

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

(Mark One)

- ☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2021

OR

- ☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-08089

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DANAHER CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State of Incorporation)

59-1995548

(I.R.S. Employer Identification Number)

2200 Pennsylvania Avenue, N.W., Suite 800W
Washington, DC

(Address of Principal Executive Offices)

20037-1701

(Zip Code)

Registrant's telephone number, including area code: 202-828-0850

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, \$0.01 par value	DHR	New York Stock Exchange
4.75% Mandatory Convertible Preferred Stock, Series A, without par value	DHR.PRA	New York Stock Exchange
5.00% Mandatory Convertible Preferred Stock, Series B, without par value	DHR.PRB	New York Stock Exchange
Floating Rate Senior Notes due 2022	DHR/22A	New York Stock Exchange
1.700% Senior Notes due 2024	DHR 24	New York Stock Exchange
0.200% Senior Notes due 2026	DHR/26	New York Stock Exchange
2.100% Senior Notes due 2026	DHR 26	New York Stock Exchange
1.200% Senior Notes due 2027	DHR/27	New York Stock Exchange
0.450% Senior Notes due 2028	DHR/28	New York Stock Exchange
2.500% Senior Notes due 2030	DHR 30	New York Stock Exchange
0.750% Senior Notes due 2031	DHR/31	New York Stock Exchange
1.350% Senior Notes due 2039	DHR/39	New York Stock Exchange
1.800% Senior Notes due 2049	DHR/49	New York Stock Exchange

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

NONE

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☒

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 (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-accelerated Filer	<input type="checkbox"/>	Smaller Reporting company	<input type="checkbox"/>
Emerging Growth Company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of February 4, 2022, the number of shares of Registrant’s common stock outstanding was 715,352,586. The aggregate market value of common stock held by non-affiliates of the Registrant on July 2, 2021 was \$173.7 billion, based upon the closing price of the Registrant’s common stock as quoted on the New York Stock Exchange on such date.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates certain information by reference from the Registrant’s proxy statement for its 2022 annual meeting of shareholders to be filed pursuant to Regulation 14A within 120 days after Registrant’s fiscal year-end. With the exception of the sections of the 2022 Proxy Statement specifically incorporated herein by reference, the 2022 Proxy Statement is not deemed to be filed as part of this Form 10-K.

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In this Annual Report, the terms “Danaher” or the “Company” refer to Danaher Corporation, Danaher Corporation and its consolidated subsidiaries or the consolidated subsidiaries of Danaher Corporation, as the context requires. Unless otherwise indicated, all financial data in this Annual Report refer to continuing operations only.

INFORMATION RELATING TO FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Annual Report, in other documents we file with or furnish to the Securities and Exchange Commission (“SEC”), in our press releases, webcasts, conference calls, materials delivered to shareholders and other communications, are “forward-looking statements” within the meaning of the U.S. federal securities laws. All statements other than historical factual information are forward-looking statements, including without limitation statements regarding: projections of revenue, expenses, profit, profit margins, pricing, tax rates, tax provisions, cash flows, pension and benefit obligations and funding requirements, our liquidity position or other projected financial measures; management’s plans and strategies for future operations, including statements relating to anticipated operating performance, cost reductions, restructuring activities, new product and service developments, competitive strengths or market position, acquisitions and the integration thereof, divestitures, spin-offs, split-offs or other distributions, strategic opportunities, securities offerings, stock repurchases, dividends and executive compensation; growth, declines and other trends in markets we sell into; new or modified laws, regulations and accounting pronouncements; future regulatory approvals and the timing and conditionality thereof; outstanding claims, legal proceedings, tax audits and assessments and other contingent liabilities; future foreign currency exchange rates and fluctuations in those rates; the potential or anticipated direct or indirect impact of COVID-19 on our business, results of operations and/or financial condition; general economic and capital markets conditions; the anticipated timing of any of the foregoing; assumptions underlying any of the foregoing; and any other statements that address events or developments that Danaher intends or believes will or may occur in the future. Terminology such as “believe,” “anticipate,” “should,” “could,” “intend,” “will,” “plan,” “expect,” “estimate,” “project,” “target,” “may,” “possible,” “potential,” “forecast” and “positioned” and similar references to future periods are intended to identify forward-looking statements, although not all forward-looking statements are accompanied by such words. Forward-looking statements are based on assumptions and assessments made by our management in light of their experience and perceptions of historical trends, current conditions, expected future developments and other factors they believe to be appropriate. These forward-looking statements are subject to a number of risks and uncertainties, including but not limited to the risks and uncertainties set forth below and under “Item 1A. Risk Factors” in this Annual Report.

Forward-looking statements are not guarantees of future performance and actual results may differ materially from the results, developments and business decisions contemplated by our forward-looking statements. Accordingly, you should not place undue reliance on any such forward-looking statements. Forward-looking statements speak only as of the date of the report, document, press release, webcast, call, materials or other communication in which they are made. Except to the extent required by applicable law, we do not assume any obligation to update or revise any forward-looking statement, whether as a result of new information, future events and developments or otherwise.

Below is a summary of material risks and uncertainties we face, which are discussed more fully in “Item 1A. Risk Factors”:

Business and Strategic Risks

- The COVID-19 pandemic has adversely impacted, and continues to pose risks to, certain elements of our business and our financial statements, the nature and extent of which are highly uncertain and unpredictable.
- Conditions in the global economy, the particular markets we serve and the financial markets can adversely affect our business and financial statements.
- We face intense competition and if we are unable to compete effectively, we may experience decreased demand and market share. Even if we compete effectively, we may be required to reduce the prices we charge.
- Our growth depends on the timely development and commercialization, and customer acceptance, of new and enhanced products and services based on technological innovation. Our growth can also suffer if the markets into which we sell our products and services decline, do not grow as anticipated or experience cyclicity.

- The health care industry and related industries that we serve have undergone, and are in the process of undergoing, significant changes in an effort to reduce (and increase the predictability of) costs, which can adversely affect our business and financial statements.
- Non-U.S. economic, political, legal, compliance, social and business factors (including the United Kingdom's departure from the European Union ("EU")) can negatively affect our business and financial statements.

- Collaborative partners and other third-parties we rely on for development, supply and marketing of certain products, potential products and technologies could fail to perform sufficiently.

Acquisitions, Divestitures and Investment Risks

- Any inability to consummate acquisitions at our historical rate and appropriate prices, and to make appropriate investments that support our long-term strategy, could negatively impact our business. Our acquisition of businesses, investments, joint ventures and other strategic relationships could also negatively impact our business and financial statements and our indemnification rights may not fully protect us from liabilities related thereto.
- Divestitures or other dispositions could negatively impact our business, and contingent liabilities from businesses that we or our predecessors have disposed could adversely affect our business and financial statements. For example, we could incur significant liability if any of the split-off or spin-off transactions we have consummated is determined to be a taxable transaction or otherwise pursuant to our indemnification obligations with respect to such transactions.

Operational Risks

- Significant disruptions in, or breaches in security of, our information technology systems or data; other losses or disruptions due to catastrophe; and labor disputes can all adversely affect our business and financial statements.
- Defects and unanticipated use or inadequate disclosure with respect to our products or services, or allegations thereof, can adversely affect our business and financial statements.
- If we encounter problems manufacturing products, fail to adjust our manufacturing capacity or related purchases to reflect changing conditions, or suffer disruptions due to sole or limited sources of supply or due to limited availability of labor, our business and financial statements may suffer. Adverse changes with respect to key distributors and other channel partners can also adversely affect our business and financial statements.
- Climate change, or legal or regulatory measures to address climate change, may negatively affect us.
- Our success depends on our ability to recruit, retain and motivate talented employees representing diverse backgrounds, experiences and skill sets.
- Our restructuring actions can have long-term adverse effects on our business and financial statements.

Intellectual Property Risks

- Any inability to adequately protect or avoid third-party infringement of our intellectual property, and third-party claims we are infringing intellectual property rights, can adversely affect our business and financial statements.

Financial and Tax Risks

- Our outstanding debt has increased significantly as a result of acquisitions, and we may incur additional debt in the future. Our existing and future indebtedness may limit our operations and our use of our cash flow and negatively impact our credit ratings; and any failure to comply with the covenants that apply to our indebtedness could adversely affect our business and financial statements.
- Our business and financial statements can be adversely affected by foreign currency exchange rates, changes in our tax rates (including as a result of changes in tax laws) or income tax liabilities/assessments, the outcome of tax audits, financial market risks related to our defined benefit pension plans, recognition of impairment charges for our goodwill or other intangible assets, and fluctuations in the cost and availability of commodities.

Legal, Regulatory, Compliance and Reputational Risks

- Our businesses are subject to extensive regulation (including applicable to the healthcare industry). Failure to comply with those regulations (including by our employees, agents or business partners) or significant developments or changes in U.S. laws or policies can adversely affect our business and financial statements. Changes in governmental regulations can also reduce demand for our offerings or increase our expenses.

- With respect to the regulated medical devices we offer, certain modifications to such products may require new regulatory clearance (such as 510(k) clearances) or other marketing authorizations and may require us to recall or cease marketing such products; off-label marketing of such products could result in penalties; and clinical trials we conduct with respect to such products or potential products may have results that are unexpected or are perceived unfavorably by the market, all of which could adversely affect our business and financial statements.
- We are subject to or otherwise responsible for a variety of litigation and other legal and regulatory proceedings in the course of our business that can adversely affect our business and financial statements.

- Our operations, products and services also expose us to the risk of environmental, health and safety liabilities, costs and violations that could adversely affect our business and financial statements.
- Our By-law exclusive forum provisions could limit our stockholders' ability to choose their preferred judicial forum for disputes with us or our directors, officers or employees.

PART I

ITEM 1. BUSINESS

General

Danaher is a global science and technology innovator committed to helping customers solve complex challenges and improving quality of life around the world. Danaher is comprised of more than 20 operating companies with leadership positions in the life sciences, diagnostics, environmental and applied sectors, organized under three segments (Life Sciences; Diagnostics; and Environmental & Applied Solutions). United by the DANAHER BUSINESS SYSTEM ("DBS"), our businesses are also typically characterized by a high level of products and services that are sold on a recurring basis, primarily through a direct sales model and to a geographically diverse customer base. Our business' research and development, manufacturing, sales, distribution, service and administrative facilities are located in more than 60 countries.

Danaher strives to create shareholder value primarily through three strategic priorities:

- strengthening our competitive advantage through consistent application of DBS tools;
- enhancing our portfolio in attractive science and technology markets through strategic capital allocation; and
- consistently attracting and retaining exceptional talent.

Danaher measures its progress against these strategic priorities over the long-term based primarily on financial metrics relating to revenue growth, profitability, cash flow and capital returns, as well as certain non-financial metrics. To further the strategic objectives set forth above, the Company also acquires businesses and makes investments that either complement its existing business portfolio or expand its portfolio into new and attractive markets. Given the rapid pace of technological development and the specialized expertise typical of Danaher's served markets, acquisitions, strategic alliances and investments provide the Company access to important new technologies and domain expertise. Danaher believes there are many acquisition and investment opportunities available within its targeted markets. The extent to which we identify, consummate and effectively integrate appropriate acquisitions and consummate appropriate investments affects our overall growth and operating results. Danaher also continually assesses the strategic fit of its existing businesses and may dispose of businesses that are deemed not to fit with its strategic plan.

DBS is not only the set of business processes and tools our operating companies use on a daily basis, but is more broadly our culture. As reflected in our logo, DBS features five core values (the "Core Values"):

1. The Best Team Wins
2. Customers Talk, We Listen
3. Kaizen is our Way of Life
4. Innovation Defines our Future
5. We Compete for Shareholders

Underpinned by these five Core Values as well as our Shared Purpose – *Helping Realize Life's Potential*, the DBS tools are organized into three pillars that are designed to apply to every aspect of our business: Growth, Lean and Leadership.

The idea for Danaher originated in the early 1980s when the Company's founders, Steven M. and Mitchell P. Rales, envisioned a business that would generate sustainable long-term value for customers, employees and shareholders. Through a series of acquisitions and divestitures, Danaher has evolved over time into the science and technology innovator it is today. While the operating companies that make up Danaher have changed, DBS continues to be the guiding philosophy for the Company.

Sales in 2021 by geographic destination (geographic destination refers to the geographic area where the final sale to the Company's unaffiliated customer is made) as a percentage of total 2021 sales were: North America, 40% (including 38% in the United States); Western Europe, 24%; other developed markets, 5%; and high-growth markets, 31%. The Company defines high-growth markets as developing markets of the world experiencing extended periods of accelerated growth in gross domestic product and infrastructure which include Eastern Europe, the Middle East, Africa, Latin America and Asia (with the exception of Japan, Australia and New Zealand). The Company defines developed markets as all markets of the world that are not high-growth markets.

LIFE SCIENCES

The Life Sciences segment offers a broad range of instruments and consumables that are primarily used by customers to study the basic building blocks of life, including genes, proteins, metabolites and cells, in order to understand the causes of disease, identify new therapies, and test and manufacture new drugs and vaccines. Sales in 2021 for this segment by geographic destination (as a percentage of total 2021 sales) were: North America, 36%; Western Europe, 27%; other developed markets, 6%; and high-growth markets, 31%.

Danaher established the life sciences business in 2005 through the acquisition of Leica Microsystems and has expanded the business through numerous subsequent acquisitions, including the acquisitions of AB Sciex and Molecular Devices in 2010, Beckman Coulter in 2011, Pall in 2015, Phenomenex in 2016, IDT in 2018, Cytiva in 2020 and Aldevron in 2021.

The Life Sciences segment consists of the following businesses:

Bioprocess —The bioprocess business is a leading provider of technologies, consumables and services that advance and accelerate the development and manufacture of vaccines, biologic drugs, and novel cell and gene therapies. The business offers solutions that support its customers across the pharmaceutical and biopharmaceutical value chain, from the earliest stages of drug discovery and research, to product and process development, clinical trials, therapy manufacturing and clinical use. The business' workflow solutions include process chromatography instruments and consumables, cell culture media, single-use technologies, development instrumentation, fill and finish, lab filtration and genomics consumables.

Filtration—The filtration, separation and purification technologies business is a leading provider of products used to remove solid, liquid and gaseous contaminants from a variety of liquids and gases, primarily through the sale of filtration consumables and to a lesser extent systems that incorporate filtration consumables and associated hardware. The business’ core materials and technologies can be applied in many ways to solve complex fluid separation challenges, and are sold across a wide array of applications in two primary business groups:

- Life Sciences. The business’ life sciences technologies facilitate the process of drug discovery, development, regulatory validation and production and are sold to biopharmaceutical and medical customers. In the biopharmaceutical area, the business sells a broad line of filtration and purification technologies, single use bioreactors and associated accessories, hardware and engineered systems primarily to pharmaceutical and biopharmaceutical companies for use in the development and commercialization of chemically synthesized and biologically derived drugs, plasma and vaccines. Biotechnology drugs, plasma and biologically derived vaccines in particular are filtration and purification intensive and represent a significant opportunity for growth for the business in the biopharmaceutical area. In the medical area, hospitals use the Company’s breathing circuit and intravenous filters and water filters to help control the spread of infections.
- Industrial. Virtually all of the raw materials, process fluids and waste streams that are found in industry are candidates for multiple stages of filtration, separation and purification. In addition, most of the machines used in complex production processes require filtration to protect sensitive parts from degradation due to contamination. The business’ technologies enhance the quality and efficiency of manufacturing processes and prolong equipment life in applications such as microelectronics, aircraft, oil refineries, power generation turbines, petrochemical plants and food and beverage plants. Within these segments, demand is driven by end-users and original equipment manufacturers (“OEM”) seeking to improve product performance, increase production and efficiency, reduce operating costs, extend the life of their equipment, conserve water and meet environmental regulations. The business also serves the filtration needs of the food and beverage markets, helping customers ensure the quality and safety of their products while lowering operating costs and minimizing waste.

Flow Cytometry, Genomics, Lab Automation, Centrifugation, Particle Counting and Characterization—The business offers workflow instruments and consumables that help researchers analyze genomic, protein and cellular information. Key product areas include sample preparation equipment such as centrifugation and consumables; liquid handling automation instruments and associated consumables; flow cytometry instrumentation and associated antibodies and reagents; particle counting and characterization instrumentation; and genomic sample preparation. Researchers use these products to study biological function in the pursuit of basic research, as well as therapeutic and diagnostic development. Typical users include pharmaceutical and biotechnology companies, universities, medical schools and research institutions and in some cases industrial manufacturers.

Mass Spectrometry—The mass spectrometry business is a leading global provider of high-end mass spectrometers as well as related consumable chromatography columns and sample preparation extraction products. Mass spectrometry is a technique for identifying, analyzing and quantifying elements, chemical compounds and biological molecules, individually or in complex mixtures. The mass spectrometers utilize various combinations of quadrupole, time-of-flight and ion trap technologies. The business’ mass spectrometer systems and related products are used in numerous applications such as drug discovery and clinical development of therapeutics as well as in basic research, clinical testing, food and beverage quality testing and environmental testing. The business’ global services network provides implementation, validation, training and maintenance to support customer installations around the world. Typical users of these mass spectrometry and related products include molecular biologists, bioanalytical chemists, toxicologists and forensic scientists as well as quality assurance and quality control technicians. The business also provides high-performance bioanalytical measurement systems, including microplate readers, automated cellular screening products and associated reagents and imaging software. Typical users of these products include biologists and chemists engaged in research and drug discovery, who use these products to determine electrical or chemical activity in cell samples.

Microscopy—The microscopy business is a leading global provider of professional microscopes designed to capture, manipulate and preserve images and enhance the user’s visualization and analysis of microscopic structures. The Company’s microscopy products include laser scanning (confocal) microscopes, compound microscopes and related equipment, surgical and other stereo microscopes and specimen preparation products for electron microscopy.

Typical users of these products include research, medical and surgical professionals operating in research and pathology laboratories, academic settings and surgical theaters.

Genomics Consumables—The genomics consumables business is a leading provider of custom nucleic acid products for the life sciences industry, primarily through the manufacture of custom DNA and RNA oligonucleotides and gene fragments utilizing a proprietary manufacturing ecosystem. The business has developed proprietary technologies for genomics applications such as next generation sequencing, CRISPR genome editing, qPCR, and RNA interference. The business also manufactures products

used in diagnostic tests for many forms of cancer, as well as inherited and infectious diseases. Typical users of these products include professionals in the areas of academic and commercial research, agriculture, medical diagnostics, and pharmaceutical development.

Gene and Cell Therapy—The business is a leading manufacturer of high-quality plasmid DNA, RNA and proteins. These products are used in the research, development and manufacture of gene and cell therapies, DNA and RNA vaccines and gene editing technologies. Typical users of these products include biotechnology companies and research institutions across discovery, clinical and commercial applications.

Customers served by the Life Sciences segment select products based on a number of factors, including product quality and reliability, the product's capacity to enhance productivity, innovation (particularly productivity and sensitivity improvements), product performance and ergonomics, access to a service and support network and the other factors described under "—Competition." The businesses in Danaher's Life Sciences segment market their products and services under key brands including ALDEVIRON, BECKMAN COULTER, CYTIVA, IDT, LEICA MICROSYSTEMS, MOLECULAR DEVICES, PALL, PHENOMENEX and SCIEX. Manufacturing facilities are located in North America, Europe and Asia. The business sells to customers through direct sales personnel and independent distributors.

DIAGNOSTICS

The Diagnostics segment offers clinical instruments, reagents, consumables, software and services that hospitals, physicians' offices, reference laboratories and other critical care settings use to diagnose disease and make treatment decisions. Sales in 2021 for this segment by geographic destination (as a percentage of total 2021 sales) were: North America, 44%; Western Europe, 19%; other developed markets, 5%; and high-growth markets, 32%.

Danaher established the diagnostics business in 2004 through the acquisition of Radiometer and expanded the business through numerous subsequent acquisitions, including the acquisitions of Vision Systems in 2006, Beckman Coulter in 2011, Iris International and Aperio Technologies in 2012, HemoCue in 2013, Devicor Medical Products in 2014, the clinical microbiology business of Siemens Healthcare Diagnostics in 2015 and Cepheid in 2016. The Diagnostics segment consists of the following businesses:

Core Lab - Clinical—The core lab-clinical business is a leading manufacturer and marketer of biomedical testing instruments, systems and related consumables that are used to evaluate and analyze samples made up of body fluids and cells. The information generated is used to diagnose disease, monitor and guide treatment and therapy, assist in managing chronic disease and assess patient status in hospital, outpatient and physicians' office settings. The business offers the following products.

- Chemistry systems use electrochemical detection and chemical reactions with patient samples to detect and quantify substances of diagnostic interest in blood, urine and other body fluids. Commonly performed tests include glucose, cholesterol, triglycerides, electrolytes, proteins and enzymes, as well as tests to detect urinary tract infections and kidney and bladder disease.
- Immunoassay systems also detect and quantify biochemicals of diagnostic interest (such as proteins and hormones) in body fluids, particularly in circumstances where more specialized diagnosis is required. Commonly performed immunoassay tests assess thyroid function, screen and monitor for cancer and cardiac risk and provide important information in fertility and reproductive testing.
- Hematology products are used for cellular analysis. The business' hematology systems use principles of physics, optics, electronics and chemistry to separate and interrogate cells of diagnostic interest and then characterize and quantify them, allowing clinicians to study formed elements in blood (such as red and white blood cells and platelets).
- Microbiology systems are used for the identification of bacteria and antibiotic susceptibility testing (ID/AST) from human clinical samples. These systems detect and quantify bacteria related to microbial infections in urine, blood, and other body fluids, and also detect infections such as urinary tract infections, pneumonia and wound infections. The business' technology enables direct testing of clinical isolates to ensure reliable detection of resistance to antibiotics.

- Automation systems reduce manual operation and associated cost and errors from the pre-analytical through post-analytical stages, including sample barcoding/information tracking, centrifugation, aliquoting, storage and conveyance. These systems, along with the analyzers described above, are controlled through laboratory-level software that enables laboratory managers to monitor samples, results and lab efficiency.

Typical users of the segment's core lab products include hospitals, physician's offices, reference laboratories and pharmaceutical clinical trial laboratories.

Molecular Diagnostics—The molecular diagnostics business is a leading provider of biomedical testing instruments, systems and related consumables that enable DNA-based testing for organisms and genetic-based diseases in both clinical and non-clinical markets. These products integrate and automate the complicated and time-intensive steps associated with DNA-based testing (including sample preparation and DNA amplification and detection) to allow the testing to be performed in both laboratory and non-laboratory environments with minimal training and infrastructure. These products also include systems which commonly test for health care-associated infections, respiratory disease, sexual health and virology.

Acute Care Diagnostics—The acute care diagnostics business is a leading worldwide provider of instruments, software and related consumables and services that are used in both laboratory and point-of-care environments to rapidly measure critical parameters, including blood gases, electrolytes, metabolites and cardiac markers, as well as for anemia and high-sensitivity glucose testing. Typical users of these products include hospital central laboratories, intensive care units, hospital operating rooms, hospital emergency rooms, physician's office laboratories and blood banks.

Pathology Diagnostics—The pathology diagnostics business is a leader in the anatomical pathology industry, offering a comprehensive suite of instrumentation and related consumables used across the entire workflow of a pathology laboratory. The anatomical pathology diagnostics products include chemical and immuno-staining instruments, reagents, antibodies and consumables; tissue embedding, processing and slicing (microtomes) instruments and related reagents and consumables; slide cover-slipping and slide/cassette marking instruments; imaging instrumentation including slide scanners, microscopes and cameras; software solutions to store, share and analyze pathology images digitally; and minimally invasive, vacuum-assisted breast biopsy and lesion excision instruments and breast surgery localization solutions. Typical users of these products include pathologists, lab managers and researchers.

Customers in the diagnostics industry select products based on a number of factors, including product quality and reliability, the scope of tests that can be performed, the accuracy and speed of the product, the product's ability to enhance productivity, ease of use, total cost of ownership and access to a highly qualified service and support network as well as the other factors described under "—Competition." The businesses in Danaher's Diagnostics segment market their products and services under key brands including BECKMAN COULTER, CEPHEID, HEMOCUE, LEICA BIOSYSTEMS, MAMMATOME and RADIOMETER. Manufacturing facilities are located in North America, Europe, Asia and Australia. The business sells to customers primarily through direct sales personnel and, to a lesser extent, through independent distributors.

ENVIRONMENTAL & APPLIED SOLUTIONS

The Environmental & Applied Solutions segment offers products and services that help protect precious resources and keep global food and water supplies safe. Sales in 2021 for this segment by geographic destination (as a percentage of total 2021 sales) were: North America, 44%; Western Europe, 23%; other developed markets, 3%; and high-growth markets, 30%. The Company's Environmental & Applied Solutions segment consists of the following businesses:

Water Quality—The Company's water quality business is a leading provider of instrumentation, consumables, software, services and disinfection systems to help analyze, treat and manage the quality of ultra-pure, potable, industrial, waste, ground, source and ocean water in residential, commercial, municipal, industrial and natural resource applications. Danaher entered the water quality sector in the late 1990's through the acquisitions of Dr. Lange and Hach Company and has enhanced the geographic coverage and capabilities of its products and services through subsequent acquisitions, including the acquisition of Trojan Technologies Inc. in 2004 and ChemTreat, Inc. in 2007. The water quality business designs, manufactures and markets:

- a wide range of analytical instruments, related consumables, software and services that detect and measure chemical, physical and microbiological parameters in ultra-pure, potable, industrial, waste, municipal, ground, source and ocean water;
- chemical treatment solutions intended to address corrosion, scaling and biological growth problems in boiler, cooling water and wastewater applications as well as associated analytical services, primarily in applied and industrial end markets; and

- ultraviolet disinfection systems, consumables and services, which disinfect billions of gallons of municipal, industrial and consumer water every day.

Typical users of these products and services include professionals in municipal drinking water and wastewater treatment plants, industrial process and discharge water facilities, wastewater treatment facilities, third-party testing laboratories and environmental operations. Customers in these industries choose suppliers based on a number of factors including the customer's existing supplier relationships, application expertise, product performance and ease of use, the comprehensiveness of the supplier's solutions offering, after-sales service and support and the other factors described under "—Competition." The Company's water quality businesses provide products under a variety of key brands, including AQUATIC INFORMATICS,

CHEMTREAT, HACH, MCCROMETER, OTT HYDROMET, PALL WATER, SEA-BIRD and TROJAN TECHNOLOGIES. Manufacturing facilities are primarily located in North America, Europe and Asia. Sales are made through the business' direct sales personnel, e-commerce, independent representatives and independent distributors.

Product Identification—The Company's product identification business is a leading provider of printers, instruments, software, services and consumables for various color and appearance management, packaging design and quality management, packaging converting, printing, marking, coding and traceability applications for consumer, pharmaceutical and industrial products. Danaher entered the product identification market through the acquisition of Videojet in 2002, and has expanded the product and geographic coverage through various subsequent acquisitions, including the acquisitions of EskoArtwork in 2011 and X-Rite in 2012. The product identification business designs, manufactures and markets:

- printers, consumables and solutions used to give products unique identities by printing date, lot and bar codes and other information on primary and secondary packaging, applying high-quality alphanumeric codes, logos and graphics to a wide range of surfaces at a variety of production line speeds, angles and locations on a product or package. Its vision inspection and track-and-trace solutions also help pharmaceutical and consumer goods manufacturers safeguard the authenticity of their products through supply chains.
- software for online collaboration, three-dimensional virtualization, workflow automation, quality approvals and prepress processes to manage structural design, artwork creation, color and product information for branded packaging and marketing materials. Its packaging solutions help consumer goods manufacturers improve their business processes, shorten time to market and reduce costs across internal departments and external suppliers.
- innovative color and appearance solutions through standards, software, measurement devices and related services. The business' expertise in inspiring, virtualizing, selecting, specifying, formulating and measuring color and appearance helps users improve the quality and relevance of their products and reduce costs.
- flexographic computer-to-plate imaging equipment, solutions for print process control, press control and quality assurance systems for the packaging, labels and commercial print industries. Its automation, print process and press control solutions help packaging manufacturers reduce lead time and satisfy their customers' demands for smaller, more frequent print jobs.

Typical users of these products include manufacturers of consumer goods, pharmaceuticals, paints, plastics and textiles, retailers, graphic design firms and packaging printers and converters. Customers in these industries choose suppliers based on a number of factors, including domain experience, speed and accuracy, ease of connection to the internet and other software systems, equipment uptime and reliable operation without interruption, ease of maintenance, service coverage and the other factors described under "—Competition." The product identification business' products are primarily marketed under key brands including AVT, ESKO, LAETUS, LINX, PANTONE, VIDEOJET and X-RITE. Manufacturing and software development facilities are located in North America, Europe, Latin America and Asia. Sales are generally made through the business' direct sales personnel, independent distributors and e-commerce.

The following discussion includes information common to all of Danaher's segments.

Materials

The Company's manufacturing operations employ a wide variety of raw materials, including metallic-based components, electronic components, chemistries, OEM products, plastics and other petroleum-based products. Prices of oil and gas also affect the Company's costs for freight and utilities. The Company purchases raw materials from a large number of independent sources around the world. No single supplier is material, although for some components that require particular specifications or regulatory or other qualifications there may be a single supplier or a limited number of suppliers that can readily provide such components. The Company utilizes a number of techniques to address potential disruption in and other risks relating to its supply chain, including in certain cases the use of safety stock, alternative materials and qualification of multiple supply sources.

Direct and indirect impacts from the COVID-19 pandemic and other factors have resulted in supply chain disruptions (including in some cases shortages of supply, cost inflation and shipping delays), labor availability constraints and labor cost increases for a number of our businesses, especially during the latter part of 2021. Our application of DBS tools and processes largely mitigated the impact thereof in 2021 and as a result these constraints did not have a material, adverse effect on the business in 2021. However, the pressures noted above continue as of the date of this Annual Report. In 2021, certain of our existing suppliers were unable to provide us with the quantity of certain components we required or informed us that they may

not be able to supply sufficient quantities of certain components in the future, and for certain components our supply on-hand was limited as of year-end 2021. We are continuing to work with our suppliers to understand the existing and potential future impacts of these trends on our supply chain and we continue to take actions in an effort to mitigate such impacts, including purchasing components in the open market and qualifying additional suppliers. If our suppliers cannot provide us with sufficient quantities of required components, there can be no assurance that we will be able to find alternative sources or that alternative sources will be available on terms and prices that are favorable to us. Any disruption or delay in the supply of necessary components on reasonable terms and prices would adversely impact our business and financial statements. In addition, higher absentee rates attributable to COVID-19 among our employees, including because of illness, quarantines, government actions, facility closures, or other restrictions resulting from COVID-19, have increased costs to and otherwise adversely impacted certain of our businesses and these impacts may continue. Due to the speed with which these trends continue to develop and evolve and the uncertainty of their duration, we cannot assure you that these factors will not have an adverse impact on our business and financial statements in the future. For a further discussion of risks related to the materials and components required for the Company's operations, refer to "Item 1A. Risk Factors."

Intellectual Property

The Company owns numerous patents, trademarks, copyrights, trade secrets and licenses to intellectual property owned by others. Although in aggregate the Company's intellectual property is important to its operations, the Company does not consider any single patent, trademark, copyright, trade secret or license (or any related group of any such items) to be of material importance to any segment or to the business as a whole. From time to time the Company engages in litigation to protect its intellectual property rights. For a discussion of risks related to the Company's intellectual property, refer to "Item 1A. Risk Factors." All capitalized brands and product names throughout this document are trademarks owned by, or licensed to, Danaher.

Competition

Although the Company's businesses generally operate in highly competitive markets, the Company's competitive position cannot be determined accurately in the aggregate or by segment since none of its competitors offer all of the same product and service lines or serve all of the same markets as the Company, or any of its segments, does. Because of the range of the products and services the Company sells and the variety of markets it serves, the Company encounters a wide variety of competitors, including well-established regional competitors, competitors who are more specialized than it is in particular markets, as well as large companies or divisions of large companies with substantial sales, marketing, research and financial capabilities. The Company is facing increased competition in a number of its served markets as a result of the entry of well-resourced companies into certain markets, the entry of competitors based in low-cost manufacturing locations, the development of competitive technologies by early-stage and emerging companies and increasing consolidation in particular markets. The number of competitors varies by product and service line. Management believes that the Company has a leadership position in many of the markets it serves. Key competitive factors vary among the Company's businesses and product and service lines, but include the specific factors noted above with respect to each particular business and typically also include price, quality and safety, performance, delivery speed, application expertise, service and support, technology and innovation, distribution network, breadth of product, service and software offerings and brand name recognition. For a discussion of risks related to competition, refer to "Item 1A. Risk Factors."

Human Capital

As of December 31, 2021, the Company had approximately 80,000 employees (whom we refer to as "associates"), of whom approximately 32,000 were employed in the North America, 24,000 in Western Europe, 3,000 in other developed markets and 21,000 in high-growth markets. Approximately 78,000 of the Company's total employees were full-time and 2,000 were part-time employees. Of the United States employees, approximately 400 were hourly-rated, unionized employees. Outside the United States, the Company has government-mandated collective bargaining arrangements and union contracts in certain countries, particularly in Europe where many of the Company's employees are represented by unions and/or works councils.

Danaher is committed to attracting, developing, engaging and retaining the best people from around the world to sustain and grow our science and technology leadership. As noted above, "Consistently attracting and retaining exceptional talent" is one of our three strategic priorities and "The Best Team Wins" is one of our five Core Values,

reflecting the critical role our human capital plays in supporting our strategy. Our human capital strategy spans multiple, key dimensions, including the following:

- **Culture and Governance**

- Our culture is rooted in DBS and in our Shared Purpose, *Helping Realize Life's Potential*. At its core, DBS reflects a commitment to use process to continuously improve every aspect of our business. Our Shared Purpose gives meaning and direction to our continuous improvement.

- Danaher's Board of Directors reviews the Company's human capital strategy annually and at other times during the year in connection with significant initiatives and acquisitions, supported by the Compensation Committee's oversight of our executive and equity compensation programs. At the management level, our Senior Vice President of Human Resources, who reports directly to our President and CEO, is responsible for the development and execution of the Company's human capital strategy.
- **Recruitment**
 - As part of our commitment to the Core Value "The Best Team Wins", we focus on identifying, attracting and recruiting diverse talent to meet our current and future business needs. We have invested in comprehensive talent acquisition capabilities across all levels of recruitment (including robust branding, labor market analytics, advanced sourcing tools, leading technology and streamlined processes). Our diversity attraction efforts are an important component of our overall talent acquisition strategy and focus on: (1) establishing and fostering partnerships with diverse organizations, and (2) effectively sourcing diverse talent.
- **Engagement**
 - General. Our engagement strategy focuses on developing the best workplace and best people leaders to meet our associates' needs every day. Further, we believe that better associate engagement helps enable better retention and better business performance. We assess our engagement performance through our annual Associate Engagement Survey, which addresses engagement, direct supervisor effectiveness, behavior change and performance enablement, as well as through our voluntary turnover rate.
 - D+I. We seek to continuously improve and sustain a diverse and inclusive culture free of systemic bias and where all associates feel they belong. We believe a diverse workforce and culture of inclusion is essential to drive innovation, fuel growth and help ensure our technologies and products effectively serve a global customer base. Danaher's Office of Diversity + Inclusion is led by our Vice President of Global Diversity + Inclusion, who is responsible for the execution of Danaher's D+I strategy and reports to Danaher's Senior Vice President of Human Resources. Both serve on the Danaher Diversity + Inclusion Council along with executives who lead our businesses. The D+I Council is responsible for overseeing Danaher's D+I strategic direction; creating D+I accountability measures; and operationalizing D+I initiatives and programming across our businesses.

We have leveraged DBS with the goal of driving progress on diversity representation and inclusive culture, including by requiring all of our operating companies to implement a D+I Policy Deployment initiative in each of 2021 and 2022. Our D+I initiatives focus on broadening our candidate pools, sourcing diverse slates in the hiring process, developing people leaders' competency in and accountability for D+I and implementing and sustaining programs (such as our Associate Resource Groups for Women, Black, Latinx, LGBTQ and Asian descent associates and friends/allies) that offer mentorship, support and engagement to help our associates succeed and thrive. As of December 31, 2021, (1) 37% of our total associates were female and females represented 31%, 33% and 39% of our executives/senior leaders, managers and individual contributors, respectively; and (2) 39% of our total U.S. associates were People of Color and People of Color represented 22%, 31% and 41% of our U.S. executives/senior leaders, managers and individual contributors, respectively.

 - In support of our D+I commitment, we conduct regular pay reviews from a race (in the United States) and gender (globally) perspective that serve to proactively identify and address potential pay differences, and in 2020 we achieved base pay equity for women and for racial and ethnic minorities in the U.S.
- **Retention**

- Compensation and Benefits. We are committed to offering competitive compensation and benefits, tailored in form and amount to geography, industry, experience and performance and designed to attract associates, motivate and reward performance, drive growth and support retention. We have a common job architecture across our businesses to provide a standardized framework for defining jobs, job families, and career levels, and set market-aligned pay structures for each career level (adjusted as appropriate for the particular job family, industry, and geography) based on a range of compensation surveys.
- Performance Management. Performance for Growth (“P4G”), our annual performance management program, supports our high-performance culture by seeking to ensure that high-performing associates are recognized and rewarded for their contributions. P4G guides associates and their managers in setting clear personal

performance goals aligned to our strategic priorities. Annual reviews under the program assess performance against these formal, annual objectives and against our leadership anchors.

- Talent Development and Career Mobility. Our talent development program (which is generally structured to consist of 70% on-the-job learning, 20% coaching and mentoring and 10% formal training) strives to provide every associate with appropriate development opportunities. In particular, we make available to people leaders at every level training, coaching and developmental resources to help them be effective leaders and advance their careers. We further encourage internal promotion and mobility through our Danaher Go program, which makes open positions throughout the organization visible to associates and proactively encourages our associates to seek promotional opportunities. We assess our performance in this area using metrics including internal fill rate (which tracks the percentages of open roles at particular levels filled by our own associates) as well as the percentage of eligible associates with completed talent assessments/career plans.
- Safety and Risk Management. Associate safety is deeply embedded in our culture. Our Environment, Health and Safety (“EHS”) Policy establishes the core principles upon which our EHS management programs are built, and associates use our DBS-based “4E” toolkit to identify, assess and control hazards related to ergonomics, energetics, exposures and environment. In addition, we evaluate and manage risks relating to our human capital strategy as part of Danaher’s enterprise risk management program. Key quantitative measures that we use to assess performance in this category include total recordable incident rate (defined as the number of work-related injuries or illness cases serious enough to require treatment beyond first aid, per 100 associates) and days away, restricted or transferred (defined as the number of work-related injuries or illness cases that result in an employee working with physical restrictions, being away from work or unable to do their job or transferring to other work, per 100 associates).

The health and well-being of our associates has been a key area of focus in our response to the COVID-19 pandemic. We launched a global Employee Assistance Program in March 2020 to ensure a consistent support structure for mental health and well-being across the Company and have since expanded the program to provide enhanced support with respect to childcare, eldercare and tutoring, among other areas. In the United States, we have provided benefits beyond the requirements of the Families First Act, for example by extending our leave policy to cover elder care and providing for voluntary leaves even in certain circumstances not required by the law. We have also implemented safety precautions on a facility-specific basis. The results of our 2021 Associate Engagement Survey questions relating to the pandemic validate the impact of these efforts: 87% of surveyed associates believe that associate well-being and safety is Danaher’s priority, and 90% of surveyed associates feel supported by their direct supervisor in adapting to changes due to the pandemic.

Research and Development (“R&D”)

The Company conducts R&D activities for the purpose of developing new products, enhancing the functionality, effectiveness, ease of use and reliability of its existing products and expanding the applications for which uses of its products are appropriate. The Company’s R&D efforts include internal initiatives and those that use licensed or acquired technology, and we work with a number of leading research institutions, universities and clinicians around the world to develop, evaluate and clinically test our products. The Company conducts R&D activities primarily in North America, Europe and Asia and generally on a business-by-business basis. The Company anticipates that it will continue to make significant expenditures for R&D as it seeks to provide a continuing flow of innovative products and services to maintain and improve its competitive position. For a discussion of the risks related to the need to develop and commercialize new products and product enhancements, refer to “Item 1A. Risk Factors.”

Government Contracts

Although the substantial majority of the Company’s revenue in 2021 was from customers other than governmental entities, each of Danaher’s segments has agreements relating to the sale of products to government entities. As a result, the Company is subject to various statutes and regulations that apply to companies doing business with governments. For a discussion of risks related to government contracting requirements, refer to “Item 1A. Risk Factors.” No material portion of Danaher’s business is subject to renegotiation of profits or termination of contracts at the election of a government entity.

Regulatory Matters

The Company faces extensive government regulation both within and outside the United States relating to the development, manufacture, marketing, sale and distribution of its products and services. The following sections describe certain significant regulations that the Company is subject to. These are not the only regulations that the Company's businesses must comply

with. For a description of the risks related to the regulations that the Company's businesses are subject to, refer to "Item 1A. Risk Factors."

Medical Device Regulations

Many of our products are classified as medical devices and are subject to restrictions under domestic and foreign laws, rules, regulations, self-regulatory codes, circulars and orders, including, but not limited to, the U.S. Food, Drug, and Cosmetic Act (the "FDCA"). The FDCA requires these products, when sold in the United States, to be safe and effective for their intended uses and to comply with the regulations administered by the U.S. Food and Drug Administration ("FDA"). The FDA regulates the design, development, research, preclinical and clinical testing, introduction, manufacture, advertising, labeling, packaging, marketing, distribution, import and export and record keeping for such products. Many medical device products are also regulated by comparable agencies in non-U.S. countries in which they are produced or sold.

Unless an exemption applies, the FDA requires that a manufacturer introducing a new medical device or a new indication for use of an existing medical device obtain either a Section 510(k) premarket notification clearance or a premarket approval ("PMA") before introducing it into the U.S. market. The type of marketing authorization is generally linked to the classification of the device. The FDA classifies medical devices into one of three classes (Class I, II or III) based on the degree of risk the FDA determines to be associated with a device and the level of regulatory control deemed necessary to ensure the device's safety and effectiveness.

