in the United States District Court for the Southern District of California (Illumina, Inc. v. Life Technologies Corp., Applied Biosystems, LLC & Ion Torrent Systems, Inc., SD-Cal. Case No. 11-cv-3022) alleging infringement of a patent relating to methods for making bead arrays by Ion Torrent's semiconductor sequencing systems. Plaintiff seeks damages for alleged willful infringement, attorneys' fees, costs, pre- and post-judgment interest, and injunctive relief.

On April 26, 2012, Esoterix Genetic Laboratories filed a complaint against Life Technologies in the United States District Court for the Middle District of North Carolina (Esoterix Genetic Laboratories, LLC v. Life Technologies Corp., Applied Biosystems, LLC & Ion Torrent Systems, Inc., MD-NC Case No. 12-cv-00411) alleging infringement of patents relating to detection of subpopulations of cells with mutated sequences and multiplexed DNA amplification by Life Technologies' OpenArray systems, next generation SOLiD sequencing system, and Ion Torrent semiconductor sequencing systems. Plaintiff seeks damages for alleged willful infringement, attorneys' fees, costs, prejudgment interest, and injunctive relief.

On October 31, 2012, Esoterix Genetic Laboratories and The Johns Hopkins University filed a complaint against Life Technologies in the United States District Court for the Middle District of North Carolina (Esoterix Genetic Laboratories, LLC & The Johns Hopkins University v. Life Technologies Corp., Applied Biosystems, LLC & Ion Torrent Systems, Inc., MD-NC Case No. 12-cv-01173) alleging infringement of patents relating to methods of determining a ratio of genetic sequences in a population of genetic sequences and methods of determining allelic imbalances in a biological sample by Life Technologies' OpenArray systems, next generation SOLiD sequencing system, and Ion Torrent semiconductor sequencing systems. Plaintiffs seek damages for alleged willful infringement, attorneys' fees, costs, prejudgment interest, and injunctive relief.

On June 3, 2013, Unisone Strategic IP filed a complaint against Life Technologies in the United States District Court for the Southern District of California (Unisone Strategic IP v. Life Tech et al., SD-Cal. Case No. 13-cv-01278) alleging patent infringement by Life Technologies' supply chain management system software, which operates with product "supply centers" installed at customer sites. Plaintiff seeks damages for alleged willful infringement, attorneys' fees, costs, and injunctive relief.

An unfavorable outcome in one or more of these matters could have a material adverse effect on the company's results of operations, financial position or cash flows.

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Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for the Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Price of Common Stock

Our common stock is traded on the New York Stock Exchange under the symbol TMO. The following table sets forth the high and low sale prices of the company’s common stock for 2013 and 2012, as reported in the consolidated transaction reporting system.

	2013		2012	
	High	Low	High	Low
First Quarter	$78.04	$64.54	$58.37	$45.67
Second Quarter	89.50	75.27	56.91	48.14
Third Quarter	94.74	84.41	61.00	49.63
Fourth Quarter	111.44	89.71	65.54	57.21

The closing price of the company’s common stock on December 31, 2013 and 2012, was $111.35 and $63.78, respectively.

The following table sets forth the per share dividends declared on the company’s common stock for 2013 and 2012.

	2013	2012		
First Quarter	$0.15	$ 0.13		
Second Quarter	)	$(58,989)	$151,489	$149,229
Other comprehensive income:				
Net unrealized losses on cash flow hedges	(128)	(433)	(855)	(689)
Reclassification of realized losses on cash flow hedges into earnings	342	351	1,043	1,050
Amortization of net actuarial losses and prior service credits into earnings	960	955	2,878	2,865
Other comprehensive income	1,174	873	3,066	3,226
Total comprehensive (loss) income	$(39,778)	$ (58,116)	$ 154,555	$ 152,455

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

SUBURBAN PROPANE PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Nine Months Ended	
	June 27, 2015	June 28, 2014
Cash flows from operating activities:		
Net income	$151,489	$149,229
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	98,588	101,101
Loss on debt extinguishment	15,072	11,589
Other, net	7,343	3,643
Changes in assets and liabilities:		
Accounts receivable	13,380	(45,127)
Inventories	43,271	(885)
Other current and noncurrent assets	(1,915)	(810)
Accounts payable	(20,808)	(13,695)
Accrued employment and benefit costs	6,249	3,155
Customer deposits and advances	(53,518)	(59,829)
Other current and noncurrent liabilities	(9)	(3,401)
Net cash provided by operating activities	259,142	144,970
Cash flows from investing activities:		
Capital expenditures	(31,001)	(21,642)
Acquisition of business	(6,500)	—
Proceeds from sale of property, plant and equipment	7,546	9,540
Net cash (used in) investing activities	(29,955)	(12,102)
Cash flows from financing activities:		
Proceeds from long-term borrowings	250,000	525,000
Repayment of long-term borrowings (includes premium and fees)	(260,852)	(528,077)
Proceeds from borrowings under revolving credit facility	—	61,700
Repayment of borrowings under revolving credit facility	—	(61,700)
Issuance costs associated with long-term borrowings	(4,568)	(9,463)
Partnership distributions	(159,397)	(158,243)
Net cash (used in) financing activities	(174,817)	(170,783)
Net increase (decrease) in cash and cash equivalents	54,370	(37,915)
Cash and cash equivalents at beginning of period	92,639	107,232
Cash and cash equivalents at end of period	$147,009	$69,317

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

SUBURBAN PROPANE PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL

(in thousands)

(unaudited)

	Number of Common Units	Common Unitholders	Accumulated Other Comprehensive (Loss)	Total Partners' Capital
Balance at September 27, 2014	60,317	$1,067,358	$ (45,905)	$1,021,453
Net income		151,489		151,489
Other comprehensive income			3,066	3,066
Partnership distributions		(159,397)		(159,397)
Common Units issued under Restricted Unit Plans	210			
Compensation cost recognized under Restricted Unit Plans, net of forfeitures		7,157		7,157
Balance at June 27, 2015	60,527	$1,066,607	$ (42,839)	$1,023,768

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

SUBURBAN PROPANE PARTNERS, L.P. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except unit and per unit amounts)

(unaudited)

1. Partnership Organization and Formation

Suburban Propane Partners, L.P. (the “Partnership”) is a publicly traded Delaware limited partnership principally engaged, through its operating partnership and subsidiaries, in the retail marketing and distribution of propane, fuel oil and refined fuels, as well as the marketing of natural gas and electricity in deregulated markets. In addition, to complement its core marketing and distribution businesses, the Partnership services a wide variety of home comfort equipment, particularly for heating and ventilation. The publicly traded limited partner interests in the Partnership are evidenced by common units traded on the New York Stock Exchange (“Common Units”), with 60,526,507 Common Units outstanding at June 27, 2015. The holders of Common Units are entitled to participate in distributions and exercise the rights and privileges available to limited partners under the Third Amended and Restated Agreement of Limited Partnership, as amended (the “Partnership Agreement”). Rights and privileges under the Partnership Agreement include, among other things, the election of all members of the Board of Supervisors and voting on the removal of the general partner.

Suburban Propane, L.P. (the “Operating Partnership”), a Delaware limited partnership, is the Partnership’s operating subsidiary formed to operate the propane business and assets. In addition, Suburban Sales & Service, Inc. (the “Service Company”), a subsidiary of the Operating Partnership, was formed to operate the service work and appliance and parts businesses of the Partnership. The Operating Partnership, together with its direct and indirect subsidiaries, accounts for substantially all of the Partnership’s assets, revenues and earnings. The Partnership, the Operating Partnership and the Service Company commenced operations in March 1996 in connection with the Partnership’s initial public offering.

The general partner of both the Partnership and the Operating Partnership is Suburban Energy Services Group LLC (the “General Partner”), a Delaware limited liability company, the sole member of which is the Partnership’s Chief Executive Officer. Other than as a holder of 784 Common Units that will remain in the General Partner, the General Partner does not have any economic interest in the Partnership or the Operating Partnership.

The Partnership’s fuel oil and refined fuels, natural gas and electricity and services businesses are structured as either limited liability companies that are treated as corporations or corporate entities (collectively referred to as the “Corporate Entities”) and, as such, are subject to corporate level income tax.

Suburban Energy Finance Corp., a direct 100%-owned subsidiary of the Partnership, was formed on November 26, 2003 to serve as co-issuer, jointly and severally with the Partnership, of the Partnership’s senior notes.

2. Basis of Presentation

Principles of Consolidation. The condensed consolidated financial statements include the accounts of the Partnership, the Operating Partnership and all of its direct and indirect subsidiaries. All significant intercompany transactions and account balances have been eliminated. The Partnership consolidates the results of operations, financial condition and cash flows of the Operating Partnership as a result of the Partnership’s 100% limited partner interest in the Operating Partnership.

The accompanying condensed consolidated financial statements are unaudited and have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). They include all adjustments that the Partnership considers necessary for a fair statement of the results for the interim periods presented. Such adjustments consist only of normal recurring items, unless otherwise disclosed. These financial statements should be read in conjunction with the financial statements included in the Partnership's Annual Report on Form 10-K for the fiscal year ended September 27, 2014. Due to the seasonal nature of the Partnership's operations, the results of operations for interim periods are not necessarily indicative of the results to be expected for a full year.

Fiscal Period. The Partnership uses a 52/53 week fiscal year which ends on the last Saturday in September. The Partnership's fiscal quarters are generally thirteen weeks in duration. When the Partnership's fiscal year is 53 weeks long, the corresponding fourth quarter is fourteen weeks in duration.

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Revenue Recognition. Sales of propane, fuel oil and refined fuels are recognized at the time product is delivered to the customer. Revenue from the sale of appliances and equipment is recognized at the time of sale or when installation is complete, as applicable. Revenue from repairs, maintenance and other service activities is recognized upon completion of the service. Revenue from service contracts is recognized ratably over the service period. Revenue from the natural gas and electricity business is recognized based on customer usage as determined by meter readings for amounts delivered, some of which may be unbilled at the end of each accounting period. Revenue from annually billed tank fees is deferred at the time of billings and recognized on a straight-line basis over one year.

Fair Value Measurements. The Partnership measures certain of its assets and liabilities at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants – in either the principal market or the most advantageous market. The principal market is the market with the greatest level of activity and volume for the asset or liability.

The common framework for measuring fair value utilizes a three-level hierarchy to prioritize the inputs used in the valuation techniques to derive fair values. The basis for fair value measurements for each level within the hierarchy is described below with Level 1 having the highest priority and Level 3 having the lowest.

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Quoted prices in active markets for similar assets or liabilities; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.
- Level 3: Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

Business Combinations. The Partnership accounts for business combinations using the acquisition method and accordingly, the assets and liabilities of the acquired entities are recorded at their estimated fair values at the acquisition date. Goodwill represents the excess of the purchase price over the fair value of the net assets acquired, including the amount assigned to identifiable intangible assets. The primary drivers that generate goodwill are the value of synergies between the acquired entities and the Partnership, and the acquired assembled workforce, neither of which qualifies as an identifiable intangible asset. Identifiable intangible assets with finite lives are amortized over their useful lives. The results of operations of acquired businesses are included in the consolidated financial statements from the acquisition date. The Partnership expenses all acquisition-related costs as incurred.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("US GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates have been made by management in the areas of self-insurance and litigation reserves, pension and other postretirement benefit liabilities and costs, valuation of derivative instruments, depreciation and amortization of long-lived assets, asset impairment assessments, tax valuation allowances, allowances for doubtful accounts, and purchase price allocation for acquired businesses. On October 27, 2014, the Society of Actuaries ("SOA") issued new mortality tables (RP-2014) and a new mortality improvement scale (MP-2014). The Partnership uses SOA life expectancy information when developing the annual mortality assumptions for its pension and postretirement benefit plans, which are used to measure net periodic benefit costs and the obligations under these plans. While the Partnership is still in the process of evaluating the potential impact of using the new mortality tables and improvement scale in connection with the year-end measurement of the plans' benefit obligations, the Partnership does not expect such use to have a material impact on its financial condition, results of operations or cash flows. Actual results could differ from those estimates, making it reasonably possible that a material change in these estimates could occur in the near term.

Recently Issued Accounting Pronouncements. In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-03, "Simplifying the Presentation of Debt Issuance Costs" ("ASU 2015-03"). This update requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with the presentation of

original issue debt discounts. ASU 2015-03 is effective for the first interim period within annual reporting periods beginning after December 15, 2015, which will be the Partnership's first quarter of fiscal year 2017. Other than the reclassification of existing unamortized debt issuance costs on the balance sheet, the adoption of ASU 2015-03 will have no impact on the Partnership's operations or cash flows.

In May 2014, the FASB issued ASU 2014-09 "Revenue from Contracts with Customers" ("ASU 2014-09"). This update provides a principles-based approach to revenue recognition, requiring revenue recognition to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU provides a five-step model to be applied to all contracts with customers. The five steps are to identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognize revenue when each performance obligation is satisfied. On July 9, 2015, the FASB finalized a one-year deferral of the effective date of ASU 2014-09. The revenue standard is therefore

effective for the first interim period within annual reporting periods beginning after December 15, 2017, which will be the Partnership's first quarter of fiscal year 2019. Early adoption as of the original effective date is permitted. ASU 2014-09 can be applied either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the update recognized at the date of the initial application along with additional disclosures. While the Partnership is still in the process of evaluating the potential impact of ASU 2014-09, it does not expect the adoption of ASU 2014-09 will have a material impact on the Partnership's results of operations, financial position or cash flows.

3. Financial Instruments and Risk Management

Cash and Cash Equivalents. The Partnership considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The carrying amount approximates fair value because of the short-term maturity of these instruments.

Derivative Instruments and Hedging Activities.