The process of obtaining a Section 510(k) clearance generally requires the submission of performance data and clinical data, which in some cases can be extensive, to demonstrate that the device is "substantially equivalent" to a device that was on the market before 1976 or to a device that has been found by the FDA to be "substantially equivalent" to such a pre-1976 device. A predecessor device is referred to as "predicate device." As a result, FDA clearance requirements may extend the development process for a considerable length of time.

Medical devices can be marketed only for the indications for which they are cleared or approved. After a device has received 510(k) clearance for a specific intended use, any change or modification that significantly affects its safety or effectiveness, such as a significant change in the design, materials, method of manufacture or intended use, may require a new 510(k) clearance or PMA approval and payment of an FDA user fee. The determination as to whether or not a modification could significantly affect the device's safety or effectiveness is initially left to the manufacturer using available FDA guidance; however, the FDA may review this determination to evaluate the regulatory status of the modified product at any time and may require the manufacturer to cease marketing and recall the modified device until 510(k) clearance or PMA approval is obtained.

Any medical devices we manufacture and distribute are subject to pervasive and continuing regulation by the FDA and certain state and non-U.S. agencies. These include product listing and establishment registration requirements, which help facilitate inspections and other regulatory actions. As a medical device manufacturer, our manufacturing facilities are subject to inspection on a routine basis by the FDA. We are required to adhere to the Current Good Manufacturing Practices ("CGMP") requirements, as set forth in the Quality Systems Regulation ("QSR"), which require manufacturers, including third-party manufacturers, to follow stringent design, testing, control, documentation and other quality assurance procedures during all phases of the design and manufacturing process.

We must also comply with post-market surveillance regulations, including medical device reporting ("MDR") requirements which require that we review and report to the FDA any incident in which our products may have caused or contributed to a death or serious injury. We must also report any incident in which our product has malfunctioned if that malfunction would likely cause or contribute to a death or serious injury if it were to recur.

Labeling and promotional activities are subject to scrutiny by the FDA and, in certain circumstances, by the Federal Trade Commission. Medical devices approved or cleared by the FDA may not be promoted for unapproved or uncleared uses, otherwise known as "off-label" promotion. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses.

In the EU, our products are subject to the medical device and in vitro medical device laws of the various member states, which for many years were based on Directives of the European Commission. However, in May 2017, the EU adopted new, formal regulations to replace such Directives; specifically, the EU Medical Device Regulation (the "EU

MDR”) and In Vitro Diagnostic Regulation (the “EU IVDR”), each of which imposes stricter requirements for the marketing and sale of medical devices and in vitro devices, including in the area of clinical evaluation requirements, quality systems and post-market surveillance. The EU regulations were adopted with staggered transitional periods that have since been updated. The full application of the EU MDR became effective in May 2021, while the EU IVDR will be fully applicable in May 2022. Regulatory requirements in the United Kingdom (“UK”) are also changing as a result of Brexit (the UK’s withdrawal from the EU). Complying with the EU MDR, EU IVDR and the evolving regulatory scheme in the UK requires modifications to our

quality management systems, additional resources in certain functions and updates to technical files, among other changes, which cost \$47 million in 2021 and we anticipate will cost approximately \$20 million in 2022.

Other Healthcare Laws

We are also subject to the U.S. Foreign Corrupt Practices Act and various health care related laws regulating fraud and abuse, research and development, pricing and sales and marketing practices, and the privacy and security of health information, including the U.S. federal regulations described below. Many states, foreign countries and supranational bodies have also adopted laws and regulations similar to, and in some cases more stringent than, the U.S. federal regulations discussed above and below, including the UK Bribery Act and similar anti-bribery laws.

- Many of our healthcare-related products are purchased by healthcare providers that typically bill various third-party payers, such as governmental healthcare programs (e.g., Medicare, Medicaid and comparable non-U.S. programs), private insurance plans and managed care plans, for the healthcare services provided to their patients. The ability of our customers to obtain appropriate reimbursement for products and services from third-party payers is critical because it affects which products customers purchase and the prices they are willing to pay. As a result, many of our healthcare-related products are subject to regulation regarding quality and cost by the U.S. Department of Health and Human Services (“HHS”), including the Centers for Medicare & Medicaid Services (“CMS”), as well as comparable state and non-U.S. agencies responsible for reimbursement and regulation of healthcare goods and services, including laws and regulations related to kickbacks, false claims, self-referrals and healthcare fraud. Third-party payers are increasingly reducing reimbursements for medical products and services and, in international markets, many countries have instituted price ceilings on specific products and therapies. Price ceilings, decreases in third-party reimbursement for any product or a decision by a third-party payor not to cover a product could reduce usage and patient demand for the product.
- The U.S. Federal Anti-Kickback Statute prohibits persons from knowingly and willfully soliciting, offering, receiving or providing remuneration (including any kickback or bribe), directly or indirectly, in exchange for or to induce either the referral of an individual, or the furnishing or arranging for a good or service, for which payment may be made in whole or in part under a federal health care program, such as Medicare or Medicaid. A person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation.
- The Health Insurance Portability and Accountability Act of 1996 (“HIPAA”) prohibits knowingly and willfully (1) executing, or attempting to execute, a scheme to defraud any health care benefit program, including private payors, or (2) falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for health care benefits, items or services. In addition, HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, also restricts the use and disclosure of patient identifiable health information, mandates the adoption of standards relating to the privacy and security of patient identifiable health information and requires the reporting of certain security breaches with respect to such information. Similar to the U.S. Federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the healthcare fraud statute implemented under HIPAA or specific intent to violate it in order to have committed a violation.
- The False Claims Act imposes liability on any person or entity that, among other things, knowingly presents, or causes to be presented, a false or fraudulent claim for payment by a federal health care program, knowingly makes, uses or causes to be made or used, a false record or statement material to a false or fraudulent claim, or knowingly makes a false statement to avoid, decrease or conceal an obligation to pay money to the U.S. federal government. The qui tam provisions of the False Claims Act allow a private individual to bring actions on behalf of the federal government alleging that the defendant has submitted a false claim to the federal government, and to share in any monetary recovery. In addition, the government may assert that a claim including items and services resulting from a violation of the U.S. Federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the civil False Claims Act.
- The federal Civil Monetary Penalties Law prohibits, among other things, the offering or transferring of remuneration to a Medicare or Medicaid beneficiary that the person knows or should know is likely to

influence the beneficiary's selection of a particular supplier of Medicare or Medicaid payable items or services.

- The Open Payments Act requires manufacturers of medical devices covered under Medicare, Medicaid or the Children's Health Insurance Program with specific exceptions to record payments and other transfers of value to a broad range of healthcare providers and teaching hospitals and to report this data as well as ownership and investment interests held by the physicians described above and their immediate family members to HHS for subsequent public disclosure. Similar reporting requirements have also been enacted on the state level, and an increasing number of

countries either have adopted or are considering similar laws requiring transparency of interactions with health care professionals.

In addition, some of the in vitro diagnostic drugs-of-abuse assays and reagents sold by the Company's subsidiaries contain small amounts of controlled substances, and as a result some of the Company's facilities are inspected periodically by the United States Drug Enforcement Administration to assess whether the Company properly handles, stores and disposes of controlled substances in the manufacture of those products.

Federal consumer protection and unfair competition laws broadly regulate marketplace activities and activities that potentially harm consumers. Analogous U.S. state laws and regulations, such as state anti-kickback and false claims laws, also may apply to our business practices, including but not limited to, research, distribution, sales and marketing arrangements and claims involving healthcare items or services reimbursed by any third-party payor, including private insurers. Further, there are state laws that require medical device manufacturers to comply with the voluntary compliance guidelines and the relevant compliance guidance promulgated by the U.S. federal government, or otherwise restrict payments that may be made to healthcare providers and other potential referral sources; state laws and regulations that require manufacturers to file reports relating to pricing and marketing information, which requires tracking gifts and other remuneration and items of value provided to healthcare professionals and entities; state and local laws requiring the registration of sales representatives; and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA.

For a discussion of risks related to regulation by the FDA and comparable agencies of other countries, and the other regulatory regimes referenced above, please refer to "Item 1A. Risk Factors."

Healthcare Reform

In the United States and certain non-U.S. jurisdictions, there have been, and we expect there will continue to be, a number of legislative and regulatory changes to the healthcare system. There is significant interest in promoting changes in healthcare systems with the stated goals of containing healthcare costs, improving quality or expanding access. For example, in the United States, in March 2010, the U.S. Patient Protection and Affordable Care Act (as amended by the Health Care and Education Affordability Reconciliation Act) (collectively, the "PPACA") was signed into law, which substantially changed the way healthcare is financed by both governmental and private insurers and significantly affected the healthcare industry. Since its enactment, there have been judicial, Congressional and executive challenges to certain aspects of the PPACA, and there may be additional challenges and amendments to the PPACA in the future.

Moreover, there has recently been heightened governmental scrutiny over the manner in which manufacturers set prices for their marketed products, which has resulted in several Congressional inquiries and proposed and enacted legislation designed, among other things, to bring more transparency to product pricing, review the relationship between pricing and manufacturer patient programs and reform government program reimbursement methodologies for medical products. Individual states in the United States have also become increasingly active in implementing regulations designed to control product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures and, in some cases, mechanisms to encourage importation from other countries and bulk purchasing.

Data Privacy and Security Laws

As a global organization, we are subject to data privacy and security laws, regulations, and customer-imposed controls in numerous jurisdictions as a result of having access to and processing confidential, personal and/or sensitive data in the course of our business. For example, in the United States, HIPAA privacy and security rules require certain of our operations to maintain controls to protect the availability and confidentiality of patient health information, individual states regulate data breach and security requirements and multiple governmental bodies assert authority over aspects of the protection of personal privacy. In particular, the California Consumer Privacy Act ("CCPA"), which came into effect in January 2020 has some of the same features as the GDPR (discussed below), and has already prompted several other states to enact or consider enacting similar laws. The EU General Data Protection Regulation that became effective in May 2018 ("GDPR") has imposed significantly stricter requirements in how we collect, transmit, process and retain personal data, including, among other things, in certain circumstances a requirement for almost immediate notice of data breaches to supervisory authorities with significant fines for non-

compliance. Several other countries such as China and Russia have passed, and other countries are considering passing, laws that require personal data relating to their citizens to be maintained on local servers and impose additional data transfer restrictions. For a discussion of risks related to these laws, refer to “Item 1A. Risk Factors.”

Environmental Laws and Regulations

For a discussion of the environmental laws and regulations that the Company's operations, products and services are subject to and other environmental contingencies, refer to Note 18 to the Consolidated Financial Statements included in this Annual Report. For a discussion of risks related to compliance with environmental and health and safety laws and risks related to past or future releases of, or exposures to, hazardous substances, refer to "Item 1A. Risk Factors."

Antitrust Laws

The U.S. federal government, most U.S. states and many other countries have laws that prohibit certain types of conduct deemed to be anti-competitive. Violations of these laws can result in various sanctions, including criminal and civil penalties. Private plaintiffs also could bring civil lawsuits against us in the United States for alleged antitrust law violations, including claims for treble damages.

Export/Import Compliance

The Company is required to comply with various U.S. export/import control and economic sanctions laws, including:

- the International Traffic in Arms Regulations administered by the U.S. Department of State, Directorate of Defense Trade Controls, which, among other things, imposes license requirements on the export from the United States of defense articles and defense services listed on the U.S. Munitions List;
- the Export Administration Regulations administered by the U.S. Department of Commerce, Bureau of Industry and Security, which, among other things, impose licensing requirements on the export, in-country transfer and re-export of certain dual-use goods, technology and software (which are items that have both commercial and military, or proliferation applications);
- the regulations administered by the U.S. Department of Treasury, Office of Foreign Assets Control, which implement economic sanctions imposed against designated countries, governments and persons based on United States foreign policy and national security considerations; and
- the import regulatory activities of the U.S. Customs and Border Protection and other U.S. government agencies.

Other nations' governments have implemented similar export/import control and economic sanction regulations, which may affect the Company's operations or transactions subject to their jurisdictions.

In addition, under U.S. laws and regulations, U.S. companies and their subsidiaries and affiliates outside the United States are prohibited from participating or agreeing to participate in unsanctioned foreign boycotts in connection with certain business activities, including the sale, purchase, transfer, shipping or financing of goods or services within the United States or between the United States and countries outside of the United States. If we, or certain third parties through which we sell or provide goods or services, violate anti-boycott laws and regulations, we may be subject to civil or criminal enforcement action and varying degrees of liability.

For a discussion of risks related to export/import control and economic sanctions laws, refer to "Item 1A. Risk Factors."

International Operations

The Company's products and services are available worldwide, and its principal markets outside the United States are in Europe and Asia. The Company also has operations around the world, and this geographic diversity allows the Company to draw on the skills of a worldwide workforce, provides greater stability to its operations, allows the Company to drive economies of scale, provides revenue streams that may help offset economic trends that are specific to individual economies and offers the Company an opportunity to access new markets for products. In addition, the Company believes that future growth depends in part on its ability to continue developing products and sales models that successfully target high-growth markets.

The manner in which the Company's products and services are sold outside the United States differs by business and by region. Most of the Company's sales in non-U.S. markets are made by its subsidiaries located outside the United States, though the Company also sells directly from the United States into non-U.S. markets through various

representatives and distributors and, in some cases, directly. In countries with low sales volumes, the Company generally sells through representatives and distributors.

For a discussion of the UK's withdrawal from the EU ("Brexit") and certain risks and implications thereof for the Company, refer to "Item 1A. Risk Factors".

Information about the effects of foreign currency fluctuations on the Company's business is set forth in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A") included in this Annual Report. For a discussion of risks related to the Company's non-U.S. operations and foreign currency exchange, refer to "Item 1A. Risk Factors."

Available Information

The Company maintains an internet website at www.danaher.com. The Company makes available free of charge on the website its annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended ("the Exchange Act"), as soon as reasonably practicable after filing such material with, or furnishing such material to, the SEC. Danaher's internet site and the information contained on or connected to that site are not incorporated by reference into this Form 10-K.

ITEM 1A. RISK FACTORS

You should carefully consider the risks and uncertainties described below, together with the information included elsewhere in this Annual Report on Form 10-K and other documents we file with the SEC. We have identified the risks and uncertainties described below as material, but they are not the only risks and uncertainties facing us. Our business is also subject to general risks and uncertainties that affect many other companies, such as market conditions, economic conditions, geopolitical events, changes in laws, regulations or accounting rules, fluctuations in interest rates, terrorism, wars or conflicts, major health concerns including pandemics, natural disasters or other disruptions of expected business conditions. Additional risks and uncertainties not currently known to us or that we currently believe are immaterial also may impair our business and financial statements, including our results of operations, liquidity and financial condition, and our stock price.

Business and Strategic Risks

The COVID-19 pandemic has adversely impacted, and may continue to adversely impact, certain elements of our business and our financial statements.

Our global operations expose us to risks associated with public health crises, including epidemics and pandemics such as COVID-19. The global spread of COVID-19 has led to unprecedented restrictions on, and disruptions in, business and personal activities, including as a result of preventive and precautionary measures that we, other businesses, our communities and governments are taking to mitigate the spread. For example, national, state and local governments have implemented and may continue to implement safety precautions, including quarantines, border closures, increased border controls, travel restrictions, shelter in place orders, shutdowns, government-ordered vaccine mandates and other measures. These measures can disrupt normal business operations and can have significant negative impacts on businesses and financial markets worldwide.

The direct impact of COVID-19 and the preventive and precautionary measures implemented as a result thereof have adversely affected, and may continue to adversely affect, certain elements of our Company (including to a different degree our operations, commercial organizations, supply chains and distribution systems). Please see "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a discussion of how COVID-19 impacted our results of operations and financial position in 2021. Without limiting the foregoing, we have experienced and/or may in the future experience:

- constraints on the movement of our products through the supply chain;
- capacity constraints and price increases in our own supply chain, including with respect to freight services;
- adverse impacts on our workforce and/or key employees including labor availability;
- adverse impacts on customer orders and purchases and unpredictable reductions in demand for our products;
- adverse impacts on our collections of accounts receivable, including delays in collections and increases in uncollectible receivables;

- unpredictable increases in demand for certain products; and
- increased cybersecurity attack activity.

While the pandemic continues we may experience continued adverse impacts on certain elements of our business and financial statements. Even to the extent COVID-19 conditions begin to improve, the duration and sustainability of any such improvements will be uncertain and continuing adverse impacts and/or the degree of improvement may vary dramatically by

geography and line of business. The actions Danaher's businesses take in response to any improvements in conditions may vary widely by geography and line of business and will likely be made with incomplete information; pose the risk that such actions may prove to be premature, incorrect or insufficient; and could have an adverse impact on our business and financial statements.

Please see "Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations" for a discussion of the Company products that are being used in the fight against COVID-19. In an effort to optimize availability of needed medical and other supplies and products in connection with the pandemic, we may elect to or governments may require us or our customers to allocate manufacturing capacity (for example, pursuant to the U.S. Defense Production Act ("DPA")) in a way that adversely affects our financial condition and results of operations, results in differential treatment of customers and/or adversely affects our reputation and customer relationships. For example, certain of our customers are or have been subject to DPA requirements relating to the production of COVID-19 related products and have required certain of our businesses to also comply with these requirements under our supply agreements. Please also see the risk factor titled "The U.S. government has certain rights with respect to incremental production capacity and/or the intellectual property we have developed using government financing" for a discussion of the U.S. government's rights in connection with funding they have provided certain of our businesses to finance capacity expansion for the production of certain COVID-19 related products.

In addition, the levels of demand for our COVID-19 related products can exceed our capacity to meet such demand on a timely basis or at all, which can result in negative publicity and future competitive disadvantage and otherwise adversely affect our business and financial statements. The accelerated development and production of products and services in an effort to address medical and other requirements as a result of the pandemic also increases the risk of regulatory enforcement actions, product defects or claims thereof. In addition, to the extent the COVID-19 pandemic moderates, and/or if COVID-19 vaccination, therapeutic or testing practices change and Danaher's offerings are no longer a preferred solution, demand for Danaher's COVID-19 solutions may decline. Any of these developments may adversely affect our business and financial statements.

Conditions in the global economy, the particular markets we serve and the financial markets may adversely affect our business and financial statements.

Our business is sensitive to general economic conditions. Slower economic growth in the domestic and/or international markets, inflation, actual or anticipated default on sovereign debt, volatility in the currency and credit markets, high levels of unemployment or underemployment, labor availability constraints, reduced levels of capital expenditures, changes or anticipation of potential changes in government trade, fiscal, tax and monetary policies, changes in capital requirements for financial institutions, government budget negotiation dynamics, sequestration, austerity measures and other challenges that affect the global economy have in the past adversely affected, and may in the future adversely affect, the Company and its distributors, customers and suppliers, including having the effect of:

- reducing demand for our products and services (in this Annual Report, references to products and services also includes software), limiting the financing available to our customers and suppliers, increasing order cancellations and resulting in longer sales cycles and slower adoption of new technologies;
- increasing the difficulty in collecting accounts receivable and the risk of excess and obsolete inventories;
- increasing price competition in our served markets;
- supply interruptions or delays, which can disrupt our ability to produce or deliver our products;
- increasing the risk of impairment of goodwill and other long-lived assets, and the risk that we may not be able to fully recover the value of other assets such as real estate and tax assets;
- increasing the risk that counterparties to our contractual arrangements will become insolvent or otherwise unable to fulfill their contractual obligations which, in addition to increasing the risks identified above, could result in preference actions against us; and
- adversely impacting market sizes and growth rates.

If growth in the global economy or in any of the markets we serve slows for a significant period, if there is significant deterioration in the global economy or such markets or if improvements in the global economy do not benefit the markets we serve, our business and financial statements can be adversely affected.

We face intense competition and if we are unable to compete effectively, we may experience decreased demand and decreased market share. Even if we compete effectively, we may be required to reduce the prices we charge.

Our businesses operate in industries that are intensely competitive and have been subject to increasing consolidation. Because of the range of the products and services we sell and the variety of markets we serve, we encounter a wide variety of competitors; refer to “Item 1. Business—Competition” for additional details. In order to compete effectively, we must retain longstanding relationships with major customers and continue to grow our business by establishing relationships with new customers, continually developing new products and services to maintain and expand our brand recognition and leadership position in various product and service categories and penetrating new markets, including high-growth markets. Our ability to compete can also be impacted by changing customer preferences and requirements (for example increased demand for products incorporating digital capabilities or more environmentally-friendly products and supplier practices) as well as changes in the way healthcare services are delivered (including the movement of some care from acute to non-acute settings and increased focus on chronic disease management). Cost containment efforts by governments and the private sector, particularly in the healthcare industry, are also resulting in increased emphasis on products that reduce costs and improve efficiency and effectiveness. In addition, significant shifts in industry market share have occurred and may in the future occur in connection with product problems, safety alerts and publications about products, reflecting the competitive significance of product quality, product efficacy and quality systems in our industry. Our failure to compete effectively and/or pricing pressures resulting from competition may adversely impact our business and financial statements, and our expansion into new markets may result in greater-than-expected risks, liabilities and expenses. In addition, the Company’s competitors and customers have from time to time introduced, and may in the future introduce, private label, generic or low-cost products that compete with the Company’s products at lower price points. Competitors’ products can capture significant market share or lead to a decrease in market prices overall, resulting in an adverse effect on the Company’s business and financial statements.

Our growth depends in part on the timely development and commercialization, and customer acceptance, of new and enhanced products and services based on technological innovation.

We generally sell our products and services in industries that are characterized by rapid technological changes, frequent new product introductions and changing industry standards. If we do not develop innovative new and enhanced products and services on a timely basis, our offerings will become obsolete over time and our business and financial statements will suffer. Our success depends on several factors, including our ability to:

- correctly identify customer needs and preferences and predict future needs and preferences;
- allocate our R&D funding to products and services with higher growth prospects;
- anticipate and respond to our competitors’ development of new products and services and technological innovations;
- differentiate our offerings from our competitors’ offerings and avoid commoditization;
- innovate and develop new technologies and applications, and acquire or obtain rights to third-party technologies that may have valuable applications in our served markets;
- obtain adequate intellectual property rights with respect to key technologies before our competitors do;
- successfully commercialize new technologies in a timely manner, price them competitively and cost-effectively manufacture and deliver sufficient volumes of new products of appropriate quality on time;
- obtain necessary regulatory approvals of appropriate scope (including with respect to medical device products by demonstrating satisfactory clinical results where applicable as well as achieving third-party reimbursement); and
- stimulate customer demand for and convince customers to adopt new technologies.

If we fail to accurately predict future customer needs and preferences or fail to produce viable technologies, we may invest heavily in R&D of products and services that do not lead to significant revenue, which would adversely affect

our business and financial statements. Even when we successfully innovate and develop new and enhanced products and services, we often incur substantial costs in doing so, and our profitability may suffer. In addition, promising new offerings may fail to reach the market or realize only limited commercial success because of real or perceived efficacy or safety concerns, failure to achieve positive clinical outcomes, uncertainty over third-party reimbursement or entrenched patterns of clinical practice. Competitors may also develop after-market services and parts for our products which may detract from our sales.

The health care industry and related industries that we serve have undergone, and are in the process of undergoing, significant changes in an effort to reduce (and increase the predictability of) costs, which can adversely affect our business and financial statements.

The health care industry and related industries that we serve have undergone, and are in the process of undergoing, significant changes in an effort to reduce (and increase the predictability of) costs, including the following:

- Many of our customers, and the end-users to whom our customers supply products, rely on government funding of and reimbursement for healthcare products and services and research activities. The PPACA, health care austerity measures in other countries and other potential healthcare reform changes and government austerity measures have reduced and may further reduce the amount of government funding or reimbursement available to customers or end-users of our products and services and/or the volume of medical procedures using our products and services. For example, the Protecting Access to Medicare Act of 2014 (“PAMA”), introduced a multi-year pricing program for services payable under the Clinical Laboratory Fee Schedule (“CLFS”) that is designed to bring Medicare allowable amounts in line with the amounts paid by private payers. It is still unclear whether and to what extent these new rates will affect overall pricing and reimbursement for clinical laboratory testing services, but to the extent our customers conclude that Medicare reimbursement for these services is inadequate, it can in turn adversely impact the prices at which we sell our products. Other countries, as well as some private payors, also control the price of health care products, directly or indirectly, through reimbursement, payment, pricing or coverage limitations, tying reimbursement to outcomes or (in the case of governmental entities) through compulsory licensing. Global economic uncertainty or deterioration can also adversely impact government funding and reimbursement.
- Governmental and private health care providers and payors around the world are increasingly utilizing managed care for the delivery of healthcare services, centralizing purchasing, limiting the number of vendors that may participate in purchasing programs, forming group purchasing organizations and integrated health delivery networks and pursuing consolidation to improve their purchasing leverage and using competitive bid processes to procure healthcare products and services. Payors are also seeking to improve price predictability in an effort to mitigate exposure to future price increases.

These changes as well as other impacts from market demand, government regulations, third-party coverage and reimbursement policies and societal pressures are changing the way healthcare is delivered, reimbursed and funded and have in the past and could in the future cause participants in the healthcare industry and related industries that we serve to purchase fewer of our products and services, reduce the prices they are willing to pay for our products or services, reduce the amounts of reimbursement and funding available for our products and services from governmental agencies or third-party payors, heighten clinical data requirements, reduce the volume of medical procedures that use our products and services, affect the acceptance rate of new technologies and products and increase our compliance and other costs. In addition, we may be excluded from important market segments or unable to enter into contracts with group purchasing organizations and integrated health networks on terms acceptable to us, and even if we do enter into such contracts they may be on terms that negatively affect our current or future profitability. All of the factors described above can adversely affect our business and financial statements.

International economic, political, legal, compliance, social and business factors can negatively affect our business and financial statements.

In 2021 approximately 62% of our sales were derived from customers outside the U.S. In addition, many of our manufacturing operations, suppliers and employees are located outside the U.S. Since our growth strategy depends in part on our ability to further penetrate markets outside the U.S. and increase the localization of our products and services, we expect to continue to increase our sales and presence outside the U.S., particularly in the high-growth markets. Our non-U.S. business (and particularly our business in high-growth markets) is subject to risks that include:

- public health crises and epidemics, such as COVID-19;
- interruption in the transportation of materials to us and finished goods to our customers;

- differences in terms of sale, including longer payment terms than are typical in the U.S.;
- local product preferences or requirements;
- changes in a country's or region's political, legal, social or economic conditions, such as the devaluation of particular currencies;
- trade protection measures, tariffs, embargoes and import or export restrictions and requirements;

- unexpected changes in laws or regulatory requirements, including changes in tax laws;
- capital controls and limitations on ownership and on repatriation of earnings and cash;
- the potential for nationalization of enterprises;
- changes in local healthcare delivery, payment and reimbursement policies and programs;
- complex data privacy and cybersecurity requirements;
- limitations on legal rights and our ability to enforce such rights, including differing protection of intellectual property;
- difficulty in staffing and managing widespread operations;
- workforce instability and differing labor or employment regulations;
- difficulties in implementing restructuring actions on a timely or comprehensive basis; and
- greater uncertainty, risk, expense and delay in commercializing products in certain foreign jurisdictions, including with respect to product and other regulatory approvals.

International business risks have in the past and may in the future negatively affect our business and financial statements.

For example, in 2021 we generated approximately 13% of our sales from China. Accordingly, our business and financial statements can be adversely influenced by political, economic, legal, compliance, social and business conditions in China generally. Additionally, China's government continues to play a significant role in regulating industry development by imposing sector-specific policies, and it maintains control over China's economic growth through setting monetary policy and determining treatment of particular industries or companies. Further, considerable uncertainty exists regarding the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies, including the U.S. and China. Uncertainty or adverse changes to conditions in China or the policies of China's government or its laws and regulations can adversely affect the overall economic growth of China, or of the particular industries in which we participate, and can adversely affect our business and financial statements.

Our growth can suffer if the markets into which we sell our products and services decline, do not grow as anticipated or experience cyclical.

Our growth depends in part on the growth of the markets which we serve, and visibility into our markets can be limited (particularly for markets into which we sell through distribution). Our quarterly sales and profits depend substantially on the volume and timing of orders received during the quarter, which are difficult to forecast. Any decline or lower than expected growth in our served markets can diminish demand for our products and services and adversely affect our business and financial statements. Certain of our businesses operate in industries that have experienced and may experience periodic, cyclical downturns. In addition, in certain of our businesses demand depends on customers' capital spending budgets as well as government funding policies, and matters of public policy and government budget dynamics as well as product and economic cycles can affect the spending decisions of these entities. Demand for our products and services is also sensitive to changes in customer order patterns, which may be affected by announced price changes, marketing or promotional programs, new product introductions, the timing of industry trade shows and changes in distributor or customer inventory levels due to distributor or customer management thereof or other factors. Any of these factors could adversely affect our business and financial statements in any given period.

Certain of our businesses rely on relationships with collaborative partners and other third-parties for development, supply and marketing of certain products, potential products and technologies, and such collaborative partners or other third-parties could fail to perform sufficiently.

For certain of our businesses, success in penetrating target markets depends in part on their ability to develop and maintain collaborative relationships with other companies. Relying on collaborative relationships is risky because,

among other things, our collaborative partners may (1) not devote sufficient resources to the success of our collaborations; (2) fail to obtain regulatory approvals necessary to continue the collaborations in a timely manner; (3) be acquired by other companies and terminate our collaborative partnership or become insolvent; (4) compete with us; (5) disagree with us on key details of the collaborative relationship; (6) have insufficient capital resources; (7) decline to renew existing collaborations on acceptable terms; and (8) fail to comply with applicable laws, regulatory requirements and/or applicable contractual obligations. Because these and other factors may be beyond our control, the development or commercialization of our products involved in collaborative partnerships may be delayed or otherwise adversely affected. In addition, if we or any of our collaborative

partners terminate a collaborative arrangement, we may be required to devote additional resources to product development and commercialization or we may need to cancel some development programs, which could adversely affect our business and financial statements.

Acquisition, Divestiture and Investment Risks

Any inability to consummate acquisitions at our historical rate and at appropriate prices, and to make appropriate investments that support our long-term strategy, could negatively impact our business.

Our ability to grow revenues, earnings and cash flow at or above our historic rates depends in part upon our ability to identify and successfully acquire and integrate businesses at appropriate prices and realize anticipated synergies, and to make appropriate investments that support our long-term strategy. We may not be able to consummate acquisitions at rates similar to the past, which could adversely impact our business. Promising acquisitions and investments are difficult to identify and complete for a number of reasons, including high valuations, competition among prospective buyers or investors, the availability of affordable funding in the capital markets and the need to satisfy applicable closing conditions and obtain applicable antitrust and other regulatory approvals on acceptable terms. In addition, competition for acquisitions and investments has resulted and may result in higher purchase prices. Changes in accounting or regulatory requirements or instability in the credit markets could also adversely impact our ability to consummate acquisitions and investments.

Our acquisition of businesses, investments, joint ventures and other strategic relationships can negatively impact our business and financial statements.

As part of our business strategy, we acquire businesses, make investments and enter into joint ventures and other strategic relationships in the ordinary course, and we also from time to time complete more significant transactions; refer to MD&A for additional details. Acquisitions, investments, joint ventures and strategic relationships involve a number of financial, accounting, managerial, operational, legal, compliance and other risks and challenges, including but not limited to the following, any of which could adversely affect our business and our financial statements:

- businesses, technologies, services and products that we acquire or invest in sometimes under-perform relative to our expectations and the price that we paid, fail to perform in accordance with our anticipated timetable or fail to achieve and/or sustain profitability;
- we from time to time incur or assume significant debt in connection with our acquisitions, investments, joint ventures or strategic relationships, which can also cause a deterioration of Danaher's credit ratings, result in increased borrowing costs and interest expense and diminish our future access to the capital markets;
- acquisitions, investments, joint ventures or strategic relationships can cause our financial results to differ from our own or the investment community's expectations in any given period, or over the long-term;
- pre-closing and post-closing earnings charges can adversely impact our results in any given period, and the impact may be substantially different from period-to-period;
- acquisitions, investments, joint ventures or strategic relationships can create demands on our management, operational resources and financial and internal control systems that we are unable to effectively address;
- we can experience difficulty in integrating cultures, personnel, operations and financial and other controls and systems and retaining key employees and customers, and former employees of businesses we acquire may compete with us;
- we may be unable to achieve cost savings or other synergies anticipated in connection with an acquisition, investment, joint venture or strategic relationship;
- we have assumed and may assume unknown liabilities, known contingent liabilities that become realized, known liabilities that prove greater than anticipated, internal control deficiencies or exposure to regulatory sanctions resulting from the acquired company's or investee's activities; and the realization of any of these liabilities or deficiencies can increase our expenses, adversely affect our financial position or cause us to fail to meet our public financial reporting obligations;

- in connection with acquisitions and joint ventures, we often enter into post-closing financial arrangements such as purchase price adjustments, earn-out obligations and indemnification obligations, which can have unpredictable financial results;

- as a result of our acquisitions and investments, we have recorded significant goodwill and other assets on our balance sheet and if we are not able to realize the value of these assets, or if the value of our investments declines, we are required to incur impairment charges;
- we may have interests that diverge from those of our joint venture partners or other strategic partners or the companies we invest in, and we may not be able to direct or influence the management and operations of the joint venture, other strategic relationship or investee in the manner we believe is most appropriate, exposing us to additional risk; and
- investing in or making loans to early-stage companies often entails a high degree of risk, including uncertainty regarding the company's ability to successfully develop new technologies and services, bring these new technologies and services to market and gain market acceptance, maintain adequate capitalization and access to cash or other forms of liquidity, and retain critical management personnel; we do not always achieve the strategic, technological, financial or commercial benefits we anticipate; we may lose our investment or fail to recoup our loan; or our investment may be illiquid for a greater-than-expected period of time.

The indemnification provisions of acquisition agreements by which we have acquired companies may not fully protect us and as a result we may face unexpected liabilities.

Certain of the acquisition agreements by which we have acquired companies require the former owners to indemnify us against certain liabilities related to the operation of the acquired company before we acquired it. In most of these agreements, however, the liability of the former owners is limited and certain former owners may be unable to meet their indemnification responsibilities. In addition, we obtain or receive the benefits of representations and warranties insurance in connection with certain acquisitions. We cannot assure you that these indemnification provisions or insurance coverages will protect us fully or at all, and as a result we may face unexpected liabilities that adversely affect our business and financial statements.

Divestitures or other dispositions could negatively impact our business, and contingent liabilities from businesses that we or our predecessors have disposed could adversely affect our business and financial statements.

We continually assess the strategic fit of our existing businesses and may divest, spin-off, split-off or otherwise dispose of businesses that are deemed not to fit with our strategic plan or are not achieving the desired return on investment. For example, in 2015 Danaher separated and split-off to Danaher shareholders the majority of its former communications business in a Reverse Morris Trust transaction with NetScout Systems, Inc. (the "Communications Disposition"), in 2016 Danaher separated and spun-off to Danaher shareholders its former Test & Measurement segment, Industrial Technologies segment (excluding the product identification businesses) and retail/commercial petroleum business (collectively known as "Fortive Corporation") (the "Fortive Disposition"), and in 2019 Danaher consummated the separation and initial public offering ("IPO") and subsequent split-off of its Dental segment, known as Envista Holdings Corporation (the "Envista Disposition"). Transactions such as these pose risks and challenges that could negatively impact our business and financial statements. For example, when we decide to sell or otherwise dispose of a business or assets, we may be unable to do so on satisfactory terms within our anticipated timeframe or at all, and even after reaching a definitive agreement to sell or dispose a business the sale is typically subject to satisfaction of pre-closing conditions which may not become satisfied. In addition, divestitures or other dispositions can dilute the Company's earnings per share, have other adverse financial, tax and accounting impacts and distract management, and disputes can arise with buyers. In addition, we have retained responsibility for and/or have agreed to indemnify buyers against some known and unknown contingent liabilities related to a number of businesses we or our predecessors have sold or disposed. The resolution of these contingencies has not had a material effect on our business or financial statements but we cannot be certain that this favorable pattern will continue.

Potential indemnification liabilities pursuant to the Communications Disposition, the Fortive Disposition or the Envista Disposition could adversely affect our business and financial statements.

With respect to each of the Communications Disposition, the Fortive Disposition and the Envista Disposition, we entered into a separation agreement and related agreements to govern the separation and related transactions and the relationship between the respective companies going forward. These agreements provide for specific indemnity and liability obligations of each party that can lead to disputes between us and the respective counterparty. If we are

required to indemnify any of the other parties under the circumstances set forth in these agreements, we may be subject to substantial liabilities. In addition, with respect to the liabilities for which the other parties have agreed to indemnify us under these agreements, there can be no assurance that the indemnity rights we have against such other parties will be sufficient to protect us against the full amount of the liabilities, or that such other parties will be able to fully satisfy their respective indemnification obligations. It is also possible that a court could disregard the allocation of assets and liabilities agreed to between Danaher and such other parties and require Danaher to assume responsibility for obligations allocated to such other parties. Each of these risks could negatively affect our business and financial statements.

We could incur significant liability if any of the Communications Disposition, the Fortive Disposition or the Envista Disposition is determined to be a taxable transaction.

We have received opinions from outside tax counsel to the effect that each of the Communications Disposition, the Fortive Disposition and the Envista Disposition qualifies as a transaction that is described in Sections 355(a) and 368(a)(1)(D) of the Internal Revenue Code. These opinions rely on certain facts, assumptions, representations and undertakings regarding the past and future conduct of the companies' respective businesses and other matters. If any of these facts, assumptions, representations or undertakings are incorrect or not satisfied, our stockholders and we may not be able to rely on the respective opinion of tax counsel and could be subject to significant tax liabilities. Notwithstanding the opinion of tax counsel, the Internal Revenue Service ("IRS") could determine on audit that any such transactions are taxable if it determines that any of these facts, assumptions, representations or undertakings are not correct or have been violated or if it disagrees with the conclusions in the respective opinion. If any such transaction is determined to be taxable for U.S. federal income tax purposes, our stockholders that are subject to U.S. federal income tax and we could incur significant U.S. federal income tax liabilities.

Operational Risks

Significant disruptions in, or breaches in security of, our information technology systems or data or violation of data privacy laws can adversely affect our business and financial statements.

We rely on information technology systems, some of which are provided and/or managed by third-parties, to process, transmit and store electronic information (including sensitive data such as confidential business information and personal data relating to employees, customers, other business partners and patients), and to manage or support a variety of critical business processes and activities (such as receiving and fulfilling orders, billing, collecting and making payments, shipping products, providing services and support to customers and fulfilling contractual obligations). In addition, some of our remote monitoring products and services incorporate software and information technology that house personal data and some products or software we sell to customers connect to our systems for maintenance or other purposes. These systems, products and services (including those we acquire through business acquisitions) can be damaged, disrupted or shut down due to attacks by computer hackers, computer viruses, ransomware, human error or malfeasance (including by employees), power outages, hardware failures, telecommunication or utility failures, catastrophes or other unforeseen events, and in any such circumstances our system redundancy and other disaster recovery planning may be ineffective or inadequate. Attacks can also target hardware, software and information installed, stored or transmitted in our products after such products have been purchased and incorporated into third-party products, facilities or infrastructure. Security breaches of systems provided or enabled by us, regardless of whether the breach is attributable to a vulnerability in our products or services, or security breaches of third-party suppliers we rely on to process, store or transmit electronic information, can result in the misappropriation, destruction or unauthorized disclosure of confidential information or personal data belonging to us or to our employees, partners, customers, patients or suppliers. Like most multinational corporations, our information technology systems and data have been subject to computer viruses, malicious codes, unauthorized access and other cyber-attacks and we expect the sophistication and frequency of such attacks to continue to increase. Unauthorized tampering, adulteration or interference with our products may also adversely affect product functionality and result in loss of data, risk to patient safety and product recalls or field actions. The attacks, breaches, misappropriations and other disruptions and damage described above can interrupt our operations or the operations of our customers and partners, delay production and shipments, result in theft of our and our customers' intellectual property and trade secrets, result in disclosure of personal data, damage customer, patient, business partner and employee relationships and our reputation and result in defective products or services, legal claims and proceedings, liability and penalties under privacy and other laws and increased costs for security and remediation, in each case resulting in an adverse effect on our business and financial statements. Our liability insurance may not be sufficient in type or amount to cover us against claims related to security breaches, cyber-attacks and other related breaches.

In addition, our information technology systems require an ongoing commitment of significant resources to maintain and enhance existing systems and develop new systems to keep pace with continuing changes in information processing technology, evolving legal and regulatory standards, evolving customer expectations, changes in the techniques used to obtain unauthorized access to data and information systems, and the information technology needs associated with our changing products and services. There can be no assurance that we will be able to successfully

maintain, enhance and upgrade our systems as necessary to effectively address these requirements. Further, a greater number of our employees have been working remotely since the beginning of the COVID-19 pandemic, which exposes us to greater cybersecurity risks.

Any inability to maintain reliable information technology systems and appropriate controls with respect to global data privacy and security requirements and prevent data breaches can result in adverse regulatory and business consequences and litigation. As a global organization, we are subject to data privacy and security laws, regulations, and customer-imposed controls in numerous jurisdictions as a result of having access to and processing confidential, personal and/or sensitive data in the course of our business. Please see “Item 1. Business—Regulatory Matters” for additional information. For example, entities that are

found to be in violation of HIPAA as the result of a breach of unsecured patient health information, a complaint about privacy practices or an audit by HHS, may be subject to significant civil, criminal and administrative fines and penalties and/or additional reporting and oversight obligations. Failure to comply with the requirements of GDPR and the applicable national data protection laws of the EU member states may result in fines of up to €20 million or up to 4% of total worldwide annual turnover for the preceding financial year, whichever is higher, and other administrative penalties. Several other countries such as China and Russia have passed, and other countries are considering passing, laws that require some or all personal data relating to their citizens to be maintained on local servers and impose additional data transfer restrictions. A broad California privacy law came into effect in January 2020 with some of the same features as the GDPR, which has already prompted other states to enact or consider enacting similar laws. Government enforcement actions can be costly and interrupt the regular operation of our business, and data breaches or violations of data privacy laws can result in civil and criminal, monetary and non-monetary penalties and damage to customer, patient, business partner and employee relationships and to our reputation, any of which may adversely affect our business and financial statements. In addition, compliance with the varying data privacy regulations across the U.S. and around the world has required significant expenditures and may require additional expenditures, and may require further changes in our products or business models that increase competition or reduce revenue.