Commodity Price Risk. Given the retail nature of its operations, the Partnership maintains a certain level of priced physical inventory to help ensure its field operations have adequate supply commensurate with the time of year. The Partnership's strategy is to keep its physical inventory priced relatively close to market for its field operations. The Partnership enters into a combination of exchange-traded futures and option contracts and, in certain instances, over-the-counter options and swap contracts (collectively, "derivative instruments") to hedge price risk associated with propane and fuel oil physical inventories, as well as future purchases of propane or fuel oil used in its operations and to help ensure adequate supply during periods of high demand. In addition, the Partnership sells propane and fuel oil to customers at fixed prices, and enters into derivative instruments to hedge a portion of its exposure to fluctuations in commodity prices as a result of selling the fixed price contracts. Under this risk management strategy, realized gains or losses on derivative instruments will typically offset losses or gains on the physical inventory once the product is sold or delivered as it pertains to fixed price contracts. All of the Partnership's derivative instruments are reported on the condensed consolidated balance sheet at their fair values. In addition, in the course of normal operations, the Partnership routinely enters into contracts such as forward priced physical contracts for the purchase or sale of propane and fuel oil that qualify for and are designated as normal purchase or normal sale contracts. Such contracts are exempted from the fair value accounting requirements and are accounted for at the time product is purchased or sold under the related contract. The Partnership does not use derivative instruments for speculative trading purposes. Market risks associated with futures, options, forward and swap contracts are monitored daily for compliance with the Partnership's Hedging and Risk Management Policy which includes volume limits for open positions. Priced on-hand inventory is also reviewed and managed daily as to exposures to changing market prices.

On the date that derivative instruments are entered into, other than those designated as normal purchases or normal sales, the Partnership makes a determination as to whether the derivative instrument qualifies for designation as a hedge. Changes in the fair value of derivative instruments are recorded each period in current period earnings or other comprehensive income ("OCI"), depending on whether the derivative instrument is designated as a hedge and, if so, the type of hedge. For derivative instruments designated as cash flow hedges, the Partnership formally assesses, both at the hedge contract's inception and on an ongoing basis, whether the hedge contract is highly effective in offsetting changes in cash flows of hedged items. Changes in the fair value of derivative instruments designated as cash flow hedges are reported in OCI to the extent effective and reclassified into earnings during the same period in which the hedged item affects earnings. The mark-to-market gains or losses on ineffective portions of cash flow hedges are recognized in earnings immediately. Changes in the fair value of derivative instruments that are not designated as cash flow hedges, and that do not meet the normal purchase and normal sale exemption, are recorded within earnings as they occur. Cash flows associated with derivative instruments are reported as operating activities within the

condensed consolidated statement of cash flows.

Interest Rate Risk. A portion of the Partnership's borrowings bear interest at prevailing interest rates based upon, at the Operating Partnership's option, LIBOR plus an applicable margin or the base rate, defined as the higher of the Federal Funds Rate plus ½ of 1% or the agent bank's prime rate, or LIBOR plus 1%, plus the applicable margin. The applicable margin is dependent on the level of the Partnership's total leverage (the ratio of total debt to consolidated income before deducting interest expense, income taxes, depreciation and amortization ("EBITDA")). Therefore, the Partnership is subject to interest rate risk on the variable component of the interest rate. The Partnership manages part of its variable interest rate risk by entering into interest rate swap agreements. The interest rate swaps have been designated as, and are accounted for as, cash flow hedges. The fair value of the interest rate swaps are determined using an income approach, whereby future settlements under the swaps are converted into a single present value, with fair value being based on the value of current market expectations about those future amounts. Changes in the fair value are recognized in OCI until the hedged item is recognized in earnings. However, due to changes in the underlying interest rate environment, the corresponding value in OCI is subject to change prior to its impact on earnings.

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Valuation of Derivative Instruments. The Partnership measures the fair value of its exchange-traded commodity-related options and futures contracts using quoted market prices found on the New York Mercantile Exchange (the "NYMEX") (Level 1 inputs); the fair value of its swap contracts using quoted forward prices and the fair value of its interest rate swaps using model-derived valuations driven by observable projected movements of the 3-month LIBOR (Level 2 inputs); and the fair value of its over-the-counter options contracts using Level 3 inputs. The Partnership's over-the-counter commodity-related options contracts are valued based on an internal option model. The inputs utilized in the model are based on publicly available information as well as broker quotes. The significant unobservable inputs used in the fair value measurements of the Partnership's over-the-counter options contracts are interest rate and market volatility.

The following summarizes the gross fair value of the Partnership's derivative instruments and their location in the condensed consolidated balance sheet as of June 27, 2015 and September 27, 2014, respectively:

	As of June 27, 2015		As of September 27, 2014	
Asset Derivatives	Location	Fair Value	Location	Fair Value
Derivatives not designated as hedging instruments:				
Commodity-related derivatives	Other current assets	$5,042	Other current assets	$3,924
	Other assets	269	Other assets	62
		$5,311		$3,986
Liability Derivatives	Location	Fair Value	Location	Fair Value
Derivatives designated as hedging instruments:				
Interest rate swap	Other current liabilities	$1,101	Other current liabilities	$1,257
	Other liabilities	251	Other liabilities	283
		$1,352		$1,540
Derivatives not designated as hedging instruments:				
Commodity-related derivatives	Other current liabilities	$756	Other current liabilities	$1,527
	Other liabilities	114	Other liabilities	53
		$870		$1,580

The following summarizes the reconciliation of the beginning and ending balances of assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs:

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)			
	Nine Months Ended June 27, 2015		Nine Months Ended June 28, 2014	
	Assets	Liabilities	Assets	Liabilities
Beginning balance of over-the-counter options	$1,512	$ —	$1,847	$ —
Beginning balance realized during the period	(1,325)	—	(773)	—
Contracts purchased during the period	1,499	265	1,141	—

Change in the fair value of outstanding contracts	1,741	—	(85)	—
Ending balance of over-the-counter options	$3,427	$ 265	$2,130	$ —

As of June 27, 2015 and September 27, 2014, the Partnership's outstanding commodity-related derivatives had a weighted average maturity of approximately six and four months, respectively.

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The effect of the Partnership's derivative instruments on the condensed consolidated statement of operations and the condensed consolidated statement of comprehensive income, as applicable, for the three and nine months ended June 27, 2015 and June 28, 2014 are as follows:

	Three Months Ended June 27, 2015			Three Months Ended June 28, 2014		
		Gains (Losses) Reclassified from Accumulated OCI into Income			Gains (Losses) Reclassified from Accumulated OCI into Income	
Derivatives in Cash Flow Hedging Relationships	Gains (Losses) Recognized in OCI (Effective Portion)	Location	Amount	Gains (Losses) Recognized in OCI (Effective Portion)	Location	Amount
Interest rate swap	$(128)	Interest expense	$ (342)	$(433)	Interest expense	$ (351)

Derivatives Not Designated as Hedging Instruments	Unrealized Gains (Losses) Recognized in Income		Unrealized Gains (Losses) Recognized in Income	
	Location	Amount	Location	Amount
Commodity-related derivatives	Cost of products sold	$ (37)	Cost of products sold	$ 707

	Nine Months Ended June 27, 2015			Nine Months Ended June 28, 2014		
		Gains (Losses) Reclassified from Accumulated OCI into Income			Gains (Losses) Reclassified from Accumulated OCI into Income	
Derivatives in Cash Flow Hedging Relationships	Gains (Losses) Recognized in OCI (Effective Portion)	Location	Amount	Gains (Losses) Recognized in OCI (Effective Portion)	Location	Amount
Interest rate swap	$(855)	Interest expense	$(1,043)	$(689)	Interest expense	$(1,050)

Derivatives Not Designated as Hedging Instruments	Unrealized Gains (Losses) Recognized in Income		Unrealized Gains (Losses) Recognized in Income	
	Location	Amount	Location	Amount
Commodity-related	Cost of	$2,035	Cost of	$708

derivatives	products sold	products sold

The following table presents the fair value of the Partnership's recognized derivative assets and liabilities on a gross basis and amounts offset on the condensed consolidated balance sheets subject to enforceable master netting arrangements or similar agreements:

	As of June 27, 2015		
	Gross amounts	Effects of netting	Net amounts presented in the balance sheet
Asset Derivatives			
Commodity-related derivatives	$7,030	$ (1,719)	$ 5,311
Interest rate swap	1,114	(1,114)	—
	$8,144	$ (2,833)	$ 5,311
Liability Derivatives			
Commodity-related derivatives	$2,589	$ (1,719)	$ 870
Interest rate swap	2,466	(1,114)	1,352
	$5,055	$ (2,833)	$ 2,222

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	As of September 27, 2014		
	Gross amounts	Effects of netting	Net amounts presented in the balance sheet
Asset Derivatives			
Commodity-related derivatives	$9,533	$ (5,547)	$ 3,986
Interest rate swap	2,139	(2,139)	—
	$11,672	$ (7,686)	$ 3,986
Liability Derivatives			
Commodity-related derivatives	$7,127	$ (5,547)	$ 1,580
Interest rate swap	3,679	(2,139)	1,540
	$10,806	$ (7,686)	$ 3,120

The Partnership had $1,930 and $-0- posted cash collateral as of June 27, 2015 and September 27, 2014, respectively, with its brokers for outstanding commodity-related derivatives.

Bank Debt and Senior Notes. The fair value of the borrowings under the Revolving Credit Facility (defined below) approximates the carrying value since the interest rates are periodically adjusted to reflect market conditions. Based upon quoted market prices (a Level 1 input), the fair value of the Senior Notes (defined below) of the Partnership are as follows:

	As of	
	June 27, 2015	September 27, 2014
7.375% senior notes due March 15, 2020	$—	$263,250
7.375% senior notes due August 1, 2021	369,547	363,489
5.5% senior notes due June 1, 2024	523,887	508,594
5.75% senior notes due March 1, 2025	253,438	—
	$1,146,872	$1,135,333

4. Inventories

Inventories are stated at the lower of cost or market. Cost is determined using a weighted average method for propane, fuel oil and refined fuels and natural gas, and a standard cost basis for appliances, which approximates average cost. Inventories consist of the following:

As of	
June 27, 2015	September 27, 2014

Propane, fuel oil and refined fuels and natural gas	$45,557	$ 89,470
Appliances	2,137	1,495
	$47,694	$ 90,965

5. Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Goodwill is subject to an impairment review at a reporting unit level, on an annual basis as of the end of fiscal July of each year, or when an event occurs or circumstances change that would indicate potential impairment.

The Partnership has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, the Partnership determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. However, if the Partnership concludes otherwise, then it is required to perform the first step of the two-step impairment test.

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Under the two-step impairment test, the Partnership assesses the carrying value of goodwill at a reporting unit level based on an estimate of the fair value of the respective reporting unit. Fair value of the reporting unit is estimated using discounted cash flow analyses taking into consideration estimated cash flows in a ten-year projection period and a terminal value calculation at the end of the projection period. If the fair value of the reporting unit exceeds its carrying value, the goodwill associated with the reporting unit is not considered to be impaired. If the carrying value of the reporting unit exceeds its fair value, an impairment loss is recognized to the extent that the carrying amount of the associated goodwill, if any, exceeds the implied fair value of the goodwill.

The carrying values of goodwill assigned to the Partnership's operating segments are as follows:

	As of	
	June 27, 2015	September 27, 2014
Propane	$1,075,091	$1,075,091
Fuel oil and refined fuels	4,438	4,438
Natural gas and electricity	7,900	7,900
	$1,087,429	$1,087,429

6. Net Income Per Common Unit

Computations of basic income per Common Unit are performed by dividing net income by the weighted average number of outstanding Common Units and restricted units granted under the restricted unit plans to retirement-eligible grantees. Computations of diluted income per Common Unit are performed by dividing net income by the weighted average number of outstanding Common Units and unvested restricted units granted under the restricted unit plans. In computing diluted net income per Common Unit, weighted average units outstanding used to compute basic net income per Common Unit were increased by 244,689 and 261,804 units for the nine months ended June 27, 2015 and June 28, 2014, respectively, to reflect the potential dilutive effect of the unvested restricted units outstanding using the treasury stock method. Diluted loss per unit for the three months ended June 27, 2015 and June 28, 2014 does not include unvested Restricted Units as their effect would be anti-dilutive.

7. Long-Term Borrowings

Long-term borrowings consist of the following:

	As of	
	June 27, 2015	September 27, 2014
7.375% senior notes, due March 15, 2020, net of unamortized discount of $-0- and $1,183, respectively	$—	$248,817

7.375% senior notes, due August 1, 2021, including unamortized premium of $20,635 and $22,688, respectively	366,815	368,868
5.5% senior notes, due June 1, 2024	525,000	525,000
5.75% senior notes, due March 1, 2025	250,000	—
Revolving Credit Facility, due January 5, 2017	100,000	100,000
	$1,241,815	$1,242,685

Senior Notes.

2018 Senior Notes and 2021 Senior Notes

On August 1, 2012, the Partnership and its 100%-owned subsidiary, Suburban Energy Finance Corp., issued $496,557 in aggregate principal amount of unregistered 7.5% senior notes due October 1, 2018 (the "2018 Senior Notes") and $503,443 in aggregate principal amount of unregistered 7.375% senior notes due August 1, 2021 (the "2021 Senior Notes") in a private placement in connection with the Inergy Propane acquisition. Based on market rates for similar issues, the 2018 Senior Notes and 2021 Senior Notes were valued at 106.875% and 108.125%, respectively, of the principal amount, on the acquisition date as they were issued in exchange for Inergy's outstanding notes, not for cash. The 2021 Senior Notes require semi-annual interest payments in February and August. On December 19, 2012, the Partnership completed an offer to exchange its then-outstanding unregistered 7.5% senior notes due 2018 and 7.375% senior notes due 2021 for an equal principal amount of 7.5% senior notes due 2018 and 7.375% senior notes due 2021, respectively, that have been registered under the Securities Act of 1933, as amended.

On August 2, 2013, the Partnership repurchased, pursuant to an optional redemption, $133,400 of its 2021 Senior Notes using net proceeds from a May 2013 public offering of Common Units and net proceeds from the underwriters' exercise of their over-allotment option to purchase additional Common Units. In addition, on August 6, 2013, the Partnership repurchased $23,863 of 2021 Senior Notes in a private transaction using cash on hand.

On May 27, 2014, the Partnership repurchased and satisfied and discharged all of its 2018 Senior Notes with net proceeds from the issuance of the 2024 Senior Notes, as defined below, and cash on hand pursuant to a tender offer and redemption during the third quarter of fiscal 2014. In connection with this tender offer and redemption, the Partnership recognized a loss on the extinguishment of debt of $11,589 consisting of $31,633 for the redemption premium and related fees, as well as the write-off of $5,230 and ($25,274) in unamortized debt origination costs and unamortized premium, respectively.

2020 Senior Notes

On March 23, 2010, the Partnership and its 100%-owned subsidiary, Suburban Energy Finance Corp., completed a public offering of $250,000 in aggregate principal amount of 7.375% senior notes due March 15, 2020 (the "2020 Senior Notes"). The 2020 Senior Notes were issued at 99.136% of the principal amount and require semi-annual interest payments in March and September.

On February 25, 2015, the Partnership repurchased and satisfied and discharged all of its previously outstanding 2020 Senior Notes with net proceeds from the issuance of the 2025 Senior Notes, as defined below, and cash on hand pursuant to a tender offer and redemption during the second quarter of fiscal 2015. In connection with this tender offer and redemption, the Partnership recognized a loss on the extinguishment of debt of $15,072 consisting of $11,124 for the redemption premium and related fees, as well as the write-off of $2,855 and $1,093 in unamortized debt origination costs and unamortized discount, respectively.

2024 Senior Notes

On May 27, 2014, the Partnership and its 100%-owned subsidiary, Suburban Energy Finance Corp., completed a public offering of $525,000 in aggregate principal amount of 5.5% senior notes due June 1, 2024 (the "2024 Senior Notes"). The 2024 Senior Notes were issued at 100% of the principal amount and require semi-annual interest payments in June and December. The net proceeds from the issuance of the 2024 Senior Notes, along with cash on hand, were used to repurchase and satisfy and discharge all of the 2018 Senior Notes.

2025 Senior Notes

On February 25, 2015, the Partnership and its 100%-owned subsidiary, Suburban Energy Finance Corp., completed a public offering of $250,000 in aggregate principal amount of 5.75% senior notes due March 1, 2025 (the "2025 Senior Notes"). The 2025 Senior Notes were issued at 100% of the principal amount and require semi-annual interest payments in March and September. The net proceeds from the issuance of the 2025 Senior Notes, along with cash on hand, were used to repurchase and satisfy and discharge all of the 2020 Senior Notes.

The Partnership's obligations under the 2021 Senior Notes, 2024 Senior Notes and 2025 Senior Notes (collectively, the "Senior Notes") are unsecured and rank senior in right of payment to any future subordinated indebtedness and equally in right of payment with any future senior indebtedness. The Senior Notes are structurally subordinated to, which means they rank effectively behind, any debt and other liabilities of the Operating Partnership. The Partnership is permitted to redeem some or all of the Senior Notes at redemption prices and times as specified in the indentures governing the Senior Notes. The Senior Notes each have a change of control provision that would require the Partnership to offer to repurchase the notes at 101% of the principal amount repurchased, if a change of control, as defined in the indenture, occurs and is followed by a rating decline (a decrease in the rating of the notes by either Moody's Investors Service or Standard and Poor's Rating Group by one or more gradations) within 90 days of the

consummation of the change of control.

Credit Agreement

The Operating Partnership has an amended and restated credit agreement entered into on January 5, 2012, as amended on August 1, 2012 and May 9, 2014 (collectively, the “Amended Credit Agreement”) that provides for a five-year $400,000 revolving credit facility (the “Revolving Credit Facility”), of which $100,000 was outstanding as of June 27, 2015 and September 27, 2014. Borrowings under the Revolving Credit Facility may be used for general corporate purposes, including working capital, capital expenditures and acquisitions. The Operating Partnership has the right to prepay any borrowings under the Revolving Credit Facility, in whole or in part, without penalty at any time prior to maturity.

The amendment and restatement of the credit agreement on January 5, 2012 amended the previous credit agreement to, among other things, extend the maturity date from June 25, 2013 to January 5, 2017, reduce the borrowing rate and commitment fees, and amend certain affirmative and negative covenants.

The amendment on August 1, 2012 amended, among other things, certain restrictive and affirmative covenants applicable to the Operating Partnership and the Partnership, as well as certain financial covenants, including (a) requiring the Partnership's consolidated interest coverage ratio, as defined in the amendment, to be not less than 2.0 to 1.0 as of the end of any fiscal quarter; (b) prohibiting the total consolidated leverage ratio, as defined in the amendment, of the Partnership from being greater than 7.0 to 1.0 as of the end of any fiscal quarter. The minimum consolidated interest coverage ratio increased over time, and commencing with the second quarter of fiscal 2014, such minimum ratio is 2.5 to 1.0. The maximum consolidated leverage ratio decreased over time, as well as upon the occurrence of certain events (such as the issuance of Common Units where the net proceeds from the issuance exceed certain thresholds). Commencing with the second quarter of fiscal 2013, such maximum ratio is 4.75 to 1.0 (or 5.0 to 1.0 during an acquisition period as defined in the amendment). The amendment on May 9, 2014 made certain technical amendments with respect to agreements relating to debt refinancing.

The Partnership acts as a guarantor with respect to the obligations of the Operating Partnership under the Amended Credit Agreement pursuant to the terms and conditions set forth therein. The obligations under the Amended Credit Agreement are secured by liens on substantially all of the personal property of the Partnership, the Operating Partnership and their subsidiaries, as well as mortgages on certain real property.

Borrowings under the Revolving Credit Facility of the Amended Credit Agreement bear interest at prevailing interest rates based upon, at the Operating Partnership's option, LIBOR plus the applicable margin or the base rate, defined as the higher of the Federal Funds Rate plus ½ of 1%, the agent bank's prime rate, or LIBOR plus 1%, plus in each case the applicable margin. The applicable margin is dependent upon the Partnership's ratio of total debt to EBITDA on a consolidated basis, as defined in the Revolving Credit Facility. As of June 27, 2015, the interest rate for the Revolving Credit Facility was approximately 2.5%. The interest rate and the applicable margin will be reset at the end of each calendar quarter.

In connection with the Amended Credit Agreement, the Operating Partnership entered into an interest rate swap agreement with a notional amount of $100,000, an effective date of June 25, 2013 and a maturity date of January 5, 2017. Under this interest rate swap agreement, the Operating Partnership will pay a fixed interest rate of 1.63% to the issuing lender on the notional principal amount outstanding, and the issuing lender will pay the Operating Partnership a floating rate, namely LIBOR, on the same notional principal amount. The interest rate swap has been designated as a cash flow hedge.

As of June 27, 2015, the Partnership had standby letters of credit issued under the Revolving Credit Facility in the aggregate amount of $53,230 which expire periodically through April 3, 2016. After considering outstanding borrowings of $100,000, the Partnership had available borrowing capacity of $246,770 under the Revolving Credit Facility as of June 27, 2015.

The Amended Credit Agreement and the Senior Notes both contain various restrictive and affirmative covenants applicable to the Operating Partnership and the Partnership, respectively, including (i) restrictions on the incurrence of additional indebtedness, and (ii) restrictions on certain liens, investments, guarantees, loans, advances, payments, mergers, consolidations, distributions, sales of assets and other transactions. Under the Amended Credit Agreement and the indentures governing the Senior Notes, the Operating Partnership and the Partnership are generally permitted to make cash distributions equal to available cash, as defined, as of the end of the immediately preceding quarter, if no event of default exists or would exist upon making such distributions, and with respect to the indentures governing the Senior Notes, the Partnership's consolidated fixed charge coverage ratio, as defined, is greater than 1.75 to 1. The Partnership and the Operating Partnership were in compliance with all covenants and terms of the Senior Notes and the Amended Credit Agreement as of June 27, 2015.

The aggregate amounts of long-term debt maturities subsequent to June 27, 2015 are as follows: fiscal 2015 through fiscal 2016: $-0-; fiscal 2017: $100,000; fiscal 2018: $-0-; fiscal 2019: $-0-; and thereafter: $1,121,180.

8. Distributions of Available Cash

The Partnership makes distributions to its partners no later than 45 days after the end of each fiscal quarter in an aggregate amount equal to its Available Cash for such quarter. Available Cash, as defined in the Partnership Agreement, generally means all cash on hand at the end of the respective fiscal quarter less the amount of cash reserves established by the Board of Supervisors in its reasonable discretion for future cash requirements. These reserves are retained for the proper conduct of the Partnership's business, the payment of debt principal and interest and for distributions during the next four quarters.

On July 23, 2015, the Partnership announced a quarterly distribution of $0.8875 per Common Unit, or $3.55 per Common Unit on an annualized basis, in respect of the third quarter of fiscal 2015, payable on August 11, 2015 to holders of record on August 4, 2015.

9. Unit-Based Compensation Arrangements

The Partnership recognizes compensation cost over the respective service period for employee services received in exchange for an award of equity or equity-based compensation based on the grant date fair value of the award. The Partnership measures liability awards under an equity-based payment arrangement based on remeasurement of the award's fair value at the conclusion of each interim and annual reporting period until the date of settlement, taking into consideration the probability that the performance conditions will be satisfied.

Restricted Unit Plans. In fiscal 2000 and fiscal 2009, the Partnership adopted the Suburban Propane Partners, L.P. 2000 Restricted Unit Plan and 2009 Restricted Unit Plan, as amended (collectively, the "Restricted Unit Plans"), respectively, which authorizes the issuance of Common Units to executives, managers and other employees and members of the Board of Supervisors of the Partnership. At their Tri-Annual Meeting on May 13, 2015, the Partnership's Common Unitholders approved the authorization of an additional 1,200,000 Common Units of the Partnership to be available for grant pursuant to the 2009 Restricted Unit Plan. The total number of Common Units authorized for issuance under the Restricted Unit Plans was 3,102,122 as of June 27, 2015. In accordance with an August 6, 2013 amendment to the 2009 Restricted Unit Plan, unless otherwise stipulated by the Compensation Committee of the Partnership's Board of Supervisors on or before the grant date, all restricted unit awards granted after the date of the amendment will vest 33.33% on each of the first three anniversaries of the award grant date. Prior to the August 6, 2013 amendment, unless otherwise stipulated by the Compensation Committee of the Partnership's Board of Supervisors on or before the grant date, restricted units issued under the Restricted Unit Plans vest over time with 25% of the Common Units vesting at the end of each of the third and fourth anniversaries of the grant date and the remaining 50% of the Common Units vesting at the end of the fifth anniversary of the grant date. The Restricted Unit Plans participants are not eligible to receive quarterly distributions on, or vote, their respective restricted units until vested. Restricted units cannot be sold or transferred prior to vesting. The value of the restricted unit is established by the market price of the Common Unit on the date of grant, net of estimated future distributions during the vesting period. Restricted units are subject to forfeiture in certain circumstances as defined in the Restricted Unit Plans. Compensation expense for the unvested awards is recognized ratably over the vesting periods and is net of estimated forfeitures.

During the nine months ended June 27, 2015, the Partnership awarded 154,403 restricted units under the Restricted Unit Plans at an aggregate grant date fair value of $5,804. The following is a summary of activity for the Restricted Unit Plans for the nine months ended June 27, 2015:

	Units	Weighted Average Grant Date Fair Value Per Unit
Outstanding September 27, 2014	694,927	$ 32.07
Awarded	154,403	37.59
Forfeited	(4,348)	(32.22)
Issued	(209,761)	(36.80)
Outstanding June 27, 2015	635,221	$ 31.85

As of June 27, 2015, unrecognized compensation cost related to unvested restricted units awarded under the Restricted Unit Plans amounted to $6,762. Compensation cost associated with unvested awards is expected to be recognized over a weighted-average period of 1.1 years. Compensation expense recognized under the Restricted Unit Plans, net

of forfeitures, for the three and nine months ended June 27, 2015, was $1,654 and $7,157, respectively, and $2,074 and $5,663 for the three and nine months ended June 28, 2014, respectively.

Long-Term Incentive Plan. The Partnership has a non-qualified, unfunded long-term incentive plan for officers and key employees (the "LTIP") which provides for payment, in the form of cash, of an award of equity-based compensation at the end of a three-year performance period. For the fiscal 2013 award, the level of compensation earned under the LTIP is based on the market performance of the Partnership's Common Units on the basis of total return to Unitholders ("TRU") compared to the TRU of a predetermined peer group consisting solely of other master limited partnerships, approved by the Compensation Committee of the Board of Supervisors, over the same three-year performance period. On August 6, 2013, the Compensation Committee of the Partnership's Board of Supervisors adopted the 2014 Long-Term Incentive Plan of the Partnership ("2014 LTIP") as a replacement for the existing LTIP. As a result, for the fiscal 2015 and 2014 awards, the level of compensation earned under the 2014 LTIP is based on the Partnership's average distribution coverage ratio over the three-year measurement period. The Partnership's average distribution coverage ratio is calculated as the Partnership's average distributable cash flow, as defined in the 2014 LTIP, for each of the three years in the measurement period, subject to certain adjustments as set forth in the 2014 LTIP, divided by the amount of annualized cash distributions to be paid by the Partnership, based on the annualized cash distribution rate at the beginning of the measurement period.