Defects and unanticipated use or inadequate disclosure with respect to our products or services, or allegations thereof, can adversely affect our business and financial statements.

Manufacturing or design defects or “bugs” in, unanticipated use of, safety or quality issues (or the perception of such issues) with respect to, “off label” use of, or inadequate disclosure of risks relating to the use of products and services that we make or sell (including items that we source from third-parties) can lead to personal injury, death, and/or property damage and adversely affect our business and financial statements. These events can lead to recalls or safety alerts, result in the removal of a product or service from the market and result in product liability or similar claims being brought against us. Recalls, removals and product liability and similar claims (regardless of their validity or ultimate outcome) can result in significant costs, as well as negative publicity and damage to our reputation that could reduce demand for our products and services. Our business can also be affected by studies of the utilization, safety and efficacy of medical device products and components that are conducted by industry participants, government agencies and others. Any of the above can result in the discontinuation of marketing of such products in one or more countries and give rise to claims for damages from persons who believe they have been injured as a result of product issues, including claims by individuals or groups seeking to represent a class.

If we suffer loss to our facilities, supply chains, distribution systems or information technology systems due to catastrophe or other events, our operations could be seriously harmed.

Our facilities, supply chains, distribution systems and information technology systems are subject to catastrophic loss due to fire, flood, cyber-attack, earthquake, hurricane, power shortage or outage, public health crisis (including epidemics and pandemics) and the reaction thereto, war, terrorism, riot, public protest or other natural or man-made disasters, such as the COVID-19 pandemic and the damage caused to our facilities by Hurricane Maria in Puerto Rico in 2017. If any of these facilities, supply chains or systems were to experience a catastrophic loss, it could disrupt our operations, delay production and shipments, result in defective products or services, diminish demand, damage customer relationships and our reputation and result in legal exposure and significant repair or replacement expenses. The third-party insurance coverage that we maintain varies from time to time in both type and amount depending on cost, availability and our decisions regarding risk retention, and may be unavailable or insufficient to protect us against such losses.

Climate change, or legal or regulatory measures to address climate change, may negatively affect us.

Climate change resulting from increased concentrations of carbon dioxide and other greenhouse gases in the atmosphere could present risks to our operations. Physical risk resulting from acute changes (such as hurricane, tornado, wildfire or flooding) or chronic changes (such as droughts, heat waves or sea level changes) in climate patterns can adversely impact our facilities and operations and disrupt our supply chains and distribution systems. Concern over climate change can also result in new or additional legal or regulatory requirements designed to reduce greenhouse gas emissions and/or mitigate the effects of climate change on the environment (such as taxation of, or caps on the use of, carbon-based energy). Any such new or additional legal or regulatory requirements may increase the costs associated with, or disrupt, sourcing, manufacturing and distribution of our products, which may adversely

affect our business and financial statements. In addition, any failure to adequately address stakeholder expectations with respect to environmental, social and governance (“ESG”) matters may result in the loss of business, adverse reputational impacts, diluted market valuations and challenges in attracting and retaining customers and talented employees.

The manufacture of many of our products is a highly exacting and complex process, and if we directly or indirectly encounter problems manufacturing products, our business and financial statements could suffer.

The manufacture of many of our products is a highly exacting and complex process, due in part to strict regulatory requirements. Problems can arise during manufacturing for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials or components, cyber-attacks, natural disasters and environmental factors, and if not discovered before the product is released to market can result in recalls and product liability exposure. Because of the time required to approve and license certain regulated manufacturing facilities and other stringent regulations of the FDA and similar agencies regarding the manufacture of certain of our products, an alternative manufacturer is not always available on a timely basis to replace such production capacity. Any of these manufacturing problems could result in adverse impacts to our business and financial statements.

If we cannot adjust our manufacturing capacity or the purchases required for our manufacturing activities to reflect changes in market conditions and customer demand, our business and financial statements may suffer. In addition, our reliance upon sole or limited sources of supply for certain materials, components and services can cause production interruptions, delays and inefficiencies.

We purchase materials, components and equipment from third-parties for use in our manufacturing operations, including metallic-based components, electronic components, chemistries, OEM products, plastics and other petroleum-based products. Our profitability could be adversely impacted if we are unable to adjust our purchases to reflect changes in customer demand and market fluctuations, including those caused by seasonality or cyclicity. During a market upturn, suppliers from time to time extend lead times, limit supplies or increase prices. If we cannot purchase sufficient products at competitive prices and quality and on a timely enough basis to meet increasing demand, we may not be able to satisfy market demand, product shipments may be delayed, our costs may increase or we may breach our contractual commitments and incur liabilities. Please see “Item 1. Business—Materials” for a discussion of certain supply chain constraints we experienced in 2021. Conversely, in order to secure supplies for the production of products, we sometimes enter into noncancelable purchase commitments with vendors, which can impact our ability to adjust our inventory to reflect declining market demands. If demand for our products is less than we expect, we may experience additional excess and obsolete inventories and be forced to incur additional charges and our business and financial statements may suffer.

In addition, some of our businesses purchase certain requirements from sole or limited source suppliers for reasons of quality assurance, regulatory requirements, cost effectiveness, availability or uniqueness of design. If these or other suppliers encounter financial, operating or other difficulties or if our relationship with them changes, we might not be able to quickly establish or qualify replacement sources of supply. The supply chains for our businesses can also be disrupted by supplier capacity constraints, bankruptcy or exiting of the business for other reasons, decreased availability of key raw materials or commodities and external events such as natural disasters, pandemic health issues, war, terrorist actions, governmental actions (such as trade protectionism) and legislative or regulatory changes. Any of these factors can result in production interruptions, delays, extended lead times and inefficiencies.

Because we cannot always immediately adapt our production capacity and related cost structures to changing market conditions, at times our manufacturing capacity exceeds or falls short of our production requirements. Any or all of these problems can result in the loss of customers or cost inefficiencies, provide an opportunity for competing products to gain market acceptance and otherwise adversely affect our business and financial statements.

Adverse changes in our relationships with, or the financial condition, performance, purchasing patterns or inventory levels of, key distributors and other channel partners can adversely affect our business and financial statements.

Certain of our businesses sell a significant amount of their products to or through key distributors and other channel partners that have valuable relationships with customers and end-users. Some of these distributors and other partners also sell our competitors’ products or compete with us directly, and if they favor competing products for any reason they may fail to market our products effectively. Adverse changes in our relationships with these distributors and other partners, reduction or discontinuation of their purchases from us or adverse developments in their financial condition, performance or purchasing patterns, can adversely affect our business and financial statements. The levels of inventory maintained by our distributors and other channel partners, and changes in those levels, also impacts our

results of operations in any given period. In addition, the consolidation of distributors and customers in certain of our served industries can adversely impact our business and financial statements.

Our financial results are subject to fluctuations in the cost and availability of the supplies that we use in, and the labor we need for, our operations.

As discussed in “Item 1. Business—Materials,” our manufacturing and other operations employ a wide variety of components, raw materials and other commodities. Prices for and availability of these components, raw materials and other commodities, as well as for labor, have fluctuated significantly in the past. Please see “Item 1. Business—Materials” for a discussion of the supply chain and labor availability disruptions and constraints our businesses are currently facing, and the adverse impacts that we have incurred and may incur relating thereto. Any sustained interruption in the supply of, or increase in the cost of, key components, raw materials, other commodities and labor can adversely affect our business and financial statements. In addition, due to the highly competitive nature of the industries that we serve, the cost-containment efforts of our customers and the terms of certain contracts we are party to, when supply and labor prices rise we are not always able to pass along cost increases through higher prices for our products. If we are unable to fully recover higher supply and labor costs through price increases or offset these increases through cost reductions, or if there is a time delay between the increase in costs and our ability to recover or offset these costs, our margins and profitability could decline and our business and financial statements could be adversely affected.

Our success depends on our ability to recruit, retain and motivate talented employees representing diverse backgrounds, experiences and skill sets.

The market for highly skilled workers and leaders in our industries, particularly in the areas of science and technology, is extremely competitive. In addition, in 2021 a number of our businesses faced certain labor availability constraints and labor cost inflation. If we are less successful in our recruiting efforts, or if we cannot retain and motivate highly skilled workers and key leaders representing diverse backgrounds, experiences and skill sets, our business and financial statements may be adversely affected.

Our restructuring actions can have long-term adverse effects on our business and financial statements.

We have implemented significant restructuring activities across our businesses to adjust our cost structure, and we may engage in similar restructuring activities in the future. These restructuring activities and our regular ongoing cost reduction activities (including in connection with the integration of acquired businesses) reduce our available talent, assets and other resources and can slow improvements in our products and services, adversely affect our ability to respond to customers, limit our ability to increase production quickly if demand for our products increases and trigger adverse public attention. In addition, delays or failures in implementing planned restructuring activities or other productivity improvements, unexpected costs or failure to meet targeted improvements on the anticipated timeline or at all may diminish the expected operational or financial benefits from such actions. Any of the circumstances described above could adversely impact our business and financial statements.

Work stoppages, union and works council campaigns and other labor disputes could adversely impact our productivity and results of operations.

Certain of our U.S. and non-U.S. employees are subject to collective labor arrangements. We are subject to potential work stoppages, union and works council campaigns and other labor disputes that could adversely impact our business and financial statements.

Intellectual Property Risks

If we are unable to adequately protect our intellectual property, or if third-parties infringe our intellectual property rights, we may suffer competitive injury or expend significant resources enforcing our rights. These risks are particularly pronounced in countries in which we do business that do not have levels of protection of intellectual property comparable to the United States.

Many of the markets we serve are technology-driven, and as a result intellectual property rights play a significant role in product development and differentiation. We own numerous patents, trademarks, copyrights, trade secrets and other intellectual property and licenses to intellectual property owned by others, which in aggregate are important to our business. The intellectual property rights that we obtain, however, are not always sufficiently broad and do not always provide us a significant competitive advantage, and patents may not be issued for pending or future patent applications owned by or licensed to us. In addition, the steps that we and our licensors have taken to maintain and

protect our intellectual property do not always prevent it from being challenged, invalidated, circumvented, designed-around or becoming subject to compulsory licensing. In some circumstances, enforcement is not available to us because an infringer has a dominant intellectual property position or for other business reasons. We also rely on nondisclosure and noncompetition agreements with employees, consultants and other parties to protect, in part, trade secrets and other proprietary rights. There can be no assurance that these agreements adequately protect our trade secrets and other proprietary rights and will not be breached, that we will have adequate remedies for any breach, that

others will not independently develop substantially equivalent proprietary information or that third-parties will not otherwise gain access to our trade secrets or other proprietary rights. Our failure to obtain or maintain intellectual property rights that convey competitive advantage and adequately protect our intellectual property; our failure to detect or prevent circumvention or unauthorized use of such property and the cost of enforcing our intellectual property rights each can adversely impact our business and financial statements.

These risks are particularly pronounced in countries in which we do business that do not have levels of protection of corporate proprietary information, intellectual property, technology and other assets comparable to the United States. The risks we encounter in such countries include but are not limited to the following:

- Joint ventures that we participate in can include restrictions that could compromise our control over the intellectual property, technology and proprietary information of the joint venture;
- As we expand our operations globally, increasing amounts of our data, intellectual property and technology is used and stored in countries outside the United States, and regulations in certain countries require data to be stored locally. These factors increase the risk that such data, intellectual property and technology could be stolen or otherwise compromised;
- Certain of our products have been counterfeited and we may encounter additional and/or increased levels of counterfeiting in the future;
- Governmental entities may adopt regulations or other requirements that give them rights to certain of our intellectual property, technology and/or proprietary information, such as through compulsory licensing or ownership restrictions or requirements;
- In certain countries, we do not have the same ability to enforce intellectual property rights as we do in the U.S.;
- Governmental regulations relating to state secrecy or other topics limit our ability to transfer data or technology out of certain jurisdictions; and
- Risks, costs and challenges of operating in a particular jurisdiction can result in a decision to relocate or divert operations to a different jurisdiction, potentially at higher cost.

Any of these risks can adversely impact our business and financial statements. Refer to “—International economic, political, legal, compliance, social and business factors could negatively affect our financial statements” for a discussion of additional risks relating to our international operations.

Third-parties from time to time claim that we are infringing or misappropriating their intellectual property rights and we could suffer significant litigation expenses, losses or licensing expenses or be prevented from selling products or services.

From time to time, we receive notices from third parties alleging intellectual property infringement or misappropriation of third parties’ intellectual property and cannot be certain that the conduct of our business does not and will not infringe or misappropriate the intellectual property rights of others. Disputes or litigations regarding intellectual property can be costly and time-consuming to defend due to the complexity of many of our technologies and the uncertainty of intellectual property litigation. Our intellectual property portfolio may not be useful in asserting a counterclaim, or negotiating a license, in response to a claim of infringement or misappropriation. In addition, as a result of such claims of infringement or misappropriation, we could lose our rights to critical technology, be unable to license critical technology or sell critical products and services, be required to pay substantial damages or license fees with respect to the infringed rights, be required to license technology or other intellectual property rights from others, be required to cease marketing, manufacturing or using certain products or be required to redesign, re-engineer or re-brand our products at substantial cost, any of which could adversely impact our business and financial statements. Third-party intellectual property rights may also make it more difficult or expensive for us to meet market demand for particular product or design innovations. When we are required to seek licenses under patents or other intellectual property rights of others, we are not always able to acquire these licenses on acceptable terms, if at all. Even if we successfully defend against claims of infringement or misappropriation, we may incur significant costs and diversion of management attention and resources, which could adversely affect our business and financial statements.

The U.S. government has certain rights with respect to incremental production capacity and/or the intellectual property we have developed using government financing.

Certain agencies of the U.S. government, such as the Biomedical Advanced Research and Development Authority (“BARDA”) within the U.S. Department of Health and Human Services, have agreed to finance an expansion of production capacity and/or the development of technology at certain of our businesses, and our businesses may enter into similar agreements in the future.

In consideration of this financing the U.S. government has certain rights, including rights with respect to the allocation of certain of the incremental production capacity associated with such expansion and/or rights in intellectual property produced with its financial assistance. Government rights in inventions conceived or reduced to practice under a government-funded program can include a nonexclusive, royalty-free worldwide license to practice or have practiced such inventions for any governmental purpose. In addition, the U.S. government has the right to require us or our licensors (as applicable) to grant licenses which would be exclusive under any of such inventions to a third-party if they determine that: (1) adequate steps have not been taken to commercialize such inventions in a particular field of use; (2) such action is necessary to meet public health or safety needs; or (3) such action is necessary to meet requirements for public use under federal regulations. Further, government rights include the right to use and disclose, without limitation, technical data relating to licensed technology that was developed in whole or in part at government expense.

We are required to comply with numerous laws and regulations relating to the administration and performance of our obligations under these agreements, including the Federal Acquisition Regulation (“FAR”) and agency-specific regulations supplemental to the FAR, business ethics and public integrity obligations, export and import control laws and regulations, and regulations and standards relating to our accounting practices. In addition, if the U.S. government terminates one or more of these contracts with us for its convenience, or if we default by failing to perform in accordance with the contract schedule and terms, a negative impact on our business and financial statements could result.

Financial and Tax Risks

Our outstanding debt has increased significantly as a result of acquisitions, and we may incur additional debt in the future. Our existing and future indebtedness may limit our operations and our use of our cash flow and negatively impact our credit ratings; and any failure to comply with the covenants that apply to our indebtedness could adversely affect our business and financial statements.

As of December 31, 2021, we had approximately \$22.2 billion in outstanding indebtedness. In addition, we had the ability to incur approximately \$2.2 billion of additional indebtedness in direct borrowings or under our outstanding commercial paper facilities based on the amounts available under our credit facilities that were not being used to backstop outstanding commercial paper balances. Our debt level and related debt service obligations (as well as the dividend obligations pursuant to our Series A and Series B Mandatory Convertible Preferred Stock (“MCPS”)) can have negative consequences, including (1) requiring us to dedicate significant cash flow from operations to the payment of principal and interest on our debt (or dividends on our MCPS), which reduces the funds we have available for other purposes such as acquisitions and other investments; (2) reducing our flexibility in planning for or reacting to changes in our business and market conditions; and (3) exposing us to interest rate risk since a portion of our debt obligations are at variable rates.

If our credit ratings are downgraded or put on watch for a potential downgrade, we may not be able to sell additional debt securities or borrow money in the amounts, at the times or interest rates or upon the more favorable terms and conditions that might be available if our current credit ratings were maintained.

Our credit facilities and long-term debt obligations also impose certain restrictions on us, including certain restrictions on our ability to incur liens on our assets, and a requirement under our credit facilities to maintain a consolidated leverage ratio (the ratio of consolidated indebtedness to consolidated indebtedness plus shareholders’ equity) of 0.65 to 1.0 or less. If we breach any of these restrictions and cannot obtain a waiver from the lenders on favorable terms, subject to applicable cure periods, the outstanding indebtedness (and any other indebtedness with cross-default provisions) could be declared immediately due and payable, which would adversely affect our business and financial statements (including our liquidity). If we add new debt in the future, the risks described above would increase.

We may be required to recognize impairment charges for our goodwill and other intangible assets.

As of December 31, 2021, the net carrying value of our goodwill and other intangible assets totaled approximately \$64.0 billion. In accordance with generally accepted accounting principles, we periodically assess these assets to determine if they are impaired. Significant negative industry or economic trends, disruptions to our business, inability to effectively integrate acquired businesses, unexpected significant changes or planned changes in use of our

assets, changes in the structure of our business, divestitures, market capitalization declines, or increases in associated discount rates can impair our goodwill and other intangible assets. Any charges relating to such impairments adversely affect our financial statements in the periods recognized.

Foreign currency exchange rates can adversely affect our financial statements.

Sales and purchases in currencies other than the U.S. dollar expose us to fluctuations in foreign currencies relative to the U.S. dollar and may adversely affect our financial statements. Increased strength of the U.S. dollar increases the effective price of our products sold in U.S. dollars into other countries, which can adversely affect sales or require us to lower our prices.

Decreased strength of the U.S. dollar adversely affects the cost of materials, products and services we purchase overseas. Sales and expenses of our non-U.S. businesses are also translated into U.S. dollars for reporting purposes and the strengthening of the U.S. dollar generally results in unfavorable translation effects. In addition, certain of our businesses invoice customers in a currency other than the business' functional currency, and movements in the invoiced currency relative to the functional currency can also result in unfavorable translation effects. The Company also faces exchange rate risk from its investments in subsidiaries owned and operated in foreign countries.

Changes in our tax rates or exposure to additional income tax liabilities or assessments can affect our profitability. In addition, audits by tax authorities can result in additional tax payments for prior periods.

We are subject to income taxes in the U.S. and in numerous non-U.S. jurisdictions. On December 22, 2017, the Tax Cuts and Jobs Act ("TCJA") was enacted. The TCJA significantly revised the U.S. federal corporate income tax law by, among other things, lowering the corporate income tax rate to 21.0%, implementing a quasi-territorial tax system, and imposing a one-time tax on unremitted cumulative non-U.S. earnings of non-U.S. subsidiaries ("Transition Tax").

Due to the potential for changes to tax laws and regulations or changes to the interpretation thereof (including regulations and interpretations pertaining to the TCJA), the ambiguity of tax laws and regulations, the subjectivity of factual interpretations, the complexity of our intercompany arrangements, uncertainties regarding the geographic mix of earnings in any particular period, and other factors, our estimates of effective tax rate and income tax assets and liabilities can be incorrect and our financial statements could be adversely affected; please refer to MD&A for a discussion of additional factors that may adversely affect our effective tax rate and decrease our profitability in any period. The impact of the factors referenced in the preceding sentence may be substantially different from period-to-period.

In addition, the amount of income taxes we pay is subject to ongoing audits by U.S. federal, state and local tax authorities and by non-U.S. tax authorities, such as the audits described in MD&A and the Company's Consolidated Financial Statements. If audits result in payments or assessments different from our reserves, our results can be adversely affected. Any further changes to the tax system in the United States or in other jurisdictions (including changes in the taxation of non-U.S. income as further described below) could also adversely affect our financial statements.

Changes in tax law relating to multinational corporations could adversely affect our tax position.

The U.S. Congress, government agencies in non-U.S. jurisdictions where we do business, and the Organisation for Economic Co-operation and Development ("OECD") have focused on issues related to the taxation of multinational corporations. One example is in the area of "base erosion and profit shifting," for which the OECD has released several components of its comprehensive plan that have been adopted and expanded by many taxing authorities to address perceived tax abuse and inconsistencies between tax jurisdictions. As a result, the tax laws in the U.S. and other countries in which we do business could change on a prospective or retroactive basis, and any such changes could adversely affect our business and financial statements.

Legal, political, and economic uncertainty surrounding the exit of the United Kingdom from the EU could have an adverse effect on our business and financial statements.

The UK ceased to be a member state of the EU on January 31, 2020 (commonly referred to as "Brexit"), and the parties have agreed to and ratified a trade and cooperation agreement. Uncertainties remain regarding the application of the terms of the trade and cooperation agreement and the other potential impacts of Brexit, such as the impact of new or different laws and regulations as the UK replaces or replicates certain EU laws, and trade and tax impacts as the UK negotiates its own tax and trade treaties with countries around the world. The impacts from Brexit could adversely affect our business and financial statements. As of December 31, 2021, the Company had eight manufacturing facilities in the UK and the Company's net investment in property, plant and equipment in the UK was \$260 million. For the year ended December 31, 2021, less than 5% of our sales were derived from customers located in the UK, however, the impact of Brexit could also impact our business and financial statements outside the UK.

Our defined benefit pension plans are subject to financial market risks that could adversely affect our financial statements.

The performance of the financial markets and interest rates impact our defined benefit pension plan expenses and funding obligations. Significant changes in market interest rates, decreases in the fair value of plan assets, investment losses on plan assets and changes in discount rates can increase our funding obligations and adversely impact our financial statements. In addition, upward pressure on the cost of providing health care coverage to current employees and retirees can increase our future funding obligations and adversely affect our financial statements.

Legal, Regulatory, Compliance and Reputational Risks

Significant developments or changes in U.S. laws or policies can have an adverse effect on our business and financial statements.

Significant developments or changes in U.S. laws and policies, such as laws and policies governing non-U.S. trade, manufacturing, and development and investment in the territories and countries where we or our customers operate, or governing the health care system and drug prices, can adversely affect our business and financial statements. For example, in recent years the U.S. has increased tariffs on certain imported goods and trade tensions between the U.S. and China escalated, with each country imposing significant, additional tariffs on a wide range of goods imported from the other country. The U.S. and China could impose other types of restrictions such as limitations on government procurement or technology export restrictions, which could affect our access to markets. These factors have adversely affected, and in the future could further adversely affect, our business and financial statements.

Our business and financial statements can be impaired by improper conduct by any of our employees, agents or business partners.

We cannot provide assurance that our internal controls and compliance systems, including our Code of Conduct, always protect us from acts committed by employees, agents or business partners of ours (or of businesses we acquire or partner with) that violate laws, including the laws governing payments to government officials, bribery, fraud, kickbacks and false claims, pricing, sales and marketing practices, conflicts of interest, competition, employment practices and workplace behavior, export and import compliance, economic and trade sanctions, money laundering and data privacy. In particular, the U.S. Foreign Corrupt Practices Act, the UK Bribery Act and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business, and we operate in many parts of the world that have experienced governmental corruption to some degree. Any such improper actions or allegations of such acts could damage our reputation and subject us to civil or criminal investigations and related shareholder lawsuits, could lead to substantial civil and criminal, monetary and non-monetary penalties and could cause us to incur significant legal and investigatory fees. In addition, the government may seek to hold us liable for violations committed by companies in which we invest or that we acquire. We also rely on our suppliers to adhere to our Supplier Code of Conduct, and violations of such code of conduct could adversely affect our business and financial statements.

Our businesses are subject to extensive regulation; failure to comply with those regulations could adversely affect our business and financial statements.

In addition to the environmental, health, safety, health care, medical device, anticorruption, data privacy and other regulations noted elsewhere in this Annual Report, our businesses are subject to extensive regulation by U.S. and non-U.S. governmental and self-regulatory entities at the supranational, federal, state, local and other jurisdictional levels, including the following:

- We are required to comply with various import laws and export control and economic sanctions laws, which may affect our transactions with certain customers, business partners and other persons and dealings between our employees and between our subsidiaries. In certain circumstances, export control and economic sanctions regulations may prohibit the export of certain products, services and technologies. In other circumstances, we may be required to obtain an export license before exporting the controlled item. Compliance with the various import laws that apply to our businesses can restrict our access to, and increase the cost of obtaining, certain products and at times can interrupt our supply of imported inventory. In addition, we sell and provide products and technology to third parties, such as agents, representatives and distributors, who may export such items to end-users, and if any of these third parties do not comply with applicable export or import laws we may incur liability. In addition, from time to time, certain of our subsidiaries have limited business dealings in countries subject to comprehensive sanctions. These business dealings represent an insignificant amount of our consolidated revenues and income but expose us to a heightened risk of violating applicable sanctions regulations. We have established policies and procedures designed to assist with our compliance with such laws and regulations. However, there can be no assurance that our policies and procedures have prevented and will prevent violations of these regulations and any violation can adversely affect our business and financial statements.

- We also have agreements to sell products and services to government entities and are subject to various statutes and regulations that apply to companies doing business with government entities (less than 5% of our 2021 sales were made to the U.S. federal government). The laws governing government contracts differ from the laws governing private contracts. For example, many government contracts contain pricing and other terms and conditions that are not applicable to private contracts. Our agreements with government entities are in some cases subject to termination, reduction or modification at the convenience of the government or in the event of changes in government requirements, reductions in federal spending and other factors, and we may underestimate our costs of performing

under the contract. In certain cases, a governmental entity may require us to pay back amounts it has paid to us. Government contracts that have been awarded to us following a bid process can become the subject of a bid protest by a losing bidder, which could result in loss of the contract. We are also subject to investigation and audit for compliance with the requirements governing government contracts.

These are not the only regulations that our businesses must comply with. The regulations we are subject to have tended to become more stringent over time and can be inconsistent across jurisdictions. We, our representatives and the industries in which we operate are at times under review and/or investigation by regulatory authorities. Failure to comply (or any alleged or perceived failure to comply) with the regulations referenced above or any other regulations can result in import detentions, fines, damages, civil and administrative penalties, injunctions, consent decrees, suspensions or losses of regulatory approvals, recall or seizure of products, operating restrictions, refusal of the government to approve product export applications or allow us to enter into supply contracts, disbarment from selling to certain governmental agencies or exclusion from government funded healthcare programs, such as Medicare and Medicaid or similar programs in other countries or jurisdictions, integrity oversight and reporting obligations to resolve allegations of non-compliance, disruption of our business, limitation on our ability to manufacture, import, export and sell products and services, loss of customers, significant legal and investigatory fees, disgorgement, individual imprisonment, reputational harm, contractual damages, diminished profits, curtailment or restricting of business operations, criminal prosecution and other monetary and non-monetary penalties. Compliance with these and other regulations can also affect our returns on investment, require us to incur significant expenses or modify our business model or impair our flexibility in modifying product, marketing, pricing or other strategies for growing our business. Our products and operations are also often subject to the rules of industrial standards bodies such as the International Standards Organization, and failure to comply with these rules can result in withdrawal of certifications needed to sell our products and services and otherwise adversely impact our business and financial statements. For additional information regarding these risks, refer to “Item 1. Business—Regulatory Matters.”

We are subject to or otherwise responsible for a variety of litigation and other legal and regulatory proceedings in the course of our business that can adversely affect our business and financial statements.

We are subject to or otherwise responsible for a variety of litigation and other legal and regulatory proceedings in the course of our business (or related to the business operations of previously owned entities), including claims or counterclaims for damages arising out of the use of products or services and claims relating to intellectual property matters, employment matters, tax matters, commercial disputes, breach of contract claims, competition and sales and trading practices, environmental matters, personal injury, insurance coverage, securities matters, fiduciary duties and acquisition or divestiture-related matters, as well as regulatory subpoenas, requests for information, investigations and enforcement. We also from time to time become subject to lawsuits as a result of acquisitions or as a result of liabilities retained from, or representations, warranties or indemnities provided in connection with, businesses divested by us or our predecessors. The types of claims made in lawsuits include claims for compensatory damages, punitive and consequential damages (and in some cases, treble damages) and/or injunctive relief. The defense of these lawsuits can divert our management’s attention, we from time to time incur significant expenses in defending these lawsuits, and we can be required to pay damage awards or settlements or become subject to equitable remedies that adversely affect our business and financial statements. Moreover, any insurance or indemnification rights that we may have may be insufficient or unavailable to protect us against such losses. Because most contingencies are resolved over long periods of time, new developments (including litigation developments, the discovery of new facts, changes in legislation and outcomes of similar cases), changes in assumptions or changes in the Company’s strategy in any given period can require us to adjust the loss contingency estimates that we have recorded in our financial statements, record estimates for liabilities or assets previously not susceptible of reasonable estimates or pay cash settlements or judgments. Any of these developments can adversely affect our business and financial statements in any particular period. We cannot assure you that our liabilities in connection with current and future litigation and other legal and regulatory proceedings will not exceed our estimates or adversely affect our financial statements and business. However, based on our experience, information and applicable law as of the date of this Annual Report, we do not believe that it is reasonably possible that any amounts we may be required to pay in connection with litigation and other legal and regulatory proceedings in excess of our reserves as of December 31, 2021 will have a material effect on our business or financial statements.

From time to time, we become aware through our internal audits and other internal control procedures, employees or other parties of possible compliance matters, such as complaints or concerns relating to accounting, internal controls,

financial reporting, auditing or ethical matters or relating to compliance with laws. When we become aware of such possible compliance matters, we investigate internally and take what we believe to be appropriate corrective action. Internal investigations can lead to the assertion of claims or the commencement of legal or regulatory proceedings against us and adversely affect our business and financial statements.

Certain of our businesses are subject to extensive regulation by the FDA and by comparable agencies of other countries, as well as laws regulating fraud and abuse in the healthcare industry and the privacy and security of health information. Failure to comply with those regulations could adversely affect our business and financial statements.

Certain of our products are medical devices and other products that are subject to regulation by the FDA, by other federal and state governmental agencies, by comparable agencies of other countries and regions, by certain accrediting bodies and by regulations governing hazardous materials and drugs-of-abuse (or the manufacture and sale of products containing any such materials). The global regulatory environment has become increasingly stringent and unpredictable. Several countries that did not have regulatory requirements for medical devices have established such requirements in recent years, and other countries have expanded, or plan to expand, their existing regulations. Please see “Item 1. Business—Regulatory Matters” for more information. Failure to meet these requirements can adversely impact our business and financial statements in the applicable geographies.

To varying degrees, these regulators require us to comply with laws and regulations governing the development, testing, manufacturing, labeling, marketing, distribution and post-marketing surveillance of our products. We cannot guarantee that we will be able to obtain regulatory clearance (such as 510(k) clearance) or approvals for our new products or modifications to (or additional indications or uses of) existing products within our anticipated timeframe or at all, and if we do obtain such clearance or approval it may be time-consuming, costly and subject to restrictions. Our ability to obtain such regulatory clearances or approvals will depend on many factors, for example our ability to obtain the necessary clinical trial results, and the process for obtaining such clearances or approvals could change over time and may require the withdrawal of products from the market until such clearances are obtained. Even after initial regulatory clearance or approval, we are subject to periodic inspection by these regulatory authorities, and if safety issues arise we can be required to amend conditions for use of a product, such as providing additional warnings on the product’s label or narrowing its approved intended use, which could reduce the product’s market acceptance. We are also subject to various laws regulating fraud and abuse, research and development, pricing and sales and marketing practices, the privacy and security of health information as well as manufacturing and quality standards, including the federal regulations described in “Item 1. Business—Regulatory Matters.”

Government authorities may conclude that our business practices do not comply with current or future statutes, regulations, agency guidance or case law. Failure to obtain required regulatory clearances or approvals before marketing our products (or before implementing modifications to or promoting additional indications or uses of our products), other violations of laws or regulations, failure to remediate inspectional observations to the satisfaction of these regulatory authorities, real or perceived efficacy or safety concerns or trends of adverse events with respect to our products (even after obtaining clearance for distribution) and unfavorable or inconsistent clinical data from existing or future clinical trials can lead to FDA Form 483 Inspectional Observations, warning letters, notices to customers, declining sales, loss of customers, loss of market share, remediation and increased compliance costs, recalls, seizures of adulterated or misbranded products, fines, expenses, injunctions, civil penalties, criminal penalties, consent decrees, administrative detentions, refusals to permit importations, partial or total shutdown of production facilities or the implementation of operating restrictions, narrowing of permitted uses for a product, refusal of the government to grant 510(k) clearance, suspension or withdrawal of approvals, pre-market notification rescissions and other adverse effects referenced under the risk factor titled “Our businesses are subject to extensive regulation; failure to comply with those regulations could adversely affect our business and financial statements.” Further, defending against any such actions can be costly and time-consuming and may require significant personnel resources. Therefore, even if we are successful in defending against any such actions brought against us, our business may be impaired. Ensuring that our operations and business arrangements with third parties comply with applicable laws and regulations also involves substantial costs.

Our products can be subject to human clinical trials, the results of which may be unexpected, or perceived as unfavorable by the market, and could adversely affect our business and financial statements.

As a part of the regulatory process of obtaining marketing clearance for certain new products and new indications for certain existing products, we conduct and participate in numerous clinical trials with a variety of study designs, patient populations and trial endpoints. Unexpected or inconsistent clinical data from existing or future clinical trials, or a regulator’s or the market’s perception of these clinical data, can adversely impact our ability to obtain product

approvals, our position in, and share of, the markets in which we participate and our business and financial statements.

Off-label marketing of our products could result in substantial penalties.

The FDA strictly regulates the promotional claims that may be made about approved or cleared products. In particular, any clearances we may receive only permit us to market our products for the intended uses indicated on the labeling cleared by the FDA. We may request additional label indications for our current products, and the FDA may deny those requests outright, require additional performance or clinical data to support any additional indications or impose limitations on the intended use of any cleared products as a condition of clearance. If the FDA or any other federal, state or non-U.S. regulator determines that we have marketed our products for off-label use, we can be subject to exclusion from participation in government healthcare programs and the other adverse effects referenced under the risk factor titled “Certain of our businesses are subject to extensive regulation by the FDA and by comparable agencies of other countries, as well as laws regulating fraud and abuse in the healthcare industry and the privacy and security of health information. Failure to comply with those regulations could adversely affect our business and financial statements.” Any of these events could significantly harm our business and financial statements.

Certain modifications to our products may require new 510(k) clearances or other marketing authorizations and may require us to recall or cease marketing our products.

Once a medical device is permitted to be legally marketed in the United States pursuant to a 510(k) clearance or a premarket approval (“PMA”), a manufacturer may be required to notify the FDA of certain modifications to the device (similar requirements apply in other jurisdictions). Manufacturers determine in the first instance whether a change to a product requires a new 510(k) clearance or premarket submission, but the FDA may review any manufacturer’s decision. The FDA may not agree with our decisions regarding whether new clearances are necessary. We have made modifications to our products in the past and have determined based on our review of the applicable FDA regulations and guidance that in certain instances new 510(k) clearances or other premarket submissions were not required. We may make similar modifications or add additional features in the future that we believe do not require a new clearance or approval. If the FDA disagrees with our determinations and requires us to submit new 510(k) notifications or PMA applications, we may be required to cease marketing or to recall the modified product until we obtain clearance, and we may be subject to civil and criminal, monetary and non-monetary penalties and damage to our reputation.

Our operations, products and services expose us to the risk of environmental, health and safety liabilities, costs and violations that could adversely affect our business and financial statements.

Our operations, products and services are subject to numerous U.S. federal, state, local and non-U.S. environmental, health and safety laws and regulations concerning, among other things, the health and safety of our employees, the generation, storage, use and transportation of hazardous materials, emissions or discharges of substances into the environment, investigation and remediation of hazardous substances or materials at various sites, chemical constituents in products and end-of-life disposal and take-back programs for products sold. We cannot assure you that our environmental, health and safety compliance program (or the compliance programs of businesses we acquire) have been or will at all times be effective. Failure to comply with any of these laws can result in civil and criminal, monetary and non-monetary penalties and damage to our reputation. In addition, we cannot provide assurance that our costs of complying with current or future environmental protection and health and safety laws will not exceed our estimates or adversely affect our business or financial statements.

In addition, we from time to time incur costs related to remedial efforts or alleged environmental damage associated with past or current waste disposal practices or other hazardous materials handling practices. We are also from time to time party to personal injury, property damage or other claims brought by private parties alleging injury or damage due to the presence of or exposure to hazardous substances. We can also become subject to additional remedial, compliance or personal injury costs due to future events such as changes in existing laws or regulations, changes in agency direction or enforcement policies, developments in remediation technologies, changes in the conduct of our operations and changes in accounting rules. For additional information regarding these risks, refer to the Consolidated Financial Statements included in this Annual Report. We cannot assure you that our liabilities arising from past or future releases of, or exposures to, hazardous substances will not exceed our estimates or adversely affect our reputation and financial statements or that we will not be subject to additional claims for personal injury or remediation in the future based on our past, present or future business activities. However, based on the information we have as of the date of this Annual Report we do not believe that it is reasonably possible that any amounts we

may be required to pay in connection with environmental matters in excess of our reserves as of December 31, 2021, will have a material effect on our business or financial statements.

Changes in governmental regulations can reduce demand for our products or services or increase our expenses.

We compete in markets in which we and our customers must comply with supranational, federal, state, local and other jurisdictional regulations, such as regulations governing health and safety, the environment, food and drugs and privacy. We develop, configure and market our products and services to meet customer needs created by these regulations. These

regulations are complex, change frequently, have tended to become more stringent over time and may be inconsistent across jurisdictions. Any significant change in any of these regulations (or in the interpretation or application thereof) can reduce demand for, increase our costs of producing or delay the introduction of new or modified products and services, or restrict our existing activities, products and services. For example, a number of our products and services are marketed to the pharmaceutical and related industries for use in discovering and developing drugs and therapies. Changes in the FDA's regulation of the drug discovery and development process can have an adverse effect on the demand for these products and services. In addition, in certain of our markets our growth depends in part upon the introduction of new regulations. In these markets, the delay or failure of governmental and other entities to adopt or enforce new regulations, the adoption of new regulations which our products and services are not positioned to address or the repeal of existing regulations, can adversely affect demand. In addition, regulatory deadlines can result in substantially different levels of demand for our products and services from period-to-period.

Exclusive forum provisions in our By-laws could limit our stockholders' ability to choose their preferred judicial forum for disputes with us or our directors, officers or employees.

Our Amended and Restated By-laws (the "By-laws") provide that unless the Company selects or consents to the selection of an alternative forum, the sole and exclusive forum for any complaint asserting any internal corporate claims, to the fullest extent permitted by law and subject to applicable jurisdictional requirements, will be the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have, or declines to accept, jurisdiction, another state court or a federal court located within the State of Delaware) (collectively, "Delaware Courts"). Current and former stockholders are deemed to have consented to the personal jurisdiction of the Delaware Courts in connection with any action to enforce such exclusive forum provision and to service of process in any such action. These provisions of the By-laws are not a waiver of, and do not relieve anyone of duties to comply with, federal securities laws including those specifying the exclusive jurisdiction of federal courts under the Exchange Act and concurrent jurisdiction of federal and state courts under the Securities Act of 1933, as amended. To the extent that the exclusive forum provisions of our By-laws limit a current or former stockholder's ability to select a judicial forum other than the Delaware Courts, they might discourage the specified legal actions, might cause current or former stockholders to incur additional litigation-related expenses and might result in outcomes unfavorable to current or former stockholders. Alternatively, a court might determine that these provisions of the By-laws are inapplicable or unenforceable in any particular action, in which case we may incur additional litigation-related expenses in such action, and the action may result in outcomes unfavorable to us, which could have an adverse impact on our business and financial statements.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

As of December 31, 2021, the Company had facilities in over 60 countries, including approximately 247 significant administrative, sales, research and development, manufacturing and distribution facilities. 91 of these facilities are located in the United States in over 20 states and 156 are located outside the United States, primarily in Europe and to a lesser extent in Asia, South America, the rest of North America and Australia. Refer to the Consolidated Financial Statements included in this Annual Report for additional information with respect to the Company's lease commitments.

ITEM 3. LEGAL PROCEEDINGS

For information regarding legal proceedings, refer to the section titled "Legal Proceedings" in MD&A.

Consistent with SEC Regulation S-K Item 103, we have elected to disclose those environmental proceedings with a governmental entity as a party where the Company reasonably believes such proceeding would result in monetary sanctions, exclusive of interest and costs, of \$1 million or more.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

Set forth below are the names, ages, positions and experience of Danaher's executive officers as of February 4, 2022. All of Danaher's executive officers hold office at the pleasure of Danaher's Board of Directors. Unless otherwise stated, the positions indicated are Danaher positions.

Name	Age	Position	Officer Since
Steven M. Rales	70	Chairman of the Board	1984
Mitchell P. Rales	65	Chairman of the Executive Committee	1984
Rainer M. Blair	57	President and Chief Executive Officer	2014
Matthew R. McGrew	50	Executive Vice President and Chief Financial Officer	2019
Jennifer L. Honeycutt	52	Executive Vice President	2021
Joakim Weidemanis	52	Executive Vice President	2017
Brian W. Ellis	55	Senior Vice President – General Counsel	2016
Jose-Carlos Gutierrez-Ramos	59	Senior Vice President – Chief Science Officer	2020
William H. King	54	Senior Vice President – Strategic Development	2005
Angela S. Lalor	56	Senior Vice President – Human Resources	2012
Daniel A. Raskas	55	Senior Vice President – Corporate Development	2004

Steven M. Rales is a co-founder of Danaher and has served on Danaher's Board of Directors since 1983, serving as Danaher's Chairman of the Board since 1984. He was also CEO of the Company from 1984 to 1990. Mr. Rales is a brother of Mitchell P. Rales.