As a result of the quarterly remeasurement of the liability for awards under the LTIP and 2014 LTIP, compensation expense for the three and nine months ended June 27, 2015 was $202 and $1,956, respectively, and $(343) and $1,162 for the three and nine months ended June 28, 2014, respectively. As of June 27, 2015 and September 27, 2014, the Partnership had a liability included within accrued employment and benefit costs (or other liabilities, as applicable) of $5,003 and $3,047, respectively, related to estimated future payments under the LTIP.

10. Commitments and Contingencies

Self-Insurance. The Partnership is self-insured for general and product, workers' compensation and automobile liabilities up to predetermined thresholds above which third party insurance applies. As of June 27, 2015 and September 27, 2014, the Partnership had accrued insurance liabilities of $61,494 and $62,450, respectively, representing the total estimated losses under these self-insurance programs. For the portion of the estimated self-insurance liability that exceeds insurance deductibles, the Partnership records an asset within other assets (or other current assets, as applicable) related to the amount of the liability expected to be covered by insurance which amounted to $17,745 and $18,410 as of June 27, 2015 and September 27, 2014, respectively.

Legal Matters. The Partnership's operations are subject to operating hazards and risks normally incidental to handling, storing and delivering combustible liquids such as propane. The Partnership has been, and will continue to be, a defendant in various legal proceedings and litigation as a result of these operating hazards and risks, and as a result of other aspects of its business. Although any litigation is inherently uncertain, based on past experience, the information currently available to the Partnership, and the amount of its accrued insurance liabilities, the Partnership does not believe that currently pending or threatened litigation matters, or known claims or known contingent claims, will have a material adverse effect on its results of operations, financial condition or cash flow.

11. Guarantees

The Partnership has residual value guarantees associated with certain of its operating leases, related primarily to transportation equipment, with remaining lease periods scheduled to expire periodically through fiscal 2022. Upon completion of the lease period, the Partnership guarantees that the fair value of the equipment will equal or exceed the guaranteed amount, or the Partnership will pay the lessor the difference. Although the fair value of equipment at the end of its lease term has historically exceeded the guaranteed amounts, the maximum potential amount of aggregate future payments the Partnership could be required to make under these leasing arrangements, assuming the equipment is deemed worthless at the end of the lease term, was $11,831 as of June 27, 2015. The fair value of residual value guarantees for outstanding operating leases was de minimis as of June 27, 2015 and September 27, 2014.

12. Pension Plans and Other Postretirement Benefits

The following table provides the components of net periodic benefit costs:

Pension Benefits

	Three Months Ended		Nine Months Ended	
	June 27, 2015	June 28, 2014	June 27, 2015	June 28, 2014
Interest cost	$1,282	$1,443	$3,846	$4,330
Expected return on plan assets	(1,228)	(1,275)	(3,685)	(3,826)
Amortization of net loss (gain)	1,131	1,123	3,392	3,369
Net periodic benefit cost	$1,185	$1,291	$3,553	$3,873

	Postretirement Benefits			
	Three Months Ended		Nine Months Ended	
	June 27, 2015	June 28, 2014	June 27, 2015	June 28, 2014
Interest cost	$144	$161	$431	$484
Amortization of prior service costs	(122)	(122)	(367)	(367)
Amortization of net loss (gain)	(49)	(46)	(147)	(137)
Net periodic benefit cost	$(27)	$(7)	$(83)	$(20)

There are no projected minimum employer cash contribution requirements under ERISA for fiscal 2015 under the Partnership's defined benefit pension plan. The projected annual contribution requirements related to the Partnership's postretirement health care and life insurance benefit plan for fiscal 2015 is $1,276, of which $754 has been contributed during the nine months ended June 27, 2015.

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As a result of the Inergy Propane acquisition, the Partnership contributes to multi-employer pension plans ("MEPP") in accordance with various collective bargaining agreements covering union employees. As one of the many participating employers in these MEPPs, the Partnership is responsible with the other participating employers for any plan underfunding. As of June 27, 2015, the Partnership had accrued $6,786 for its estimated obligation to certain MEPPs due to the Partnership's voluntary partial withdrawal from one such MEPP and full withdrawal from four other MEPPs. Due to the uncertainty regarding future factors that could trigger withdrawal liability, including the integration of Inergy Propane, the Partnership is unable to determine the amount and timing of any future withdrawal liability, if any.

13. Amounts Reclassified Out of Accumulated Other Comprehensive Income

The following table summarizes amounts reclassified out of accumulated other comprehensive income for the three and nine months ended June 27, 2015 and June 28, 2014:

	Three Months Ended		Nine Months Ended	
	June 27, 2015	June 28, 2014	June 27, 2015	June 28, 2014
Cash Flow Hedges				
Balance, beginning of period	$(1,566)	$(1,985)	$(1,540)	$(2,428)
Other comprehensive income before reclassifications:				
Unrealized (losses)	(128)	(433)	(855)	(689)
Reclassifications to earnings:				
Realized losses (a)	342	351	1,043	1,050
Other comprehensive income (loss)	214	(82)	188	361
Balance, end of period	$(1,352)	$(2,067)	$(1,352)	$(2,067)
Pension Benefits				
Balance, beginning of period	$(46,773)	$(47,741)	$(49,034)	$(49,987)
Reclassifications to earnings:				
Amortization of net loss (b)	1,131	1,123	3,392	3,369
Other comprehensive income (loss)	1,131	1,123	3,392	3,369
Balance, end of period	$(45,642)	$(46,618)	$(45,642)	$(46,618)
Postretirement Benefits				
Balance, beginning of period	$4,326	$4,726	$4,669	$5,062
Reclassifications to earnings:				
Amortization of prior service costs (b)	(122)	(122)	(367)	(367)
Amortization of net (gain) (b)	(49)	(46)	(147)	(137)
Other comprehensive income (loss)	(171)	(168)	(514)	(504)
Balance, end of period	$4,155	$4,558	$4,155	$4,558
Accumulated Other Comprehensive Income (Loss)				
Balance, beginning of period	$(44,013)	$(45,000)	$(45,905)	$(47,353)
Other comprehensive income before reclassifications	(128)	(433)	(855)	(689)
Reclassifications to earnings	1,302	1,306	3,921	3,915

Other comprehensive income (loss)	1,174	873	3,066	3,226
Balance, end of period	$(42,839)	$(44,127)	$(42,839)	$(44,127)

(a) Reclassification of realized losses on cash flow hedges are recognized in interest expense.
(b) These amounts are included in the computation of net periodic benefit cost. See Note 12, "Pension Plans and Other Postretirement Benefits".

14. Income Taxes

For federal income tax purposes, as well as for state income tax purposes in the majority of the states in which the Partnership operates, the earnings attributable to the Partnership and the Operating Partnership are not subject to income tax at the partnership level. With the exception of those states that impose an entity-level income tax on partnerships, the taxable income or loss attributable to the Partnership, and to the Operating Partnership, which may vary substantially from the income before income taxes reported by the Partnership in the condensed consolidated statement of operations, are includable in the federal and state income tax returns of the Common Unitholders. The aggregate difference in the basis of the Partnership's net assets for financial and tax reporting purposes cannot be readily determined as the Partnership does not have access to each Common Unitholder's basis in the Partnership.

As described in Note 1, the earnings of the Corporate Entities are subject to corporate level federal and state income tax. However, based upon past performance, the Corporate Entities are currently reporting an income tax provision composed primarily of minimum state income taxes. A full valuation allowance has been provided against the deferred tax assets based upon an analysis of all available evidence, both negative and positive at the balance sheet date, which, taken as a whole, indicates that it is more likely than not that sufficient future taxable income will not be available to utilize the assets. Management's periodic reviews include, among other things, the nature and amount of the taxable income and expense items, the expected timing of when assets will be used or liabilities will be required to be reported and the reliability of historical profitability of businesses expected to provide future earnings. Furthermore, management considered tax-planning strategies it could use to increase the likelihood that the deferred assets will be realized.

15. Segment Information

The Partnership manages and evaluates its operations in five operating segments, three of which are reportable segments: Propane, Fuel Oil and Refined Fuels and Natural Gas and Electricity. The chief operating decision maker evaluates performance of the operating segments using a number of performance measures, including revenues and income before interest expense and provision for income taxes (operating profit). Costs excluded from these profit measures are captured in Corporate and include corporate overhead expenses not allocated to the operating segments. Unallocated corporate overhead expenses include all costs of back office support functions that are reported as general and administrative expenses within the condensed consolidated statements of operations. In addition, certain costs associated with field operations support that are reported in operating expenses within the condensed consolidated statements of operations, including purchasing, training and safety, are not allocated to the individual operating segments. Thus, operating profit for each operating segment includes only the costs that are directly attributable to the operations of the individual segment. The accounting policies of the operating segments are otherwise the same as those described in Note 2, "Summary of Significant Accounting Policies," in the Partnership's Annual Report on Form 10-K for the fiscal year ended September 27, 2014.

The propane segment is primarily engaged in the retail distribution of propane to residential, commercial, industrial and agricultural customers and, to a lesser extent, wholesale distribution to large industrial end users. In the residential and commercial markets, propane is used primarily for space heating, water heating, cooking and clothes drying. Industrial customers use propane generally as a motor fuel burned in internal combustion engines that power over-the-road vehicles, forklifts and stationary engines, to fire furnaces and as a cutting gas. In the agricultural markets, propane is primarily used for tobacco curing, crop drying, poultry brooding and weed control.

The fuel oil and refined fuels segment is primarily engaged in the retail distribution of fuel oil, diesel, kerosene and gasoline to residential and commercial customers for use primarily as a source of heat in homes and buildings.

The natural gas and electricity segment is engaged in the marketing of natural gas and electricity to residential and commercial customers in the deregulated energy markets of New York and Pennsylvania. Under this operating segment, the Partnership owns the relationship with the end consumer and has agreements with the local distribution companies to deliver the natural gas or electricity from the Partnership's suppliers to the customer.

Activities in the "all other" category include the Partnership's service business, which is primarily engaged in the sale, installation and servicing of a wide variety of home comfort equipment, particularly in the areas of heating and ventilation, and activities from the Partnership's Suburban Franchising subsidiaries.

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The following table presents certain relevant financial information by reportable segment and provides a reconciliation of total operating segment information to the corresponding consolidated amounts for the periods presented:

	Three Months Ended		Nine Months Ended	
	June 27, 2015	June 28, 2014	June 27, 2015	June 28, 2014
Revenues:				
Propane	$181,259	$242,173	$1,034,525	$1,409,271
Fuel oil and refined fuels	17,043	26,898	116,399	174,888
Natural gas and electricity	11,861	16,912	56,109	74,311
All other	10,139	11,160	35,602	38,501
Total revenues	$220,302	$297,143	$1,242,635	$1,696,971
Operating (loss) income:				
Propane	$7,352	$4,457	$299,693	$300,356
Fuel oil and refined fuels	(662)	(3,160)	10,218	6,590
Natural gas and electricity	2,349	1,492	12,564	9,166
All other	(7,352)	(6,724)	(18,319)	(19,112)
Corporate	(23,521)	(22,640)	(78,431)	(72,476)
Total operating (loss) income	(21,834)	(26,575)	225,725	224,524
Reconciliation to net (loss) income:				
Loss on debt extinguishment	—	11,589	15,072	11,589
Interest expense, net	18,933	20,662	58,643	63,095
Provision for income taxes	185	163	521	611
Net (loss) income	$(40,952)	$(58,989)	$151,489	$149,229
Depreciation and amortization:				
Propane	$27,118	$26,067	$81,759	$78,608
Fuel oil and refined fuels	896	1,240	2,457	4,435
Natural gas and electricity	2	2	6	44
All other	70	187	219	584
Corporate	4,644	5,496	14,147	17,430
Total depreciation and amortization	$32,730	$32,992	$98,588	$101,101

	As of	
	June 27, 2015	September 27, 2014
Assets:		
Propane	$2,256,645	$ 2,365,320
Fuel oil and refined fuels	62,562	69,360
Natural gas and electricity	12,831	13,992
All other	3,357	3,342
Corporate	204,917	157,349
Total assets	$2,540,312	$ 2,609,363

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion of the financial condition and results of operations of the Partnership as of and for the three and nine months ended June 27, 2015. The discussion should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the historical consolidated financial statements and notes thereto included in the Annual Report on Form 10-K for the fiscal year ended September 27, 2014.

Executive Overview

The following are factors that regularly affect our operating results and financial condition. In addition, our business is subject to the risks and uncertainties described in Item 1A included in the Annual Report on Form 10-K for the fiscal year ended September 27, 2014.

Product Costs and Supply

The level of profitability in the retail propane, fuel oil, natural gas and electricity businesses is largely dependent on the difference between retail sales price and our costs to acquire and transport products. The unit cost of our products, particularly propane, fuel oil and natural gas, is subject to volatility as a result of supply and demand dynamics or other market conditions, including, but not limited to, economic and political factors impacting crude oil and natural gas supply or pricing. We enter into product supply contracts that are generally one-year agreements subject to annual renewal, and also purchase product on the open market. We attempt to reduce price risk by pricing product on a short-term basis. Our propane supply contracts typically provide for pricing based upon index formulas using the posted prices established at major supply points such as Mont Belvieu, Texas, or Conway, Kansas (plus transportation costs) at the time of delivery.

To supplement our annual purchase requirements, we may utilize forward fixed price purchase contracts to acquire a portion of the propane that we resell to our customers, which allows us to manage our exposure to unfavorable changes in commodity prices and to assure adequate physical supply. The percentage of contract purchases, and the amount of supply contracted for under forward contracts at fixed prices, will vary from year to year based on market conditions.

Changes in our costs to acquire and transport products can occur rapidly over a short period of time and can impact profitability. There is no assurance that we will be able to pass on product acquisition and transportation cost increases fully or immediately, particularly when such costs increase rapidly. Therefore, average retail sales prices can vary significantly from year to year as our costs fluctuate with the propane, fuel oil, crude oil and natural gas commodity markets and infrastructure conditions. In addition, periods of sustained higher commodity and/or transportation prices can lead to customer conservation, resulting in reduced demand for our product.

Seasonality

The retail propane and fuel oil distribution businesses, as well as the natural gas marketing business, are seasonal because these fuels are primarily used for heating in residential and commercial buildings. Historically, approximately two thirds of our retail propane volume is sold during the six-month peak heating season from October through March. The fuel oil business tends to experience greater seasonality given its more limited use for space heating and approximately three-fourths of our fuel oil volumes are sold between October and March. Consequently, sales and operating profits are concentrated in our first and second fiscal quarters. Cash flows from operations, therefore, are greatest during the second and third fiscal quarters when customers pay for product purchased during the winter heating season. We expect lower operating profits and either net losses or lower net income during the period from April through September (our third and fourth fiscal quarters). To the extent necessary, we will reserve cash from the second and third quarters for distribution to holders of our Common Units in the fourth quarter and the

following fiscal year first quarter.

Weather

Weather conditions have a significant impact on the demand for our products, in particular propane, fuel oil and natural gas, for both heating and agricultural purposes. Many of our customers rely heavily on propane, fuel oil or natural gas as a heating source. Accordingly, the volume sold is directly affected by the severity of the winter weather in our service areas, which can vary substantially from year to year. In any given area, sustained warmer than normal temperatures will tend to result in reduced propane, fuel oil and natural gas consumption, while sustained colder than normal temperatures will tend to result in greater consumption.

Hedging and Risk Management Activities

We engage in hedging and risk management activities to reduce the effect of price volatility on our product costs and to ensure the availability of product during periods of short supply. We enter into propane forward, options and swap agreements with third parties, and use futures and options contracts traded on the New York Mercantile Exchange ("NYMEX") to purchase and sell propane, fuel oil and crude oil at fixed prices in the future. The majority of the futures, forward and options agreements are used to hedge price risk associated with propane and fuel oil physical inventory, as well as, in certain instances, forecasted purchases of propane or fuel oil. In addition, we sell propane and fuel oil to customers at fixed prices, and enter into derivative instruments to hedge a portion of our exposure to fluctuations in commodity prices as a result of selling the fixed price contracts. Forward contracts are generally settled physically at the expiration of the contract whereas futures, options and swap contracts are generally settled at the expiration of the contract through a net settlement mechanism. Although we use derivative instruments to reduce the effect of price volatility associated with priced physical inventory and forecasted transactions, we do not use derivative instruments for speculative trading purposes. Risk management activities are monitored by an internal Commodity Risk Management Committee, made up of seven members of management and reporting to the Audit Committee of our Board of Supervisors, through enforcement of our Hedging and Risk Management Policy.

Critical Accounting Policies and Estimates

Our significant accounting policies are summarized in Note 2, "Summary of Significant Accounting Policies," included within the Notes to Consolidated Financial Statements section of our Annual Report on Form 10-K for the fiscal year ended September 27, 2014.

Certain amounts included in or affecting our consolidated financial statements and related disclosures must be estimated, requiring management to make certain assumptions with respect to values or conditions that cannot be known with certainty at the time the financial statements are prepared. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("US GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We are also subject to risks and uncertainties that may cause actual results to differ from estimated results. Estimates are used when accounting for depreciation and amortization of long-lived assets, employee benefit plans, self-insurance and litigation reserves, environmental reserves, allowances for doubtful accounts, asset valuation assessments and valuation of derivative instruments. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Any effects on our business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known to us. Management has reviewed these critical accounting estimates and related disclosures with the Audit Committee of our Board of Supervisors.

Results of Operations and Financial Condition

Consistent with the seasonal nature of the propane and fuel oil businesses, we typically experience a net loss in the third quarter of the fiscal year. Net loss for the third quarter of fiscal 2015 was $41.0 million, or $0.67 per Common Unit, compared to a net loss of $59.0 million, or $0.98 per Common Unit, in the prior year third quarter. Earnings before interest, taxes, depreciation and amortization ("EBITDA") for the third quarter of fiscal 2015 amounted to $10.9 million, compared to a loss of $5.2 million in the prior year third quarter.

Net income and EBITDA for the third quarter of fiscal 2015 included expenses of $1.1 million related to the ongoing integration of Inergy Propane. Net income and EBITDA for the third quarter of fiscal 2014 included a loss on debt extinguishment of $11.6 million and expenses of $4.3 million related to the integration of Inergy Propane.

Excluding the effects of these charges, as well as the unrealized (non-cash) mark-to-market adjustments on derivative instruments in both quarters, Adjusted EBITDA (as defined and reconciled below) increased to $12.1 million for the third quarter of fiscal 2015, compared to Adjusted EBITDA of $10.0 million in the prior year third quarter.

Retail propane gallons sold in the third quarter of fiscal 2015 decreased 5.5 million gallons, or 6.6%, to 77.6 million gallons, compared to 83.2 million gallons in the prior year third quarter. Sales of fuel oil and other refined fuels decreased 0.8 million gallons, or 11.5%, to 6.2 million gallons, compared to 7.0 million gallons in the prior year third quarter. Although weather during the third quarter typically has less of an impact on volumes sold than it does during the heating season, volumes in the third quarter of fiscal 2015 were adversely impacted by warmer than normal temperatures, particularly during the month of April where average temperatures were 10% warmer than normal and 5% warmer than April 2014. From an overall weather perspective, average temperatures across all of our service territories for the third quarter of fiscal 2015 were 16% warmer than normal and 6% warmer than the prior year third quarter, according to the National Oceanic and Atmospheric Administration.

Revenues of $220.3 million decreased $76.8 million, or 25.9%, compared to the prior year third quarter, primarily due to lower retail selling prices associated with lower wholesale product costs and, to a lesser extent, lower volumes sold. Average posted propane prices (basis Mont Belvieu, Texas) and fuel oil prices were 55.9% and 35.7% lower than the prior year third quarter, respectively. Cost of products sold for the third quarter of fiscal 2015 of $94.2 million decreased $67.3 million, or 41.7%, compared to $161.5 million in the prior year third quarter, primarily due to lower wholesale product costs and, to a lesser extent, lower volumes sold. Cost of products sold for the third quarter of fiscal 2015 included a nominal (non-cash) loss attributable to the mark-to-market adjustment for derivative instruments used in risk management activities, compared to a $0.7 million unrealized (non-cash) gain in the prior year third quarter. These unrealized gains and losses are excluded from Adjusted EBITDA for both periods in the table below.

Combined operating and general and administrative expenses of $115.2 million for the third quarter of fiscal 2015 were $14.0 million, or 10.8%, lower than the prior year third quarter, primarily due to operating efficiencies and synergies realized during the period associated with the integration of Inergy Propane; including lower payroll and benefit-related expenses attributable to lower headcount, lower vehicle expenses stemming from a reduction in the quantity of vehicles in use and lower general insurance and bad debt expenses. Depreciation and amortization expense of $32.7 was relatively flat compared to the prior year third quarter. Net interest expense of $18.9 million decreased $1.7 million, or 8.4%, primarily due to the savings from the refinancing of certain of our senior notes completed in the third quarter of fiscal 2014 and in the second quarter of fiscal 2015.

We have now completed the first three-years from the closing date of the Inergy Propane acquisition. Our integration efforts are substantially complete and our operating results continue to benefit from our focus on driving operating efficiencies and cost savings from the combined platform. In addition, over the past three years we have continued to focus on improving our balance sheet metrics from the higher leverage profile resulting from the Inergy Propane acquisition. Through opportunistic refinancing and debt reduction efforts, we have strengthened our balance sheet in line with our strategic goals. In fact, during the third quarter of fiscal 2015, we funded all working capital and capital expenditure needs from cash on hand, and we ended the quarter with $147.0 million of cash.

Our anticipated cash requirements for the remainder of fiscal 2015 include: (i) maintenance and growth capital expenditures of approximately $9.0 million; (ii) interest payments of approximately $21.4 million; and (iii) cash distributions of approximately $53.7 million to our Common Unitholders based on the current quarterly distribution rate of $0.8875 per Common Unit. As of June 27, 2015, we had unused borrowing capacity under our Revolving Credit Facility of $246.8 million, after considering outstanding letters of credit of $53.2 million and outstanding borrowings of $100.0 million.

Three Months Ended June 27, 2015 Compared to Three Months Ended June 28, 2014

Revenues

(Dollars and gallons in thousands)	Three Months Ended			
	June 27, 2015	June 28, 2014	Decrease	Percent Decrease
Revenues				
Propane	$181,259	$242,173	$(60,914)	(25.2)%
Fuel oil and refined fuels	17,043	26,898	(9,855)	(36.6)%
Natural gas and electricity	11,861	16,912	(5,051)	(29.9)%
All other	10,139	11,160	(1,021)	(9.1)%
Total revenues	$220,302	$297,143	$(76,841)	(25.9)%
Retail gallons sold				

Propane	77,633	83,155	(5,522)	(6.6)%
Fuel oil and refined fuels	6,181	6,981	(800)	(11.5)%

Revenues from the distribution of propane and related activities of $181.3 million decreased $60.9 million, or 25.2%, compared to the prior year third quarter primarily due to lower average retail selling prices and, to a lesser extent, lower retail propane volumes sold. Average propane selling prices decreased 23.0% as a result of lower wholesale propane costs, resulting in a $48.2 million decrease in revenues. Retail propane gallons sold decreased 5.5 million gallons, or 6.6%, resulting in a $14.9 million decrease in revenues. While weather during the third quarter typically has less of an impact on volumes sold than it does during the heating season, temperatures across nearly all of our service territories were warmer than the third quarter of the prior year which adversely affected the year-over-year comparison of volumes sold. In addition, the timing of the extreme colder than normal temperatures that were experienced in our eastern and midwestern territories during March 2015 led to additional deliveries during the second quarter, obviating the need for further deliveries in the third fiscal quarter for many of our customers. Included within the propane segment are revenues from other propane activities of $19.9 million, which increased $2.2 million.

Revenues from the distribution of fuel oil and refined fuels of $17.0 million decreased $9.9 million, or 36.6%, compared to the prior year third quarter primarily due to lower average selling prices and, to a lesser extent, lower volumes sold. Average selling prices in our fuel oil and refined fuels segment decreased 28.3%, resulting in a $6.8 million decrease in revenues. Fuel oil and refined fuels gallons sold decreased 0.8 million gallons, or 11.5%, resulting in a $3.1 million decrease in revenues. The decrease in volumes sold was primarily due to the impact of the unfavorable weather trends discussed above.

Revenues in our natural gas and electricity segment of $11.9 million decreased $5.1 million, or 29.9%, compared to the prior year third quarter as a result of lower average selling prices and, to a lesser extent, lower volumes sold.

Cost of Products Sold

(Dollars in thousands)	Three Months Ended			
	June 27, 2015	June 28, 2014	Decrease	Percent Decrease
Cost of products sold				
Propane	$71,264	$123,943	$(52,679)	(42.5)%
Fuel oil and refined fuels	12,466	21,754	(9,288)	(42.7)%
Natural gas and electricity	7,130	12,335	(5,205)	(42.2)%
All other	3,338	3,450	(112)	(3.2)%
Total cost of products sold	$94,198	$161,482	$(67,284)	(41.7)%
As a percent of total revenues	42.8%	54.3%		

The cost of products sold reported in the condensed consolidated statements of operations represents the weighted average unit cost of propane, fuel oil and refined fuels, natural gas and electricity sold, including transportation costs to deliver product from our supply points to storage or to our customer service centers. Cost of products sold also includes the cost of appliances and related parts sold or installed by our customer service centers computed on a basis that approximates the average cost of the products.

Given the retail nature of our operations, we maintain a certain level of priced physical inventory to help ensure that our field operations have adequate supply commensurate with the time of year. Our strategy has been, and will continue to be, to keep our physical inventory priced relatively close to market for our field operations. Consistent with past practices, we principally utilize futures and/or options contracts traded on the NYMEX to mitigate the price risk associated with our priced physical inventory. Under this risk management strategy, realized gains or losses on futures or options contracts, which are reported in cost of products sold, will typically offset losses or gains on the physical inventory once the product is sold (which may or may not occur in the same accounting period). We do not use futures or options contracts, or other derivative instruments, for speculative trading purposes. Unrealized (non-cash) gains or losses from changes in the fair value of derivative instruments that are not designated as cash flow hedges are recorded within cost of products sold. Cost of products sold excludes depreciation and amortization; these amounts are reported separately within the condensed consolidated statements of operations.

In the commodities markets, posted propane prices (basis Mont Belvieu, Texas) were somewhat volatile during the third quarter of fiscal 2015 with prices reaching a high of $0.57 per gallon and a low of $0.32 per gallon (representing an intra-quarter swing of 43%). Overall, average posted propane and fuel oil prices were 55.9% and 35.7% lower than the prior year third quarter, respectively. The net change in the fair value of derivative instruments during the period resulted in a nominal (non-cash) loss compared to an unrealized (non-cash) gain of $0.7 million in the third quarter of 2014, resulting in an increase of $0.7 million year-over-year, all of which was reported in the propane segment.

Cost of products sold associated with the distribution of propane and related activities of $71.3 million decreased $52.7 million, or 42.5%, compared to the prior year third quarter primarily due to lower average wholesale costs and, to a lesser extent, lower volumes sold. Lower average propane costs and lower propane volumes sold resulted in decreases of $50.3 million and $7.8 million, respectively, compared to the prior year third quarter. Cost of products sold from other propane activities increased $4.7 million compared to the prior year third quarter.