Mitchell P. Rales is a co-founder of Danaher and has served on Danaher's Board of Directors since 1983, serving as Chairman of the Executive Committee of Danaher since 1984. He was also President of the Company from 1984 to 1990. Mr. Rales is also a member of the board of directors of Colfax Corporation, and is a brother of Steven M. Rales.

Rainer M. Blair has served as President and Chief Executive Officer since September 2020, after serving as Executive Vice President from January 2017 to August 2020.

Matthew R. McGrew has served as Executive Vice President and Chief Financial Officer since January 2019, after serving as Group CFO of Danaher from 2012 until December 2018.

Jennifer L. Honeycutt has served as Executive Vice President since January 2021 after serving as Vice President – Group Executive from May 2019 until December 2020 and President of Danaher's Pall business from January 2017 until April 2019.

Joakim Weidemanis has served as Executive Vice President since December 2017 after serving as Vice President – Group Executive from March 2014 until December 2017.

Brian W. Ellis has served as Senior Vice President – General Counsel since joining Danaher in January 2016.

Jose-Carlos Gutierrez-Ramos has served as Senior Vice President – Chief Science Officer since joining Danaher in December 2020. Prior to joining Danaher, Dr. Gutierrez-Ramos served as Vice President-Drug Discovery for AbbVie, Inc., a biopharmaceutical company, from January 2020 to December 2020; as President and CEO of Repertoire Immune Medicines, a biotechnology company, from August 2018 until January 2020; and as President and CEO of Synlogic, Inc., a biopharmaceutical company, from August 2015 until August 2018.

William H. King has served as Senior Vice President – Strategic Development since 2014.

Angela S. Lalor has served as Senior Vice President – Human Resources since joining Danaher in 2012.

Daniel A. Raskas has served as Senior Vice President – Corporate Development since 2010.

PART II

ITEM 5. MARKET FOR THE REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the New York Stock Exchange under the symbol DHR. As of February 4, 2022, there were 2,343 holders of record of Danaher’s common stock.

Any future payments of dividends on the Company’s common stock will be determined by Danaher’s Board of Directors and will depend on business conditions, Danaher’s earnings and other factors Danaher’s Board deems relevant.

Issuer Purchases of Equity Securities

Refer to Note 19 to the Consolidated Financial Statements included in this Annual Report for a discussion of the Company’s common stock repurchase program.

Except in connection with the Envista Split-Off in 2019, neither the Company nor any “affiliated purchaser” repurchased any shares of Company common stock during 2021, 2020 or 2019.

Recent Issuances of Unregistered Securities

None

ITEM 6. RESERVED

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) is designed to provide material information relevant to an assessment of Danaher’s financial condition and results of operations, including an evaluation of the amounts and certainty of cash flows from operations and from outside sources. The MD&A is designed to focus specifically on material events and uncertainties known to management that are reasonably likely to cause reported financial information not to be necessarily indicative of future operating results or of future financial condition. This includes descriptions and amounts of matters that have had a material impact on reported operations, as well as matters that are reasonably likely based on management’s assessment to have a material impact on future operations. The Company’s MD&A is divided into five sections:

- Overview
- Results of Operations
- Liquidity and Capital Resources
- Critical Accounting Estimates
- New Accounting Standards

This discussion and analysis should be read together with Danaher’s audited financial statements and related Notes thereto as of December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 included in this Annual Report. Management’s discussion and analysis of financial condition and results of operations for 2019 is included in Item 7 of the Company’s Annual Report on Form 10-K with respect to the year ended December 31, 2020 filed with the Securities and Exchange Commission and should be referred to for information regarding this period.

Unless otherwise indicated, all financial results in this report refer to continuing operations.

OVERVIEW

General

Refer to “Item 1. Business—General” for a discussion of Danaher’s strategic objectives and methodologies for delivering long-term shareholder value. Danaher is a multinational business with global operations. During 2021, approximately 62% of Danaher’s sales were derived from customers outside the United States. As a diversified, global business, Danaher’s operations are affected by worldwide, regional and industry-specific economic and political factors. Danaher’s geographic and industry diversity, as well as the range of its products and services, help limit the impact of any one industry or the economy of any single country on its consolidated operating results. The Company’s individual businesses monitor key competitors and customers, including to the extent possible their sales, to gauge relative performance and the outlook for the future.

As a result of the Company’s geographic and industry diversity, the Company faces a variety of opportunities and challenges, including rapid technological development (particularly with respect to computing, automation, artificial intelligence, mobile connectivity, communications and digitization) in most of the Company’s served markets, the expansion and evolution of opportunities in high-growth markets, trends and costs associated with a global labor force, consolidation of the Company’s competitors and increasing regulation. The Company operates in a highly competitive business environment in most markets, and the Company’s long-term growth and profitability will depend in particular on its ability to expand its business in high-growth geographies and high-growth market segments, identify, consummate and integrate appropriate acquisitions and identify and consummate appropriate investments and strategic partnerships, develop innovative and differentiated new products and services with higher gross profit margins, expand and improve the effectiveness of the Company’s sales force, continue to reduce costs and improve operating efficiency and quality, and effectively address the demands of an increasingly regulated global environment. The Company is making significant investments, organically and through acquisitions and investments, to address the rapid pace of technological change in its served markets and to globalize its manufacturing, research and development and customer-facing resources (particularly in high-growth markets) in order to be responsive to the Company’s customers throughout the world and improve the efficiency of the Company’s operations.

Business Performance

Consolidated revenues for the year ended December 31, 2021 increased 32.0% as compared to 2020. Foreign currency exchange rates contributed 1.5% and acquisitions contributed 7.5% to the increase in revenues in 2021. Core sales increased 23.0% in 2021 compared to 2020 and core sales including Cytiva increased 25.0% in 2021 compared to 2020 (for the definition of “core sales” and “core sales including Cytiva” refer to “—Results of Operations” below). While differences exist among the

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Company's businesses, on an overall basis, demand for the Company's products and services increased on a year-over-year basis in 2021 as compared to 2020, and together with the Company's continued investments in sales growth initiatives and the other business-specific factors contributed to the core sales growth discussed below. As the conditions related to the pandemic improved in many geographies in 2021 compared to 2020, the Company generally experienced increased demand in the end-markets it serves. In addition to the improving pandemic conditions, development and production related to COVID-19 vaccines and therapeutics among biotechnology and pharmaceutical customers continued to generate strong demand for bioprocessing and genomic products in the Company's Life Sciences segment and COVID-19 related testing generated strong demand primarily in the Company's molecular diagnostics testing business in the Diagnostics segment and in the Company's flow cytometry, genomics, lab automation, centrifugation, particle counting and characterization business and the genomics consumables business in the Life Sciences segment. Geographically, both high-growth and developed markets contributed to year-over-year core sales growth during 2021. Core sales in developed markets grew more than 20% in 2021 as compared to 2020 and were driven by North America and Western Europe. Core sales in high-growth markets grew approximately 30% in 2021 as compared to 2020, with broad-based growth across these markets, led by growth in China. High-growth markets represented approximately 31% of the Company's total sales in 2021.

The Company's net earnings from continuing operations for the year ended December 31, 2021 totaled approximately \$6.3 billion, compared to approximately \$3.6 billion for the year ended December 31, 2020. Net earnings attributable to common stockholders for the year ended December 31, 2021 totaled approximately \$6.3 billion or \$8.61 per diluted common share compared to approximately \$3.5 billion or \$4.89 per diluted common share for the year ended December 31, 2020. The increase in net earnings in 2021 as compared to 2020 was driven by increased sales in the Company's existing businesses and sales from acquired businesses, partially offset by the impact of the modification and partial termination of a prior commercial arrangement and resolution of the associated litigation. Refer to "—Results of Operations" for further discussion of the year-over-year changes in net earnings and diluted net earnings per common share for the year ended December 31, 2021.

For a discussion of the impact of supply chain disruptions, labor availability constraints and increased labor costs on our businesses in 2021, please see "Item 1. Business – Materials."

The COVID-19 Pandemic

The global spread of a novel strain of coronavirus (COVID-19) has led to unprecedented restrictions on, and disruptions in, business and personal activities, including as a result of preventive and precautionary measures that we, other businesses, our communities and governments have taken and are taking to mitigate the spread of the virus and to manage its impact. The Company continues to actively monitor the pandemic, including the current spread of certain variants of the virus, and has taken and intends to continue taking steps to identify and seek to mitigate the adverse impacts on, and risks to, the Company's business (including but not limited to its employees, customers, business partners, manufacturing capabilities and capacity, and supply and distribution channels) posed by the spread of COVID-19 and the governmental and community responses thereto. The Company's businesses have activated their business continuity plans as a result of this pandemic, including taking steps in an effort to help keep our workforce healthy and safe, and are assessing and updating those plans on an ongoing basis. As a result of COVID-19 the Company's businesses have modified certain of their respective business practices, and the Company expects to take such further actions as may be required by government authorities or as determined to be in the best interests of our employees, customers and other business partners. The Company has developed and is implementing return-to-workplace protocols designed to help ensure the health and safety of its employees, customers and business partners, for its businesses to apply as appropriate. Given that the prevalence of COVID-19 and the nature of the response thereto (including the degree to which restrictions are being relaxed or re-imposed) varies significantly by geography, the impact of the pandemic on the Company's different business locations around the world at any given time also varies significantly.

We are also deploying our capabilities, expertise and scale to address the critical health needs related to COVID-19. We have developed and made available diagnostic tests for the rapid detection of COVID-19. In addition, our businesses are providing critical support to firms that are developing and producing vaccines and therapies for COVID-19, among other support.

While we expect overall demand for the Company's COVID-19 related products to moderate as and to the extent the pandemic subsides, as the pandemic evolves toward endemic status we believe a level of demand for the Company's

products that support COVID-19 related vaccines and therapeutics (including initiatives that seek to prevent or mitigate similar, future pandemics) and COVID-19 testing will continue. However, on a relative basis, we expect the level of ongoing demand for products supporting COVID-19 testing will be subject to more fluctuations in demand than the level of demand for products supporting COVID-19 related vaccines and therapeutics. The Company's ability to satisfy COVID-19 related demand will also depend in part upon the expansion of our production capacity in these areas.

Due to the speed with which the COVID-19 situation continues to evolve, the global breadth of its spread, the range of governmental and community responses thereto and our geographic and business line diversity, its further impact on our

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business remains highly uncertain, but may be materially negative to certain elements of our business. The potential negative impact will depend on future developments including but not limited to:

- the degree of spread and severity of COVID-19 variants such as Omicron; and
- the timing and durability of continued recovery in the global demand for our non-COVID-19 related products and services.

For additional information on the risks of COVID-19 to the Company's operations, refer to the "Item 1A. Risk Factors" section of this Annual Report.

Acquisitions

On August 30, 2021, the Company acquired Aldevron, L.L.C. ("Aldevron") for a cash purchase price of approximately \$9.6 billion (the "Aldevron Acquisition"). Aldevron manufactures high-quality plasmid DNA, mRNA and proteins, serving biotechnology and pharmaceutical customers across research, clinical and commercial applications, and is now part of the Company's Life Sciences segment. Aldevron generated revenues of approximately \$300 million in 2020. The acquisition of Aldevron is expected to provide additional sales and earnings opportunities for the Company by expanding product line diversity, including new product offerings supporting genomic medicine. The Company financed the Aldevron Acquisition using cash on hand and proceeds from the issuance of commercial paper.

In addition to the Aldevron Acquisition, during 2021 the Company acquired 13 other businesses for total consideration of approximately \$1.4 billion in cash, net of cash acquired. The businesses acquired complement existing units of each of the Company's three segments. The aggregate annual sales of the 13 other businesses acquired in 2021 at the time of their acquisition, in each case based on the company's revenues for its last completed fiscal year prior to the acquisition, were approximately \$100 million.

Refer to Note 2 to the Consolidated Financial Statements for discussion regarding the Company's acquisitions.

RESULTS OF OPERATIONS

In this report, references to the non-GAAP measures of core sales (also referred to as core revenues or sales/revenues from existing businesses) and core sales including Cytiva refer to sales from continuing operations calculated according to generally accepted accounting principles in the United States ("GAAP") but excluding:

- sales from acquired businesses (as defined below, as applicable); and
- the impact of currency translation.

References to sales or operating profit attributable to acquisitions or acquired businesses refer to sales or operating profit, as applicable, from acquired businesses recorded prior to the first anniversary of the acquisition less any sales and operating profit, during the applicable period, attributable to divested product lines not considered discontinued operations; provided that in calculating core sales including Cytiva, Cytiva's sales (net of the sales of the Company product lines divested in 2020 to obtain regulatory approval to acquire Cytiva, or the "divested product lines") ("Cytiva sales") are excluded from the definition of sales attributable to acquisitions or acquired businesses. The portion of revenue attributable to currency translation is calculated as the difference between:

- the period-to-period change in revenue (excluding sales from acquired businesses (as defined above, as applicable)); and
- the period-to-period change in revenue (excluding sales from acquired businesses (as defined above, as applicable)) after applying current period foreign exchange rates to the prior year period.

As noted above, beginning with results for the second quarter of 2020, the Company also presents core sales on a basis that includes Cytiva sales. Prior to the acquisition of Cytiva, Danaher calculated core sales solely on a basis that excluded sales from acquired businesses recorded prior to the first anniversary of the acquisition. However, given Cytiva's significant size and historical core sales growth rate, in each case compared to Danaher's existing businesses, management believes it is appropriate to also present core sales on a basis that includes Cytiva sales.

Management believes this presentation provides useful information to investors by demonstrating beginning immediately after the acquisition Cytiva's impact on the Company's growth profile, rather than waiting to demonstrate such impact until 12 months after the acquisition when Cytiva would normally have been included in Danaher's core sales calculation. Danaher calculates period-to-period core sales growth including Cytiva by adding Cytiva sales to core sales for both the baseline and current periods. Beginning in the second quarter

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of 2021, Cytiva sales are included in core sales, and therefore the measure “core sales including Cytiva” is no longer provided for quarterly periods beginning with the second quarter of 2021.

Core sales growth (and the related measure of core sales including Cytiva) should be considered in addition to, and not as a replacement for or superior to, sales, and may not be comparable to similarly titled measures reported by other companies. Management believes that reporting these non-GAAP financial measures provides useful information to investors by helping identify underlying growth trends in Danaher’s business and facilitating comparisons of Danaher’s revenue performance with its performance in prior and future periods and to Danaher’s peers. Management also uses these non-GAAP financial measures to measure the Company’s operating and financial performance, and uses core sales growth as one of the performance measures in the Company’s executive short-term cash incentive program. The Company excludes the effect of currency translation from these measures because currency translation is not under management’s control, is subject to volatility and can obscure underlying business trends, and excludes the effect of acquisitions (other than Cytiva sales, in the case of core sales growth including Cytiva) and divestiture-related items because the nature, size, timing and number of acquisitions and divestitures can vary dramatically from period-to-period and between the Company and its peers and can also obscure underlying business trends and make comparisons of long-term performance difficult.

Throughout this discussion, references to sales growth or decline refer to the impact of both price and unit sales and references to productivity improvements generally refer to improved cost efficiencies resulting from the ongoing application of DBS.

The Company deems acquisition-related transaction costs incurred in a given period to be significant (generally relating to the Company’s larger acquisitions) if it determines that such costs exceed the range of acquisition-related transaction costs typical for Danaher in a given period.

Core Sales Growth and Core Sales Growth Including Cytiva

	2021 vs. 2020	2020 vs. 2019
Total sales growth (GAAP)	32.0 %	24.5 %
Impact of:		
Acquisitions/divestitures	(7.5)%	(18.0)%
Currency exchange rates	(1.5)%	— %
Core sales growth (non-GAAP)	23.0 %	6.5 %
Impact of Cytiva sales growth (net of divested product lines)	2.0 %	3.0 %
Core sales growth including Cytiva (non-GAAP)	25.0 %	9.5 %

2021 Sales Compared to 2020

Total sales increased 32.0% on a year-over-year basis in 2021 primarily as a result of an increase in core sales resulting from the factors discussed below by segment as well as an increase in sales from acquired businesses, net of divestitures, primarily due to the acquisition of Cytiva. The impact of currency translation increased reported sales by 1.5% on a year-over-year basis in 2021 primarily due to the favorable impact of the weakening of the U.S. dollar against most other major currencies in 2021.

Operating Profit Performance

Operating profit margins were 25.3% for the year ended December 31, 2021 as compared to 19.0% in 2020. The following factors impacted year-over-year operating profit margin comparisons.

2021 vs. 2020 operating profit margin comparisons were favorably impacted by:

- Higher 2021 core sales volumes, an increased proportion of sales of higher margin product lines, incremental year-over-year cost savings associated with continuing productivity improvement initiatives and the impact of foreign currency exchange rates in 2021, net of incremental year-over-year costs associated with various new product development and sales, service and marketing growth investments and incremental year-over-year material and labor costs - 560 basis points

- 2020 acquisition-related fair value adjustments to inventory and deferred revenue, transaction costs deemed significant and integration preparation costs, net of 2021 acquisition-related fair value adjustments to inventory and deferred revenue in each case related to the acquisition of Cytiva - 210 basis points.
- The incremental accretive effect in 2021 of acquired businesses, net of product line dispositions which did not qualify as discontinued operations - 60 basis points

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- First quarter 2020 impairment charges related to a facility in the Diagnostics segment and a trade name and other intangible assets in the Environmental & Applied Solutions segment and a third quarter 2020 impairment charge related to trade names in the Environmental & Applied Solutions segment, net of a first quarter 2021 impairment charge related to a trade name in the Diagnostics segment - 5 basis points

2021 vs. 2020 operating profit margin comparisons were unfavorably impacted by:

- Third quarter 2021 impact of the modification and partial termination of a prior commercial arrangement and resolution of the associated litigation - 185 basis points
- Full year 2021 acquisition-related fair value adjustments to inventory and transaction costs deemed significant, in each case related to the acquisition of Aldevron - 20 basis points

Business Segments

Sales by business segment for the years ended December 31 are as follows (\$ in millions):

	2021	2020	2019
Life Sciences	\$ 14,958	\$ 10,576	\$ 6,951
Diagnostics	9,844	7,403	6,561
Environmental & Applied Solutions	4,651	4,305	4,399
Total	<u>\$ 29,453</u>	<u>\$ 22,284</u>	<u>\$ 17,911</u>

For information regarding the Company's sales by geographical region, refer to Note 5 to the Consolidated Financial Statements.

LIFE SCIENCES

The Life Sciences segment offers a broad range of instruments and consumables that are primarily used by customers to study the basic building blocks of life, including genes, proteins, metabolites and cells, in order to understand the causes of disease, identify new therapies, and test and manufacture new drugs and vaccines.

Life Sciences Selected Financial Data

(\$ in millions)	Year Ended December 31		
	2021	2020	2019
Sales	\$ 14,958	\$ 10,576	\$ 6,951
Operating profit	4,367	2,054	1,401
Depreciation	258	183	130
Amortization of intangible assets	1,183	870	357
Operating profit as a % of sales	29.2 %	19.4 %	20.2 %
Depreciation as a % of sales	1.7 %	1.7 %	1.9 %
Amortization as a % of sales	7.9 %	8.2 %	5.1 %

Core Sales Growth and Core Sales Growth Including Cytiva

	2021 vs. 2020	2020 vs. 2019
Total sales growth (GAAP)	41.5 %	52.0 %
Impact of:		
Acquisitions/divestitures	(16.5)%	(46.5)%
Currency exchange rates	(2.0)%	— %
Core sales growth (non-GAAP)	23.0 %	5.5 %
Impact of Cytiva sales growth (net of divested product lines)	4.5 %	7.5 %
Core sales growth including Cytiva (non-GAAP)	27.5 %	13.0 %

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2021 Sales Compared to 2020

Price increases in the segment contributed 2.0% to sales growth on a year-over-year basis during 2021 as compared with 2020 and are reflected as a component of the change in core revenue growth.

During 2021, total Life Sciences segment sales increased 41.5% primarily as a result of increased core sales resulting from the factors discussed below and increased sales from acquisitions. In addition, the impact of currency translation increased reported sales by 2.0% in 2021 compared to 2020, primarily due to the favorable impact of the weakening of the U.S. dollar in 2021 compared to 2020. On an overall basis, in 2021 the Life Sciences segment saw continued strong demand for products supporting customers in the pursuit and production of COVID-19-related vaccines and therapeutics as well as broad strength across its other product lines. In 2021, core sales for the filtration, separation and purification technologies business increased compared to 2020 due to strong demand for these products led by the biopharmaceutical and the microelectronics end-markets, partially offset by weaker demand in the aerospace end-market. Geographically, core sales for the business were led by North America, Western Europe and China. Core sales for the Company's flow cytometry, genomics, lab automation, centrifugation, particle counting and characterization business increased in 2021 across all major geographies, led by North America and Western Europe. Core sales for the business were driven by demand earlier in the year for genomic sample preparation consumables related to COVID-19 as well as demand for flow cytometry products. Core sales in the mass spectrometry business increased in 2021 across all major end-markets driven in part by demand for new products. Geographically, demand for these products increased across all major geographies, led by North America, Western Europe and China.

The acquisitions of Cytiva on March 31, 2020 (the "Cytiva Acquisition") and Aldevron on August 30, 2021 have provided, and are expected to continue to provide, additional sales and earnings growth opportunities for the Company's Life Sciences segment by expanding the business' geographic and product line diversity, including new product and service offerings that complement the Company's bioprocessing workflow and genomic medicine solutions. In 2021, Cytiva experienced significant increased year-over-year demand across all major geographies, driven by continued strong demand for instruments and consumables used in the research and development and production of COVID-19 related treatments and vaccines and increased demand for non-COVID 19 related products as well as by the completion of a major project in China. Since acquisition, Aldevron has seen sales growth in all major product lines compared to the prior year period.

Operating Profit Performance

Operating profit margins increased 980 basis points during 2021 as compared to 2020. The following factors impacted year-over-year operating profit margin comparisons.

2021 vs. 2020 operating profit margin comparisons were favorably impacted by:

- Higher 2021 core sales volumes, an increased proportion of sales of higher margin product lines, incremental year-over-year cost savings associated with continuing productivity improvement initiatives and the impact of foreign currency exchange rates in 2021, net of incremental year-over-year costs associated with various new product development and sales and marketing growth investments and incremental year-over-year material and labor costs - 500 basis points
- 2020 acquisition-related fair value adjustments to inventory and deferred revenue, transaction costs deemed significant and integration preparation costs, net of 2021 acquisition-related fair value adjustments to inventory and deferred revenue in each case related to the acquisition of Cytiva - 440 basis points
- The incremental accretive effect in 2021 of acquired businesses, net of product line dispositions which did not qualify as discontinued operations - 80 basis points

2021 vs. 2020 operating profit margin comparisons were unfavorably impacted by:

- Full year 2021 acquisition-related fair value adjustments to inventory and transaction costs deemed significant, in each case related to the acquisition of Aldevron - 40 basis points

Depreciation and amortization of intangible assets as a percentage of sales were relatively consistent in 2021 as compared with 2020.

DIAGNOSTICS

The Diagnostics segment offers clinical instruments, reagents, consumables, software and services that hospitals, physicians' offices, reference laboratories and other critical care settings use to diagnose disease and make treatment decisions.

Diagnostics Selected Financial Data

(\$ in millions)	Year Ended December 31		
	2021	2020	2019
Sales	\$ 9,844	\$ 7,403	\$ 6,561
Operating profit	2,313	1,538	1,134
Depreciation	409	397	376
Amortization of intangible assets	205	205	206
Operating profit as a % of sales	23.5 %	20.8 %	17.3 %
Depreciation as a % of sales	4.2 %	5.4 %	5.7 %
Amortization as a % of sales	2.1 %	2.8 %	3.1 %

Core Sales Growth

	2021 vs. 2020	2020 vs. 2019
Total sales growth (GAAP)	33.0 %	13.0 %
Impact of:		
Acquisitions/divestitures	(0.5)%	— %
Currency exchange rates	(1.5)%	0.5 %
Core sales growth (non-GAAP)	31.0 %	13.5 %

2021 Sales Compared to 2020

Price increases in the segment contributed 0.5% to sales growth on a year-over-year basis during 2021 as compared with 2020 and are reflected as a component of the change in core sales growth.

During 2021, total Diagnostics segment sales increased 33.0% primarily as a result of increased core sales resulting from the factors discussed below. In addition, the impact of currency translation increased reported sales by 1.5%, primarily due to the favorable impact of the weakening of the U.S. dollar in 2021 compared to 2020, and the impact of sales from acquisitions increased reported sales by 0.5% in 2021. During 2021, the Diagnostics segment experienced higher year-over-year sales for molecular diagnostics tests for COVID-19. Demand across the other Diagnostics segment businesses also increased with non-COVID product lines testing volumes improving as individuals resumed visits to healthcare providers following the easing of shutdowns and restrictions related to the pandemic. In 2021, core sales in the segment's clinical lab business increased on a year-over-year basis across all major geographies driven primarily by continued increased demand in the chemistry and immunoassay product lines. During 2021, core sales in the molecular diagnostics business grew on a year-over-year basis in both developed and high-growth markets, which contributed significantly to overall segment core sales growth. The business continued to experience strong growth in sales of consumables, driven primarily by increased sales of diagnostic test solutions for COVID-19, as increased production capacity allowed the business to produce more diagnostic tests in response to continued market growth, and higher year-over-year demand for testing for non-respiratory diseases. Core sales in the acute care diagnostic business increased year-over-year due to continued strong demand for blood gas consumables and immunoassay products, partially offset by lower year-over-year instrument sales largely due to strong COVID-19 related demand for blood gas instruments in 2020. Geographically, demand was strong across most major geographies. Core sales in the pathology business grew year-over-year across all major geographies, driven by increased demand for core histology, advanced staining and pathology imaging products.

Operating Profit Performance

Operating profit margins increased 270 basis points during 2021 as compared to 2020. The following factors impacted year-over-year operating profit margin comparisons.

2021 vs. 2020 operating profit margin comparisons were favorably impacted by:

- Higher 2021 core sales volumes, an increased proportion of sales of higher margin product lines, incremental year-over-year cost savings associated with continuing productivity improvement initiatives and the impact

of foreign currency exchange rates in 2021, net of incremental year-over-year costs associated with various new product development, sales, service and marketing growth investments and incremental year-over-year material and labor costs - 810 basis points

- The incremental accretive effect in 2021 of acquired businesses - 20 basis points

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2021 vs. 2020 operating profit margin comparisons were unfavorably impacted by:

- Third quarter 2021 impact of the modification and partial termination of a prior commercial arrangement and resolution of the associated litigation - 555 basis points
- First quarter 2021 impairment charge related to a trade name, net of a first quarter 2020 impairment charge related to a facility - 5 basis points

Depreciation and amortization of intangible assets both decreased as a percentage of sales during 2021 as compared with 2020, primarily as a result of the increase in sales.

ENVIRONMENTAL & APPLIED SOLUTIONS

The Environmental & Applied Solutions segment offers products and services that help protect precious resources and keep global food and water supplies safe. The Company's water quality business provides instrumentation, consumables, software, services and disinfection systems to help analyze, treat and manage the quality of ultra-pure, potable, industrial, waste, ground, source and ocean water in residential, commercial, municipal, industrial and natural resource applications. The Company's product identification business provides instruments, software, services and consumables for various color and appearance management, packaging design and quality management, packaging converting, printing, marking, coding and traceability applications for consumer, pharmaceutical and industrial products.

Environmental & Applied Solutions Selected Financial Data

(\$ in millions)	Year Ended December 31		
	2021	2020	2019
Sales	\$ 4,651	\$ 4,305	\$ 4,399
Operating profit	1,054	979	1,052
Depreciation	44	47	49
Amortization of intangible assets	62	63	62
Operating profit as a % of sales	22.7 %	22.7 %	23.9 %
Depreciation as a % of sales	0.9 %	1.1 %	1.1 %
Amortization as a % of sales	1.3 %	1.5 %	1.4 %

Core Sales Growth (Decline)

	2021 vs. 2020	2020 vs. 2019
Total sales growth (decline) (GAAP)	8.0 %	(2.0)%
Impact of:		
Acquisitions/divestitures	1.5 %	— %
Currency exchange rates	(1.5)%	0.5 %
Core sales growth (decline) (non-GAAP)	8.0 %	(1.5)%

2021 Sales Compared to 2020

Price increases in the segment contributed 1.5% to sales growth on a year-over-year basis during 2021 as compared with 2020 and are reflected as a component of the change in core revenue growth.

In 2021, total Environmental & Applied Solutions segment sales increased 8.0%, primarily as a result of core sales growth driven by the factors discussed below. The impact of currency translation increased reported sales 1.5% in 2021, primarily due to the favorable impact of the weakening of the U.S. dollar in 2021 compared to 2020. Divestitures, net of acquisitions, decreased reported sales by 1.5% in 2021.

On an overall basis, in 2021 the segment's water quality businesses increased at a mid-single digit rate due to continuing demand for consumables and increased demand for equipment on a year-over-year basis, driven in part by

the recovery from the decline in equipment demand in 2020 as a result of the COVID-19 pandemic. Year-over-year core sales in the analytical instrumentation product line increased driven by demand in North America, Western Europe and China and by demand in the municipal and industrial end-markets. Core sales in the chemical treatment solutions product line increased as a result of demand in the chemical, commercial and industry and food and beverage end-markets, driven by North America.

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The segment's product identification businesses grew at a low-double digit rate due to continued demand for consumables along with an increase in demand for equipment, driven in part by the recovery from lower equipment volumes in 2020 resulting from the COVID-19 pandemic. Core sales in the marking and coding business increased across all major geographies and most major end-markets. Year-over-year core sales in the packaging and color solutions products and services business increased across most major geographies.

Operating Profit Performance

Operating profit margins were flat during 2021 as compared to 2020. The following factors impacted year-over-year operating profit margin comparisons.

2021 vs. 2020 operating profit margin comparisons were favorably impacted by:

- Impairment charges related to a trade name and other intangible assets in the first quarter of 2020 and a trade name in the third quarter of 2020 - 45 basis points

2021 vs. 2020 operating profit margin comparisons were unfavorably impacted by:

- Incremental year-over-year costs associated with sales, service and marketing growth investments and incremental year-over-year material and labor costs, net of higher 2021 core sales volumes, incremental year-over-year cost savings associated with continuing productivity improvement initiatives and the impact of foreign currency exchange rates in 2021 - 45 basis points

COST OF SALES AND GROSS PROFIT

(\$ in millions)	Year Ended December 31		
	2021	2020	2019
Sales	\$ 29,453	\$ 22,284	\$ 17,911
Cost of sales	(11,501)	(9,809)	(7,927)
Gross profit	\$ 17,952	\$ 12,475	\$ 9,984
Gross profit margin	61.0 %	56.0 %	55.7 %

The year-over-year increase in cost of sales during 2021 as compared with 2020 was due primarily to the impact of higher year-over-year sales volumes, including sales volumes from recently acquired businesses and incremental year-over-year material and labor costs. This increase was partially offset by lower incremental year-over-year acquisition-related charges associated with fair value adjustments to inventory in connection with acquisitions (the acquisition of Aldevron in 2021 and Cytiva in 2020), which increased cost of sales by \$59 million in 2021 and \$457 million in 2020.

The year-over-year increase in gross profit margin during 2021 as compared with 2020 was due primarily to higher year-over-year sales volumes, including sales volumes from recently acquired businesses and the impact of the change in mix of sales to higher margin product lines. The acquisition-related charges of \$76 million incurred in 2021 associated with fair value adjustments to deferred revenue related to the Cytiva Acquisition and fair value adjustments to inventory in connection with the acquisitions of both Aldevron and Cytiva, were lower than the \$509 million of fair value adjustments to deferred revenue and inventory recorded in 2020 related to the Cytiva Acquisition, which also contributed to the increased gross profit margin in 2021. Gross profit margin also benefited in 2021 from the inclusion of a full year of Cytiva sales compared to only nine months in 2020.

OPERATING EXPENSES

(\$ in millions)	Year Ended December 31		
	2021	2020	2019
Sales	\$ 29,453	\$ 22,284	\$ 17,911
Selling, general and administrative (“SG&A”) expenses	(8,198)	(6,896)	(5,589)
Research and development (“R&D”) expenses	(1,742)	(1,348)	(1,126)
Other operating expenses	(547)	—	—
SG&A as a % of sales	27.8 %	30.9 %	31.2 %
R&D as a % of sales	5.9 %	6.0 %	6.3 %
Other operating expenses as a % of sales	1.9 %	— %	— %

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SG&A expenses as a percentage of sales declined 310 basis points on a year-over-year basis for 2021 compared with 2020. The decline was driven by the benefit of increased leverage of the Company's general and administrative cost base, including amortization expense, resulting from higher 2021 sales volumes, including sales volumes from recently acquired businesses, incremental year-over-year cost savings associated with continuing productivity improvement initiatives and lower year-over-year impairment charges related to a facility, a trade name and other intangible assets incurred in 2020, net of impairment charges related to a trade name in 2021. The Company's 2021 transaction costs for the acquisition of Aldevron were lower than 2020 transaction costs for the acquisition of Cytiva, which also benefited SG&A as a percentage of sales during 2021. These decreases were partially offset by continued investments in sales and marketing growth initiatives in 2021.

R&D expenses (consisting principally of internal and contract engineering personnel costs) as a percentage of sales declined slightly in 2021 as compared with 2020, primarily due to the sales growth rate exceeding the spending growth related to new product development initiatives.

Other operating expenses and other operating expenses as a percentage of sales increased in 2021 compared with 2020 as a result of the contract settlement expense related to the modification and partial termination of a prior commercial arrangement and resolution of the associated litigation during 2021. Refer to Note 8 to the accompanying Consolidated Financial Statements.

NONOPERATING INCOME (EXPENSE)

Nonoperating income (expense) consists primarily of net unrealized and realized gains/losses resulting from changes in the fair value of the Company's investments in equity securities and investments in partnerships, the non-service cost components of net periodic benefit costs and gains on the sale of product lines. Refer to Note 9 in the Consolidated Financial Statements.

LOSS ON EARLY EXTINGUISHMENT OF BORROWINGS

In the fourth quarter of 2021, the Company redeemed the €800 million aggregate principal amount of 2.5% senior unsecured notes due 2025 at a redemption price equal to the outstanding principal amount and a make-whole premium as specified in the applicable indenture, plus accrued and unpaid interest. The Company recorded a loss on early extinguishment of these borrowings related to the payment of the make-whole premiums and deferred costs in connection with the redemption of \$96 million (\$73 million after-tax). The Company funded the redemption using available cash balances, including proceeds from the fourth quarter 2021 issuance of the \$1.0 billion aggregate principal amount of 2.8% senior unsecured notes due 2051.

In the fourth quarter of 2020, the Company redeemed the €800 million aggregate principal amount of 1.7% senior unsecured notes due 2022 at a redemption price equal to the outstanding principal amount and a make-whole premium as specified in the applicable indenture, plus accrued and unpaid interest. The Company recorded a loss on early extinguishment of these borrowings of \$26 million (\$20 million after-tax) related to the payment of make-whole premiums in connection with the redemption. The Company funded the redemption using available cash balances, including proceeds from the fourth quarter 2020 issuance of the \$1.0 billion aggregate principal amount of 2.6% senior unsecured notes due 2050.

INTEREST COSTS

Interest expense of \$238 million for 2021 was \$37 million lower than in 2020, due primarily to lower average debt balances in 2021 compared to 2020, partially offset by the impact of the weaker U.S. dollar in 2021 on the interest expense for the Company's foreign currency denominated debt (and U.S. dollar debt that has been effectively converted into foreign currency through cross-currency swap derivative contracts). Interest income of \$11 million for 2021 was \$60 million lower than in 2020, due primarily to lower average cash balances in 2021 as a result of the funding of the Cytiva Acquisition in 2020 and the Aldevron Acquisition in 2021 and lower interest rates.

For a further description of the Company's debt and cross-currency swap derivative contracts related to the debt as of December 31, 2021 refer to Notes 14 and 15 to the Consolidated Financial Statements.

INCOME TAXES

General

Income tax expense and deferred tax assets and liabilities reflect management's assessment of future taxes expected to be paid on items reflected in the Company's Consolidated Financial Statements. The Company records the tax effect of discrete items and items that are reported net of their tax effects in the period in which they occur.

The Company's effective tax rate can be affected by changes in the mix of earnings in countries with different statutory tax rates (including as a result of business acquisitions and dispositions), changes in the valuation of deferred tax assets and liabilities, accruals related to contingent tax liabilities and period-to-period changes in such accruals, the results of audits and

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examinations of previously filed tax returns (as further discussed below), the expiration of statutes of limitations, the implementation of tax planning strategies, tax rulings, court decisions, settlements with tax authorities, changes in tax laws and regulations, and legislative policy changes that may result from the OECD's initiative on Base Erosion and Profit Shifting. For a description of the tax treatment of earnings that are planned to be reinvested indefinitely outside the United States, refer to "—Liquidity and Capital Resources—Cash and Cash Requirements" below.

The amount of income taxes the Company pays is subject to ongoing audits by federal, state and non-U.S. tax authorities, which often result in proposed assessments. Management performs a comprehensive review of its global tax positions on a quarterly basis. Based on these reviews, which take into account the results of discussions and resolutions of matters with certain tax authorities and the other factors referenced in the prior paragraph, reserves for contingent tax liabilities are accrued or adjusted as necessary. For a discussion of risks related to these and other tax matters, refer to "Item 1A. Risk Factors".

Year-Over-Year Changes in the Tax Provision and Effective Tax Rate

	Year E
	2021
Effective tax rate from continuing operations	16.5 %

The Company's effective tax rate for 2021 and 2020 differs from the U.S. federal statutory rate of 21.0%, due principally to net discrete benefits related primarily to the release of reserves for uncertain tax positions due to the expiration of statutes of limitation and audit settlements, excess tax benefits from stock-based compensation and the mix of earnings between the U.S. and certain jurisdictions with lower overall tax rates, net of changes in estimates associated with prior period uncertain tax positions. Refer to Note 7 to the Consolidated Financial Statements for a discussion of the Company's effective tax rate.

The Company conducts business globally, and files numerous consolidated and separate income tax returns in the U.S. federal, state and non-U.S. jurisdictions. The non-U.S. countries in which the Company has a significant presence include China, Denmark, Germany, Singapore, Sweden, Switzerland and the United Kingdom. Excluding these jurisdictions, the Company believes that a change in the statutory tax rate of any individual non-U.S. country would not have a material effect on the Company's Consolidated Financial Statements given the geographic dispersion of the Company's taxable income.

The Company and its subsidiaries are routinely examined by various U.S. and non-U.S. taxing authorities. The IRS has completed substantially all of the examinations of the Company's federal income tax returns through 2015 and is currently examining certain of the Company's federal income tax returns for 2016 through 2018. In addition, the Company has subsidiaries in Austria, Belgium, Canada, China, Denmark, France, Germany, India, Japan, Korea, Switzerland, the United Kingdom and various other countries, states and provinces that are currently under audit for years ranging from 2004 through 2020.

During the year ended December 31, 2020, the Company settled the IRS audits of its federal income tax returns for 2012 through 2015. In the audit, the IRS proposed significant adjustments to the Company's taxable income of approximately \$2.7 billion related to the deferral of tax on certain premium income related to the Company's self-insurance programs. For income tax purposes, the recognition of certain premium income has been deferred in accordance with U.S. tax laws related to insurance. While the settlement of these matters was not material to the Company's financial statements, the settlement does not preclude the IRS from proposing similar adjustments in future audits and the IRS has continued to examine the deferral of premium income related to self-insurance programs in its examination of the Company's federal income tax returns for 2016 through 2018. The examination is ongoing and to date, the IRS has not proposed any adjustments related to the Company's self-insurance programs. Due to the enactment of the TCJA in 2017 and the resulting reduction in the U.S. corporate tax rate for years after 2017, the Company remeasured its deferred tax liabilities related to the temporary differences associated with this deferred premium income from 35.0% to 21.0%. If the IRS proposes adjustments related to the Company's self-insurance premiums with respect to years prior to the adoption of the TCJA and the Company is unsuccessful in defending its position, any taxes owed to the IRS may be computed under the previous 35.0% statutory tax rate and the Company may be required to remeasure the related deferred tax liabilities from 21.0% to 35.0%, which in addition to any interest due on the amounts assessed, would require a charge to future earnings. Management believes the positions the Company has taken in its U.S. tax returns are in accordance with the relevant tax laws.

Tax authorities in Denmark have issued tax assessments related to interest accrued by certain of the Company's subsidiaries for the years 2004 through 2015. During the first quarter of 2021, the Company received a notice from the Danish tax authorities that included a significant reduction in the interest amounts imposed on the original tax assessments. Taking into account the revised interest amounts, the assessments total approximately DKK 2.1 billion including interest accrued to date (approximately \$317 million based on the exchange rate as of December 31, 2021). The Company's appeal of the tax assessments with the Danish National Tax Tribunal has been put on hold awaiting the final outcome of other preceding withholding tax cases that have been brought before the Danish High Court. Management believes the positions the Company has taken in Denmark are

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in accordance with the relevant tax laws and is vigorously defending its positions. The Company intends on pursuing this matter through the Danish High Court should the appeal to the Danish National Tax Tribunal be unsuccessful. While the ultimate resolution of this matter is uncertain and could take many years, as a result of the payments the Company has previously made related to these assessments in order to mitigate further interest accruals, the Company does not expect the resolution of this matter will have a future material adverse impact to the Company's financial statements, including its cash flow and effective tax rate.