Cost of products sold associated with our fuel oil and refined fuels segment of $12.5 million decreased $9.3 million, or 42.7%, compared to the prior year third quarter. Lower fuel oil and refined fuels wholesale costs and lower volumes sold resulted in decreases of $6.8 million and $2.5 million, respectively, compared to the prior year third quarter.

Cost of products sold in our natural gas and electricity segment of $7.1 million decreased $5.2 million, or 42.2%, compared to the prior year third quarter primarily due to lower volumes sold and lower wholesale costs.

Total cost of products sold as a percent of total revenues decreased 11.5 percentage points to 42.8% from 54.3% primarily due to the decline in wholesale propane costs outpacing the decline in propane average selling prices during the fiscal 2015 third quarter.

Operating Expenses

(Dollars in thousands)	Three Months Ended			
	June 27, 2015	June 28, 2014	Decrease	Percent Decrease
Operating expenses	$100,168	$115,991	$(15,823)	(13.6)%
As a percent of total revenues	45.5 %	39.0 %		

All costs of operating our retail distribution and appliance sales and service operations are reported within operating expenses in the condensed consolidated statements of operations. These operating expenses include the compensation and benefits of field and direct operating support personnel, costs of operating and maintaining our vehicle fleet, overhead and other costs of our purchasing, training and safety departments and other direct and indirect costs of operating our customer service centers.

Operating expenses of $100.2 million for the third quarter of fiscal 2015 decreased $15.8 million, or 13.6% compared to $116.0 million in the prior year third quarter, primarily due to operating efficiencies and synergies realized during the period associated with the integration of Inergy Propane; including lower payroll and benefit-related expenses attributable to reduced headcount, lower vehicle expenses attributable to reduced vehicle count and lower fuel costs to operate our fleet and lower bad debt and insurance expenses. Operating expenses for the third quarter of fiscal 2015 included expenses of $0.8 million associated with the integration of the Inergy Propane operations compared to $3.0 million in the prior year third quarter. These charges were excluded from our calculation of Adjusted EBITDA below.

General and Administrative Expenses

(Dollars in thousands)	Three Months Ended			
	June 27, 2015	June 28, 2014	Increase	Percent Increase
General and administrative expenses	$15,040	$13,253	$1,787	13.5 %
As a percent of total revenues	6.8 %	4.5 %		

All costs of our back office support functions, including compensation and benefits for executives and other support functions, as well as other costs and expenses to maintain finance and accounting, treasury, legal, human resources, corporate development and the information systems functions are reported within general and administrative expenses in the condensed consolidated statements of operations.

General and administrative expenses of $15.0 million for the third quarter of fiscal 2015 increased $1.8 million compared to the prior year third quarter primarily due to higher variable compensation, coupled with the favorable settlement of a matter in the prior year third quarter. General and administrative expenses for the third quarter of fiscal 2015 included $0.3 million of professional services and other expenses associated with the integration of Inergy Propane, compared to $1.3 million in the prior year third quarter. These items were excluded from our calculation of

Adjusted EBITDA below.

Depreciation and Amortization

(Dollars in thousands)	Three Months Ended			
	June 27, 2015	June 28, 2014	Decrease	Percent Decrease
Depreciation and amortization	$32,730	$32,992	$ (262)	(0.8)%
As a percent of total revenues	14.9 %	11.1 %		

Depreciation and amortization expense of $32.7 million in the third quarter of fiscal 2015 was essentially flat to the prior year third quarter.

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Interest Expense, net

(Dollars in thousands)	Three Months Ended			
	June 27, 2015	June 28, 2014	Decrease	Percent Decrease
Interest expense, net	$18,933	$20,662	$(1,729)	(8.4)%
As a percent of total revenues	8.6%	7.0%		

Net interest expense of $18.9 million decreased $1.7 million, or 8.4%, compared to the prior year third quarter primarily due to the refinancing of the $250.0 million 7.375% Senior Notes due 2020 with $250.0 million 5.75% Senior Notes due 2025 in the second quarter of fiscal 2015, coupled with the refinancing of the $496.6 million 7.5% Senior Notes due 2018 with $525.0 million 5.5% Senior Notes due 2024 in the third quarter of fiscal 2014. See Liquidity and Capital Resources below for additional discussion.

Loss on Debt Extinguishment

On May 27, 2014, we repurchased and satisfied and discharged all of our 2018 Senior Notes with net proceeds from the issuance of the 2024 Senior Notes (see below) and cash on hand pursuant to a tender offer and redemption. In connection with this tender offer and redemption, during the third quarter of fiscal 2014 we recognized a loss on the extinguishment of debt of $11.6 million consisting of $31.6 million for the redemption premium and related fees, as well as the write-off of $5.3 million and ($25.3) million in unamortized debt origination costs and unamortized premium, respectively.

EBITDA and Adjusted EBITDA

EBITDA represents net income (loss) before deducting interest expense, income taxes, depreciation and amortization. Adjusted EBITDA represents EBITDA excluding the unrealized net gain or loss on mark-to-market activity for derivative instruments and other items, as applicable, as provided in the table below. Our management uses EBITDA and Adjusted EBITDA as supplemental measures of operating performance and we are including them because we believe that they provide our investors and industry analysts with additional information to evaluate our operating results. EBITDA and Adjusted EBITDA are not recognized terms under US GAAP and should not be considered as an alternative to net income or net cash provided by operating activities determined in accordance with US GAAP. Because EBITDA and Adjusted EBITDA as determined by us excludes some, but not all, items that affect net income, they may not be comparable to EBITDA and Adjusted EBITDA or similarly titled measures used by other companies.

The following table sets forth our calculations of EBITDA and Adjusted EBITDA:

(Dollars in thousands)	Three Months Ended	
	June 27, 2015	June 28, 2014
Net (loss)	$(40,952)	$(58,989)
Add:		
Provision for income taxes	185	163

Interest expense, net	18,933	20,662
Depreciation and amortization	32,730	32,992
EBITDA	10,896	(5,172)
Loss on debt extinguishment	—	11,589
Unrealized (non-cash) losses (gains) on changes in fair value of derivatives	37	(707)
Integration-related costs	1,134	4,313
Adjusted EBITDA	$12,067	$10,023

Nine Months Ended June 27, 2015 Compared to Nine Months Ended June 28, 2014

Revenues

(Dollars and gallons in thousands)	Nine Months Ended			
	June 27, 2015	June 28, 2014	Decrease	Percent Decrease
Revenues				
Propane	$1,034,525	$1,409,271	$(374,746)	(26.6)%
Fuel oil and refined fuels	116,399	174,888	(58,489)	(33.4)%
Natural gas and electricity	56,109	74,311	(18,202)	(24.5)%
All other	35,602	38,501	(2,899)	(7.5)%
Total revenues	$1,242,635	$1,696,971	$(454,336)	(26.8)%
Retail gallons sold				
Propane	411,857	454,702	(42,845)	(9.4)%
Fuel oil and refined fuels	37,340	43,595	(6,255)	(14.3)%

Total revenues decreased $454.3 million, or 26.8%, to $1,242.6 million for the first nine months of fiscal 2015 compared to $1,697.0 million for the prior year period, primarily due to lower average selling prices and, to a lesser extent, lower volumes sold for propane and fuel oil and refined fuels. Average temperatures (as measured in heating degree days) across all of our service territories for the first nine months of fiscal 2015 were 1% warmer than normal and 4% warmer than the comparable prior year period. The weather pattern during the first nine months of fiscal 2015 was characterized by warmer than normal temperatures for much of the first quarter, particularly in the month of December 2014 (December 2014 was 15% warmer than normal and 21% warmer than December 2013), which continued during much of January 2015. However, this persistent streak of warm weather was followed by considerably colder than normal temperatures in our eastern and midwestern territories throughout February 2015 and much of March 2015, which was followed by another period of above average temperatures during the third quarter of fiscal 2015, particularly during the month of April.

Revenues from the distribution of propane and related activities of $1,034.5 million decreased $374.7 million, or 26.6%, primarily due to lower average retail selling prices and, to a lesser extent, lower retail propane volumes sold. Average propane selling prices decreased 19.9% as a result of lower wholesale propane costs, resulting in a $241.6 million decrease in revenues. Retail propane gallons sold decreased 42.8 million gallons, or 9.4%, resulting in a decrease in revenues of $126.5 million. While our overall propane volumes were adversely affected by the unseasonably warmer weather during key parts of the winter heating season and April 2015 as discussed above, our volumes responded in those areas where and when we experienced cold temperatures. Included within the propane segment are revenues from other propane activities of $59.8 million, which decreased $6.6 million.

Revenues from the distribution of fuel oil and refined fuels of $116.4 million decreased $58.5 million, or 33.4%, from $174.9 million, due to lower average selling prices and, to a lesser extent, lower volumes sold. Average selling prices in our fuel oil and refined fuels segment decreased 22.2%, resulting in a $33.2 million decrease in revenues. Fuel oil and refined fuels gallons sold decreased 6.3 million gallons, or 14.3%, resulting in a decrease in revenues of $25.3 million. The decrease in volumes sold was primarily due to the impact of the unfavorable weather trends discussed above.

Revenues in our natural gas and electricity segment of $56.1 million decreased $18.2 million, or 24.5%, primarily as a result of lower average selling prices and, to a lesser extent, lower volumes sold.

Cost of Products Sold

(Dollars in thousands)	Nine Months Ended			
	June 27, 2015	June 28, 2014	Decrease	Percent Decrease
Cost of products sold				
Propane	$404,018	$752,090	$(348,072)	(46.3)%
Fuel oil and refined fuels	84,509	139,200	(54,691)	(39.3)%
Natural gas and electricity	35,696	55,732	(20,036)	(36.0)%
All other	11,563	12,184	(621)	(5.1)%
Total cost of products sold	$535,786	$959,206	$(423,420)	(44.1)%
As a percent of total revenues	43.1 %	56.5 %		

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The movement in propane prices during the first nine months of fiscal 2015 was in stark contrast to the comparable prior year period where prices were rising rapidly due to industry-wide supply and logistics challenges, particularly during the peak of the fiscal 2014 heating season. Overall, average posted propane prices (basis Mont Belvieu, Texas) and fuel oil prices were 50.5% and 32.8% lower than in the first nine months of the prior year, respectively. The net change in the fair value of derivative instruments during the first nine months of fiscal 2015 and fiscal 2014 resulted in unrealized (non-cash) gains of $2.0 million and $0.7 million, respectively, resulting in a net decrease of $1.3 million in cost of products sold compared to the prior year period, all of which was reported in our propane segment.

Cost of products sold associated with the distribution of propane and related activities of $404.0 million decreased $348.1 million, or 46.3%, primarily due to lower average wholesale costs and, to a lesser extent, lower volumes sold. Lower average propane costs and lower propane volumes sold resulted in decreases of $265.5 million and $68.6 million, respectively. Cost of products sold from other propane activities decreased $12.7 million.

Cost of products sold associated with our fuel oil and refined fuels segment of $84.5 million decreased $54.7 million, or 39.3%. Lower wholesale costs and lower fuel oil and refined fuels volumes sold resulted in decreases of $34.7 million and $20.0 million, respectively, in costs of products sold.

Cost of products sold in our natural gas and electricity segment of $35.7 million decreased $20.0 million, or 36.0%, primarily due to lower wholesale costs and lower natural gas and electricity volumes sold.

Total cost of products sold as a percent of total revenues decreased 13.4 percentage points to 43.1% from 56.5% primarily due to the decline in wholesale propane costs outpacing the decline in propane average selling prices.

Operating Expenses

(Dollars in thousands)	Nine Months Ended			
	June 27, 2015	June 28, 2014	Decrease	Percent Decrease
Operating expenses	$327,750	$361,035	$(33,285)	(9.2)%
As a percent of total revenues	26.4%	21.3%		

Operating expenses of $327.8 million for the first nine months of fiscal 2015 decreased $33.3 million, or 9.2%, compared to $361.0 million in the prior year period, primarily due to operating efficiencies and synergies realized during the period associated with the integration of Inergy Propane; including lower payroll and benefit-related expenses attributable to reduced headcount, lower vehicles expenses attributable to reduced vehicle count and lower fuel costs to operate our fleet and lower bad debt and insurance expenses. Operating expenses for the first nine months of the year included expenses of $3.8 million associated with the integration of the Inergy Propane operations compared to $5.8 million in the prior year. These charges were excluded from our calculation of Adjusted EBITDA below.

General and Administrative Expenses

(Dollars in thousands)	Nine Months Ended			
	June 27, 2015	June 28, 2014	Increase	Percent Increase
General and administrative expenses	$54,786	$51,105	$3,681	7.2%

As a percent of total revenues	4.4	%	3.0	%

General and administrative expenses of $54.8 million for the first nine months of fiscal 2015 increased $3.7 million from $51.1 million in the prior year period, primarily due to higher payroll and benefit-related expenses, including variable compensation, and higher professional services fees associated with uninsured legal matters. General and administrative expenses for the first nine months of fiscal 2015 and 2014 included $1.3 million and $3.3 million, respectively, of professional services and other expenses associated with the integration of Inergy Propane. These items were excluded from our calculation of Adjusted EBITDA below.

Depreciation and Amortization

(Dollars in thousands)	Nine Months Ended			
	June 27, 2015	June 28, 2014	Decrease	Percent Decrease
Depreciation and amortization	$98,588	$101,101	$(2,513)	(2.5)%
As a percent of total revenues	7.9 %	6.0 %		

Depreciation and amortization expense of $98.6 million in the first nine months of fiscal 2015 decreased $2.5 million, primarily as a result of accelerated depreciation expense recorded in the prior year for assets taken out of service from integration activities.

Interest Expense, net

(Dollars in thousands)	Nine Months Ended			
	June 27, 2015	June 28, 2014	Decrease	Percent Decrease
Interest expense, net	$58,643	$63,095	$(4,452)	(7.1)%
As a percent of total revenues	4.7 %	3.7 %		

Net interest expense of $58.6 million decreased $4.5 million, or 7.1%, primarily due to the refinancing of the $496.6 million 7.5% Senior Notes due 2018 with $525.0 million 5.5% Senior Notes due 2024 in the third quarter of fiscal 2014 and, to a lesser extent, the refinancing of the $250.0 million 7.375% Senior Notes due 2020 with $250.0 million 5.75% Senior Notes due 2025 in the second quarter of fiscal 2015. See Liquidity and Capital Resources below for additional discussion.

Loss on Debt Extinguishment

On February 25, 2015, we repurchased and satisfied and discharged all of our previously outstanding 2020 Senior Notes with net proceeds from the issuance of the 2025 Senior Notes, and cash on hand, pursuant to a tender offer and redemption during the second quarter of fiscal 2015. In connection with this tender offer and redemption, during the second quarter of fiscal 2015 we recognized a loss on the extinguishment of debt of $15.1 million consisting of $11.1 million for the redemption premium and related fees, as well as the write-off of $2.9 million and $1.1 million in unamortized debt origination costs and unamortized discount, respectively.

On May 27, 2014, we repurchased and satisfied and discharged all of our 2018 Senior Notes with net proceeds from the issuance of the 2024 Senior Notes (see below) and cash on hand pursuant to a tender offer and redemption. In connection with this tender offer and redemption, during the third quarter of fiscal 2014 we recognized a loss on the extinguishment of debt of $11.6 million consisting of $31.6 million for the redemption premium and related fees, as well as the write-off of $5.3 million and ($25.3) million in unamortized debt origination costs and unamortized premium, respectively.

EBITDA and Adjusted EBITDA

The following table sets forth our calculations of EBITDA and Adjusted EBITDA:

(Dollars in thousands)	Nine Months Ended	
	June 27, 2015	June 28, 2014
Net income	$151,489	$149,229
Add:		
Provision for income taxes	521	611
Interest expense, net	58,643	63,095
Depreciation and amortization	98,588	101,101
EBITDA	309,241	314,036
Loss on debt extinguishment	15,072	11,589
Unrealized (non-cash) (gains) on changes in fair value of derivatives	(2,035)	(708)
Integration-related costs	5,110	9,083
Adjusted EBITDA	$327,388	$334,000

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Liquidity and Capital Resources

Analysis of Cash Flows

Operating Activities. Net cash provided by operating activities for the first nine months of fiscal 2015 and fiscal 2014 was $259.1 million and $145.0 million, respectively. The increase in net cash provided by operating activities was primarily attributable to a substantial decrease in working capital requirements as a result of the impact of the decline in wholesale propane costs on our inventory, accounts receivable and accounts payable.

Investing Activities. Net cash used in investing activities of $30.0 million for the first nine months of fiscal 2015 consisted of capital expenditures of $31.0 million (including approximately $16.4 million to support the growth of operations and $14.6 million for maintenance expenditures) and $6.5 million for the acquisition of a business, partially offset by $7.5 million in net proceeds from the sale of property, plant and equipment.

Net cash used in investing activities of $12.1 million for the first nine months of fiscal 2014 consisted of capital expenditures of $21.6 million (including approximately $8.6 million to support the growth of operations and $13.0 million for maintenance expenditures), partially offset by $9.5 million in net proceeds from the sale of property, plant and equipment.

Financing Activities. Net cash used in financing activities for the first nine months of fiscal 2015 of $174.8 million reflects $159.4 million in quarterly distributions to Common Unitholders at a rate of $0.8750 per Common Unit paid in respect of the fourth quarter of fiscal 2014 and first quarter of fiscal 2015, and at a rate of $0.8875 per Common Unit paid in respect of the second quarter of fiscal 2015. In addition, cash used in financing activities included proceeds of $250.0 million from the issuance of the 2025 Senior Notes in February 2015 which were used, along with cash on hand, to repurchase and satisfy and discharge all of the previously outstanding 2020 Senior Notes, as well as to pay tender premiums and other related fees of $11.1 million and debt issuance costs of $4.6 million, pursuant to a tender offer and redemption.

Net cash used in financing activities for the first nine months of fiscal 2014 of $170.8 million reflects $158.2 million in quarterly distributions to Common Unitholders at a rate of $0.8750 per Common Unit paid in respect of the fourth quarter of fiscal 2013 and the first and second quarters of fiscal 2014 In addition, cash used in financing activities included proceeds of $525.0 million from the issuance of the 2024 Senior Notes in May 2014 which were used, along with cash on hand, to repurchase and satisfy and discharge all of the outstanding 2018 Senior Notes, as well as to pay tender premiums and other related fees of $31.6 million and debt issuance costs of $9.5 million, pursuant to a tender offer and redemption.

Summary of Long-Term Debt Obligations and Revolving Credit Lines

As of June 27, 2015, our long-term debt consisted of $346.2 million in aggregate principal amount of 7.375% senior notes due August 1, 2021, $525.0 million in aggregate principal amount of 5.5% senior notes due June 1, 2024, $250.0 million in aggregate principal amount of 5.75% senior notes due March 1, 2025 and $100.0 million outstanding under our senior secured Revolving Credit Facility.

Senior Notes

2018 Senior Notes and 2021 Senior Notes

On August 1, 2012, we and our 100%-owned subsidiary, Suburban Energy Finance Corp., issued $496.6 million in aggregate principal amount of unregistered 7.5% senior notes due October 1, 2018 (the “2018 Senior Notes”) and $503.4 million in aggregate principal amount of unregistered 7.375% senior notes due August 1, 2021 (the “2021 Senior Notes”) in a private placement in connection with the Inergy Propane acquisition. Based on market rates for

similar issues, the 2018 Senior Notes and 2021 Senior Notes were valued at 106.875% and 108.125%, respectively, of the principal amount, on the acquisition date as they were issued in exchange for Inergy's outstanding notes, not for cash. The 2021 Senior Notes require semi-annual interest payments in February and August. On December 19, 2012, we completed an offer to exchange our then-outstanding unregistered 7.5% senior notes due 2018 and 7.375% senior notes due 2021 for an equal principal amount of 7.5% senior notes due 2018 and 7.375% senior notes due 2021, respectively, that have been registered under the Securities Act of 1933, as amended.

On August 2, 2013, we repurchased, pursuant to an optional redemption, $133.4 million of our 2021 Senior Notes using net proceeds from our May 2013 public offering and net proceeds from the underwriters' exercise of their over-allotment option to purchase additional Common Units. In addition, on August 6, 2013, we repurchased $23.9 million of our 2021 Senior Notes in a private transaction using cash on hand.

On May 27, 2014, we repurchased and satisfied and discharged all of our 2018 Senior Notes with net proceeds from the issuance of the 2024 Senior Notes, as defined below, and cash on hand, pursuant to a tender offer and redemption during the third quarter of fiscal 2014. In connection with this tender offer and redemption, we recognized a loss on the extinguishment of debt of $11.6 million consisting of $31.6 million for the redemption premium and related fees, as well as the write-off of $5.3 million and ($25.3) million in unamortized debt origination costs and unamortized premium, respectively.

2020 Senior Notes

On March 23, 2010, we and our 100%-owned subsidiary, Suburban Energy Finance Corp., completed a public offering of $250.0 million in aggregate principal amount of 7.375% senior notes due March 15, 2020 (the "2020 Senior Notes"). The 2020 Senior Notes were issued at 99.136% of the principal amount and require semi-annual interest payments in March and September.

On February 25, 2015, we repurchased and satisfied and discharged all of our 2020 Senior Notes with net proceeds from the issuance of the 2025 Senior Notes, as defined below, and cash on hand, pursuant to a tender offer and redemption during the second quarter of fiscal 2015. In connection with this tender offer and redemption, we recognized a loss on the extinguishment of debt of $15.1 million consisting of $11.1 million for the redemption premium and related fees, as well as the write-off of $2.9 million and $1.1 million in unamortized debt origination costs and unamortized discount, respectively.

2024 Senior Notes

On May 27, 2014, we and our 100%-owned subsidiary, Suburban Energy Finance Corp., completed a public offering of $525.0 million in aggregate principal amount of 5.5% senior notes due June 1, 2024 (the "2024 Senior Notes"). The 2024 Senior Notes were issued at 100% of the principal amount and require semi-annual interest payments in June and December. The net proceeds from the issuance of the 2024 Senior Notes, along with cash on hand, were used to repurchase and satisfy and discharge all of the 2018 Senior Notes.

2025 Senior Notes

On February 25, 2015, we and our 100%-owned subsidiary, Suburban Energy Finance Corp., completed a public offering of $250.0 million in aggregate principal amount of 5.75% senior notes due March 1, 2025 (the "2025 Senior Notes"). The 2025 Senior Notes were issued at 100% of the principal amount and require semi-annual interest payments in March and September. The net proceeds from the issuance of the 2025 Senior Notes, along with cash on hand, were used to repurchase and satisfy and discharge all of the 2020 Senior Notes.

Our obligations under the 2021 Senior Notes, 2024 Senior Notes and 2025 Senior Notes (collectively, the "Senior Notes") are unsecured and rank senior in right of payment to any future subordinated indebtedness and equally in right of payment with any future senior indebtedness. The Senior Notes are structurally subordinated to, which means they rank effectively behind, any debt and other liabilities of the Operating Partnership. We are permitted to redeem some or all of the Senior Notes at redemption prices and times as specified in the indentures governing the Senior Notes. The Senior Notes each have a change of control provision that would require us to offer to repurchase the notes at 101% of the principal amount repurchased, if a change of control, as defined in the indenture, occurs and is followed by a rating decline (a decrease in the rating of the notes by either Moody's Investors Service or Standard and Poor's Rating Group by one or more gradations) within 90 days of the consummation of the change of control.

Credit Agreement

Our Operating Partnership has an amended and restated credit agreement entered into on January 5, 2012, as amended on August 1, 2012 and May 9, 2014 (collectively, the "Amended Credit Agreement") that provides for a five-year

$400.0 million revolving credit facility (the "Revolving Credit Facility"), of which $100.0 million was outstanding as of June 27, 2015 and September 27, 2014. Borrowings under the Revolving Credit Facility may be used for general corporate purposes, including working capital, capital expenditures and acquisitions. Our Operating Partnership has the right to prepay any borrowings under the Revolving Credit Facility, in whole or in part, without penalty at any time prior to maturity.

The amendment and restatement of the credit agreement on January 5, 2012 amended the previous credit agreement to, among other things, extend the maturity date from June 25, 2013 to January 5, 2017, reduce the borrowing rate and commitment fees, and amend certain affirmative and negative covenants.

The amendment on August 1, 2012 amended, among other things, certain restrictive and affirmative covenants applicable to our Operating Partnership and to us, as well as certain financial covenants, including (a) requiring our consolidated interest coverage ratio, as defined in the amendment, to be not less than 2.0 to 1.0 as of the end of any fiscal quarter; (b) prohibiting the total consolidated leverage ratio, as defined in the amendment, of the Partnership from being greater than 7.0 to 1.0 as of the end of any fiscal quarter.

The minimum consolidated interest coverage ratio increased over time, and commencing with the second quarter of fiscal 2014, such minimum ratio is 2.5 to 1.0. The maximum consolidated leverage ratio decreased over time, as well as upon the occurrence of certain events, and, commencing with the second quarter of fiscal 2013, such maximum ratio is 4.75 to 1.0 (or 5.0 to 1.0 during an acquisition period as defined in the amendment). The amendment on May 9, 2014 made certain technical amendments with respect to agreements relating to debt refinancing.

We act as a guarantor with respect to the obligations of our Operating Partnership under the Amended Credit Agreement pursuant to the terms and conditions set forth therein. The obligations under the Amended Credit Agreement are secured by liens on substantially all of the personal property of the Partnership, the Operating Partnership and their subsidiaries, as well as mortgages on certain real property.

Borrowings under the Revolving Credit Facility of the Amended Credit Agreement bear interest at prevailing interest rates based upon, at the Operating Partnership's option, LIBOR plus the applicable margin or the base rate, defined as the higher of the Federal Funds Rate plus ½ of 1%, the agent bank's prime rate, or LIBOR plus 1%, plus in each case the applicable margin. The applicable margin is dependent upon our ratio of Consolidated Total Debt to Consolidated EBITDA, as defined in the Revolving Credit Facility. As of June 27, 2015, the interest rate for the Revolving Credit Facility was approximately 2.5%. The interest rate and the applicable margin will be reset at the end of each calendar quarter.

In connection with the Amended Credit Agreement, our Operating Partnership entered into an interest rate swap agreement with a notional amount of $100.0 million, an effective date of June 25, 2013 and a maturity date of January 5, 2017. Under this interest rate swap agreement, our Operating Partnership will pay a fixed interest rate of 1.63% to the issuing lender on the notional principal amount outstanding, and the issuing lender will pay our Operating Partnership a floating rate, namely LIBOR, on the same notional principal amount. The interest rate swap has been designated as a cash flow hedge.

As of June 27, 2015, our Operating Partnership had standby letters of credit issued under the Revolving Credit Facility in the aggregate amount of $53.2 million which expire periodically through April 3, 2016. Therefore, as of June 27, 2015, after giving effect to $100.0 million in outstanding borrowings, we had available borrowing capacity of $246.8 million under the Revolving Credit Facility.

The Amended Credit Agreement and the Senior Notes both contain various restrictive and affirmative covenants applicable to the Operating Partnership and the Partnership, respectively, including (i) restrictions on the incurrence of additional indebtedness, and (ii) restrictions on certain liens, investments, guarantees, loans, advances, payments, mergers, consolidations, distributions, sales of assets and other transactions. Under the Amended Credit Agreement and the indentures governing the Senior Notes, the Operating Partnership and the Partnership are generally permitted to make cash distributions equal to available cash, as defined, as of the end of the immediately preceding quarter, if no event of default exists or would exist upon making such distributions, and with respect to the indentures governing the Senior Notes, our consolidated fixed charge coverage ratio, as defined, is greater than 1.75 to 1. We and our Operating Partnership were in compliance with all covenants and terms of the Senior Notes and the Amended Credit Agreement as of June 27, 2015.