The Company expects its 2022 effective tax rate to be approximately 20.0% which is higher than the 2021 rate due primarily to the impact of net discrete tax benefits on the 2021 effective tax rate and the geographic mix of earnings anticipated for 2022. Any future legislative changes in the United States and/or potential tax reform in other jurisdictions, could cause the Company's effective tax rate to differ from this estimate. Refer to Note 7 to the Consolidated Financial Statements for additional information related to income taxes.

DISCONTINUED OPERATIONS

On July 2, 2016, the Company completed the separation of its former Test & Measurement segment, Industrial Technologies segment (excluding the product identification businesses) and retail/commercial petroleum business by distributing to Danaher stockholders on a pro rata basis all of the issued and outstanding common stock of Fortive Corporation ("Fortive"), the entity the Company incorporated to hold such businesses. In 2021, the Company recorded an income tax benefit of \$86 million related to the release of previously provided reserves associated with uncertain tax positions on certain of the Company's tax returns which were jointly filed with Fortive entities. These reserves were released due to the expiration of statutes of limitations for those returns. This income tax benefit is included in earnings from discontinued operations, net of income taxes in the Consolidated Statements of Earnings.

On December 18, 2019, the Company completed its disposition of its remaining ownership of Envista and as a result, the results of Envista are reported as discontinued operations.

Refer to Note 3 to the Consolidated Financial Statements for additional information.

COMPREHENSIVE INCOME

Comprehensive income decreased by \$572 million in 2021 as compared to 2020, primarily driven by the impact of losses from foreign currency translation adjustments in 2021 compared to gains in 2020, partially offset by higher net earnings and an increase in the income from pension and postretirement plan benefit adjustments and cash flow hedge adjustments in 2021 compared to 2020. The Company recorded a foreign currency translation loss of approximately \$1.3 billion for 2021 compared to a gain of approximately \$2.9 billion for 2020. The Company recorded a pension and postretirement plan benefit gain of \$378 million for 2021 compared to a loss of \$147 million for 2020. The Company recorded gains from cash flow hedge adjustments related to the Company's derivative contracts in 2021 of \$247 million compared to losses of \$72 million in 2020.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to market risk from changes in interest rates, foreign currency exchange rates, equity prices and commodity prices as well as credit risk, each of which could impact its Consolidated Financial Statements. The Company generally addresses its exposure to these risks through its normal operating and financing activities. The Company also periodically uses derivative financial instruments to manage foreign exchange risks and interest rate risks. In addition, the Company's broad-based business activities help to reduce the impact that volatility in any particular area or related areas may have on its financial statements as a whole.

Interest Rate Risk

The Company manages interest cost using a mixture of fixed-rate and variable-rate debt. A change in interest rates on fixed rate debt impacts the fair value of the debt but not the Company's earnings or cash flow because the interest on such debt is fixed. Generally, the fair market value of fixed-rate debt will increase as interest rates fall and decrease as interest rates rise. As of December 31, 2021, an increase of 100 basis points in interest rates would have decreased the fair value of the Company's fixed-rate long-term debt by approximately \$1.7 billion.

As of December 31, 2021, the Company's variable-rate debt obligations consisted primarily of U.S. dollar and euro-based commercial paper borrowings (refer to Note 14 to the Consolidated Financial Statements for information

regarding the Company's outstanding commercial paper balances as of December 31, 2021). As a result, the Company's primary interest rate exposure results from changes in short-term interest rates. As these shorter duration obligations mature, the Company may issue additional short-term commercial paper obligations to refinance all or part of these borrowings, to the extent commercial paper markets are available. In 2021, the average annual interest rate associated with the Company's outstanding commercial

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paper borrowings was approximately negative 12 basis points. A hypothetical increase of this average by 100 basis points would have increased the Company's annual interest expense by approximately \$20 million.

Refer to "Results of Operations—Interest Costs" for discussion of the Company's cross-currency swap derivative contracts and interest rate swap agreements.

Currency Exchange Rate Risk

The Company faces transactional exchange rate risk from transactions with customers in countries outside the United States and from intercompany transactions between affiliates. Transactional exchange rate risk arises from the purchase and sale of goods and services in currencies other than Danaher's functional currency or the functional currency of its applicable subsidiary. The Company also faces translational exchange rate risk related to the translation of financial statements of its foreign operations into U.S. dollars, Danaher's functional currency. Costs incurred and sales recorded by subsidiaries operating outside of the United States are translated into U.S. dollars using exchange rates effective during the respective period. As a result, the Company is exposed to movements in the exchange rates of various currencies against the U.S. dollar. In particular, the Company has more sales in European currencies than it has expenses in those currencies. Therefore, when European currencies strengthen or weaken against the U.S. dollar, operating profits are increased or decreased, respectively. The effect of a change in currency exchange rates on the Company's net investment in non-U.S. subsidiaries is reflected in the accumulated other comprehensive income (loss) component of stockholders' equity.

Currency exchange rates positively impacted 2021 reported sales on a year-over-year basis primarily due to the weakening of the U.S. dollar against most major currencies during the first nine months of 2021, slightly offset by the strengthening of the U.S. dollar during the fourth quarter of 2021. If the currency exchange rates in effect as of December 31, 2021 were to prevail throughout 2022, currency exchange rates would decrease 2022 estimated sales relative to 2021 sales by approximately 1.0%. Strengthening of the U.S. dollar against other major currencies compared to the exchange rates in effect as of December 31, 2021 would adversely impact the Company's sales and results of operations on an overall basis. Any weakening of the U.S. dollar against other major currencies compared to the exchange rates in effect as of December 31, 2021 would positively impact the Company's sales and results of operations.

The Company has generally accepted the exposure to exchange rate movements without using derivative financial instruments to manage this transactional exchange risk, although the Company has used foreign currency-denominated debt and cross-currency swaps to hedge a portion of its net investments in non-U.S. operations against adverse movements in exchange rates. Both positive and negative movements in currency exchange rates against the U.S. dollar will continue to affect the reported amount of sales and net earnings in the Company's Consolidated Financial Statements. In addition, the Company has assets and liabilities held in foreign currencies. A 10% depreciation in major currencies relative to the U.S. dollar as of December 31, 2021 would have reduced foreign currency-denominated net assets and stockholders' equity by approximately \$1.6 billion. Refer to Note 15 to the Consolidated Financial Statements for information regarding the Company's hedging of a portion of its net investment in non-U.S. operations.

Equity Price Risk

The Company's investment portfolio from time to time includes publicly-traded equity securities that are sensitive to fluctuations in market price. As of December 31, 2021, the Company held \$88 million of publicly-traded equity securities. Additionally, the Company holds non-marketable equity investments in privately held companies that may be impacted by equity price risks. These non-marketable equity investments are accounted for under the Fair Value Alternative method with changes in fair value recorded in earnings. Volatility in the equity markets or other fair value considerations could affect the value of these investments and require charges or gains to be recognized in earnings.

Commodity Price Risk

For a discussion of risks relating to commodity prices, refer to "Item 1A. Risk Factors."

Credit Risk

The Company is exposed to potential credit losses in the event of nonperformance by counterparties to its financial instruments. Financial instruments that potentially subject the Company to credit risk consist of cash and temporary

investments, receivables from customers and derivatives. The Company places cash and temporary investments with various high-quality financial institutions throughout the world and exposure is limited at any one institution. Although the Company typically does not obtain collateral or other security to secure these obligations, it does regularly monitor the third-party depository institutions that hold its cash and cash equivalents. The Company's emphasis is primarily on safety and liquidity of principal and secondarily on maximizing yield on those funds.

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In addition, concentrations of credit risk arising from receivables from customers are limited due to the diversity of the Company's customers. The Company's businesses perform credit evaluations of their customers' financial conditions as deemed appropriate and also obtain collateral or other security when deemed appropriate.

The Company enters into derivative transactions infrequently and typically with high-quality financial institutions, so that exposure at any one institution is limited.

LIQUIDITY AND CAPITAL RESOURCES

Management assesses the Company's liquidity in terms of its ability to generate cash to fund its operating, investing and financing activities. The Company continues to generate substantial cash from operating activities and believes that its operating cash flow, cash on hand and other sources of liquidity will be sufficient to allow it to continue investing in existing businesses (including capital expenditures), consummating strategic acquisitions and investments, paying interest and servicing debt, paying dividends, funding restructuring activities and managing its capital structure on a short-term and long-term basis.

The Company has relied primarily on borrowings under its commercial paper program to address liquidity requirements that exceed the capacity provided by its operating cash flows and cash on hand, while also accessing the capital markets from time to time including to secure financing for more significant acquisitions. Subject to any limitations that may result from the COVID-19 pandemic or other market disruptions (such as the disruptions in the financial and capital markets that occurred at times in 2020), the Company anticipates following the same approach in the future.

Following is an overview of the Company's cash flows and liquidity for the years ended December 31:

Overview of Cash Flows and Liquidity

(\$ in millions)

	2021	2020	2019
Total operating cash flows provided by continuing operations	\$ 8,358	\$ 6,215	\$ 3,657
Cash paid for acquisitions	\$ (10,961)	\$ (20,971)	\$ (331)
Payments for additions to property, plant and equipment	(1,294)	(791)	(636)
Proceeds from sales of property, plant and equipment	13	2	13
Payments for purchases of investments	(934)	(342)	(241)
Proceeds from sales of investments	126	13	—
Proceeds from sale of product lines	26	826	—
All other investing activities	37	24	29
Total investing cash used in discontinued operations	—	—	(72)
Net cash used in investing activities	\$ (12,987)	\$ (21,239)	\$ (1,238)
Proceeds from the issuance of common stock in connection with stock-based compensation	\$ 86	\$ 153	\$ 130
Proceeds from the public offering of common stock, net of issuance costs	—	1,729	1,443
Proceeds from the public offering of preferred stock, net of issuance costs	—	1,668	1,600
Net proceeds from the sale of Envista Holdings Corporation common stock, net of issuance costs	—	—	643
Payment of dividends	(742)	(615)	(527)
Net proceeds from (repayments of) borrowings (maturities of 90 days or less)	2,265	(4,637)	2,802
Proceeds from borrowings (maturities longer than 90 days)	984	8,670	12,113
Repayments of borrowings (maturities longer than 90 days)	(1,186)	(5,933)	(1,565)
Make-whole premiums to redeem borrowings prior to maturity	(96)	(26)	(7)
All other financing activities	(16)	(3)	(43)
Cash distributions to Envista Holdings Corporation, net	—	—	(224)
Net cash provided by financing activities	\$ 1,295	\$ 1,006	\$ 16,365

- Operating cash flows from continuing operations increased approximately \$2.1 billion, or 34%, during 2021 as compared to 2020, due primarily to higher net earnings from continuing operations (after excluding charges for

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depreciation, amortization (including intangible assets and inventory step-up), stock compensation, gain on sale of product lines, unrealized investment gains/losses, loss on the extinguishment of debt and the contract settlement expense in 2021). These increases were partially offset by higher cash used in aggregate for accounts receivables, inventories, trade accounts payable and accrued and prepaid expenses in 2021 compared to the prior year.

- Net cash used in investing activities consisted primarily of cash paid for acquisitions, capital expenditures and investments, net of proceeds from the sale of investments, and decreased primarily as a result of lower cash paid for acquisitions in 2021 compared to 2020. Refer to Notes 2 and 12 to the Consolidated Financial Statements included in this Annual Report for a discussion of the Company's acquisitions and investments.
- As of December 31, 2021, the Company held approximately \$2.6 billion of cash and cash equivalents.

Operating Activities

Cash flows from operating activities can fluctuate significantly from period-to-period as working capital needs and the timing of payments for income taxes, restructuring activities and productivity improvement initiatives, pension funding and other items impact reported cash flows.

Operating cash flows from continuing operations were approximately \$8.4 billion for 2021, an increase of approximately \$2.1 billion, or 34%, as compared to 2020. The year-over-year change in operating cash flows from 2020 to 2021 was primarily attributable to the following factors:

- 2021 operating cash flows benefited from higher net earnings in 2021 as compared to 2020.
- Net earnings for 2021 reflected an increase of approximately \$679 million of depreciation, amortization, stock compensation expense, unrealized investment gains/losses, loss on the extinguishment of debt and contract settlement expense as compared to 2020. Amortization expense primarily relates to the amortization of intangible assets and inventory fair value adjustments. Depreciation expense relates to both the Company's manufacturing and operating facilities as well as instrumentation leased to customers under operating-type lease arrangements. Contract settlement expense represents the pretax charge related to the modification and partial termination of a prior commercial arrangement and resolution of the associated litigation. Refer to Note 8 to the Consolidated Financial Statements for additional information on the contract settlement expense. Depreciation, amortization, stock compensation and contract settlement expense are noncash expenses that decrease earnings without a corresponding impact to operating cash flows. Cash flows from the gain on sale of product lines and loss on the extinguishment of debt are reflected in cash flows from investing activities while unrealized investment gains/losses impact net earnings without immediately impacting cash flows as the cash flow impact from investments occurs when the invested capital is returned to the Company.
- The aggregate of trade accounts receivable, inventories and trade accounts payable used \$564 million in operating cash flows during 2021, compared to \$160 million of operating cash flows used in 2020. The amount of cash flow generated from or used by the aggregate of trade accounts receivable, inventories and trade accounts payable depends upon how effectively the Company manages the cash conversion cycle, which effectively represents the number of days that elapse from the day it pays for the purchase of raw materials and components to the collection of cash from its customers and can be significantly impacted by the timing of collections and payments in a period.
- The aggregate of prepaid expenses and other assets, deferred income taxes and accrued expenses and other liabilities used \$94 million in operating cash flows during 2021, compared to \$739 million provided in 2020. The timing of cash payments for taxes, various employee-related liabilities, customer funding and accrued expenses drove the majority of this change.

Investing Activities

Cash flows relating to investing activities consist primarily of cash used for acquisitions and capital expenditures, including instruments leased to customers, cash used for investments and cash proceeds from divestitures of businesses or assets.

Net cash used in investing activities was approximately \$13.0 billion during 2021 compared to approximately \$21.2 billion of net cash used in 2020.

Acquisitions, Divestitures and Sale of Investments

For a discussion of the Company's 2021 and 2020 acquisitions and divestitures refer to "—Overview" and Note 2 to the Consolidated Financial Statements. In addition, in 2021 and 2020, the Company invested \$934 million and \$342 million, respectively, in non-marketable equity securities and partnerships.

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Capital Expenditures

Capital expenditures are made primarily for increasing manufacturing capacity, replacing equipment, supporting new product development, improving information technology systems and the manufacture of instruments that are used in operating-type lease arrangements that certain of the Company's businesses enter into with customers. Capital expenditures totaled approximately \$1.3 billion in 2021 and \$791 million in 2020. The year-over-year increase in capital spending in 2021 was primarily due to incremental capital expenditures to increase manufacturing capacity for diagnostic testing and biopharma products (including to address increased COVID-19 related demand) as well as incremental capital expenditures as a result of the Cytiva and Aldevron Acquisitions. In 2022, the Company expects to incur higher capital spending than the prior year to increase manufacturing capacity primarily to support customer demand for products related to testing, treatment and vaccine production for COVID-19 and other growth opportunities. The Company estimates capital expenditures in 2022 to be approximately \$1.5 billion.

During 2021, certain agencies of the U.S. government, including BARDA, agreed to finance an expansion of production capacity related to chromatography, liquid cell culture media, buffers and cell culture powder media and single-use consumables at certain of the Company's Life Sciences businesses and the development of diagnostics testing technologies and the expansion of testing production capacity at certain of the Company's Diagnostics businesses. The Company's businesses may enter into similar agreements in the future. In consideration of this financing the U.S. government has certain rights, including rights with respect to the allocation of certain of the incremental production capacity associated with such expansion and/or rights in intellectual property produced with its financial assistance. The amount awarded pursuant to these grants in 2021 totaled \$568 million and will be paid over periods ranging from one to four years. In 2021, the Company received aggregate payments related to government grants of \$73 million that offset operating expenses and capital expenditures of \$41 million and \$32 million, respectively.

Financing Activities

Cash flows from financing activities consist primarily of cash flows associated with the issuance and repayments of commercial paper, issuance and repayment of long-term debt, borrowings under committed credit facilities, issuance and repurchases of common stock, issuance of preferred stock and payments of cash dividends to shareholders. Financing activities provided cash of approximately \$1.3 billion during 2021 compared to approximately \$1.0 billion of cash provided during 2020. The year-over-year increase in cash provided by financing activities was due primarily to cash provided in 2021 from the issuance of commercial paper used to fund a portion of the Aldevron Acquisition and the issuance of debt securities in the fourth quarter of 2021, partially offset by cash provided by the sale of common and preferred stock and borrowings incurred in 2020 to finance the remaining amounts needed to acquire Cytiva and for general corporate purposes, as well as the issuance of debt securities in the fourth quarter of 2020.

Total debt was approximately \$22.2 billion and \$21.2 billion as of December 31, 2021 and 2020, respectively, and notes payable and current portion of long-term debt was \$8 million and \$11 million as of December 31, 2021 and 2020, respectively. As of December 31, 2021, the Company had the ability to incur approximately \$2.2 billion of additional indebtedness in direct borrowings or under the outstanding commercial paper facilities based on the amounts available under the Company's \$5.0 billion Five-Year Facility which were not being used to backstop outstanding commercial paper balances. As of December 31, 2021, the Company has classified approximately \$2.8 billion of its borrowings outstanding under the U.S. dollar and euro-denominated commercial paper program, \$699 million of borrowings outstanding under the 2022 Biopharma Notes and \$284 million of borrowings outstanding under the Floating Rate 2022 Euronotes as long-term debt in the Consolidated Balance Sheet as the Company has the intent and ability, as supported by availability under the Five-Year Facility, to refinance these borrowings for at least one year from the balance sheet date. As commercial paper obligations mature, the Company may issue additional short-term commercial paper obligations to refinance all or part of these borrowings, to the extent commercial paper markets are available.

Under the Company's U.S. dollar and euro-denominated commercial paper program, the notes are typically issued at a discount from par, generally based on the ratings assigned to the Company by credit rating agencies at the time of the issuance and prevailing market rates measured by reference to LIBOR or EURIBOR. Additionally, the Company's floating rate senior unsecured notes due 2022 pay interest based upon the three-month EURIBOR plus 0.3%. In July 2017, the head of the United Kingdom Financial Conduct Authority announced the intent to phase out the use of LIBOR by the end of 2021. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, is considering replacing U.S.

dollar LIBOR with the Secured Overnight Financing Rate, or SOFR, a new index calculated by short-term repurchase agreements, backed by Treasury securities. The Company has evaluated the anticipated impact of the transition from LIBOR and does not expect the transition to be material to the Company's financial position. The U.S. dollar LIBOR-based borrowings will be available to the Company under the Five-Year Facility until 2023, upon the discontinuance of LIBOR. Prior to the discontinuation of LIBOR, the Company expects to amend the Five-Year Facility to replace LIBOR with another reference interest rate.

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Refer to Note 14 to the Consolidated Financial Statements for additional information regarding the Company's financing activities and indebtedness, including the Company's outstanding debt as of December 31, 2021, and the Company's commercial paper program and Five-Year Facility.

Common Stock Offering and MCPS Offering

For a description of the 2020 Common Stock and MCPS Series B Offerings, refer to Note 19 to the Consolidated Financial Statements.

Shelf Registration Statement

The Company has filed a "well-known seasoned issuer" shelf registration statement on Form S-3 with the SEC that registers an indeterminate amount of debt securities, common stock, preferred stock, warrants, depositary shares, purchase contracts and units for future issuance. The Company expects to use net proceeds realized by the Company from future securities sales off this shelf registration statement for general corporate purposes, including without limitation repayment or refinancing of debt or other corporate obligations, acquisitions, capital expenditures, share repurchases, dividends and/or working capital.

Stock Repurchase Program

Please see Note 19 to the Consolidated Financial Statements for a description of the Company's stock repurchase program.

Dividends

The Company declared a regular quarterly dividend of \$0.21 per share of Company common stock that was paid on January 28, 2022 to holders of record on December 30, 2021. In addition, the Company declared quarterly cash dividends of \$11.875 per MCPS Series A and \$12.50 per MCPS Series B that were paid on January 15, 2022 to holders of record as of December 31, 2021. Aggregate 2021 and 2020 cash payments for dividends on Company common stock were \$578 million and \$500 million, respectively, and aggregate 2021 and 2020 cash payments for the dividends on the Company's MCPS were \$164 million and \$115 million, respectively. The year-over-year increase in dividend payments in 2021 primarily relates to dividends paid on the MCPS Series B, which were issued in May 2020, and an increase in the quarterly dividend rate on common stock effective with respect to the dividend paid in the second quarter of 2021.

Cash and Cash Requirements

As of December 31, 2021, the Company held approximately \$2.6 billion of cash and cash equivalents that were on deposit with financial institutions or invested in highly liquid investment-grade debt instruments with a maturity of 90 days or less with an approximate weighted average annual interest rate of 0.2%. Of the cash and cash equivalents, \$353 million was held within the United States and approximately \$2.2 billion was held outside of the United States. The Company will continue to have cash requirements to support general corporate purposes, which may include working capital needs, capital expenditures, acquisitions and investments, paying interest and servicing debt, paying taxes and any related interest or penalties, funding its restructuring activities and pension plans as required, paying dividends to shareholders, repurchasing shares of the Company's common stock and supporting other business needs.

The Company generally intends to use available cash and internally generated funds to meet these cash requirements, but in the event that additional liquidity is required, the Company may also borrow under its commercial paper programs (if available) or borrow under the Company's Five-Year Facility, enter into new credit facilities and either borrow directly thereunder or use such credit facilities to backstop additional borrowing capacity under its commercial paper programs (if available) and/or access the capital markets. The Company also may from time to time seek to access the capital markets to take advantage of favorable interest rate environments or other market conditions.

While repatriation of some cash held outside the United States may be restricted by local laws, most of the Company's foreign cash could be repatriated to the United States. Following enactment of the TCJA and the associated Transition Tax, in general, repatriation of cash to the United States can be completed with no incremental U.S. tax; however, repatriation of cash could subject the Company to non-U.S. taxes on distributions. The cash that the Company's non-U.S. subsidiaries hold for indefinite reinvestment is generally used to finance non-U.S. operations and investments, including acquisitions. The income taxes, if any, applicable to such earnings including

basis differences in our non-U.S. subsidiaries are not readily determinable. As of December 31, 2021, management believes that it has sufficient sources of liquidity to satisfy its cash needs, including its cash needs in the United States.

During 2021, the Company contributed \$10 million to its U.S. defined benefit pension plans and \$50 million to its non-U.S. defined benefit pension plans. During 2022, the Company's cash contribution requirements for its U.S. and its non-U.S. defined benefit pension plans are forecasted to be approximately \$10 million and \$48 million, respectively. The ultimate amounts to be contributed depend upon, among other things, legal requirements, underlying asset returns, the plan's funded status, the anticipated tax deductibility of the contribution, local practices, market conditions, interest rates and other factors.

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Contractual and Other Obligations

For a description of the Company's debt and lease obligations, commitments, and litigation and contingencies, refer to Notes 10, 14, 17 and 18 to the Consolidated Financial Statements.

Legal Proceedings

Refer to Note 18 to the Consolidated Financial Statements for information regarding legal proceedings and contingencies, and for a discussion of risks related to legal proceedings and contingencies, refer to "Item 1A. Risk Factors."

CRITICAL ACCOUNTING ESTIMATES

Management's discussion and analysis of the Company's financial condition and results of operations is based upon the Company's Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. The Company bases these estimates and judgments on historical experience, the current economic environment and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ materially from these estimates and judgments.

The Company believes the following accounting estimates are most critical to an understanding of its financial statements. Estimates are considered to be critical if they meet both of the following criteria: (1) the estimate requires assumptions about material matters that are uncertain at the time the estimate is made, and (2) material changes in the estimate are reasonably likely from period-to-period. For a detailed discussion on the application of these and other accounting estimates, refer to Note 1 to the Consolidated Financial Statements.

Acquired Intangibles—The Company's business acquisitions, including the Cytiva and Aldevron acquisitions, typically result in the recognition of goodwill, developed technology and other intangible assets, which affect the amount of future period amortization expense and possible impairment charges that the Company may incur. The fair values of acquired intangibles are determined using information available near the acquisition date based on estimates and assumptions that are deemed reasonable by the Company. Significant assumptions include the discount rates and certain assumptions that form the basis of the forecasted results of the acquired business including earnings before interest, taxes, depreciation and amortization ("EBITDA"), revenue, revenue growth rates, royalty rates and technology obsolescence rates. These assumptions are forward looking and could be affected by future economic and market conditions. The Company engages third-party valuation specialists who review the Company's critical assumptions and calculations of the fair value of acquired intangible assets in connection with significant acquisitions. In connection with acquisitions during the year ended December 31, 2021, the Company recognized aggregate goodwill of approximately \$7.2 billion and intangible assets of approximately \$4.0 billion. Refer to Notes 1, 2 and 11 to the Consolidated Financial Statements for a description of the Company's policies relating to goodwill, acquired intangibles and acquisitions.

In performing its goodwill impairment testing, the Company estimates the fair value of its reporting units primarily using a market-based approach which relies on current trading multiples of forecasted EBITDA for companies operating in businesses similar to each of the Company's reporting units to calculate an estimated fair value of each reporting unit. In evaluating the estimates derived by the market-based approach, management makes judgments about the relevance and reliability of the multiples by considering factors unique to its reporting units, including operating results, business plans, economic projections, anticipated future cash flows, and transactions and marketplace data as well as judgments about the comparability of the market proxies selected. There are inherent uncertainties related to these assumptions and management's judgment in applying them to the analysis of goodwill impairment.

As of December 31, 2021, the Company had five reporting units for goodwill impairment testing. Reporting units resulting from recent acquisitions generally present the highest risk of impairment. Management believes the impairment risk associated with these reporting units generally decreases as these businesses are integrated into the Company and better positioned for potential future earnings growth. The Company's annual goodwill impairment analysis in 2021 indicated that in all instances, the fair values of the Company's reporting units exceeded their

carrying values and consequently did not result in an impairment charge. The excess of the estimated fair value over carrying value (expressed as a percentage of carrying value for the respective reporting unit) for each of the Company's reporting units as of the annual testing date ranged from approximately 175% to approximately 1,200%. To evaluate the sensitivity of the fair value calculations used in the goodwill impairment test, the Company applied a hypothetical 10% decrease to the fair values of each reporting unit and compared those hypothetical values to the reporting unit carrying values. Based on this hypothetical 10% decrease, the excess of the estimated fair value

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over carrying value (expressed as a percentage of carrying value for the respective reporting unit) for each of the Company's reporting units ranged from approximately 145% to approximately 1,100%.

The Company reviews identified intangible assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining whether an impairment loss occurred for finite-lived intangibles requires a comparison of the carrying amount to the sum of undiscounted cash flows expected to be generated by the asset. These analyses require management to make judgments and estimates about future revenues, expenses, market conditions and discount rates related to these assets. Indefinite-lived intangibles are subject to impairment testing at least annually or more frequently if events or changes in circumstances indicate that potential impairment exists. Determining whether an impairment loss occurred for indefinite-lived intangible assets involves calculating the fair value of the indefinite-lived intangible assets and comparing the fair value to their carrying value. If the fair value is less than the carrying value, the difference is recorded as an impairment loss. Refer to Note 11 to the Consolidated Financial Statements for a description of intangible assets impairment charges recorded during 2021.

If actual results are not consistent with management's estimates and assumptions, goodwill and other intangible assets may be overstated and a charge would need to be taken against net earnings which would adversely affect the Company's financial statements. Historically, the Company's estimates of goodwill and intangible assets have been materially correct.

Contingent Liabilities—As discussed in “Item 3. Legal Proceedings” and Notes 8 and 18 to the Consolidated Financial Statements, the Company is, from time to time, subject to a variety of litigation and similar contingent liabilities incidental to its business (or the business operations of previously owned entities). The Company recognizes a liability for any legal contingency or contract settlement expense that is known or probable of occurrence and reasonably estimable. These assessments require judgments concerning matters such as litigation developments and outcomes, the anticipated outcome of negotiations, the number of future claims, the cost of both pending and future claims and the value of the elements in the outcome. In addition, because most contingencies are resolved over long periods of time, liabilities may change in the future due to various factors, including those discussed in Note 18 to the Consolidated Financial Statements. If the reserves established by the Company with respect to these contingent liabilities are inadequate, the Company would be required to incur an expense equal to the amount of the loss incurred in excess of the reserves, which would adversely affect the Company's financial statements.

Income Taxes—For a description of the Company's income tax accounting policies, refer to Notes 1 and 7 to the Consolidated Financial Statements. The Company establishes valuation allowances for its deferred tax assets if it is more likely than not that some or all of the deferred tax asset will not be realized. This requires management to make judgments and estimates regarding: (1) the timing and amount of the reversal of taxable temporary differences, (2) expected future taxable income, and (3) the impact of tax planning strategies. Future changes to tax rates would also impact the amounts of deferred tax assets and liabilities and could have an adverse impact on the Company's financial statements.

The Company provides for unrecognized tax benefits when, based upon the technical merits, it is “more likely than not” that an uncertain tax position will not be sustained upon examination. Judgment is required in evaluating tax positions and determining income tax provisions. The Company re-evaluates the technical merits of its tax positions and may recognize an uncertain tax benefit in certain circumstances, including when: (1) a tax audit is completed; (2) applicable tax laws change, including a tax case ruling or legislative guidance; or (3) the applicable statute of limitations expires.

In addition, certain of the Company's tax returns are currently under review by tax authorities including in Denmark and the United States (refer to “—Results of Operations—Income Taxes” and Note 7 to the Consolidated Financial Statements). Management believes the positions taken in these returns are in accordance with the relevant tax laws. However, the outcome of these audits is uncertain and could result in the Company being required to record charges for prior year tax obligations which could have a material adverse impact to the Company's financial statements, including its effective tax rate.

An increase of 1.0% in the Company's 2021 nominal tax rate would have resulted in an additional income tax provision for continuing operations for the year ended December 31, 2021 of \$76 million.

Valuation of Investments in Equity Securities—For a description of the Company’s investments in equity securities and partnerships refer to Notes 1, 9 and 12 to the Consolidated Financial Statements. The Company invests in publicly-traded securities, non-marketable securities of early-stage companies and equity method investments, including partnerships that invest primarily in early-stage companies.

Investments in early-stage companies have significant risks, including uncertainty regarding the investee company’s ability to successfully develop new technologies and services, bring these new technologies and services to market and gain market acceptance, maintain adequate capitalization and access to cash or other forms of liquidity, and retain critical management personnel. Refer to “Item 1A. Risk Factors” for a further discussion of the risks related to investing in early-stage companies.

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The Company's investments in publicly traded securities are measured at fair value based on quotes in active markets. For investments in non-marketable equity securities where the Company does not have influence over the investee, the Company has elected the measurement alternative and records these investments at cost and adjusts the carrying value for impairments and observable price changes with a same or similar security from the same issuer adjusted to reflect the specific rights and preferences of the securities, if applicable. Valuations of non-marketable equity securities are complex and require judgment due to the absence of market prices, lack of liquidity and the risks inherent in early-stage companies. The uncertainty in the process of valuing securities for which a ready market does not exist may cause our estimated values of these securities to differ significantly from the values that would have been derived had a ready market for the securities existed, and those differences could be material.

The Company accounts for its investments in the partnerships using the equity method. Accordingly, the investments are initially recorded at cost and adjusted each period for the Company's share of the partnership's income or loss and distributions received. The partnerships' investments are recorded by the partnerships on an estimated fair value basis and pose the same risks and require the same valuation judgments discussed above. As a result, changes in the value of investments in the partnership will have a direct impact on the Company's earnings. Impairment losses are recognized to reduce the investment's carrying value to its fair value if there is a decline in fair value below carrying value that is considered to be other-than-temporary. To determine whether there is an other-than-temporary impairment, the Company uses qualitative and quantitative valuation methods.

Realized and unrealized gains (losses) for these investments in equity securities and partnerships are recorded in other income (expense), net, in the Consolidated Statements of Earnings. A 10% decrease in the carrying value of the Company's investments in equity securities and partnerships as of December 31, 2021 would result in a loss of approximately \$160 million.

NEW ACCOUNTING STANDARDS

For a discussion of the new accounting standards impacting the Company, refer to Note 1 to the Consolidated Financial Statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this item is included under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Management on Danaher Corporation's Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Securities Exchange Act of 1934.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2021. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in "Internal Control-Integrated Framework" (2013 framework). Based on this assessment, management concluded that, as of December 31, 2021, the Company's internal control over financial reporting is effective.

The Company completed the acquisition of Aldevron on August 30, 2021. Since the Company has not yet fully incorporated the internal controls and procedures of Aldevron into the Company's internal control over financial reporting, management excluded Aldevron from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2021. Aldevron constituted 12% of the Company's total assets as of December 31, 2021 and less than 1% of the Company's total revenues for the year then ended.

The Company's independent registered public accounting firm has issued an audit report on the effectiveness of the Company's internal control over financial reporting. This report dated February 23, 2022 appears on pages 58 and 59 of this Form 10-K.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Danaher Corporation

Opinion on Internal Control over Financial Reporting

We have audited Danaher Corporation and subsidiaries' internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Danaher Corporation and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on the COSO criteria.

As indicated in the accompanying Report of Management on Danaher Corporation's Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Aldevron, which is included in the 2021 consolidated financial statements of the Company and constituted 12% of total assets as of December 31, 2021 and less than 1% of the Company's total revenue for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of Aldevron.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2021 and 2020, the related consolidated statements of earnings, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2021, and the related notes and financial statement schedule listed in the Index at Item 15(a) and our report dated February 23, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Danaher Corporation's Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Tysons, Virginia
February 23, 2022

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Danaher Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Danaher Corporation and subsidiaries (the Company) as of December 31, 2021 and 2020, the related consolidated statements of earnings, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2021, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 23, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

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Uncertain Tax Positions

Description of the Matter As discussed in Note 7 to the consolidated financial statements and multiple international tax jurisdictions and as a result of multiple locations. Uncertainty in a tax position may arise for multiple reasons, subject to interpretation. For some matters, the Company uses a judgment based on the technical merits, a tax position is more likely to be sustained than the amount of tax benefit that qualifies for recognition. As discussed in Note 7, gross unrecognized tax benefits related to uncertain tax positions are further discussed in Note 7, if the Internal Revenue Service determines that the Company's self-insurance programs and if the Company is required to record a charge against future earnings, the Company may be required to record a charge against future earnings. Positions related to the self-insurance programs are more likely to be sustained than the amount of tax benefit that qualifies for recognition. The Company has no unrecognized tax benefit related to these self-insurance programs.

Due to the inherent uncertainty in predicting the resolution of the Company's uncertain tax positions and the related unrecognized tax benefits, the use of tax subject matter resources to determine whether the tax benefit is met.

How We Addressed the Matter in Our Audit We tested controls over management's accounting for uncertain tax positions of the technical merits of tax positions.

To evaluate whether the technical merits of some uncertain tax positions are sustainable, our audit procedures included, among others, evaluating the Company's cases, tax regulations and other regulatory guidance by our tax experts. We involved tax subject matter resources in verifying our understanding of the analysis by reading relevant correspondence with the tax authorities and obtained by management. We also evaluated the adequacy of the Company's Note 7 to the consolidated financial statements in relation to the uncertain tax positions.

Accounting for the Acquisition of Aldevron

Description of the Matter As discussed in Note 2 to the consolidated financial statements, the Company acquired Aldevron, L.L.C. ("Aldevron") for a purchase price of \$1.2 billion, accounted for as a business combination. As part of the allocation of the purchase price, the Company estimated the fair value of intangible assets other than goodwill, which comprised of trade names, developed technology and customer relationships.

Auditing the Company's accounting for its acquisition of Aldevron involved significant estimation uncertainty in determining the fair value of intangible assets. The estimation uncertainty was primarily due to the sensitivity of the fair value estimation to underlying assumptions about the future performance of Aldevron and the Company's assumptions. The significant assumptions used to estimate the fair value of intangible assets included earnings before interest, taxes, depreciation and amortization ("EBITDA") rates and certain assumptions that form the basis of the forecasted revenue growth rates, royalty rates and technology obsolescence rates. These assumptions are forward looking and could be affected by future economic conditions.

How We Addressed the Matter in Our Audit We tested the Company's controls over its accounting for the acquisition of Aldevron and management's review of the significant assumptions described in Note 2 to the consolidated financial statements.

To test the estimated fair value of these intangible assets, we evaluated the Company's use of the significant assumptions used in the model and testing the Company's underlying data. For example, we compared certain assumptions, such as EBITDA trends, to historical results of the acquired business, to assumptions within the industry, and to internal communications and analyses. We also compared the evaluation of the valuation model selected and certain assumptions, such as revenue growth rates, royalty rates and technology obsolescence rates, to the Company's assumptions.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2002.

Tysons, Virginia
February 23, 2022

DANAHER CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(\$ in millions, except per share amount)

	As of December 31	
	2021	2020
ASSETS		
Current assets:		
Cash and equivalents	\$ 2,586	\$ 6,035
Trade accounts receivable, less allowance for doubtful accounts of \$124 as of December 31, 2021 and \$132 as of December 31, 2020	4,631	4,045
Inventories	2,767	2,292
Prepaid expenses and other current assets	1,664	1,430
Total current assets	11,648	13,802
Property, plant and equipment, net	3,790	3,262
Other long-term assets	3,719	2,395
Goodwill	41,184	35,420
Other intangible assets, net	22,843	21,282
Total assets	\$ 83,184	\$ 76,161
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and current portion of long-term debt	\$ 8	\$ 11
Trade accounts payable	2,569	2,049
Accrued expenses and other liabilities	5,563	5,342
Total current liabilities	8,140	7,402
Other long-term liabilities	7,699	7,789
Long-term debt	22,168	21,193
Stockholders' equity:		
Preferred stock, no par value, 15.0 million shares authorized; 1.65 million shares of 4.75% Mandatory Convertible Preferred Stock, Series A, issued and outstanding as of December 31, 2021 and December 31, 2020; 1.72 million shares of 5.00% Mandatory Convertible Preferred Stock, Series B, issued and outstanding as of December 31, 2021 and December 31, 2020	3,268	3,268
Common stock - \$0.01 par value, 2.0 billion shares authorized; 855.7 million issued and 715.0 million outstanding as of December 31, 2021; 851.3 million issued and 711.0 million outstanding as of December 31, 2020	9	9
Additional paid-in capital	10,090	9,698
Retained earnings	32,827	27,159
Accumulated other comprehensive income (loss)	(1,027)	(368)
Total Danaher stockholders' equity	45,167	39,766
Noncontrolling interests	10	11
Total stockholders' equity	45,177	39,777
Total liabilities and stockholders' equity	\$ 83,184	\$ 76,161

See the accompanying Notes to the Consolidated Financial Statements.

DANAHER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(\$ and shares in millions, except per share amounts)

	Year Ended December 31		
	2021	2020	2019
Sales	\$ 29,453	\$ 22,284	\$ 17,911
Cost of sales	(11,501)	(9,809)	(7,927)
Gross profit	17,952	12,475	9,984
Operating costs:			
Selling, general and administrative expenses	(8,198)	(6,896)	(5,589)
Research and development expenses	(1,742)	(1,348)	(1,126)
Other operating expenses	(547)	—	—
Operating profit	7,465	4,231	3,269
Nonoperating income (expense):			
Other income (expense), net	456	494	12
Loss on early extinguishment of borrowings	(96)	(26)	(7)
Interest expense	(238)	(275)	(108)
Interest income	11	71	139
Earnings from continuing operations before income taxes	7,598	4,495	3,305
Income taxes	(1,251)	(849)	(873)
Net earnings from continuing operations	6,347	3,646	2,432
Earnings from discontinued operations, net of income taxes	86	—	576
Net earnings	6,433	3,646	3,008
Mandatory convertible preferred stock dividends	(164)	(136)	(68)
Net earnings attributable to common stockholders	\$ 6,269	\$ 3,510	\$ 2,940
Net earnings per common share from continuing operations:			
Basic	\$ 8.65	\$ 4.97	\$ 3.31
Diluted	\$ 8.50	\$ 4.89	\$ 3.26
Net earnings per common share from discontinued operations:			
Basic	\$ 0.12	\$ —	\$ 0.81
Diluted	\$ 0.12	\$ —	\$ 0.79
Net earnings per common share:			
Basic	\$ 8.77	\$ 4.97	\$ 4.11 *
Diluted	\$ 8.61 *	\$ 4.89	\$ 4.05
Average common stock and common equivalent shares outstanding:			
Basic	714.6	706.2	715.0
Diluted	736.8	718.7	725.5

* Net earnings per common share amount does not add due to rounding.

See the accompanying Notes to the Consolidated Financial Statements.

DANAHER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(\$ in millions)

	Year Ended December 31		
	2021	2020	2019
Net earnings	\$ 6,433	\$ 3,646	\$ 3,008
Other comprehensive income (loss), net of income taxes:			
Foreign currency translation adjustments	(1,284)	2,919	(74)
Pension and postretirement plan benefit adjustments	378	(147)	(90)
Cash flow hedge adjustments	247	(72)	(113)
Total other comprehensive income (loss), net of income taxes	(659)	2,700	(277)
Comprehensive income	\$ 5,774	\$ 6,346	\$ 2,731

See the accompanying Notes to the Consolidated Financial Statements.