The aggregate amounts of long-term debt maturities subsequent to June 27, 2015 are as follows: fiscal 2015 through fiscal 2016: $-0-; fiscal 2017: $100.0 million; fiscal 2018: $-0-; fiscal 2019: $-0-; and thereafter: $1,121.2 million.

Partnership Distributions

We are required to make distributions in an amount equal to all of our Available Cash, as defined in our Third Amended and Restated Partnership Agreement, as amended (the "Partnership Agreement"), no more than 45 days after the end of each fiscal quarter to holders of record on the applicable record dates. Available Cash, as defined in the Partnership Agreement, generally means all cash on hand at the end of the respective fiscal quarter less the amount of

cash reserves established by the Board of Supervisors in its reasonable discretion for future cash requirements. These reserves are retained for the proper conduct of our business, the payment of debt principal and interest and for distributions during the next four quarters. The Board of Supervisors reviews the level of Available Cash on a quarterly basis based upon information provided by management.

On July 23, 2015, we announced a quarterly distribution of $0.8875 per Common Unit, or $3.55 on an annualized basis, in respect of the third quarter of fiscal 2015, payable on August 11, 2015 to holders of record on August 4, 2015.

Other Commitments

We have a noncontributory, cash balance format, defined benefit pension plan which was frozen to new participants effective January 1, 2000. Effective January 1, 2003, the defined benefit pension plan was amended such that future service credits ceased and eligible employees would receive interest credits only toward their ultimate retirement benefit. We also provide postretirement health care and life insurance benefits for certain retired employees under a plan that was also frozen to new participants effective January 1, 2000. At June 27, 2015, we had a liability for the defined benefit pension plan and accrued retiree health and life benefits of $32.2 million and $19.5 million, respectively.

We are self-insured for general and product, workers' compensation and automobile liabilities up to predetermined thresholds above which third party insurance applies. At June 27, 2015, we had accrued insurance liabilities of $61.5 million, and an insurance recovery asset of $17.7 million related to the amount of the liability expected to be covered by insurance.

Legal Matters

Our operations are subject to operating hazards and risks normally incidental to handling, storing and delivering combustible liquids such as propane. We have been, and will continue to be, a defendant in various legal proceedings and litigation as a result of these operating hazards and risks, and as a result of other aspects of our business. Although any litigation is inherently uncertain, based on past experience, the information currently available to us, and the amount of our accrued insurance liabilities, we do not believe that currently pending or threatened litigation matters, or known claims or known contingent claims, will have a material adverse effect on our results of operations, financial condition or cash flow.

Off-Balance Sheet Arrangements

Guarantees

We have residual value guarantees associated with certain of our operating leases, related primarily to transportation equipment, with remaining lease periods scheduled to expire periodically through fiscal 2022. Upon completion of the lease period, we guarantee that the fair value of the equipment will equal or exceed the guaranteed amount, or we will pay the lessor the difference. Although the fair value of equipment at the end of its lease term has historically exceeded the guaranteed amounts, the maximum potential amount of aggregate future payments we could be required to make under these leasing arrangements, assuming the equipment is deemed worthless at the end of the lease term, was approximately $11.8 million as of June 27, 2015. The fair value of residual value guarantees for outstanding operating leases was de minimis as of June 27, 2015.

Recently Issued Accounting Pronouncements.

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-03, "Simplifying the Presentation of Debt Issuance Costs" ("ASU 2015-03"). This update requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with the presentation of debt discounts. ASU 2015-03 is effective for the first interim period within annual reporting periods beginning after December 15, 2015, which will be our first quarter of fiscal year 2017. Other than the reclassification of existing debt issuance costs on the balance sheet, the adoption of ASU 2015-03 will have no impact on our operations or cash flows.

In May 2014, FASB issued ASU 2014-09 "Revenue from Contracts with Customers" ("ASU 2014-09"). This update provides a principles-based approach to revenue recognition, requiring revenue recognition to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in

exchange for those goods or services. The ASU provides a five-step model to be applied to all contracts with customers. The five steps are to identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognize revenue when each performance obligation is satisfied. On July 9, 2015, the FASB finalized a one-year deferral of the effective date of ASU 2014-09. The revenue standard is therefore effective for the first interim period within annual reporting periods beginning after December 15, 2017, which will be our first quarter of fiscal year 2019. Early adoption as of the original effective date is permitted. ASU 2014-09 can be applied either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the update recognized at the date of the initial application along with additional disclosures. We do not expect the adoption of ASU 2014-09 will have a material impact on our results of operations, financial position or cash flows.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
Commodity Price Risk

We enter into product supply contracts that are generally one-year agreements subject to annual renewal, and also purchase product on the open market. Our propane supply contracts typically provide for pricing based upon index formulas using the posted prices established at major supply points such as Mont Belvieu, Texas, or Conway, Kansas (plus transportation costs) at the time of delivery. In addition, to supplement our annual purchase requirements, we may utilize forward fixed price purchase contracts to acquire a portion of the propane that we resell to our customers, which allows us to manage our exposure to unfavorable changes in commodity prices and to help ensure adequate physical supply. The percentage of contract purchases, and the amount of supply contracted for under forward contracts at fixed prices, will vary from year to year based on market conditions. In certain instances, and when market conditions are favorable, we are able to purchase product under our supply arrangements at a discount to the market.

Product cost changes can occur rapidly over a short period of time and can impact profitability. We attempt to reduce commodity price risk by pricing product on a short-term basis. The level of priced, physical product maintained in storage facilities and at our customer service centers for immediate sale to our customers will vary depending on several factors, including, but not limited to, price, supply and demand dynamics for a given time of the year. Typically, our on hand priced position does not exceed more than four to eight weeks of our supply needs, depending on the time of the year. In the course of normal operations, we routinely enter into contracts such as forward priced physical contracts for the purchase or sale of propane and fuel oil that, under accounting rules for derivative instruments and hedging activities, qualify for and are designated as normal purchase or normal sale contracts. Such contracts are exempted from fair value accounting and are accounted for at the time product is purchased or sold under the related contract.

Under our hedging and risk management strategies, we enter into a combination of exchange-traded futures and options contracts and, in certain instances, over-the-counter options and swap contracts (collectively, “derivative instruments”) to manage the price risk associated with physical product and with future purchases of the commodities used in our operations, principally propane and fuel oil, as well as to help ensure the availability of product during periods of high demand. In addition, we sell propane and fuel oil to customers at fixed prices, and enter into derivative instruments to hedge a portion of its exposure to fluctuations in commodity prices as a result of selling the fixed price contracts. We do not use derivative instruments for speculative or trading purposes. Futures and swap contracts require that we sell or acquire propane or fuel oil at a fixed price for delivery at fixed future dates. An option contract allows, but does not require, its holder to buy or sell propane or fuel oil at a specified price during a specified time period. However, the writer of an option contract must fulfill the obligation of the option contract, should the holder choose to exercise the option. At expiration, the contracts are settled by the delivery of the product to the respective party or are settled by the payment of a net amount equal to the difference between the then market price and the fixed contract price or option exercise price. To the extent that we utilize derivative instruments to manage exposure to commodity price risk and commodity prices move adversely in relation to the contracts, we could suffer losses on those derivative instruments when settled. Conversely, if prices move favorably, we could realize gains. Under our hedging and risk management strategy, realized gains or losses on derivative instruments will typically offset losses or gains on the physical inventory once the product is sold to customers at market prices, or delivered to customers as it pertains to fixed price contracts.

Futures are traded with brokers of the NYMEX and require daily cash settlements in margin accounts. Forward contracts are generally settled at the expiration of the contract term by physical delivery, and swap and options contracts are generally settled at expiration through a net settlement mechanism. Market risks associated with our derivative instruments are monitored daily for compliance with our Hedging and Risk Management Policy which includes volume limits for open positions. Open inventory positions are reviewed and managed daily as to exposures to changing market prices.

Credit Risk

Exchange-traded futures and options contracts we entered into are guaranteed by the NYMEX and, as a result, have minimal credit risk. We are subject to credit risk with over-the-counter forward, swap and options contracts to the extent the counterparties do not perform. We evaluate the financial condition of each counterparty with which we conduct business and establish credit limits to reduce exposure to the risk of non-performance by our counterparties.

Interest Rate Risk

A portion of our borrowings bear interest at prevailing interest rates based upon, at the Operating Partnership's option, LIBOR, plus an applicable margin or the base rate, defined as the higher of the Federal Funds Rate plus ½ of 1% or the agent bank's prime rate, or LIBOR plus 1%, plus the applicable margin. The applicable margin is dependent on the level of the Partnership's total leverage (the total ratio of debt to consolidated EBITDA). Therefore, we are subject to interest rate risk on the variable component of the interest rate. We manage our interest rate risk by entering into interest rate swap agreements. The interest rate swaps have been designated as a cash flow hedge. Changes in the fair value of the interest rate swaps are recognized in other comprehensive income ("OCI") until the hedged item is recognized in earnings. At June 27, 2015, the fair value of the interest rate swaps was a net liability of $1.4 million, which is included within other current liabilities and other liabilities, as applicable, with a corresponding unrealized loss reflected in accumulated OCI.

Derivative Instruments and Hedging Activities

All of our derivative instruments are reported on the balance sheet at their fair values. On the date that derivative instruments are entered into, we make a determination as to whether the derivative instrument qualifies for designation as a hedge. Changes in the fair value of derivative instruments are recorded each period in current period earnings or OCI, depending on whether a derivative instrument is designated as a hedge and, if so, the type of hedge. For derivative instruments designated as cash flow hedges, we formally assess, both at the hedge contract's inception and on an ongoing basis, whether the hedge contract is highly effective in offsetting changes in cash flows of hedged items. Changes in the fair value of derivative instruments designated as cash flow hedges are reported in OCI to the extent effective and reclassified into earnings during the same period in which the hedged item affects earnings. The mark-to-market gains or losses on ineffective portions of cash flow hedges are immediately recognized in earnings. Changes in the fair value of derivative instruments that are not designated as cash flow hedges, and that do not meet the normal purchase and normal sale exemption, are recorded in earnings as they occur. Cash flows associated with derivative instruments are reported as operating activities within the condensed consolidated statement of cash flows.

Sensitivity Analysis

In an effort to estimate our exposure to unfavorable market price changes in commodities related to our open positions under derivative instruments, we developed a model that incorporates the following data and assumptions:

A. The fair value of open positions as of June 27, 2015.
B. The market prices for the underlying commodities used to determine A. above were adjusted adversely by a hypothetical 10% change and compared to the fair value amounts in A. above to project the potential negative impact on earnings that would be recognized for the respective scenario.

Based on the sensitivity analysis described above, a hypothetical 10% adverse change in market prices for open derivative instruments as of June 27, 2015 indicates a decrease in potential future net gains of $2.2 million. See also Item 7A of our Annual Report on Form 10-K for the fiscal year ended September 27, 2014. The above hypothetical change does not reflect the worst case scenario. Actual results may be significantly different depending on market conditions and the composition of the open position portfolio.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Partnership maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to provide reasonable assurance that information required to be disclosed in the Partnership's filings and submissions under the Exchange Act is recorded, processed, summarized and reported within the periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to the Partnership's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

The Partnership completed an evaluation under the supervision and with participation of the Partnership's management, including the Partnership's principal executive officer and principal financial officer, of the effectiveness of the design and operation of the Partnership's disclosure controls and procedures as of June 27, 2015. Based on this evaluation, the Partnership's principal executive officer and principal financial officer have concluded that as of June 27, 2015, such disclosure controls and procedures were effective to provide the reasonable assurance described above.

Changes in Internal Control Over Financial Reporting

There have not been any changes in the Partnership’s internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the quarter ended June 27, 2015 that have materially affected or are reasonably likely to materially affect its internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS
Part I, Item 1. Financial Statements, Note 10 to the Condensed Consolidated Financial Statements, of this Form 10-Q is hereby incorporated herein by reference.

ITEM 1A. RISK FACTORS
There have been no material changes to the risk factors disclosed in Item 1A in the Partnership's Annual Report on Form 10-K for the fiscal year ended September 27, 2014.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS
None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES
None.

ITEM 4. MINE SAFETY DISCLOSURES
Not applicable.

ITEM 5. OTHER INFORMATION
None.

ITEM 6. EXHIBITS
(a) Exhibits
INDEX TO EXHIBITS

The exhibits listed on this Exhibit Index are filed as part of this Quarterly Report. Exhibits required to be filed by Item 601 of Regulation S-K, which are not listed below, are not applicable.

Exhibit Number	Description
10.1	Suburban Propane Partners, L.P. 2009 Restricted Unit Plan, effective August 1, 2009, as amended on November 13, 2012, August 6, 2013 and May 13, 2015. (Incorporated by reference to Exhibit 10.1 to the Partnership's Current Report on Form 8-K filed May 14, 2015).
31.1	Certification of the President and Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (Filed herewith).
31.2	Certification of the Chief Financial Officer and Chief Accounting Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (Filed herewith).
32.1	Certification of the President and Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Filed herewith).
32.2	Certification of the Chief Financial Officer and Chief Accounting Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Filed herewith).
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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.

SUBURBAN PROPANE PARTNERS, L.P.

August 6, 2015	By:	/s/ MICHAEL A. KUGLIN
Date		Michael A. Kuglin
		Chief Financial Officer and Chief Accounting Officer
August 6, 2015	By:	/s/ DANIEL S. BLOOMSTEIN
Date		Daniel S. Bloomstein
		Controller

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