DANAHER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(\$ in millions)

	Year Ended December 31		
	2021	2020	2019
Preferred stock:			
Balance, beginning of period	\$ 3,268	\$ 1,600	\$ —
Issuance of Mandatory Convertible Preferred Stock	—	1,668	1,600
Balance, end of period	\$ 3,268	\$ 3,268	\$ 1,600
Common stock:			
Balance, beginning of period	\$ 9	\$ 8	\$ 8
Common stock-based award activity	—	1	—
Balance, end of period	\$ 9	\$ 9	\$ 8
Additional paid-in capital:			
Balance, beginning of period	\$ 9,698	\$ 7,565	\$ 5,834
Common stock-based award activity	335	351	315
Common stock issued in connection with acquisitions	23	—	—
Common stock issued in connection with LYONs' conversions	34	53	33
Issuance of common stock	—	1,729	1,443
Sale of Envista Holdings Corporation common stock	—	—	(60)
Balance, end of period	\$ 10,090	\$ 9,698	\$ 7,565
Retained earnings:			
Balance, beginning of period	\$ 27,159	\$ 24,166	\$ 25,162
Adoption of accounting standards	—	(8)	—
Net earnings	6,433	3,646	3,008
Common stock dividends declared	(601)	(509)	(484)
Mandatory Convertible Preferred Stock dividends declared	(164)	(136)	(68)
Tendered common stock in exchange offer for Envista Holdings Corporation common stock	—	—	(3,452)
Balance, end of period	\$ 32,827	\$ 27,159	\$ 24,166
Accumulated other comprehensive income (loss):			
Balance, beginning of period	\$ (368)	\$ (3,068)	\$ (2,791)
Other comprehensive income (loss)	(659)	2,700	(277)
Balance, end of period	\$ (1,027)	\$ (368)	\$ (3,068)
Noncontrolling interests:			
Balance, beginning of period	\$ 11	\$ 11	\$ 12
Activity related to Envista Holdings Corporation, net	—	—	(3)
Change in noncontrolling interests	(1)	—	2
Balance, end of period	\$ 10	\$ 11	\$ 11
Total stockholders' equity, end of period	\$ 45,177	\$ 39,777	\$ 30,282

See the accompanying Notes to the Consolidated Financial Statements.

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DANAHER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(\$ in millions)

	Year Ended December 31		
	2021	2020	2019
Cash flows from operating activities:			
Net earnings	\$ 6,433	\$ 3,646	\$ 3,008
Less: earnings from discontinued operations, net of income taxes	(86)	—	(576)
Net earnings from continuing operations	6,347	3,646	2,432
Noncash items:			
Depreciation	718	637	564
Amortization of intangible assets	1,450	1,138	625
Amortization of acquisition-related inventory fair value step-up	59	457	—
Stock-based compensation expense	218	187	159
Contract settlement expense	542	—	—
Pretax loss on early extinguishment of borrowings	96	26	7
Pretax gain on sale of product lines and investment (gains) losses	(414)	(455)	—
Change in deferred income taxes	(229)	518	(415)
Change in trade accounts receivable, net	(611)	(264)	(157)
Change in inventories	(502)	(123)	(22)
Change in trade accounts payable	549	227	18
Change in prepaid expenses and other assets	(4)	102	48
Change in accrued expenses and other liabilities	139	119	398
Total operating cash provided by continuing operations	8,358	6,215	3,657
Total operating cash (used in) provided by discontinued operations	—	(7)	295
Net cash provided by operating activities	8,358	6,208	3,952
Cash flows from investing activities:			
Cash paid for acquisitions	(10,961)	(20,971)	(331)
Payments for additions to property, plant and equipment	(1,294)	(791)	(636)
Proceeds from sales of property, plant and equipment	13	2	13
Payments for purchases of investments	(934)	(342)	(241)
Proceeds from sales of investments	126	13	—
Proceeds from sale of product lines	26	826	—
All other investing activities	37	24	29
Total cash used in investing activities from continuing operations	(12,987)	(21,239)	(1,166)
Total investing cash used in discontinued operations	—	—	(72)
Net cash used in investing activities	(12,987)	(21,239)	(1,238)
Cash flows from financing activities:			
Proceeds from the issuance of common stock in connection with stock-based compensation	86	153	130
Proceeds from the public offering of common stock, net of issuance costs	—	1,729	1,443
Proceeds from the public offering of preferred stock, net of issuance costs	—	1,668	1,600
Net proceeds from the sale of Envista Holdings Corporation common stock, net of issuance costs	—	—	643
Payment of dividends	(742)	(615)	(527)
Net proceeds from (repayments of) borrowings (maturities of 90 days or less)	2,265	(4,637)	2,802
Proceeds from borrowings (maturities longer than 90 days)	984	8,670	12,113
Repayments of borrowings (maturities longer than 90 days)	(1,186)	(5,933)	(1,565)
Make-whole premiums to redeem borrowings prior to maturity	(96)	(26)	(7)
All other financing activities	(16)	(3)	(43)
Total financing cash provided by continuing operations	1,295	1,006	16,589
Cash distributions to Envista Holdings Corporation, net	—	—	(224)
Net cash provided by financing activities	1,295	1,006	16,365
Effect of exchange rate changes on cash and equivalents	(115)	148	45
Net change in cash and equivalents	(3,449)	(13,877)	19,124
Beginning balance of cash and equivalents	6,035	19,912	788
Ending balance of cash and equivalents	\$ 2,586	\$ 6,035	\$ 19,912

See the accompanying Notes to the Consolidated Financial Statements.

DANAHER CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business—Danaher Corporation (“Danaher” or the “Company”) designs, manufactures and markets professional, medical, industrial and commercial products and services, which are typically characterized by strong brand names, innovative technology and major market positions. As of December 31, 2021, the Company operates in three business segments:

- The Life Sciences segment offers a broad range of instruments and consumables that are primarily used by customers to study the basic building blocks of life, including genes, proteins, metabolites and cells, in order to understand the causes of disease, identify new therapies, and test and manufacture new drugs and vaccines.
- The Diagnostics segment offers clinical instruments, reagents, consumables, software and services that hospitals, physicians’ offices, reference laboratories and other critical care settings use to diagnose disease and make treatment decisions.
- The Environmental & Applied Solutions segment offers products and services that help protect precious resources and keep global food and water supplies safe. The Company’s water quality business provides instrumentation, consumables, software, services and disinfection systems to help analyze, treat and manage the quality of ultra-pure, potable, industrial, waste, ground, source and ocean water in residential, commercial, municipal, industrial and natural resource applications. The Company’s product identification business provides instruments, software, services and consumables for various color and appearance management, packaging design and quality management, packaging converting, printing, marking, coding and traceability applications for consumer, pharmaceutical and industrial products.

Refer to Notes 2 and 3 for a discussion of significant acquisitions, discontinued operations and other dispositions.

Accounting Principles—The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”). The Consolidated Financial Statements include the accounts of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation. The Consolidated Financial Statements also reflect the impact of noncontrolling interests. Noncontrolling interests do not have a significant impact on the Company’s consolidated results of continuing operations, therefore earnings attributable to noncontrolling interests for continuing operations are not presented separately in the Company’s Consolidated Statements of Earnings. Earnings attributable to noncontrolling interests have been reflected in selling, general and administrative expenses and were insignificant in all periods presented. Reclassifications of certain prior year amounts have been made to conform to the current year presentation.

Use of Estimates—The preparation of these financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. The Company bases these estimates on historical experience, the current economic environment and on various other assumptions that are believed to be reasonable under the circumstances. However, uncertainties associated with these estimates exist and actual results may differ materially from these estimates.

Cash and Equivalents—The Company considers all highly liquid investments with a maturity of three months or less at the date of purchase to be cash equivalents.

Accounts Receivable and Allowances for Doubtful Accounts—All trade accounts, contract and finance receivables are reported on the accompanying Consolidated Balance Sheets adjusted for any write-offs and net of allowances for doubtful accounts. The allowances for doubtful accounts represent management’s best estimate of the expected future credit losses from the Company’s trade accounts, contract and finance receivable portfolios. Determination of the allowances requires management to exercise judgment about the timing, frequency and severity of credit losses that could materially affect the provision for credit losses and, therefore, net earnings. The Company regularly performs detailed reviews of its portfolios to determine if an impairment has occurred and evaluates the collectability of receivables based on a combination of various financial and qualitative factors that may affect customers’ ability to

pay, including customers' financial condition, collateral, debt-servicing ability, past payment experience and credit bureau information. In circumstances where the Company is aware of a specific customer's inability to meet its financial obligations, a specific reserve is recorded against amounts due to reduce the recognized receivable to the amount reasonably expected to be collected. Additions to the allowances for doubtful accounts are charged to current period earnings, amounts determined to be uncollectible are charged directly against the allowances, while amounts recovered on previously written-off accounts increase the allowances. If the financial condition of the Company's

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customers were to deteriorate, resulting in an impairment of their ability to make payments, additional reserves would be required. The Company does not believe that trade accounts receivable represent significant concentrations of credit risk because of the diversified portfolio of individual customers and geographical areas. On January 1, 2020, the Company adopted Accounting Standards Update (“ASU”) No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, using the modified retrospective transition method and recorded a net increase to the allowance for doubtful accounts of \$10 million due to the cumulative impact of adoption. The Company’s allowance for doubtful accounts as of December 31, 2021 reflects the Company’s best estimate of the expected future losses for its accounts receivables; however, these estimates may change and future actual losses may differ from the Company’s estimates. The Company will continue to monitor economic conditions and will revise the estimates of the expected future losses for accounts receivable as necessary. The Company recorded \$31 million, \$31 million and \$30 million of expense associated with doubtful accounts for the years ended December 31, 2021, 2020 and 2019, respectively.

Included in the Company’s trade accounts receivable and other long-term assets as of December 31, 2021 and 2020 are \$247 million and \$254 million of net aggregate financing receivables, respectively. All financing receivables are evaluated for impairment based on individual customer credit profiles.

Inventories—Inventories include the costs of material, labor and overhead. Inventories are stated at the lower of cost and net realizable value primarily using the first-in, first-out (“FIFO”) method.

The classes of inventory as of December 31 are summarized as follows (\$ in millions):

	2021	2020
Finished goods	\$ 1,343	\$ 1,232
Work in process	473	369
Raw materials	951	691
Total	<u>\$ 2,767</u>	<u>\$ 2,292</u>

Prepaid Expenses and Other Current Assets—Prepaid expenses and other current assets primarily result from advance payments to vendors for good and services and are capitalized until the related goods are received or services are performed. Included in the Company’s prepaid expenses and other current assets as of December 31, 2021 and 2020 are prepaid expenses of \$770 million and \$659 million, respectively, and taxes receivable for income and other taxes of \$812 million and \$700 million, respectively.

Property, Plant and Equipment—Property, plant and equipment are carried at cost. The provision for depreciation has been computed principally by the straight-line method based on the estimated useful lives of the depreciable assets as follows:

Category	Useful Life
Buildings	30 years
Leased assets and leasehold improvements	Amortized over the lesser of the economic life of the asset or the term of the lease
Machinery and equipment	3 – 10 years
Customer-leased instruments	5 – 7 years

Estimated useful lives are periodically reviewed and, when appropriate, changes to estimates are made prospectively.

The classes of property, plant and equipment as of December 31 are summarized as follows (\$ in millions):

	2021	2020
Land and improvements	\$ 203	\$ 192
Buildings	1,676	1,522
Machinery and equipment	3,610	2,881
Customer-leased equipment	1,766	1,849
Gross property, plant and equipment	7,255	6,444
Less: accumulated depreciation	(3,465)	(3,182)
Property, plant and equipment, net	<u>\$ 3,790</u>	<u>\$ 3,262</u>

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Investments—Investments over which the Company has a significant influence but not a controlling interest, are accounted for using the equity method of accounting which requires the Company to record its initial investment at cost and adjust the balance each period for the Company’s share of the investee’s income or loss and dividends paid. The Company also invests in start-up companies where the Company has neither control of nor significant influence over the investee. The Company measures these non-marketable equity securities at fair value and recognizes changes in fair value in net earnings. For securities without readily available fair values, the Company has elected the measurement alternative to record these investments at cost and to adjust for impairments and observable price changes with a same or similar security from the same issuer within net earnings (the “Fair Value Alternative”). Additionally, the Company is a limited partner in partnerships that invest in start-up companies. While the partnerships record these investments at fair value, the Company’s investment in the partnerships is accounted for under the equity method of accounting. The Company made minority investments in non-marketable equity securities and equity method investments totaling \$934 million, \$342 million and \$241 million in 2021, 2020 and 2019, respectively, including investments in partnerships of \$662 million, \$172 million and \$189 million in 2021, 2020 and 2019, respectively. The Company recorded net realized and unrealized gains related to changes in the fair value of these investments in other income (expense), net, in the Consolidated Statements of Earnings. Refer to Notes 9 and 12 for additional information about the Company’s investments.

Other Assets—Other assets principally include noncurrent financing receivables, noncurrent deferred tax assets and other investments.

Fair Value of Financial Instruments—The Company’s financial instruments consist primarily of cash and cash equivalents, trade accounts receivable, investments in equity securities, available-for-sale debt securities and cross-currency swaps, obligations under trade accounts payable and short and long-term debt. Due to their short-term nature, the carrying values for cash and cash equivalents, trade accounts receivable and trade accounts payable approximate fair value. Refer to Note 12 for the fair values of the Company’s investments in equity securities, available-for-sale debt securities and cross-currency swaps and other obligations.

Goodwill and Other Intangible Assets—Goodwill and other intangible assets result from the Company’s acquisition of existing businesses. In accordance with accounting standards related to business combinations, goodwill is not amortized; however, certain finite-lived identifiable intangible assets, primarily customer relationships and acquired technology, are amortized over their estimated useful lives. Intangible assets with indefinite lives are not amortized. In-process research and development (“IPR&D”) is initially capitalized at fair value and when the IPR&D project is complete, the asset is considered a finite-lived intangible asset and amortized over its estimated useful life. If an IPR&D project is abandoned, an impairment loss equal to the value of the intangible asset is recorded in the period of abandonment. The Company reviews identified intangible assets and goodwill for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. The Company also tests intangible assets with indefinite lives and goodwill for impairment at least annually. Refer to Notes 2 and 11 for additional information about the Company’s goodwill and other intangible assets.

Revenue Recognition—The Company derives revenues primarily from the sale of Life Sciences, Diagnostics and Environmental & Applied Solutions products and services. Revenue is recognized when control of the promised products or services is transferred to the Company’s customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products or services (the transaction price). A performance obligation is a promise in a contract to transfer a distinct product or service to a customer and is the unit of account under Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers*. For equipment and consumables sold by the Company, control transfers to the customer at a point in time. To indicate the transfer of control, the Company must have a present right to payment, legal title must have passed to the customer, the customer must have the significant risks and rewards of ownership, and where acceptance is not a formality, the customer must have accepted the product or service. The Company’s principal terms of sale are FOB Shipping Point, or equivalent, and, as such, the Company primarily transfers control and records revenue for product sales upon shipment. Sales arrangements with delivery terms that are not FOB Shipping Point are not recognized upon shipment and the transfer of control for revenue recognition is evaluated based on the associated shipping terms and customer obligations. If a performance obligation to the customer with respect to a sales transaction remains to be fulfilled following shipment (typically installation or acceptance by the customer), revenue recognition for that performance obligation is deferred until such commitments have been fulfilled. Returns for products sold are estimated and recorded as a reduction of revenue at the time of sale. Customer allowances and rebates, consisting primarily of

volume discounts and other short-term incentive programs, are recorded as a reduction of revenue at the time of sale because these allowances reflect a reduction in the transaction price. Product returns, customer allowances and rebates are estimated based on historical experience and known trends. For extended warranty and service, control transfers to the customer over the term of the arrangement. Revenue for extended warranty and service is recognized based upon the period of time elapsed under the arrangement. Revenue for other long-term contracts is generally recognized based upon the cost-to-cost measure of progress, provided that the Company meets the criteria associated with transferring control of the good or service over time.

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Certain of the Company's revenues relate to operating-type lease ("OTL") arrangements. Leases are outside the scope of ASC 606 and are therefore accounted for in accordance with ASC 842, *Leases* (or ASC 840, *Leases* ("ASC 840") prior to January 1, 2019). Equipment lease revenue for OTL agreements is recognized on a straight-line basis over the life of the lease, and the cost of customer-leased equipment is recorded within property, plant and equipment in the accompanying Consolidated Balance Sheets and depreciated over the equipment's estimated useful life. Depreciation expense associated with the leased equipment under OTL arrangements is reflected in cost of sales in the accompanying Consolidated Statements of Earnings. The OTLs are generally not cancellable until after an initial term and may or may not require the customer to purchase a minimum number of consumables or tests throughout the contract term. The Company also enters into sales-type lease ("STL") arrangements with customers which result in earlier recognition of equipment lease revenue as compared to an OTL.

For a contract with multiple performance obligations, the Company allocates the contract's transaction price to each performance obligation on a relative standalone selling price basis using the Company's best estimate of the standalone selling price of each distinct product or service in the contract. The primary method used to estimate standalone selling price is the price observed in standalone sales to customers. Allocation of the transaction price is determined at the contracts' inception.

Shipping and Handling—Shipping and handling costs are included as a component of cost of sales. Revenue derived from shipping and handling costs billed to customers is included in sales.

Advertising—Advertising costs are expensed as incurred.

Research and Development—The Company conducts research and development activities for the purpose of developing new products, enhancing the functionality, effectiveness, ease of use and reliability of the Company's existing products and expanding the applications for which uses of the Company's products are appropriate. Research and development costs are expensed as incurred.

Income Taxes—The Company's income tax expense represents the tax liability for the current year, the tax benefit or expense for the net change in deferred tax liabilities and assets during the year, as well as reserves for unrecognized tax benefits and return to provision adjustments. Deferred tax liabilities and assets are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted rates expected to be in effect during the year in which the differences reverse. Deferred tax assets generally represent items that can be used as a tax deduction or credit in the Company's tax return in future years for which the tax benefit has already been reflected on the Company's Consolidated Statements of Earnings. The Company establishes valuation allowances for its deferred tax assets if it is more likely than not that some or all of the deferred tax asset will not be realized. Deferred tax liabilities generally represent items that have already been taken as a deduction on the Company's tax return but have not yet been recognized as an expense in the Company's Consolidated Statements of Earnings. The effect on deferred tax assets and liabilities due to a change in tax rates is recognized in income tax expense in the period that includes the enactment date. The Company provides for unrecognized tax benefits when, based upon the technical merits, it is "more likely than not" that an uncertain tax position will not be sustained upon examination. Judgment is required in evaluating tax positions and determining income tax provisions. The Company re-evaluates the technical merits of its tax positions and may recognize an uncertain tax benefit in certain circumstances, including when: (1) a tax audit is completed; (2) applicable tax laws change, including a tax case ruling or legislative guidance; or (3) the applicable statute of limitations expires. The Company recognizes potential accrued interest and penalties associated with unrecognized tax positions in income tax expense. Refer to Note 7 for additional information.

Productivity Improvement and Restructuring—The Company periodically initiates productivity improvement and restructuring activities to appropriately position the Company's cost base relative to prevailing economic conditions and associated customer demand as well as in connection with certain acquisitions. Costs associated with productivity improvement and restructuring actions can include one-time termination benefits and related charges in addition to facility closure, contract termination and other related activities. The Company records the cost of the productivity improvement and restructuring activities when the associated liability is incurred.

Foreign Currency Translation—Exchange rate adjustments resulting from foreign currency transactions are recognized in net earnings, whereas effects resulting from the translation of financial statements are reflected as a component of accumulated other comprehensive income (loss) within stockholders' equity. Assets and liabilities of

subsidiaries operating outside the United States with a functional currency other than U.S. dollars are translated into U.S. dollars using year end exchange rates and income statement accounts are translated at weighted average rates. Net foreign currency transaction gains or losses were not material in any of the years presented. As discussed below, the Company uses its foreign currency-denominated debt and cross-currency swap arrangements whereby existing U.S. dollar-denominated borrowings are effectively converted to foreign currency borrowings to partially hedge its net investments in foreign operations against adverse movements in exchange rates.

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Derivative Financial Instruments—The Company is neither a dealer nor a trader in derivative instruments. The Company has generally accepted the exposure to transactional exchange rate movements without using derivative instruments to manage this risk, although the Company from time to time partially hedges its net investments in foreign operations against adverse movements in exchange rates through foreign currency-denominated debt and cross-currency swaps. The Company periodically enters into foreign currency forward contracts to mitigate a portion of its foreign currency exchange risk and forward starting swaps to mitigate interest rate risk related to the Company's debt. The Company also uses cross-currency swap derivative contracts to hedge long-term debt issuances in a foreign currency other than the functional currency of the borrower. When utilized, the derivative instruments are recorded on the Consolidated Balance Sheets as either an asset or liability measured at fair value. To the extent the derivative instrument qualifies as an effective hedge, changes in fair value are recognized in accumulated other comprehensive income (loss) in stockholders' equity. Changes in the value of the foreign currency denominated debt and cross-currency swaps designated as hedges of the Company's net investment in foreign operations based on spot rates are recognized in accumulated other comprehensive income (loss) in stockholders' equity and offset changes in the value of the Company's foreign currency denominated operations. Refer to Note 15 for additional information.

Accumulated Other Comprehensive Income (Loss)—Accumulated other comprehensive income (loss) refers to certain gains and losses that under U.S. GAAP are included in comprehensive income (loss) but are excluded from net earnings as these amounts are initially recorded as an adjustment to stockholders' equity. Foreign currency translation adjustments are generally not adjusted for income taxes as they relate to indefinite investments in non-U.S. subsidiaries. Foreign currency translation adjustments generally relate to indefinite investments in non-U.S. subsidiaries, net of any tax impacts. Cash flow hedge adjustments reflect the gains or losses on the derivative contract designated as the hedging instrument. Pension and postretirement plan benefit adjustments relate to unrecognized prior service credits and actuarial losses. Refer to Notes 15, 16 and 19 for additional information.

Accounting for Stock-Based Compensation—The Company accounts for stock-based compensation by measuring the cost of employee services received in exchange for all equity awards granted, including stock options, restricted stock units ("RSUs") and performance stock units ("PSUs"), based on the fair value of the award as of the grant date. Equity-based compensation expense is recognized net of an estimated forfeiture rate on a straight-line basis over the requisite service period of the award, except that in the case of RSUs, compensation expense is recognized using an accelerated attribution method. Refer to Note 19 for additional information on the stock-based compensation plans in which certain employees of the Company participate.

Pension and Postretirement Benefit Plans—The Company measures its pension and postretirement plans' assets and its obligations that determine the respective plan's funded status as of the end of the Company's fiscal year, and recognizes an asset for a plan's overfunded status or a liability for a plan's underfunded status in its balance sheet. Changes in the funded status of the plans are recognized in the year in which the changes occur and reported in comprehensive income (loss). Refer to Note 16 for additional information on the Company's pension and postretirement plans including a discussion of the actuarial assumptions, the Company's policy for recognizing the associated gains and losses and the method used to estimate service and interest cost components.

Accounting Standards Recently Adopted—In October 2021, the Financial Accounting Standards Board ("FASB") issued ASU No. 2021-08, *Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. The ASU requires companies to apply the definition of a performance obligation under ASC 606 to recognize and measure contract assets and contract liabilities (i.e., deferred revenue) relating to contracts with customers acquired in a business combination. Prior to the adoption of this ASU, an acquirer generally recognized assets acquired and liabilities assumed in a business combination, including contract assets and contract liabilities arising from revenue contracts with customers, at fair value on the acquisition date. The ASU results in the acquirer recording acquired contract assets and liabilities on the same basis that would have been recorded by the acquiree before the acquisition under ASC 606. The ASU is effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The Company early adopted the ASU effective January 1, 2021 and did not apply the standard to immaterial transactions that occurred in 2021. The impact of the adoption of the ASU was not significant.

Accounting Standards Not Yet Adopted—In August 2020, the FASB issued ASU No. 2020-06, *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. The ASU includes amendments to the guidance on convertible instruments and the derivative scope exception for contracts in an entity's own equity and simplifies the accounting for convertible instruments which include beneficial conversion features or cash conversion features by

removing certain separation models in Subtopic 470-20. Additionally, the ASU will require entities to use the “if-converted” method when calculating diluted earnings per share for convertible instruments. The ASU is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Management anticipates the adoption of this ASU will not have a significant impact on the Company’s financial statements.

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In November 2021, the FASB issued ASU No. 2021-10 *Government Assistance (Topic 832)*, which requires annual disclosures of transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy. These required disclosures include information on the nature of transactions and related accounting policies used to account for transactions, detail on the line items on the balance sheet and income statement affected by these transactions including amounts applicable to each line, and significant terms and conditions of the transactions including commitments and contingencies. The ASU is effective for fiscal years beginning after December 15, 2021. The Company receives various forms of government assistance, primarily through grants related to the development of new products and the expansion of production capacity. During 2021, certain agencies of the U.S. government, including the Biomedical Advanced Research and Development Authority (“BARDA”) within the U.S. Department of Health and Human Services, agreed to finance an expansion of production capacity related to chromatography, liquid cell culture media, buffers and cell culture powder media and single-use consumables at certain of the Company’s Life Sciences businesses and the development of diagnostics testing technologies and the expansion of testing production capacity at certain of the Company’s Diagnostics businesses. The Company’s businesses may enter into similar agreements in the future. In consideration of this financing the U.S. government has certain rights, including rights with respect to the allocation of certain of the incremental production capacity associated with such expansion and/or rights in intellectual property produced with its financial assistance. The amount awarded pursuant to these grants in 2021 totaled \$568 million and will be paid over periods ranging from one year to four years. In 2021, the Company received aggregate payments related to government grants of \$73 million that offset operating expenses and capital expenditures of \$41 million and \$32 million, respectively. The Company is still assessing the impact of this ASU and the required disclosures, however, management anticipates the adoption of this ASU will not have a significant impact on the Company’s financial statements.

NOTE 2. ACQUISITIONS

The Company continually evaluates potential acquisitions that either strategically fit with the Company’s existing portfolio or expand the Company’s portfolio into a new and attractive business area. The Company has completed a number of acquisitions that have been accounted for as purchases and have resulted in the recognition of goodwill in the Company’s Consolidated Financial Statements. This goodwill arises because the purchase prices for these businesses exceeds the fair value of acquired identifiable net assets due to the purchase prices reflecting a number of factors including the future earnings and cash flow potential of these businesses, the multiple to earnings, cash flow and other factors at which similar businesses have been purchased by other acquirers, the competitive nature of the processes by which the Company acquired the businesses, the avoidance of the time and costs which would be required (and the associated risks that would be encountered) to enhance the Company’s existing product offerings to key target markets and enter into new and profitable businesses and the complementary strategic fit and resulting synergies these businesses bring to existing operations.

The Company makes an initial allocation of the purchase price at the date of acquisition based upon its understanding of the fair value of the acquired assets and assumed liabilities. The Company obtains the information used for the purchase price allocation during due diligence and through other sources. In the months after closing, as the Company obtains additional information about the acquired assets and liabilities, including through tangible and intangible asset appraisals, and learns more about the newly acquired business, it is able to refine the estimates of fair value and more accurately allocate the purchase price. The fair values of acquired intangibles are determined based on estimates and assumptions that are deemed reasonable by the Company. Significant assumptions include the discount rates and certain assumptions that form the basis of the forecasted results of the acquired business including earnings before interest, taxes, depreciation and amortization (“EBITDA”), revenue, revenue growth rates, royalty rates and technology obsolescence rates. These assumptions are forward looking and could be affected by future economic and market conditions. The Company engages third-party valuation specialists who review the Company’s critical assumptions and calculations of the fair value of acquired intangible assets in connection with significant acquisitions. Only facts and circumstances that existed as of the acquisition date are considered for subsequent adjustment. The Company is continuing to evaluate certain pre-acquisition contingencies associated with certain of its 2021 acquisitions and is also in the process of obtaining valuations of certain acquisition-related assets and liabilities in connection with these acquisitions. The Company will make appropriate adjustments to the purchase price allocation prior to completion of the measurement period, as required.

The following briefly describes the Company’s acquisition activity for the three years ended December 31, 2021.

On August 30, 2021, the Company acquired Aldevron, L.L.C. (“Aldevron”) for a cash purchase price of approximately \$9.6 billion (the “Aldevron Acquisition”). Aldevron manufactures high-quality plasmid DNA, mRNA and proteins, serving biotechnology and pharmaceutical customers across research, clinical and commercial applications, and is now part of the Company’s Life Sciences segment. Aldevron generated revenues of approximately \$300 million in 2020. The acquisition of Aldevron is expected to provide additional sales and earnings opportunities for the Company by expanding product line diversity, including new product offerings supporting genomic medicine. The Company financed the Aldevron Acquisition

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using cash on hand and proceeds from the issuance of commercial paper. The Company preliminarily recorded approximately \$6.1 billion of goodwill related to the Aldevron Acquisition.

During 2021, in addition to the Aldevron Acquisition, the Company acquired 13 businesses for total consideration of approximately \$1.4 billion in cash, net of cash acquired. The businesses acquired complement existing units of each of the Company's three segments. The Company preliminarily recorded an aggregate of approximately \$1.1 billion of goodwill related to these acquisitions. The aggregate annual sales of the 13 other businesses acquired in 2021 at the time of their acquisition, in each case based on the company's revenues for its last completed fiscal year prior to the acquisition, were approximately \$100 million.

On March 31, 2020, the Company acquired the Biopharma business of General Electric Company's ("GE") Life Sciences division, now known as Cytiva, for a cash purchase price of approximately \$20.7 billion (net of approximately \$0.1 billion of acquired cash) and the assumption of approximately \$0.4 billion of pension liabilities (the "Cytiva Acquisition"). Cytiva is a leading provider of instruments, consumables and software that support the research, discovery, process development and manufacturing workflows of biopharmaceutical drugs. Cytiva is included in the Company's Life Sciences segment results beginning in the second quarter of 2020. The acquisition has provided and is expected to continue to provide additional sales and earnings growth opportunities for the Company's Life Sciences segment by expanding the business' geographic and product line diversity, including new product and service offerings that complement the Company's current biologics workflow solutions. To fulfill a condition to obtaining certain regulatory approvals for the closing of the transaction, on April 30, 2020 the Company divested certain of its existing product lines in the Life Sciences segment for a cash purchase price, net of cash transferred and transaction costs, of \$826 million and recognized a pretax gain on sale of \$455 million (\$305 million after-tax or \$0.42 per diluted common share). The divested product lines in the aggregate generated revenues of approximately \$170 million in 2019. The divestiture of these product lines did not represent a strategic shift with a major effect on the Company's operations and financial results and therefore is not reported as a discontinued operation.

The Company financed the Cytiva Acquisition with approximately \$3.0 billion of proceeds from the 2019 underwritten public offerings of its Common Stock and Series A Mandatory Convertible Preferred Stock ("MCPS Series A"), approximately \$10.8 billion of proceeds from the 2019 issuance of euro-denominated and U.S. dollar-denominated long-term debt, and approximately \$6.9 billion from the aggregate of proceeds from commercial paper borrowings, borrowings under the Company's Five-Year Facility (as defined below) and cash on hand. The Company recorded approximately \$10.2 billion of goodwill related to the Cytiva Acquisition.

During 2020, in addition to the Cytiva Acquisition, the Company acquired four businesses for total consideration of \$256 million in cash, net of cash acquired. The businesses acquired complement existing units of the Company's Life Sciences and Environmental & Applied Solutions segments. The Company recorded an aggregate of \$231 million of goodwill related to these acquisitions. The aggregate annual sales of the five businesses acquired in 2020 at the time of their acquisition, in each case based on the company's revenues for its last completed fiscal year prior to the acquisition, were approximately \$3.3 billion.

During 2019, the Company acquired five business for total consideration of \$331 million in cash, net of cash acquired. The businesses acquired complement existing units of each of the Company's three segments. The aggregate annual sales of these businesses at the time of their acquisition, in each case based on the company's revenues for its last completed fiscal year prior to the acquisition, were \$72 million. The Company recorded an aggregate of \$217 million of goodwill related to these acquisitions.

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The following summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition (\$ in millions):

	2021	2020	2019
Trade accounts receivable	\$ 65	\$ 487	\$ 9
Inventories	120	934	9
Property, plant and equipment	162	690	4
Goodwill	7,235	10,402	217
Other intangible assets, primarily technology, customer relationships and trade names	4,021	10,712	113
Trade accounts payable	(23)	(250)	(3)
Pension liabilities	—	(423)	—
Deferred tax liabilities	(367)	(1,167)	—
Other assets and liabilities, net	(177)	(414)	(18)
Net assets acquired	11,036	20,971	331
Less: noncash consideration	(75)	—	—
Net cash consideration	\$ 10,961	\$ 20,971	\$ 331

The following summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition for the individually significant acquisition in 2021 discussed above, and all of the other 2021 acquisitions as a group (\$ in millions):

	Aldevron	Others	Total
Trade accounts receivable	\$ 46	\$ 19	\$ 65
Inventories	93	27	120
Property, plant and equipment	150	12	162
Goodwill	6,149	1,086	7,235
Other intangible assets, primarily technology, customer relationships and trade names	3,483	538	4,021
Trade accounts payable	(15)	(8)	(23)
Deferred tax liabilities	(249)	(118)	(367)
Other assets and liabilities, net	(73)	(104)	(177)
Net assets acquired	9,584	1,452	11,036
Less: noncash consideration	(23)	(52)	(75)
Net cash consideration	\$ 9,561	\$ 1,400	\$ 10,961

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The following summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition for the individually significant acquisition in 2020 discussed above, and all of the other 2020 acquisitions as a group (\$ in millions):

	Cytiva	Other	Total
Trade accounts receivable	\$ 482	\$ 5	\$ 487
Inventories	930	4	934
Property, plant and equipment	689	1	690
Goodwill	10,171	231	10,402
Other intangible assets, primarily technology, customer relationships and trade names	10,656	56	10,712
Trade accounts payable	(247)	(3)	(250)
Pension liabilities	(423)	—	(423)
Deferred tax liabilities	(1,157)	(10)	(1,167)
Other assets and liabilities, net	(386)	(28)	(414)
Net cash consideration	<u>\$ 20,715</u>	<u>\$ 256</u>	<u>\$ 20,971</u>

Transaction-related costs for the Aldevron Acquisition were \$28 million for the year ended December 31, 2021. Additionally, transaction-related costs for the Cytiva Acquisition were \$59 million and \$93 million for the years ended December 31, 2020 and 2019, respectively. The Company's earnings for 2021 reflect the pretax impact of \$30 million of non-recurring acquisition date fair value adjustments to inventory related to the Aldevron acquisition. In addition, the Company's earnings for 2021 and 2020 reflect the pretax impact of \$46 million and \$509 million, respectively, of non-recurring acquisition date fair value adjustments to inventory and deferred revenue related to the Cytiva Acquisition. Transaction-related costs and acquisition-related fair value adjustments attributable to other acquisitions were not material for the years ended December 31, 2021, 2020 or 2019.

Pro Forma Financial Information (Unaudited)

The unaudited pro forma information for the periods set forth below gives effect to the 2021 and 2020 acquisitions as if they had occurred as of January 1, 2020. The pro forma information is presented for informational purposes only and is not necessarily indicative of the results of operations that actually would have been achieved had the acquisitions been consummated as of that time (\$ in millions except per share amounts):

	2021	2020
Sales	\$ 29,746	\$ 23,471
Net earnings from continuing operations	6,279	3,070
Diluted net earnings per common share from continuing operations ^(a)	8.41	4.08

^(a) Diluted net earnings per common share from continuing operations is calculated by adding the interest on the Company's Liquid Yield Option Notes ("LYONs") to net earnings from continuing operations and deducting the MCPS dividends from net earnings from continuing operations for the anti-dilutive MCPS shares.

The 2021 unaudited pro forma sales and net earnings from continuing operations set forth above were adjusted to exclude the pretax impact of \$30 million of non-recurring acquisition date fair value adjustments to inventory related to the Aldevron Acquisition and \$46 million of non-recurring acquisition date fair value adjustments to inventory and deferred revenue related to the Cytiva Acquisition. The 2020 unaudited pro forma net earnings from continuing operations were adjusted to include the impact of these items. In addition, acquisition-related transaction costs of \$28 million for the year ended December 31, 2021 related to the Aldevron Acquisition and acquisition-related transaction costs of \$59 million for the year ended December 31, 2020 associated with the Cytiva Acquisition were excluded from pro forma net earnings from continuing operations.

The pretax gain of \$455 million (\$305 million after-tax) related to the divestiture of certain product lines that was required as a condition to obtaining certain regulatory approvals for the closing of the Cytiva Acquisition was also excluded from the 2020 pro forma net earnings.

NOTE 3. DISCONTINUED OPERATIONS

Fortive Corporation Separation

On July 2, 2016, the Company completed the separation of its former Test & Measurement segment, Industrial Technologies segment (excluding the product identification businesses) and retail/commercial petroleum business by distributing to Danaher stockholders on a pro rata basis all of the issued and outstanding common stock of Fortive Corporation (“Fortive”), the entity the Company incorporated to hold such businesses. For the year ended December 31, 2021, the Company recorded an income tax benefit of \$86 million related to the release of previously provided reserves associated with uncertain tax positions on certain of the Company’s tax returns which were jointly filed with Fortive entities. These reserves were released due to the expiration of statutes of limitations for those returns. This income tax benefit is included in earnings from discontinued operations, net of income taxes in the accompanying Consolidated Statements of Earnings.

Envista Holdings Corporation Disposition

On September 20, 2019, Envista Holdings Corporation (“Envista”), completed an initial public offering (“IPO”) of 30.8 million shares of its common stock, which represented 19.4% of Envista’s outstanding shares at the time of the offering, at a public offering price of \$22.00 per share. Envista realized net proceeds of \$643 million from the IPO, after deducting underwriting discounts and deal expenses.

In connection with the completion of the IPO, through a series of equity and other transactions, the Company transferred its dental businesses to Envista (the “Separation”). In exchange, Envista transferred consideration of approximately \$2.0 billion to the Company, which consists primarily of the net proceeds from the IPO and approximately \$1.3 billion of proceeds from Envista’s term debt financing. The excess of the net book value of the business transferred to Envista over the net proceeds from the IPO was \$60 million and was recorded as a reduction to additional paid-in capital in the accompanying Consolidated Balance Sheet.

On December 18, 2019, Danaher completed the disposition of the remaining 80.6% ownership of Envista common stock through a split-off exchange offer, which resulted in Danaher’s repurchase of 22.9 million shares of the Company’s common stock in exchange for the remaining shares of Envista held by Danaher (the “Split-Off”). The IPO, Separation and Split-Off are collectively referred to as the “Envista Disposition”. As a result, the Company recognized a gain on the disposition of \$451 million in the fourth quarter of 2019. At the time of the disposition, the Company reclassified \$109 million of foreign currency translation adjustment losses related to Envista from accumulated other comprehensive income (loss) to the Company’s results of discontinued operations as a component of the net gain on the Envista Disposition. As a result of the IPO, Danaher recorded an increase to noncontrolling interest of \$689 million in 2019 for the sale of the Envista common stock and subsequent earnings and other comprehensive income (loss) attributable to the noncontrolling interest. At the time of the Envista Disposition, Danaher decreased noncontrolling interests by \$692 million to record the deconsolidation of Envista and the elimination of the noncontrolling interest.

The accounting requirements for reporting Envista as a discontinued operation were met when the Split-Off was completed. Accordingly, the Consolidated Financial Statements for all periods presented reflect this business as a discontinued operation. The Company allocated a portion of the consolidated interest expense to discontinued operations based on the ratio of the discontinued business’ net assets to the Company’s consolidated net assets. Envista had revenues of approximately \$2.6 billion in 2019 prior to the exchange offer.

As a result of the Envista Disposition, the Company incurred \$69 million in IPO and Separation-related costs during the year ended December 31, 2019, which are reflected in earnings from discontinued operations, net of income taxes in the accompanying Consolidated Statements of Earnings. These costs primarily relate to professional fees associated with preparation of regulatory filings and activities within finance, tax, legal and information technology functions as well as certain investment banking fees and tax costs.

Danaher used a portion of the consideration received from Envista to redeem \$875 million in aggregate principal amount of outstanding indebtedness in the fourth quarter of 2019 (consisting of the Company’s 2.4% senior unsecured notes due 2020 and 5.0% senior unsecured notes due 2020). The Company incurred make-whole premiums in connection with the redemption of \$7 million (\$5 million after-tax). The Company used the balance of the consideration it received from Envista to redeem commercial paper borrowings as they matured.

In connection with the Envista IPO and Separation, Danaher and Envista entered into various agreements to effect the disposition and provide a framework for their relationship after the Envista Separation, including a separation agreement, transition services agreement, employee matters agreement, tax matters agreement, intellectual property matters agreement and DANAHER BUSINESS SYSTEM (“DBS”) license agreement. These agreements provide for the allocation between Danaher and Envista of assets, employees, liabilities and obligations (including investments, property and employee benefits and tax-

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related assets and liabilities) attributable to periods prior to, at and after Envista's separation from Danaher and govern certain relationships between Danaher and Envista after the Envista Separation. In addition, Danaher is also party to various commercial agreements with Envista entities. The amounts paid and received by Danaher for transition services provided under the above agreements as well as sales and purchases to and from Envista were not material to the Company's results of operations for the years ended December 31, 2021, 2020 and 2019.

The key components of income from Envista from discontinued operations for the year ended December 31, 2019 were as follows (\$ in millions):

Sales	\$ 2,610
Cost of sales	(1,177)
Selling, general and administrative expenses	(1,095)
Research and development expenses	(152)
Other income (expense), net	2
Interest expense	(9)
Income from discontinued operations before income taxes	179
Gain on disposition of Envista before income taxes	451
Earnings from discontinued operations before income taxes	630
Income taxes	(41)
Earnings from discontinued operations, net of income taxes	589
Net earnings attributable to noncontrolling interest	(13)
Net earnings from discontinued operations attributable to common stockholders	\$ 576

NOTE 4. NET EARNINGS PER COMMON SHARE FROM CONTINUING OPERATIONS

Basic net earnings per share from continuing operations ("EPS") is calculated by taking net earnings from continuing operations less the MCPS dividends divided by the weighted average number of common shares outstanding for the applicable period. Diluted net EPS from continuing operations is computed by taking net earnings from continuing operations plus the interest accrued on the Company's LYONs (prior to their redemption in January 22, 2021) less the MCPS dividends divided by the weighted average number of common shares outstanding increased by the number of additional shares that would have been outstanding had the potentially dilutive common shares been issued and reduced by the number of shares the Company could have repurchased with the proceeds from the issuance of the potentially dilutive shares. For the years ended December 31, 2021 and 2019, no options to purchase shares were excluded from the diluted earnings per share calculation. For the year ended December 31, 2020, 1 million options to purchase shares were excluded from the diluted earnings per share calculation, as the impact of their inclusion would have been anti-dilutive.

Basic and diluted EPS are computed independently for each quarter and annual period, which involves the use of different weighted-average share count figures relating to quarterly and annual periods. As a result, and after factoring the effect of rounding to the nearest cent per share, the sum of prior quarter-to-date EPS figures may not equal annual EPS.

The impact of the MCPS Series A calculated under the if-converted method was dilutive for the year ended December 31, 2021, and as such 11.0 million shares underlying the MCPS Series A were included in the calculation of diluted EPS for the year ended December 31, 2021 and the related MCPS Series A dividends of \$78 million were excluded from the calculation of net earnings for diluted EPS for the period.

The impact of the MCPS Series B calculated under the if-converted method was anti-dilutive for the year ended December 31, 2021, and as such 8.6 million shares underlying the MCPS Series B were excluded from the diluted EPS calculation for the year ended December 31, 2021 and the related MCPS Series B dividends of \$86 million were included in the calculation of net earnings for diluted EPS for the period.

The impact of the MCPS Series A and Series B calculated under the if-converted method was anti-dilutive for the years ended December 31, 2020 and 2019, and as such, 17.1 million and 10.0 million shares, respectively, underlying the MCPS Series A and Series B were excluded from the calculation of diluted EPS and the related MCPS Series A

and Series B dividends of \$136 million and \$68 million, respectively, were included in the calculation of net earnings for diluted EPS for the period.

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Information related to the calculation of net earnings per common share from continuing operations for the years ended December 31 is summarized as follows (\$ and shares in millions, except per share amounts):

	2021	2020	2019
Numerator:			
Net earnings from continuing operations	\$ 6,347	\$ 3,646	\$ 2,432
MCPS dividends	(164)	(136)	(68)
Net earnings from continuing operations attributable to common stockholders for Basic EPS	6,183	3,510	2,364
Adjustment for interest on convertible debentures	—	1	2
Adjustment for MCPS dividends for dilutive MCPS	78	—	—
Net earnings from continuing operations attributable to common stockholders after assumed conversions for Diluted EPS	<u>\$ 6,261</u>	<u>\$ 3,511</u>	<u>\$ 2,366</u>
Denominator:			
Weighted average common shares outstanding used in Basic EPS	714.6	706.2	715.0
Incremental common shares from:			
Assumed exercise of dilutive options and vesting of dilutive RSUs and PSUs	11.2	11.4	8.9
Assumed conversion of the convertible debentures	—	1.1	1.6
Weighted average MCPS converted shares	11.0	—	—
Weighted average common shares outstanding used in Diluted EPS	<u>736.8</u>	<u>718.7</u>	<u>725.5</u>
Basic EPS from continuing operations	\$ 8.65	\$ 4.97	\$ 3.31
Diluted EPS from continuing operations	\$ 8.50	\$ 4.89	\$ 3.26

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NOTE 5. REVENUE

The following table presents the Company's revenues disaggregated by geographical region and revenue type (\$ in millions). Sales taxes and other usage-based taxes collected from customers are excluded from revenues.

	Life Sciences	Diagnostics	Environmental & Applied Solutions	Total
Year ended December 31, 2021:				
Geographical region:				
North America	\$ 5,433	\$ 4,365	\$ 2,031	\$ 11,829
Western Europe	4,037	1,840	1,088	6,965
Other developed markets	876	481	118	1,475
High-growth markets ^(a)	4,612	3,158	1,414	9,184
Total	<u>\$ 14,958</u>	<u>\$ 9,844</u>	<u>\$ 4,651</u>	<u>\$ 29,453</u>
Revenue type:				
Recurring	\$ 10,528	\$ 8,607	\$ 2,660	\$ 21,795
Nonrecurring	4,430	1,237	1,991	7,658
Total	<u>\$ 14,958</u>	<u>\$ 9,844</u>	<u>\$ 4,651</u>	<u>\$ 29,453</u>
Year ended December 31, 2020:				
Geographical region:				
North America	\$ 3,919	\$ 3,182	\$ 1,910	\$ 9,011
Western Europe	2,939	1,375	1,009	5,323
Other developed markets	754	423	122	1,299
High-growth markets ^(a)	2,964	2,423	1,264	6,651
Total	<u>\$ 10,576</u>	<u>\$ 7,403</u>	<u>\$ 4,305</u>	<u>\$ 22,284</u>
Revenue type:				
Recurring	\$ 7,400	\$ 6,143	\$ 2,435	\$ 15,978
Nonrecurring	3,176	1,260	1,870	6,306
Total	<u>\$ 10,576</u>	<u>\$ 7,403</u>	<u>\$ 4,305</u>	<u>\$ 22,284</u>
Year ended December 31, 2019:				
Geographical region:				
North America	\$ 2,596	\$ 2,531	\$ 1,885	\$ 7,012
Western Europe	1,876	1,132	1,049	4,057
Other developed markets	585	402	125	1,112
High-growth markets ^(a)	1,894	2,496	1,340	5,730
Total	<u>\$ 6,951</u>	<u>\$ 6,561</u>	<u>\$ 4,399</u>	<u>\$ 17,911</u>
Revenue type:				
Recurring	\$ 4,411	\$ 5,524	\$ 2,372	\$ 12,307
Nonrecurring	2,540	1,037	2,027	5,604
Total	<u>\$ 6,951</u>	<u>\$ 6,561</u>	<u>\$ 4,399</u>	<u>\$ 17,911</u>

^(a) The Company defines high-growth markets as developing markets of the world experiencing extended periods of accelerated growth in gross domestic product and infrastructure which include Eastern Europe, the Middle East, Africa, Latin America and

Asia (with the exception of Japan, Australia and New Zealand). The Company defines developed markets as all markets that are not high-growth markets.

The Company sells equipment to customers as well as consumables and services, some of which customers purchase on a recurring basis. Consumables sold for use with the equipment sold by the Company are typically critical to the use of the

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equipment and are typically used on a one-time or limited basis, requiring frequent replacement in the customer's operating cycle. Examples of these consumables include reagents used in diagnostic tests, chromatography resins used for research and bioprocessing, filters used in filtration, separation and purification processes and cartridges for marking and coding equipment. Additionally, some of the Company's consumables are used on a standalone basis, such as water treatment solutions. The Company separates its goods and services between those typically sold to a customer on a recurring basis and those typically sold to a customer on a nonrecurring basis. Recurring revenue includes revenue from consumables, services and OTLs. Nonrecurring revenue includes sales from equipment and STLs. OTLs and STLs are included in the above revenue amounts. For the years ended December 31, 2021, 2020 and 2019, lease revenue was \$483 million, \$473 million and \$463 million, respectively.

Remaining Performance Obligations

Remaining performance obligations represent the aggregate transaction price allocated to performance obligations with an original contract term greater than one year which are fully or partially unsatisfied at the end of the period. Remaining performance obligations include noncancelable purchase orders, the non-lease portion of minimum purchase commitments under long-term consumable supply arrangements, extended warranty and service and other long-term contracts. These remaining performance obligations do not include revenue from contracts with customers with an original term of one year or less, revenue from long-term consumable supply arrangements with no minimum purchase requirements or revenue expected from purchases made in excess of the minimum purchase requirements or revenue from equipment leased to customers. While the remaining performance obligation disclosure is similar in concept to backlog, the definition of remaining performance obligations excludes leases and contracts that provide the customer with the right to cancel or terminate for convenience with no substantial penalty, even if historical experience indicates the likelihood of cancellation or termination is remote. Additionally, the Company has elected to exclude contracts with customers with an original term of one year or less from remaining performance obligations while these contracts are included within backlog.

As of December 31, 2021, the aggregate amount of the transaction price allocated to remaining performance obligations was approximately \$4.5 billion. The Company expects to recognize revenue on approximately 54% of the remaining performance obligations over the next 12 months, 24% over the subsequent 12 months, and the remainder recognized thereafter.

Contract Balances

The timing of revenue recognition, billings and cash collections results in billed trade accounts receivable, unbilled receivables ("contract assets") and deferred revenue, customer deposits and billings in excess of revenue recognized ("contract liabilities") on the Consolidated Balance Sheets. In addition, the Company defers certain costs incurred to obtain a contract ("contract costs"). Contract assets, liabilities and costs are reported on the accompanying Consolidated Balance Sheets on a contract-by-contract basis.

Contract Assets—Most of the Company's long-term contracts are billed as work progresses in accordance with the contract terms and conditions, either at periodic intervals or upon achievement of certain milestones. Often this results in billing occurring subsequent to revenue recognition resulting in contract assets. Contract assets are generally classified as other current assets in the Consolidated Balance Sheets. The balance of contract assets as of December 31, 2021 and 2020 was \$75 million and \$65 million, respectively.

Contract Liabilities—The Company often receives cash payments from customers in advance of the Company's performance resulting in contract liabilities that are classified as either current or long-term in the Consolidated Balance Sheets based on the timing of when the Company expects to recognize revenue. As of December 31, 2021 and 2020, contract liabilities were approximately \$1.8 billion and \$1.4 billion, respectively, and are included within accrued expenses and other liabilities and other long-term liabilities in the accompanying Consolidated Balance Sheets. The increase in the contract liability balance during the years ended December 31, 2021 and 2020 was primarily a result of cash payments received in advance of satisfying performance obligations and acquisitions, partially offset by revenue recognized during the year that was included in the opening contract liability balance. Revenue recognized during the years ended December 31, 2021 and 2020 that was included in the opening contract liability balance was approximately \$1.1 billion and \$638 million, respectively.

Contract Costs—The Company capitalizes certain direct incremental costs incurred to obtain a contract, typically sales-related commissions, where the amortization period for the related asset is greater than one year. These costs are amortized over the contract term or a longer period, generally the expected life of the customer relationship if renewals are expected and the renewal commission is not commensurate with the initial commission. Contract costs are classified as current or long-term other assets in the Consolidated Balance Sheets based on the timing of when the Company expects to recognize the expense and are generally amortized into earnings on a straight-line basis (which is consistent with the transfer of control for the related goods or services). Management assesses these costs for impairment at least quarterly and as “triggering” events occur that indicate it is more likely than not that an impairment exists. The balance of contract costs as of December 31, 2021 and 2020

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were not significant. Amortization expense related to these costs for the years ended December 31, 2021 and 2020 was also not significant. The costs to obtain a contract where the amortization period for the related asset is one year or less are expensed as incurred and recorded within selling, general and administrative expenses in the accompanying Consolidated Statements of Earnings.

NOTE 6. SEGMENT INFORMATION

The Company operates and reports its results in three separate business segments consisting of the Life Sciences, Diagnostics and Environmental & Applied Solutions segments. When determining the reportable segments, the Company aggregated operating segments based on their similar economic and operating characteristics. Operating profit represents total revenues less operating expenses, excluding nonoperating income and expense, loss on early extinguishment of borrowings, interest and income taxes. Operating profit amounts in the Other segment consist of unallocated corporate costs and other costs not considered part of management's evaluation of reportable segment operating performance. The identifiable assets by segment are those used in each segment's operations. Intersegment amounts are not significant and are eliminated to arrive at consolidated totals.

Detailed segment data for the years ended December 31 is as follows (\$ in millions):

	2021	2020	2019
Sales:			
Life Sciences	\$ 14,958	\$ 10,576	\$ 6,951
Diagnostics	9,844	7,403	6,561
Environmental & Applied Solutions	4,651	4,305	4,399
Total	\$ 29,453	\$ 22,284	\$ 17,911
Operating profit:			
Life Sciences	\$ 4,367	\$ 2,054	\$ 1,401
Diagnostics	2,313	1,538	1,134
Environmental & Applied Solutions	1,054	979	1,052
Other	(269)	(340)	(318)
Total	\$ 7,465	\$ 4,231	\$ 3,269
Depreciation and amortization of intangible assets:			
Life Sciences	\$ 1,441	\$ 1,053	\$ 487
Diagnostics	614	602	582
Environmental & Applied Solutions	106	110	111
Other	7	10	9
Total	\$ 2,168	\$ 1,775	\$ 1,189

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The following table presents additional detailed segment data for the years ended December 31 (\$ in millions):

	2021	2020	2019
Identifiable assets:			
Life Sciences	\$ 57,886	\$ 48,919	\$ 22,381
Diagnostics	15,054	15,042	14,442
Environmental & Applied Solutions	4,882	5,083	4,882
Other	5,362	7,117	20,377
Total	<u>\$ 83,184</u>	<u>\$ 76,161</u>	<u>\$ 62,082</u>
Capital expenditures, gross:			
Life Sciences	\$ 595	\$ 306	\$ 143
Diagnostics	644	447	435
Environmental & Applied Solutions	54	36	54
Other	1	2	4
Total	<u>\$ 1,294</u>	<u>\$ 791</u>	<u>\$ 636</u>

Operations in Geographical Areas:

	Year Ended December 31		
(\$ in millions)	2021	2020	2019
Sales:			
United States	\$ 11,283	\$ 8,616	\$ 6,660
China	3,975	2,688	2,308
Germany	1,482	1,238	1,013
All other (each country individually less than 5% of total sales)	12,713	9,742	7,930
Total	<u>\$ 29,453</u>	<u>\$ 22,284</u>	<u>\$ 17,911</u>
Property, plant and equipment, net:			
United States	\$ 1,799	\$ 1,317	\$ 1,077
Sweden	513	553	32
United Kingdom	260	214	163
Germany	223	207	163
All other (each country individually less than 5% of total property, plant and equipment, net)	995	971	867
Total	<u>\$ 3,790</u>	<u>\$ 3,262</u>	<u>\$ 2,302</u>

Sales by Major Product Group:

	Year Ended December 31		
(\$ in millions)	2021	2020	2019
Analytical and physical instrumentation	\$ 2,620	\$ 2,443	\$ 2,464
Research and medical products	24,802	17,979	13,512
Product identification	2,031	1,862	1,935
Total	<u>\$ 29,453</u>	<u>\$ 22,284</u>	<u>\$ 17,911</u>

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NOTE 7. INCOME TAXES

Earnings from continuing operations before income taxes for the years ended December 31 were as follows (\$ in millions):

	2021	2020	2019
United States	\$ 2,500	\$ 1,655	\$ 854
Non-U.S.	5,098	2,840	2,451
Total	<u>\$ 7,598</u>	<u>\$ 4,495</u>	<u>\$ 3,305</u>

The provision for income taxes from continuing operations for the years ended December 31 were as follows (\$ in millions):

	2021	2020	2019
Current:			
Federal U.S.	\$ 183	\$ (321)	\$ 453
Non-U.S.	1,134	580	800
State and local	163	72	35
Deferred:			
Federal U.S.	(156)	530	(297)
Non-U.S.	(23)	(16)	(128)
State and local	(50)	4	10
Income tax provision	<u>\$ 1,251</u>	<u>\$ 849</u>	<u>\$ 873</u>

Noncurrent deferred tax assets and noncurrent deferred tax liabilities are included in other assets and other long-term liabilities, respectively, in the accompanying Consolidated Balance Sheets. Deferred income tax assets and liabilities as of December 31 were as follows (\$ in millions):

	2021	2020
Deferred tax assets:		
Allowance for doubtful accounts	\$ 19	\$ 24
Inventories	93	99
Pension and postretirement benefits	105	259
Environmental and regulatory compliance	38	27
Other accruals and prepayments	348	341
Stock-based compensation expense	76	68
Operating lease liabilities	252	215
Tax credit and loss carryforwards	544	569
Valuation allowances	(242)	(264)
Total deferred tax asset	<u>1,233</u>	<u>1,338</u>
Deferred tax liabilities:		
Property, plant and equipment	(79)	(50)
Insurance, including self-insurance	(520)	(713)
Basis difference in LYONs	—	(11)
Operating lease right-of-use assets	(235)	(204)
Goodwill and other intangibles	(3,962)	(3,814)
Total deferred tax liability	<u>(4,796)</u>	<u>(4,792)</u>
Net deferred tax liability	<u>\$ (3,563)</u>	<u>\$ (3,454)</u>

The Company evaluates the future realizability of tax credits and loss carryforwards considering the anticipated future earnings of the Company's subsidiaries as well as tax planning strategies in the associated jurisdictions. Deferred taxes associated with U.S. entities consist of net deferred tax liabilities of approximately \$2.1 billion and \$1.9 billion as of December 31, 2021 and 2020, respectively. Deferred taxes associated with non-U.S. entities consist of net deferred tax liabilities of approximately \$1.5 billion and \$1.6 billion as of December 31, 2021 and 2020, respectively. During 2021, the Company's valuation allowance

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decreased by \$22 million primarily from the use of tax attributes which were previously not realizable. As of December 31, 2021, the total amount of the basis difference in investments indefinitely reinvested outside the United States for which deferred taxes have not been provided is approximately \$11.2 billion. The income taxes applicable to repatriating such earnings are not readily determinable. As of December 31, 2021, the Company had no plans which would subject these basis differences to income taxes in the United States or elsewhere.

The Tax Cuts and Jobs Act (“TCJA”) imposes tax on U.S. shareholders for global intangible low-taxed income (“GILTI”) earned by certain non-U.S. subsidiaries. The Company has elected the period cost method for its accounting for GILTI.

The effective income tax rate from continuing operations for the years ended December 31 varies from the U.S. statutory federal income tax rate as follows:

	Percentage of Pretax Earnings		
	2021	2020	2019
Statutory federal income tax rate	21.0 %	21.0 %	21.0 %
Increase (decrease) in tax rate resulting from:			
State income taxes (net of federal income tax benefit)	1.1 %	1.1 %	0.8 %
Non-U.S. rate differential	(2.0)%	(1.6)%	(1.4)%
Resolution and expiration of statutes of limitation of uncertain tax positions	(3.0)%	(0.7)%	(2.1)%
Research credits, uncertain tax positions and other	0.5 %	0.7 %	9.3 %
Excess tax benefits from stock-based compensation	(1.1)%	(1.6)%	(1.2)%
Effective income tax rate	16.5 %	18.9 %	26.4 %

The Company’s effective tax rate for 2021, 2020 and 2019 differs from the U.S. federal statutory rate of 21.0%, due to the Company’s earnings outside the United States that are indefinitely reinvested and taxed at rates different than the U.S. federal statutory rate as well as the impact of the following:

- The effective tax rate of 16.5% in 2021 includes net tax benefits primarily related to the release of reserves for uncertain tax positions from the expiration of statutes of limitation, audit settlements and excess tax benefits from stock-based compensation, partially offset by changes in estimates associated with prior period uncertain tax positions. These items decreased the reported rate on a net basis by 3.5%.
- The effective tax rate of 18.9% in 2020 includes net tax benefits primarily related to the release of reserves for uncertain tax positions from audit settlements and expiration of statutes of limitation and excess tax benefits from stock-based compensation, partially offset by a higher tax rate associated with the gain on the divestiture of certain product lines in the Life Sciences segment and changes in estimates associated with prior period uncertain tax positions. These items decreased the reported rate on a net basis by 0.7%.
- The effective tax rate of 26.4% in 2019 includes 650 basis points of tax charges related primarily to changes in estimates associated with prior period uncertain tax positions, audit settlements, and Envista Disposition costs, net of the release of reserves for uncertain tax positions due to the expiration of statutes of limitation, release of valuation allowances associated with certain non-U.S. tax credits, tax benefits resulting from changes in tax law and excess tax benefits from stock-based compensation.

The Company made income tax payments related to both continuing and discontinued operations of approximately \$1.7 billion, \$1.1 billion and \$847 million in 2021, 2020 and 2019, respectively. Current income taxes payable related to both continuing and discontinued operations has been reduced by \$118 million, \$110 million and \$79 million in 2021, 2020 and 2019, respectively, for tax deductions attributable to stock-based compensation, of which, the excess tax benefit over the amount recorded for financial reporting purposes for both continuing and discontinued operations was \$95 million, \$85 million and \$55 million, respectively. The excess tax benefits have been recorded as reductions to the current income tax provision and are reflected as operating cash inflows in the accompanying Consolidated Statements of Cash Flows.

Included in deferred income taxes as of December 31, 2021 are tax benefits for U.S. and non-U.S. net operating loss carryforwards totaling \$427 million (\$172 million of which the Company does not expect to realize and have corresponding valuation allowances). Certain of the losses can be carried forward indefinitely and others can be carried forward to various dates from 2022 through 2041. In addition, the Company had general business and non-U.S. tax credit carryforwards of \$117 million (\$58 million of which the Company does not expect to realize and have corresponding valuation allowances) as of December 31, 2021, which can be carried forward to various dates from 2022 to 2031. In addition, as of December 31, 2021,

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the Company had \$12 million of valuation allowances related to other deferred tax asset balances that are not more likely than not of being realized.

As of December 31, 2021, gross unrecognized tax benefits totaled approximately \$1.1 billion (approximately \$1.2 billion, net of the impact of \$58 million of indirect tax benefits offset by \$163 million associated with potential interest and penalties). As of December 31, 2020, gross unrecognized tax benefits totaled approximately \$1.2 billion (approximately \$1.4 billion, net of the impact of \$148 million of indirect tax benefits offset by \$354 million associated with potential interest and penalties). The Company recognized approximately \$182 million of net tax benefits from the reversal of potential interest and penalties during 2021, and \$41 million and \$227 million of net tax expense from potential interest and penalties during 2020 and 2019, respectively, related to both continuing and discontinued operations associated with uncertain tax positions. To the extent unrecognized tax benefits (including interest and penalties) are recognized with respect to uncertain tax positions, approximately \$1.1 billion and \$1.4 billion as of December 31, 2021 and 2020, respectively, would reduce the tax expense and effective tax rate in future periods. The Company recognized interest and penalties related to unrecognized tax benefits within income taxes in the accompanying Consolidated Statements of Earnings. Unrecognized tax benefits and associated accrued interest and penalties are included in taxes, income and other accrued expenses as detailed in Note 13.

A reconciliation of the beginning and ending amount of unrecognized tax benefits, excluding amounts accrued for potential interest and penalties related to both continuing and discontinued operations, is as follows (\$ in millions):

	2021	2020	2019
Unrecognized tax benefits, beginning of year	\$ 1,175	\$ 1,181	\$ 986
Additions based on tax positions related to the current year	47	47	71
Additions for tax positions of prior years	166	24	197
Reductions for tax positions of prior years	(100)	(20)	(16)
Acquisitions, divestitures and other	53	(30)	7
Lapse of statute of limitations	(219)	(13)	(51)
Settlements	(4)	(38)	(12)
Effect of foreign currency translation	(23)	24	(1)
Unrecognized tax benefits, end of year	<u>\$ 1,095</u>	<u>\$ 1,175</u>	<u>\$ 1,181</u>

The Company conducts business globally, and files numerous consolidated and separate income tax returns in the U.S. federal, state and non-U.S. jurisdictions. The non-U.S. countries in which the Company has a significant presence include China, Denmark, Germany, Singapore, Sweden, Switzerland and the United Kingdom. Excluding these jurisdictions, the Company believes that a change in the statutory tax rate of any individual non-U.S. country would not have a material effect on the Company's Consolidated Financial Statements given the geographic dispersion of the Company's taxable income.

The Company and its subsidiaries are routinely examined by various U.S. and non-U.S. taxing authorities. The Internal Revenue Service ("IRS") has completed substantially all of the examinations of the Company's federal income tax returns through 2015 and is currently examining certain of the Company's federal income tax returns for 2016 through 2018. In addition, the Company has subsidiaries in Austria, Belgium, Canada, China, Denmark, France, Germany, India, Japan, Korea, Switzerland, the United Kingdom and various other countries, states and provinces that are currently under audit for years ranging from 2004 through 2020.

During the year ended December 31, 2020, the Company settled the IRS audits of its federal income tax returns for 2012 through 2015. In the audit, the IRS proposed significant adjustments to the Company's taxable income of approximately \$2.7 billion related to the deferral of tax on certain premium income related to the Company's self-insurance programs. For income tax purposes, the recognition of certain premium income has been deferred in accordance with U.S. tax laws related to insurance. While the settlement of these matters was not material to the Company's financial statements, the settlement does not preclude the IRS from proposing similar adjustments in future audits and the IRS has continued to examine the deferral of premium income related to self-insurance programs in its examination of the Company's federal income tax returns for 2016 through 2018. The examination is ongoing and to date, the IRS has not proposed any adjustments related to the Company's self-insurance programs.

Due to the enactment of the TCJA in 2017 and the resulting reduction in the U.S. corporate tax rate for years after 2017, the Company remeasured its deferred tax liabilities related to the temporary differences associated with this deferred premium income from 35.0% to 21.0%. If the IRS proposes adjustments related to the Company's self-insurance premiums with respect to years prior to the adoption of the TCJA and the Company is unsuccessful in defending its position, any taxes owed to the IRS may be computed under the previous 35.0% statutory tax rate and the Company may be required to remeasure the related deferred tax liabilities from 21.0% to 35.0%, which in addition to any interest due on the amounts

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assessed, would require a charge to future earnings. Management believes the positions the Company has taken in its U.S. tax returns are in accordance with the relevant tax laws.

Tax authorities in Denmark have issued tax assessments related to interest accrued by certain of the Company's subsidiaries for the years 2004 through 2015. During the first quarter of 2021, the Company received a notice from the Danish tax authorities that included a significant reduction in the interest amounts imposed on the original tax assessments. Taking into account the revised interest amounts, the assessments total approximately DKK 2.1 billion including interest accrued to date (approximately \$317 million based on the exchange rate as of December 31, 2021). The Company's appeal of the tax assessments with the Danish National Tax Tribunal has been put on hold awaiting the final outcome of other preceding withholding tax cases that have been brought before the Danish High Court. Management believes the positions the Company has taken in Denmark are in accordance with the relevant tax laws and is vigorously defending its positions. The Company intends on pursuing this matter through the Danish High Court should the appeal to the Danish National Tax Tribunal be unsuccessful. While the ultimate resolution of this matter is uncertain and could take many years, as a result of the payments the Company has previously made related to these assessments in order to mitigate further interest accruals, the Company does not expect the resolution of this matter will have a future material adverse impact to the Company's financial statements, including its cash flow and effective tax rate.

Management estimates that it is reasonably possible that the amount of unrecognized tax benefits related to continuing operations may be reduced by approximately \$58 million within 12 months as a result of resolution of worldwide tax matters, payments of tax audit settlements and/or statute of limitations expirations. Future resolution of uncertain tax positions related to discontinued operations may result in additional charges or credits to earnings from discontinued operations in the Consolidated Statements of Earnings (refer to Note 3).

The Company operates in various non-U.S. jurisdictions where income tax incentives and rulings have been granted for specific periods of time. In Switzerland, the Company has various tax rulings and tax holiday arrangements which reduce the overall effective tax rate of the Company. The tax holidays expire between 2022 and 2027. In Singapore, the Company operates under various tax incentive agreements that provide for reduced tax rates. Subject to the Company satisfying certain requirements, the agreements expire in 2022. As of December 31, 2021, the Company had satisfied the conditions enumerated in these agreements. Included in the accompanying Consolidated Financial Statements are tax benefits of \$59 million, \$43 million and \$71 million (or \$0.08, \$0.06 and \$0.10 per diluted common share) for 2021, 2020 and 2019, respectively, from these rulings and tax holidays.

NOTE 8. OTHER OPERATING EXPENSES

Effective July 24, 2021, the Company's indirect, wholly-owned subsidiary, Beckman Coulter, Inc. ("Beckman"), entered into a series of related agreements with Quidel Corporation and a subsidiary thereof ("Quidel") to resolve litigation that Beckman initiated against Quidel and to modify and partially terminate the related prior commercial arrangement. Pursuant to the related agreements, the dispute regarding Beckman's ability to compete in B-type Natriuretic Peptide ("BNP") test related activities has been settled, allowing Beckman to research, develop, manufacture and distribute BNP type tests. Beckman's commitment to supply certain BNP test kits to Quidel has also been terminated. Beckman also obtained the right to distribute and sell the BNP assay currently sold by Quidel. As consideration under the agreements, Beckman will pay Quidel predominantly fixed payments of approximately \$75 million per year through 2029 (subject to proration in 2021). The Company engaged a third-party valuation specialist to assist in determining the value of the elements of the transaction. The present value of the payments to Quidel is estimated to be \$581 million, of which \$547 million was recorded as a pretax contract settlement expense primarily due to the unfavorable nature of the prior arrangement (consisting of a cash charge of \$5 million and a noncash charge of \$542 million) in the third quarter of 2021 related to the modification and partial termination of the prior commercial arrangement and resolution of the associated litigation. The Company also capitalized \$34 million in intangible assets, comprised of proprietary technology, customer relationships and the use of a trade name acquired in the settlement, which represent a noncash investing activity. Due to the extended payment terms of the arrangement, the arrangement represents a noncash financing activity of \$576 million. Over the period of the arrangement, the cash payments related to servicing the obligation due to Quidel will be recorded as cash outflows from financing activities and the payments related to the imputed interest on the obligation due to Quidel will be recorded as cash outflows from operating activities in the Consolidated Statements of Cash Flows.

NOTE 9. NONOPERATING INCOME (EXPENSE)

The following sets forth the components of the Company's other income (expense), net (\$ in millions):

	2021	2020	2019
Other components of net periodic benefit costs	\$ 42	\$ 16	\$ 12
Investment gains (losses):			
Realized investment gains (losses)	120	25	—
Unrealized investment gains (losses)	281	(7)	—
Total investment gains (losses)	401	18	—
Gains on sale of product lines	13	455	—
Other	—	5	—
Total other income (expense), net	\$ 456	\$ 494	\$ 12

Other Components of Net Period Benefit Costs

The Company disaggregates the service cost component of net periodic benefit costs of noncontributory defined benefit pension plans and other postretirement employee benefit plans and presents the other components of net periodic benefit cost in other income (expense), net. These other components of net period benefit costs include the assumed rate of return on plan assets, partially offset by amortization of actuarial losses and interest. The Company's net periodic pension cost for the year ended December 31, 2019 includes a settlement loss of \$7 million (\$6 million after-tax) as a result of the transfer of a portion of its non-U.S. pension liabilities related to one defined benefit plan to a third-party.

Investment Gains (Losses)

The Company estimates the fair value of investments in equity securities using the Fair Value Alternative and records adjustments to fair value within net earnings. Additionally, the Company is a limited partner in partnerships that invest primarily in early stage companies. While the partnerships record these investments at fair value, the Company's investments in the partnerships are accounted for under the equity method of accounting. The investment gains (losses) include realized and unrealized gains and losses related to changes in the fair value of the Company's investments in equity securities and the Company's equity in earnings of the partnerships that reflect the changes in fair value of the investments of the partnerships.

Gains on Sale of Product Lines

During 2021 the Company divested certain product lines for a cash purchase price, net of cash transferred and transaction costs, of \$26 million and recognized a pretax gain on sale of \$13 million (\$10 million after-tax). The divested product lines generated revenues of approximately \$88 million in the Environmental & Applied Solutions segment in 2020. The divestiture of these product lines did not represent a strategic shift with a major effect on the Company's operations and financial results and therefore is not reported as a discontinued operation.

As a condition to obtaining certain regulatory approvals for the closing of the Cytiva Acquisition, the Company was required to divest certain of its existing product lines in the Life Sciences segment that in the aggregate generated revenues of approximately \$170 million in 2019. On April 30, 2020, the Company completed the sale of these product lines for a cash purchase price, net of cash transferred and transaction costs, of \$826 million and recognized a pretax gain on sale of \$455 million (\$305 million after-tax) in the second quarter of 2020. The divestiture of these product lines did not represent a strategic shift with a major effect on the Company's operations and financial results and therefore is not reported as a discontinued operation.

Loss on Early Extinguishment of Borrowings

In the fourth quarter of 2021, the Company redeemed the €800 million aggregate principal amount of 2.5% senior unsecured notes due 2025 at a redemption price equal to the outstanding principal amount and a make-whole premium as specified in the applicable indenture, plus accrued and unpaid interest. The Company recorded a loss on early extinguishment of these borrowings related to the payment of the make-whole premiums and deferred costs in

connection with the redemption of \$96 million (\$73 million after-tax), which is reflected as a loss on early extinguishment of borrowings in the Consolidated Statements of Earnings.

In the fourth quarter of 2020, the Company redeemed the €800 million aggregate principal amount of 1.7% senior unsecured notes due 2022 at a redemption price equal to the outstanding principal amount and a make-whole premium as specified in the applicable indenture, plus accrued and unpaid interest. The Company recorded a loss of \$26 million (\$20 million after-tax) on early extinguishment of these borrowings, including deferred costs, related to the payment of the make-whole premiums in connection with the redemption which is reflected as a loss on early extinguishment of borrowings in the Consolidated Statements of Earnings.

In the fourth quarter of 2019, Danaher used a portion of the consideration received from Envista to redeem \$875 million in aggregate principal amount of outstanding indebtedness (consisting of the Company's 2.4% senior unsecured notes due 2020 and 5.0% senior unsecured notes due 2020). The Company incurred make-whole premiums, as specified in the applicable indenture, in connection with the redemption of \$7 million (\$5 million after-tax) which is reflected as a loss on early extinguishment of borrowings in the Consolidated Statements of Earnings.

NOTE 10. LEASES

The Company has operating leases for office space, warehouses, distribution centers, research and development facilities, manufacturing locations and certain equipment, primarily automobiles. Many leases include one or more options to renew, some of which include options to extend the leases for up to 30 years, and some leases include options to terminate the leases within 30 days. In certain of the Company's lease agreements, the rental payments are adjusted periodically to reflect actual charges incurred for common area maintenance, utilities, inflation and/or changes in other indexes. The Company's finance leases were not material as of December 31, 2021 and 2020. Right-of-use ("ROU") assets arising from finance leases are included in property, plant and equipment, net and the liabilities are included in notes payable and current portion of long-term debt and long-term debt in the accompanying Consolidated Balance Sheets.

The Consolidated Financial Statements include the following amounts related to operating leases where the Company is the lessee (\$ in millions):

	2021	2020	2019
Consolidated Statements of Earnings			
Fixed operating lease expense ^(a)	\$ 246	\$ 216	\$ 196
Variable operating lease expense	59	46	45
Total operating lease expense	<u>\$ 305</u>	<u>\$ 262</u>	<u>\$ 241</u>
Consolidated Statements of Cash Flows			
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 243	\$ 221	\$ 202
ROU assets obtained in exchange for operating lease obligations	289	246	145
Consolidated Balance Sheets			
	December 31, 2021	December 31, 2020	
Lease Assets and Liabilities	Classification		
Operating lease ROU assets	Other long-term assets	<u>\$ 1,041</u>	<u>\$ 942</u>
Operating lease liabilities - current	Accrued expenses and other liabilities	\$ 207	\$ 189
Operating lease liabilities - long-term	Other long-term liabilities	889	785
Total operating lease liabilities		<u>\$ 1,096</u>	<u>\$ 974</u>
Weighted average remaining lease term		8 years	7 years
Weighted average discount rate		2.7 %	2.8 %

^(a) Includes short-term leases and sublease income, both of which were immaterial.

The following table presents the maturity of the Company's operating lease liabilities as of December 31, 2021 (\$ in millions):

2022	\$	232
2023		190
2024		160
2025		130
2026		105
Thereafter		400
Total operating lease payments		1,217
Less: imputed interest		(121)
Total operating lease liabilities	\$	1,096

As of December 31, 2021, the Company had no additional significant operating or finance leases that had not yet commenced.

NOTE 11. GOODWILL AND OTHER INTANGIBLE ASSETS

As discussed in Note 2, goodwill arises from the purchase price for acquired businesses exceeding the fair value of tangible and intangible assets acquired less assumed liabilities and noncontrolling interests. Management assesses the goodwill of each of its reporting units for impairment at least annually at the beginning of the fourth quarter and as "triggering" events occur that indicate that it is more likely than not that an impairment exists. The Company elected to bypass the optional qualitative goodwill assessment allowed by applicable accounting standards and performed a quantitative impairment test for all reporting units as this was determined to be the most effective method to assess for impairment across the reporting units.

The Company estimates the fair value of its reporting units primarily using a market approach, based on current trading multiples of EBITDA for companies operating in businesses similar to each of the Company's reporting units, in addition to recent available market sale transactions of comparable businesses. In determining the estimated fair value of each reporting unit, the Company also applies a control premium. If the estimated fair value of the reporting unit is less than its carrying value, the Company must perform additional analysis to determine if the reporting unit's goodwill has been impaired.

As of December 31, 2021, the Company had five reporting units for goodwill impairment testing. As of the date of the 2021 annual impairment test, the carrying value of the goodwill included in each individual reporting unit ranged from \$515 million to approximately \$31.6 billion. No goodwill impairment charges were recorded for the years ended December 31, 2021, 2020 and 2019 and no "triggering" events have occurred subsequent to the performance of the 2021 annual impairment test. The factors used by management in its impairment analysis are inherently subject to uncertainty. If actual results are not consistent with management's estimates and assumptions, goodwill and other intangible assets may be overstated and a charge would need to be taken against net earnings.

The following is a rollforward of the Company's goodwill by segment (\$ in millions):

	Life Sciences	Diagnostics	Environmental & Applied Solutions	Total
Balance, January 1, 2020	\$ 13,472	\$ 6,901	\$ 2,340	\$ 22,713
Attributable to 2020 acquisitions	10,291	—	111	10,402
Attributable to 2020 divestitures	(181)	—	—	(181)
Adjustments due to finalization of purchase price allocations	(3)	—	—	(3)
Foreign currency translation and other	2,233	181	75	2,489
Balance, December 31, 2020	25,812	7,082	2,526	35,420
Attributable to 2021 acquisitions	7,077	110	48	7,235
Attributable to 2021 divestitures	—	—	(12)	(12)
Adjustments due to finalization of purchase price allocations	(11)	—	—	(11)
Foreign currency translation and other	(1,240)	(148)	(60)	(1,448)
Balance, December 31, 2021	<u>\$ 31,638</u>	<u>\$ 7,044</u>	<u>\$ 2,502</u>	<u>\$ 41,184</u>

The increase in the goodwill balance of the Life Sciences segment in the year ended December 31, 2021 is primarily a result of the Aldevron Acquisition. Refer to Note 2 for more detail.

Finite-lived intangible assets are amortized over their legal or estimated useful life. The following summarizes the gross carrying value and accumulated amortization for each major category of intangible assets as of December 31 (\$ in millions):

	2021		2020	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Finite-lived intangibles:				
Patents and technology	\$ 14,377	\$ (2,281)	\$ 12,526	\$ (1,539)
Customer relationships, trade names and other intangibles	9,547	(3,748)	9,355	(3,235)
Total finite-lived intangibles	23,924	(6,029)	21,881	(4,774)
Indefinite-lived intangibles:				
Trademarks and trade names	4,948	—	4,175	—
Total intangibles	\$ 28,872	\$ (6,029)	\$ 26,056	\$ (4,774)

During 2021, the Company acquired finite-lived intangible assets, consisting primarily of developed technology, customer relationships and trade names, with a weighted average life of 13 years primarily as a result of the Aldevron Acquisition. During 2020, the Company acquired finite-lived intangible assets, consisting primarily of developed technology, customer relationships and trade names, with a weighted average life of 17 years primarily as a result of the Cytiva Acquisition. Refer to Note 2 for additional information on the intangible assets acquired.

The Company reviews identified intangible assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Indefinite-lived intangibles are subject to impairment testing at least annually or more frequently if events or changes in circumstances indicate that potential impairment exists. The Company identified impairment triggers during the first quarter of 2021 in the Diagnostics segment and the first and third quarters of 2020 in the Diagnostics and Environmental & Applied Solutions segments which resulted in the impairment of certain long-lived assets, including trade names and other intangible assets. In 2021 and 2020, the Company recorded impairment charges totaling \$10 million and \$22 million, respectively, related to these long-lived assets in selling, general and administrative expenses in the Consolidated Statements of Earnings.

Total intangible amortization expense in 2021, 2020 and 2019 was \$1,450 million, \$1,138 million and \$625 million, respectively. The increase in intangible amortization expense in 2021 and 2020 was primarily as a result of the Aldevron and Cytiva acquisitions and the amortization of the associated finite-lived intangible assets. Based on the intangible assets recorded as of December 31, 2021, amortization expense is estimated to be approximately \$1.5 billion during 2022, \$1.5 billion during 2023, \$1.5 billion during 2024, \$1.5 billion during 2025 and \$1.4 billion during 2026.

NOTE 12. FAIR VALUE MEASUREMENTS

Accounting standards define fair value based on an exit price model, establish a framework for measuring fair value where the Company's assets and liabilities are required to be carried at fair value and provide for certain disclosures related to the valuation methods used within a valuation hierarchy as established within the accounting standards. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets in markets that are not active, or other observable characteristics for the asset or liability, including interest rates, yield curves and credit risks, or inputs that are derived principally from, or corroborated by, observable market data through correlation. Level 3 inputs are unobservable inputs based on the Company's assumptions. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

A summary of financial assets and liabilities that are measured at fair value on a recurring basis were as follows (\$ in millions):

	Year Ended December 31		Quoted Prices in Active Market (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)	
	2021	2020	2021	2020	2021	2020	2021	2020
Assets:								
Available-for-sale debt securities	\$ 20	\$ 27	\$ —	\$ —	\$ 20	\$ 27	\$ —	\$ —
Investment in equity securities	336	176	88	6	—	—	—	—
Cross-currency swap derivative contracts	50	—	—	—	50	—	—	—
Liabilities:								
Cross-currency swap derivative contracts	—	622	—	—	—	622	—	—

Available-for-sale debt securities, which are included in other long-term assets in the accompanying Consolidated Balance Sheets, are measured at fair value using quoted prices reported by investment brokers and dealers based on the underlying terms of the security and comparison to similar securities traded on an active market. As of December 31, 2021 and 2020, available-for-sale debt securities primarily include U.S. Treasury Notes and corporate debt securities.

The Company's investments in equity securities consist of investments in publicly traded equity securities and investments in non-marketable equity securities. The publicly traded securities are classified as Level 1 in the fair value hierarchy as they are measured based on quotes in active markets. For the non-marketable equity securities, the Company estimates the fair value of the investments in equity securities based on the measurement alternative and adjusts for impairments and observable price changes with a same or similar security from the same issuer within net earnings (the "Fair Value Alternative"). The Company's investments in these equity securities are not classified in the fair value hierarchy due to the use of these measurement methods. Additionally, the Company is a limited partner in partnerships that invest primarily in early-stage companies. While the partnerships record these investments at fair value, the Company's investments in the partnerships are accounted for under the equity method of accounting and are not subject to fair value measurement disclosures. As of December 31, 2021 and 2020, the Company's equity method investments included investments in partnerships with a carrying value of approximately \$1.3 billion and \$453 million, respectively. During the years ended December 31, 2021 and 2020, the Company recorded net realized and unrealized gains of \$401 million and \$18 million, respectively, related to changes in the fair value of the Company's investments in equity securities and the Company's equity in earnings of the partnerships that reflect the changes in fair value of the investments of the partnerships. Refer to Note 9 for additional information on gains and losses on the Company's investments, including investments in the partnerships. No significant realized or unrealized gains or losses were recorded in 2019 with respect to these investments.

The cross-currency swap derivative contracts are used to partially hedge the Company's net investments in non-U.S. operations against adverse movements in exchange rates between the U.S. dollar and the Danish kroner, Japanese yen, euro and Swiss franc. The Company also uses cross-currency swap derivative contracts to hedge the exchange rate exposure from long-term debt issuances in a foreign currency other than the functional currency of the borrower. The cross-currency swap derivative contracts are classified as Level 2 in the fair value hierarchy as they are measured using the income approach with the relevant interest rates and current foreign currency exchange rates and forward curves as inputs. Refer to Note 15 for additional information.

Fair Value of Other Financial Instruments

The carrying amounts and fair values of the Company's other financial instruments as of December 31 were as follows (\$ in millions):

	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Debt obligations:				
Notes payable and current portion of long-term debt	\$ 8	\$ 8	\$ 11	\$ 11
Long-term debt	22,168	22,796	21,193	23,004

As of December 31, 2021 and 2020, short and long-term borrowings were categorized as Level 1. The fair value of long-term borrowings was based on quoted market prices. The difference between the fair value and the carrying amounts of long-term

borrowings (other than the Company's LYONs due 2021) prior to their redemption on January 22, 2021) is attributable to changes in market interest rates and/or the Company's credit ratings subsequent to the incurrence of the borrowing. In the case of the LYONs, differences in the fair value from the carrying value were attributable to changes in the price of the Company's common stock due to the LYONs' conversion features. The fair values of borrowings with original maturities of one year or less, as well as cash and cash equivalents, trade accounts receivable, net and trade accounts payable approximate their carrying amounts due to the short-term maturities of these instruments.

Refer to Note 16 for information related to the fair value of the Company sponsored defined benefit pension plan assets.

NOTE 13. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities as of December 31 were as follows (\$ in millions):

	2021		2020	
	Current	Noncurrent	Current	Noncurrent
Compensation and benefits	\$ 1,371	\$ 269	\$ 1,393	\$ 178
Pension and postretirement benefits	72	876	69	1,502
Taxes, income and other	707	4,750	552	4,951
Deferred revenue and customer advance payments	1,613	213	1,212	205
Sales and product allowances	221	2	200	2
Operating lease liabilities	207	889	189	785
Cross-currency swap derivative liabilities	—	—	622	—
Contract settlement financing payable	75	481	—	—
Other	1,297	219	1,105	166
Total	<u>\$ 5,563</u>	<u>\$ 7,699</u>	<u>\$ 5,342</u>	<u>\$ 7,789</u>

NOTE 14. FINANCING

The components of the Company's debt as of December 31 were as follows (amounts in millions):

Description and Aggregate Principal Amount	Outstanding Amount	
	2021	2020
U.S. dollar-denominated commercial paper	\$ 1,440	\$ —
Euro-denominated commercial paper (€1.2 billion and €500 million, respectively)	1,366	611
Zero-coupon LYONs due 1/22/2021	—	24
0.352% senior unsecured notes due 3/16/2021 (¥30.0 billion) (the "2021 Yen Notes")	—	290
Floating rate senior unsecured notes due 6/30/2022 (€250 million) (the "Floating Rate 2022 Euronotes")	284	305
2.05% senior unsecured notes due 11/15/2022 (the "2022 Biopharma Notes")	699	698
0.5% senior unsecured bonds due 12/08/2023 (CHF 540 million) (the "2023 CHF Bonds")	592	611
1.7% senior unsecured notes due 3/30/2024 (€900 million) (the "2024 Euronotes")	1,021	1,096
2.2% senior unsecured notes due 11/15/2024 (the "2024 Biopharma Notes")	698	697
2.5% senior unsecured notes due 7/08/2025 (€800 million) (the "2025 Euronotes")	—	975
3.35% senior unsecured notes due 9/15/2025 (the "2025 U.S. Notes")	498	498
0.2% senior unsecured notes due 3/18/2026 (€1.3 billion) (the "2026 Biopharma Euronotes")	1,416	1,520
2.1% senior unsecured notes due 9/30/2026 (€800 million) (the "2026 Euronotes")	907	975
0.3% senior unsecured notes due 5/11/2027 (¥30.8 billion) (the "2027 Yen Notes")	267	297
1.2% senior unsecured notes due 6/30/2027 (€600 million) (the "2027 Euronotes")	680	729
0.45% senior unsecured notes due 3/18/2028 (€1.3 billion) (the "2028 Biopharma Euronotes")	1,413	1,518
1.125% senior unsecured bonds due 12/08/2028 (CHF 210 million) (the "2028 CHF Bonds")	233	241
2.6% senior unsecured notes due 11/15/2029 (the "2029 Biopharma Notes")	795	795
2.5% senior unsecured notes due 3/30/2030 (€800 million) (the "2030 Euronotes")	910	978
0.75% senior unsecured notes due 9/18/2031 (€1.8 billion) (the "2031 Biopharma Euronotes")	1,980	2,127
0.65% senior unsecured notes due 5/11/2032 (¥53.2 billion) (the "2032 Yen Notes")	461	514
1.35% senior unsecured notes due 9/18/2039 (€1.3 billion) (the "2039 Biopharma Euronotes")	1,406	1,511
3.25% senior unsecured notes due 11/15/2039 (the "2039 Biopharma Notes")	890	889
4.375% senior unsecured notes due 9/15/2045 (the "2045 U.S. Notes")	499	499
1.8% senior unsecured notes due 9/18/2049 (€750 million) (the "2049 Biopharma Euronotes")	844	907
3.4% senior unsecured notes due 11/15/2049 (the "2049 Biopharma Notes")	889	889
2.6% senior unsecured notes due 10/01/2050 (the "2050 U.S. Notes")	980	979
2.8% senior unsecured notes due 12/10/2051 (the "2051 U.S. Notes")	983	—
Other	25	31
Total debt	22,176	21,204
Less: currently payable	(8)	(11)
Long-term debt	\$ 22,168	\$ 21,193

Debt discounts, premiums and debt issuance and other related costs totaled \$130 million and \$132 million as of December 31, 2021 and 2020, respectively, and have been netted against the aggregate principal amounts of the related debt in the components of debt table above.

Commercial Paper Programs and Credit Facilities

In 2019, the Company entered into a \$5.0 billion unsecured revolving credit facility with a syndicate of banks that expires on August 27, 2024, subject to a one-year extension option at the request of the Company with the consent of the lenders (the “Five-Year Facility”). The Five-Year Facility also contains an expansion option permitting Danaher to request up to five increases of up to an aggregate additional \$2.5 billion from lenders that elect to make such increase available, upon the satisfaction of certain conditions. At the same time, the Company entered into a \$5.0 billion 364-day unsecured revolving

credit facility with a syndicate of banks that was scheduled to expire on August 26, 2020 (the “Superseded 364-Day Facility”). In 2020, the Company replaced the Superseded 364-Day Facility with a \$2.5 billion 364-day unsecured revolving credit facility with a syndicate of banks that was scheduled to expire on June 4, 2021 and then terminated such credit facility on December 31, 2020 (the “Terminated 364-Day Credit Facility”). In 2020, the Company borrowed \$2.5 billion under the Five-Year Facility and \$2.5 billion under the Superseded 364-Day Facility for general corporate purposes (including payment of a portion of the purchase price for the Cytiva Acquisition and repayment of certain commercial paper obligations as they matured). All amounts borrowed under the credit facilities referenced above were repaid in 2020.

The Company expects to limit borrowings under the Five-Year Facility to amounts that would leave sufficient borrowing capacity under the facilities so that it could borrow, if needed, to repay all of the outstanding commercial paper as it matures.

Borrowings under the Five-Year Facility bear interest as follows: (1) Eurocurrency Rate Committed Loans (as defined in the Five-Year Facility) bear interest at a variable rate equal to the London inter-bank offered rate plus a margin of between 58.5 and 100 basis points, depending on Danaher’s long-term debt credit rating; (2) Base Rate Committed Loans and Swing Line Loans (each as defined in the Five-Year Facility) bear interest at a variable rate equal to the highest of (a) the Federal funds rate (as published by the Federal Reserve Bank of New York from time to time) plus 50 basis points; (b) Bank of America’s “prime rate” as publicly announced from time to time and (c) the Eurocurrency Rate (as defined in the Five-Year Facility) plus 100 basis points; and (3) Bid Loans (as defined in the Five-Year Facility) bear interest at the rate bid by the particular lender providing such loan. In addition, Danaher is required to pay a per annum facility fee of between 4.0 and 12.5 basis points (depending on Danaher’s long-term debt credit rating) based on the aggregate commitments under the Five-Year Facility, regardless of usage.

The Five-Year Facility requires the Company to maintain a consolidated leverage ratio (as defined in the facility) of 0.65 to 1.00 or less. Borrowings under the Five-Year Facility are prepayable at the Company’s option at any time in whole or in part without premium or penalty. As of December 31, 2021, no borrowings were outstanding under the Five-Year Facility and the Company was in compliance with all covenants under the facilities. The nonperformance by any member of the Five-Year Facility syndicates would reduce the maximum capacity of the Five-Year Facility by such member’s commitment amount.

The Company’s obligations under the Five-Year Facility are unsecured. The Company has unconditionally and irrevocably guaranteed the obligations of each of its subsidiaries in the event a subsidiary is named a borrower under the Five-Year Facility. The Five-Year Facility contains customary representations, warranties, conditions precedent, events of default, indemnities and affirmative and negative covenants. The Five-Year Facility is available for liquidity support for Danaher’s expanded U.S. dollar and euro commercial paper programs, as discussed below, and for general corporate purposes.

Under the Company’s U.S. dollar and euro-denominated commercial paper programs, the Company or a subsidiary of the Company, as applicable, may issue and sell unsecured, short-term promissory notes. The notes are typically issued at a discount from par, generally based on the ratings assigned to the Company by credit rating agencies at the time of the issuance and prevailing market rates. The Five-Year Facility provides liquidity support for issuances under the Company’s commercial paper programs, and can also be used for working capital and other general corporate purposes. The availability of the Five-Year Facility as a standby liquidity facility to repay maturing commercial paper is an important factor in maintaining the existing credit ratings of the Company’s commercial paper programs. As commercial paper obligations mature, the Company may issue additional short-term commercial paper obligations to refinance all or part of these borrowings. As of December 31, 2021, borrowings outstanding under the Company’s U.S. dollar and euro commercial paper programs had a weighted average annual interest rate of negative 0.06% and a weighted average remaining maturity of approximately 23 days. As of December 31, 2021, the Company has classified approximately \$2.8 billion of its borrowings outstanding under the U.S. dollar and euro-denominated commercial paper programs, \$284 million of borrowings outstanding under the Floating Rate 2022 Euronotes and \$699 million of borrowings under the 2022 Biopharma Notes as long-term debt in the accompanying Consolidated Balance Sheet (even though such borrowings are scheduled to mature within one year of December 31, 2021) as the Company had the intent and ability, as supported by availability under the Five-Year Facility, to refinance these borrowings for at least one year from the balance sheet date.

The Company's ability to access the commercial paper market, and the related costs of these borrowings, is affected by the strength of the Company's credit rating and market conditions. Any downgrade in the Company's credit rating would increase the cost of borrowings under the Company's commercial paper program and the Five-Year Facility, and could limit or preclude the Company's ability to issue commercial paper. If the Company's access to the commercial paper market is adversely affected due to a credit downgrade, change in market conditions or otherwise, the Company expects it would rely on a combination of available cash, operating cash flow, the Five-Year Facility and any other available sources of financing to provide short-term funding. In such event, the cost of borrowings under the Five-Year Facility or other available sources of financing could be higher than the cost of commercial paper borrowings.

2021 Debt Issuances

In 2021, Danaher Corporation completed an underwritten public offering of U.S. dollar-denominated senior unsecured notes due 2051. The following summarizes the key terms of the offerings in aggregate (\$ in millions):

	Issue Date	Aggregate Principal Amount	Stated Annual Interest Rate	Issue Price (as % of Principal Amount)	Maturity Date	Interest Payment Dates (in arrears)
2051 U.S. Notes	December 10, 2021	\$ 1,000	2.8 %	99.396 %	December 10, 2051	June 10 and December 10

The Company received net proceeds from the notes issued on December 10, 2021, after underwriting discounts and commissions and offering expenses, of approximately \$984 million. The proceeds from the issuance have been and will be used for general corporate purposes, including the redemption of the €800 million aggregated principal amount of 2.5% senior unsecured notes due 2025.

Covenants and Redemption Provisions Applicable to Notes

With respect to the 2027 and 2032 Yen Notes; the 2024, 2025 (prior to their repayment in the fourth quarter of 2021), 2026, 2027 and 2030 Euronotes; the 2025, 2045, 2050 and 2051 U.S. Notes; the 2022, 2024, 2029, 2039 and 2049 Biopharma Notes; and the 2026, 2028, 2031, 2039 and 2049 Biopharma Euronotes, at any time prior to the applicable maturity date, the Company may redeem the applicable series of notes in whole or in part, by paying the principal amount accrued and unpaid interest and, until the par call date specified in the applicable indenture or comparable governing document, the “make-whole” premium specified therein (and in the case of the Yen Notes, net of certain swap-related gains or losses as applicable). With respect to each of the 2023 and 2028 CHF Bonds, at any time after 85% or more of the applicable bonds have been redeemed or purchased and canceled, the Company may redeem some or all of the remaining bonds for their principal amount plus accrued and unpaid interest. With respect to the 2021 (prior to their repayment in the first quarter of 2021), 2027 and 2032 Yen Notes; Floating Rate 2022, 2024, 2025 (prior to their repayment in the fourth quarter of 2021), 2026, 2027 and 2030 Euronotes; the 2023 and 2028 CHF Bonds; and the 2026, 2028, 2031, 2039 and 2049 Biopharma Euronotes, the Company may redeem such notes and bonds upon the occurrence of specified, adverse changes in tax laws, or interpretations under such laws, at a redemption price equal to the principal amount of the bonds to be redeemed.

If a change of control triggering event occurs with respect to any of the 2021 (prior to their repayment in the first quarter of 2021), 2027 and 2032 Yen Notes; the 2022, Floating Rate 2022, 2024, 2025 (prior to their repayment in the fourth quarter of 2021), 2026, 2027 and 2030 Euronotes; the 2025, 2045, 2050 and 2051 U.S. Notes; the 2023 and 2028 CHF Bonds; the 2022, 2024, 2029, 2039 and 2049 Biopharma Notes; or the 2026, 2028, 2031, 2039 and 2049 Biopharma Euronotes, each holder of such notes may require the Company to repurchase some or all of such notes and bonds at a purchase price equal to 101% (100% in the case of the 2027 and 2032 Yen Notes) of the principal amount of the notes and bonds, plus accrued and unpaid interest (and in the case of the Yen Notes, certain swap-related losses as applicable). A change of control triggering event means the occurrence of both a change of control and a rating event, each as defined in the applicable indenture or comparable governing document. Except in connection with a change of control triggering event, the Company does not have any credit rating downgrade triggers that would accelerate the maturity of a material amount of outstanding debt. Each holder of the 2027 and 2032 Yen Notes may also require the Company to repurchase some or all of its notes at a purchase price equal to 100% of the principal amount of the notes, plus accrued and unpaid interest and certain swap-related losses as applicable, in certain circumstances whereby such holder comes into violation of economic sanctions laws as a result of holding such notes.

The respective indentures or comparable governing documents under which the above-described notes and bonds were issued contain customary covenants including, for example, limits on the incurrence of secured debt and sale-leaseback transactions. None of these covenants are considered restrictive to the Company’s operations and as of December 31, 2021, the Company was in compliance with all of its debt covenants.

LYONs

In 2001, the Company issued \$830 million (value at maturity) in LYONs. Pursuant to the terms of the indenture that governs the Company's LYONs, each \$1,000 of principal amount at maturity could be converted into 38.1998 shares of Danaher common stock at any time on or before the maturity date of January 22, 2021.

During the year ended December 31, 2021, holders of certain of the Company's LYONs converted such LYONs into an aggregate of approximately 912 thousand shares of the Company's common stock, par value \$0.01 per share. The Company's deferred tax liability of \$10 million associated with the book and tax basis difference in the converted LYONs was transferred to additional paid-in capital. The residual LYONs not converted into shares of the Company's stock were redeemed at face value on January 22, 2021.

Long-Term Debt Repayments

The ¥30.0 billion aggregate principal amount of the 2021 Yen Notes were repaid during the first quarter of 2021 using proceeds from the issuance of euro-denominated commercial paper. During 2021, 2020 and 2019, the Company redeemed certain outstanding borrowings in advance of their scheduled maturities. Refer to Note 9 for details of these redemptions and the related losses on early extinguishment of borrowings incurred on such redemptions.

Guarantors of Debt

The Company has guaranteed long-term debt issued by certain of its wholly-owned subsidiaries. The Floating Rate 2022 Euronotes, 2025 Euronotes (prior to their repayment in the fourth quarter of 2021) and 2027 Euronotes were issued by DH Europe Finance S.A. (“Danaher International”). The 2022 Biopharma Notes, 2024 Biopharma Notes, 2026 Biopharma Euronotes, 2028 Biopharma Euronotes, 2029 Biopharma Notes, 2031 Biopharma Euronotes, 2039 Biopharma Euronotes, 2039 Biopharma Notes, 2049 Biopharma Euronotes, and 2049 Biopharma Notes were issued by DH Europe Finance II S.a.r.l. (“Danaher International II”). The 2023 CHF Bonds and 2028 CHF Bonds were issued by DH Switzerland Finance S.A. (“Danaher Switzerland”). The 2021 Yen Notes (prior to their repayment in the first quarter of 2021), 2027 Yen Notes and 2032 Yen Notes were issued by DH Japan Finance S.A. (“Danaher Japan”). Each of Danaher International, Danaher International II, Danaher Switzerland and Danaher Japan are wholly-owned finance subsidiaries of Danaher Corporation. All of the outstanding and future securities issued by each of these entities are or will be fully and unconditionally guaranteed by the Company and these guarantees rank on parity with the Company’s unsecured and unsubordinated indebtedness.

Other

The Company’s minimum principal payments for the next five years are as follows (\$ in millions):

2022	\$	8
2023		4,367
2024		1,710
2025		490
2026		2,323
Thereafter		13,278

The Company made interest payments of \$452 million, \$331 million and \$129 million in 2021, 2020 and 2019, respectively. Interest payments increased in 2021 due primarily to the increase in outstanding debt in 2021 and 2020 and the year-over-year increase in make-whole premiums on the early extinguishment of debt. Proceeds from these borrowings as well as available cash balances were used to fund the acquisition of Aldevron and for general corporate purposes.

NOTE 15. HEDGING TRANSACTIONS AND DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses cross-currency swap derivative contracts to partially hedge its net investments in foreign operations against adverse movements in exchange rates between the U.S. dollar and the Danish kroner, Japanese yen, euro and Swiss franc. The cross-currency swap derivative contracts are agreements to exchange fixed-rate payments in one currency for fixed-rate payments in another currency. These contracts effectively convert U.S. dollar-denominated bonds to obligations denominated in Danish kroner, Japanese yen, euro and Swiss franc, and partially offset the impact of changes in currency rates on the Company’s foreign currency denominated net investments. These contracts also reduce the interest rate from the stated interest rates on the U.S. dollar-denominated debt to the interest rates of the swaps. The changes in the spot rate of these instruments are recorded in accumulated other comprehensive income (loss) in stockholders’ equity, partially offsetting the foreign currency translation adjustment of the Company’s related net investment that is also recorded in accumulated other comprehensive income (loss). Any ineffective portions of the cash flow hedges are reclassified from accumulated other comprehensive income (loss) into earnings during the period of change. The interest income or expense from these swaps are recorded in interest expense in the accompanying Consolidated Statements of Earnings consistent with the classification of interest expense attributable to the underlying debt. These instruments mature on dates ranging from September 2025 to December 2031.

The Company also uses cross-currency swap derivative contracts to hedge U.S. dollar-denominated long-term debt issuances in a foreign subsidiary whose functional currency is the euro against adverse movements in exchange rates between the U.S. dollar and the euro. These contracts effectively convert these U.S. dollar-denominated bonds to obligations denominated in euro. The changes in the fair value of these instruments are recorded in accumulated other comprehensive income (loss) in stockholders' equity, with a reclassification from accumulated other comprehensive income (loss) to net earnings to offset the remeasurement of the hedged debt that is also recorded in net earnings. Any ineffective portions of the cash flow hedges are reclassified from accumulated other comprehensive income (loss) into earnings during the period of change. The interest income or expense from these swaps are recorded in interest expense in the accompanying Consolidated Statements of Earnings consistent with the

classification of interest expense attributable to the underlying debt. These instruments mature on dates ranging from November 2022 to November 2049.

The Company has also issued foreign currency denominated long-term debt as partial hedges of its net investments in foreign operations against adverse movements in exchange rates between the U.S. dollar and the euro, Japanese yen and Swiss franc. These foreign currency denominated long-term debt issuances are designated and qualify as nonderivative hedging instruments. Accordingly, the foreign currency translation of these debt instruments is recorded in accumulated other comprehensive income (loss), offsetting the foreign currency translation adjustment of the Company's related net investment that is also recorded in accumulated other comprehensive income (loss). Any ineffective portions of net investment hedges are reclassified from accumulated other comprehensive income (loss) into earnings during the period of change. These instruments mature on dates ranging from January 2022 to May 2032.

The Company used interest rate swap agreements to hedge the variability in cash flows due to changes in benchmark interest rates related to a portion of the U.S. debt the Company issued to fund the Cytiva Acquisition and a portion of the 2051 Notes. These contracts effectively fixed the interest rate for a portion of the Company's U.S. dollar-denominated debt equal to the notional amount of the swaps to the rate specified in the interest rate swap agreements and were settled in November 2019 and December 2021, respectively. The changes in the fair value of these instruments were recorded in accumulated other comprehensive income (loss) in stockholders' equity prior to the issuance of the debt and are subsequently being reclassified to interest expense over the life of the related debt.

The following table summarizes the notional values as of December 31, 2021 and 2020 and pretax impact of changes in the fair values of instruments designated as net investment hedges and cash flow hedges in accumulated other comprehensive income ("OCI") for the year then ended (\$ in millions):

	Original Notional Amount	Notional Amount Outstanding	Gain (Loss) Recognized in OCI	Amounts Reclassified from OCI
Year ended December 31, 2021:				
Net investment hedges:				
Cross-currency contracts	\$ 3,875	\$ 3,000	\$ 130	\$ —
Foreign currency denominated debt	3,883	3,883	333	—
Cash flow hedges:				
Cross-currency contracts	4,000	4,000	542	(283)
Interest rate swaps	1,600	—	(19)	3
Total	<u>\$ 13,358</u>	<u>\$ 10,883</u>	<u>\$ 986</u>	<u>\$ (280)</u>
Year ended December 31, 2020:				
Net investment hedges:				
Cross-currency contracts	\$ 2,875	\$ 2,000	\$ (104)	\$ —
Foreign currency denominated debt	4,573	4,573	(418)	—
Cash flow hedges:				
Cross-currency contracts	4,000	4,000	(432)	359
Interest rate swaps	850	—	—	2
Total	<u>\$ 12,298</u>	<u>\$ 10,573</u>	<u>\$ (954)</u>	<u>\$ 361</u>

Gains or losses related to the net investment hedges are classified as foreign currency translation adjustments in the schedule of changes in OCI in Note 19, as these items are attributable to the Company's hedges of its net investment in foreign operations. Gains or losses related to the cash flow hedges are classified as cash flow hedge adjustments in the schedule of changes in OCI in Note 19. The amount reclassified from other comprehensive income (loss) for the cross-currency swap derivative contracts that are cash flow hedges of the Company's U.S. dollar-denominated debt was equal to the remeasurement amount recorded in the period on the hedged debt.

The Company did not reclassify any other deferred gains or losses related to net investment hedges or cash flow hedges from accumulated other comprehensive income (loss) to earnings during the years ended December 31, 2021 and 2020. In addition, the Company did not have any ineffectiveness related to net investment hedges or cash flow hedges during the years ended December 31, 2021 and 2020. The cash inflows and outflows associated with the Company's derivative contracts designated as

net investment hedges are classified in all other investing activities in the accompanying Consolidated Statements of Cash Flows. The cash inflows and outflows associated with the Company's derivative contracts designated as cash flow hedges are classified in cash flows from operating activities in the accompanying Consolidated Statements of Cash Flows.

The Company's derivative instruments, as well as its nonderivative debt instruments designated and qualifying as net investment hedges, were classified as of December 31 in the Company's Consolidated Balance Sheets as follows (\$ in millions):

	2021	2020
Derivative assets:		
Prepaid expenses and other current assets	\$ 50	\$ —
Derivative liabilities:		
Accrued expenses and other liabilities	—	622
Nonderivative hedging instruments:		
Long-term debt	3,883	4,573

Amounts related to the Company's derivatives expected to be reclassified from accumulated other comprehensive income (loss) to net earnings during the next 12 months, if interest rates and foreign exchange rates remain unchanged, are not significant.

NOTE 16. PENSION AND OTHER POSTRETIREMENT EMPLOYEE BENEFIT PLANS

The Company has noncontributory defined benefit pension plans which cover certain of its U.S. employees. During 2012, all remaining benefit accruals under the U.S. plans ceased. Defined benefit plans from acquisitions subsequent to 2012 are ceased as soon as practical. The Company also has noncontributory defined benefit pension plans which cover certain of its non-U.S. employees, and under certain of these plans, benefit accruals continue. In general, the Company's policy is to fund these plans based on considerations relating to legal requirements, underlying asset returns, the plan's funded status, the anticipated tax deductibility of the contribution, local practices, market conditions, interest rates and other factors. In addition to providing pension benefits, the Company provides certain health care and life insurance benefits for some of its retired employees in the United States. Certain employees may become eligible for these benefits as they reach normal retirement age while working for the Company.

The following sets forth the funded status of the U.S. pension, non-U.S. pension and postretirement benefit plans as of the most recent actuarial valuations using measurement dates of December 31 (\$ in millions):

	U.S. Pension Benefits		Non-U.S. Pension Benefits		Postretirement Benefits	
	2021	2020	2021	2020	2021	2020
Change in pension benefit obligation:						
Benefit obligation at beginning of year	\$ (2,718)	\$ (2,468)	\$ (2,161)	\$ (1,446)	\$ (148)	\$ (139)
Service cost	—	—	(44)	(40)	—	—
Interest cost	(44)	(69)	(19)	(22)	(2)	(4)
Employee/retiree contributions	—	—	(7)	(6)	(2)	(2)
Benefits and other expenses paid	167	165	59	59	14	12
Acquisitions and other	—	(96)	—	(436)	—	—
Actuarial gain (loss)	63	(273)	112	(106)	3	(15)
Amendments, settlements and curtailments	—	23	18	4	—	—
Foreign exchange rate impact	—	—	98	(168)	—	—
Benefit obligation at end of year	(2,532)	(2,718)	(1,944)	(2,161)	(135)	(148)
Change in plan assets:						
Fair value of plan assets at beginning of year	2,125	1,866	1,331	1,138	—	—
Actual return on plan assets	335	227	80	104	—	—
Employer contributions	10	140	50	51	12	11
Employee contributions	—	—	7	6	2	1
Amendments and settlements	—	(22)	(10)	(7)	—	—
Benefits and other expenses paid	(167)	(165)	(59)	(59)	(14)	(12)
Acquisitions and other	—	79	—	30	—	—
Foreign exchange rate impact	—	—	(39)	68	—	—
Fair value of plan assets at end of year	2,303	2,125	1,360	1,331	—	—
Funded status	\$ (229)	\$ (593)	\$ (584)	\$ (830)	\$ (135)	\$ (148)

The largest contributor to the net actuarial gains affecting the benefit obligations in 2021 U.S. pension and non-U.S. pension plans and the postretirement benefit plans is increases in the discount rates in 2021 compared to 2020. The largest contributor to the net losses affecting the benefit obligation in 2020 for the U.S. pension and non-U.S. pension plans and the postretirement benefit plans is decreases in the discount rates in 2020 compared to 2019.

Projected benefit obligation (“PBO”) and fair value of plan assets for pension plans and postretirement benefit plans with PBO’s in excess of plan assets (\$ in millions):

	U.S. Pension Benefits		Non-U.S. Pension Benefits		Postretirement Benefits	
	2021	2020	2021	2020	2021	2020
Projected benefit obligation	\$ 2,532	\$ 2,718	\$ 1,125	\$ 1,366	\$ 135	\$ 148
Fair value of plan assets	2,303	2,125	357	441	—	—

Accumulated benefit obligation (“ABO”) and fair value of plan assets for pension plans and postretirement benefit plans with ABO’s in excess of plan assets (\$ in millions):

	U.S. Pension Benefits		Non-U.S. Pension Benefits		Postretirement Benefits	
	2021	2020	2021	2020	2021	2020
Accumulated benefit obligation	\$ 2,532	\$ 2,718	\$ 1,184	\$ 1,257	\$ 135	\$ 148
Fair value of plan assets	2,303	2,125	521	434	—	—

Weighted average assumptions used to determine benefit obligations at date of measurement:

	U.S. Pension Benefits		Non-U.S. Pension Benefits		Postretirement Benefits	
	2021	2020	2021	2020	2021	2020
Discount rate	2.7 %	2.3 %	1.4 %	1.1 %	2.6 %	2.1 %
Rate of compensation increase	N/A	N/A	2.6 %	2.5 %	N/A	N/A

In 2021, the medical trend rate used to determine the postretirement benefit obligation was 5.3%. The rate decreases gradually over a period of 24 to 25 years to an ultimate rate of 4.0% by 2046 and remains at that level thereafter. In 2020, the medical trend rate used to determine the postretirement benefit obligation was 5.5%, gradually decreasing to an ultimate rate of 4.5% by 2037 and remaining at that level thereafter. The trend rate is a significant factor in determining the amounts reported.

Components of net periodic pension and postretirement benefit (cost) (\$ in millions):

	U.S. Pension Benefits		Non-U.S. Pension Benefits		Postretirement Benefits	
	2021	2020	2021	2020	2021	2020
Service cost	\$ —	\$ —	\$ (44)	\$ (40)	\$ —	\$ —
Interest cost	(44)	(69)	(19)	(22)	(2)	(4)
Expected return on plan assets	123	121	42	37	—	—
Amortization of prior service (cost) credit	(1)	(1)	1	1	2	2
Amortization of net loss	(46)	(37)	(11)	(10)	(2)	(1)
Curtailment and settlement gains (losses) recognized	—	—	(1)	(1)	—	—
Net periodic pension benefit (cost)	\$ 32	\$ 14	\$ (32)	\$ (35)	\$ (2)	\$ (3)

The components of the net periodic benefit (cost) of the noncontributory defined benefit pension plans and other postretirement employee benefit plans other than service cost are included in other income (expense), net in the Consolidated Statements of Earnings.

Weighted average assumptions used to determine net periodic pension benefit (cost) at date of measurement:

	U.S. Plans		Non-U.S. Plans	
	2021	2020	2021	2020
Discount rate	2.3 %	3.2 %	1.1 %	1.4 %
Expected long-term return on plan assets	6.8 %	7.0 %	3.3 %	3.4 %
Rate of compensation increase	N/A	N/A	2.5 %	2.4 %

The discount rate reflects the market rate on December 31 of the prior year for high-quality fixed-income investments with maturities corresponding to the Company's benefit obligations and is subject to change each year. For non-U.S. pension plans, rates appropriate for each plan are determined based on investment-grade instruments with maturities approximately equal to the average expected benefit payout under the plan. During 2021, the Company updated the mortality assumptions used to estimate the projected benefit obligation to reflect updated mortality tables.

Included in accumulated other comprehensive income (loss) as of December 31, 2021 are the following amounts that have not yet been recognized in net periodic pension cost: unrecognized prior service credit of \$8 million (\$6 million, after-tax) and unrecognized actuarial losses of approximately \$720 million (\$548 million, after-tax). The unrecognized losses and prior service cost, net, is calculated as the difference between the actuarially determined projected benefit obligation and the value of the plan assets less accrued pension costs as of December 31, 2021.

Included in accumulated other comprehensive income (loss) as of December 31, 2021 are the following amounts that have not yet been recognized in net periodic postretirement benefit cost: unrecognized prior service credits of \$12 million (\$9 million, after-tax) and unrecognized actuarial losses of \$23 million (\$17 million, after-tax). The

unrecognized losses and prior service credits, net, is calculated as the difference between the actuarially determined projected benefit obligation and the value of the plan assets less accrued benefit costs as of December 31, 2021.

Selection of Expected Rate of Return on Assets

For the years ended December 31, 2021, 2020 and 2019, the Company used an expected long-term rate of return assumption of 6.75%, 7.00%, and 7.00%, respectively, for its U.S. defined benefit pension plan. The Company intends to use an expected

long-term rate of return assumption of 6.75% for 2022 for its U.S. plan. This expected rate of return reflects the asset allocation of the plan, and is based primarily on broad, publicly-traded equity and fixed-income indices and forward-looking estimates of active portfolio and investment management. Long-term rate of return on asset assumptions for the non-U.S. plans were determined on a plan-by-plan basis based on the composition of assets and ranged from 0.3% to 5.0% in 2021 and 0.5% to 5.0% in 2020, with a weighted average rate of return assumption of 3.3% in 2021 and 3.4% in 2020.

Pension Plan Assets

The U.S. pension plan's goal is to maintain between 60% and 70% of its assets in equity portfolios, which are invested in individual equity securities or funds that are expected to mirror broad market returns for equity securities or in assets with characteristics similar to equity investments, such as venture capital funds and partnerships. Asset holdings are periodically rebalanced when equity holdings are outside this range. The balance of the U.S. plan asset portfolio is invested in bond funds, real estate funds, various absolute and real return funds and private equity funds. Non-U.S. plan assets are invested in various insurance contracts, equity and debt securities as determined by the administrator of each plan. The value of the plan assets directly affects the funded status of the Company's pension plans recorded in the Consolidated Financial Statements.

The Company has certain investments that are valued using Net Asset Value ("NAV") as the practical expedient. In addition, certain of the investments valued using NAV as the practical expedient have limits on their redemption to monthly, quarterly, semiannually or annually and require up to 90 days prior written notice. These investments valued using NAV consist of mutual funds, venture capital funds, partnerships, real estate, and other private investments, which allow the Company to allocate investments across a broad array of types of funds and diversify the portfolio.

The fair values of the Company's pension plan assets for both the U.S. and non-U.S. plans as of December 31, 2021 and 2020, by asset category were as follows (\$ in millions):

	Quoted Prices in Active Market (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Cash and equivalents	\$ 85	\$ 175	\$ —	\$ —	\$ —	\$ —	\$ 85	\$ 175
Equity securities:								
Common stock	486	503	—	—	—	—	486	503
Preferred stock	2	6	—	—	—	—	2	6
Fixed income securities:								
Corporate bonds	—	—	47	42	—	—	47	42
Government issued	—	—	46	58	—	—	46	58
Mutual funds	223	244	248	51	—	—	471	295
Insurance contracts	—	—	357	354	—	—	357	354
Total	\$ 796	\$ 928	\$ 698	\$ 505	\$ —	\$ —	1,494	1,433
Investments measured at NAV								
(a):								
Common/collective trusts							1,073	1,198
Venture capital, partnerships and other private investments							1,096	825
Total assets at fair value							\$ 3,663	\$ 3,456

(a) The fair value amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the total plan assets.

Preferred stock and common stock traded on an active market, as well as mutual funds are valued at the quoted closing price reported on the active market on which the individual securities are traded. Preferred stock, common stock, corporate bonds, U.S. government securities and mutual funds that are not traded on an active market are valued at quoted prices reported by investment brokers and dealers based on the underlying terms of the security and comparison to similar securities traded on an active market. Insurance contracts are valued based upon the quoted prices of the underlying investments with the insurance company.

Common/collective trusts are valued based on the plan's interest, represented by investment units, in the underlying investments held within the trust that are traded in an active market by the trustee.

Venture capital, partnerships and other private investments are valued using the NAV based on the information provided by the asset fund managers, which reflects the plan's share of the fair value of the net assets of the investment. Depending on the nature of the assets, the underlying investments are valued using a combination of either discounted cash flows, earnings and

market multiples, third-party appraisals or through reference to the quoted market prices of the underlying investments held by the venture, partnership or private entity where available. Valuation adjustments reflect changes in operating results, financial condition, or prospects of the applicable portfolio company.

The methods described above may produce a fair value estimate that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes the valuation methods are appropriate and consistent with the methods used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Expected Contributions

During 2022, the Company's cash contribution requirements for its U.S. and its non-U.S. defined benefit pension plans are expected to be approximately \$10 million and \$48 million, respectively. During 2022, the Company's cash contribution requirements for its other postretirement benefit plans are expected to be approximately \$14 million. The ultimate amounts to be contributed depend upon, among other things, legal requirements, underlying asset returns, the plan's funded status, the anticipated tax deductibility of the contributions, local practices, market conditions, interest rates and other factors.

The following sets forth benefit payments, which reflect expected future service, as appropriate, expected to be paid by the plans in the periods indicated (\$ in millions):

	U.S. Pension Plans	Non-U.S. Pension Plans	Postretirement Benefit Plans	All Plans
2022	\$ 193	\$ 55	\$ 15	\$ 263
2023	193	61	13	267
2024	191	60	12	263
2025	190	60	12	262
2026	189	64	11	264
2027 - 2031	751	341	45	1,137

Other Matters

Substantially all employees not covered by defined benefit plans are covered by defined contribution plans, which generally provide for Company funding based on a percentage of compensation.

A limited number of the Company's subsidiaries participate in multiemployer defined benefit and contribution plans, primarily outside of the United States, that require the Company to periodically contribute funds to the plan. The risks of participating in a multiemployer plan differ from the risks of participating in a single-employer plan in the following respects: (1) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (2) if a participating employer ceases contributing to the plan, the unfunded obligations of the plan may be required to be borne by the remaining participating employers and (3) if the Company elects to stop participating in the plan, the Company may be required to pay the plan an amount based on the unfunded status of the plan. None of the multiemployer plans in which the Company's subsidiaries participate are considered to be quantitatively or qualitatively significant, either individually or in the aggregate. In addition, contributions made to these plans during 2021, 2020 and 2019 were not significant, either individually or in the aggregate.

The Company's net periodic pension cost for the year ended December 31, 2019 includes a settlement loss of \$7 million (\$6 million after-tax) as a result of the transfer of a portion of its non-U.S. pension liabilities related to one defined benefit plan to a third-party. Expense for all defined benefit and defined contribution pension plans amounted to \$245 million, \$224 million and \$203 million for the years ended December 31, 2021, 2020 and 2019, respectively.

NOTE 17. COMMITMENTS

Warranties

The Company generally accrues estimated warranty costs at the time of sale. In general, manufactured products are warranted against defects in material and workmanship when properly used for their intended purpose, installed correctly and appropriately maintained. Warranty periods depend on the nature of the product and range from the date of such sale up to ten years. The amount of the accrued warranty liability is determined based on historical information such as past experience, product failure rates or number of units repaired, estimated cost of material and labor and in certain instances estimated property damage. As of December 31, 2021 and 2020, the Company had accrued warranty liabilities of \$97 million and \$86 million, respectively.

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Purchase Obligations

The Company has entered into agreements to purchase goods or services that are enforceable and legally binding on the Company and that specify all significant terms, including fixed or minimum quantities to be purchased, fixed, minimum or variable price provisions and the approximate timing of the transaction. Purchase obligations exclude agreements that are cancellable at any time without penalty. As of December 31, 2021, the aggregate amount of the Company's purchase obligations totaled approximately \$2.2 billion and the majority of these obligations are expected to be settled during 2022.

NOTE 18. LITIGATION AND CONTINGENCIES

The Company is subject to or otherwise responsible for a variety of litigation and other legal and regulatory proceedings in the course of its business (or related to the business operations of previously owned entities), including claims or counterclaims for damages arising out of the use of products or services and claims relating to intellectual property matters, employment matters, tax matters, commercial disputes, breach of contract claims, competition and sales and trading practices, environmental matters, personal injury, insurance coverage, securities matters, fiduciary duties and acquisition or divestiture-related matters, as well as regulatory subpoenas, requests for information, investigations and enforcement. The Company also from time to time becomes subject to lawsuits as a result of acquisitions or as a result of liabilities retained from, or representations, warranties or indemnities provided in connection with, businesses divested by the Company or its predecessors. The types of claims made in lawsuits include claims for compensatory damages, punitive and consequential damages (and in some cases, treble damages) and/or injunctive relief.

While the Company maintains general, products, property, workers' compensation, automobile, cargo, aviation, crime, cyber, fiduciary and directors' and officers' liability insurance (and has acquired rights under similar policies in connection with certain acquisitions) up to certain limits that cover certain of these claims, this insurance may be insufficient or unavailable to cover such losses. For general, products and property liability and most other insured risks, the Company purchases outside insurance coverage only for severe losses and must establish and maintain reserves with respect to amounts within the self-insured retention. In addition, while the Company believes it is entitled to indemnification from third-parties for some of these claims, these rights may also be insufficient or unavailable to cover such losses.

The Company records a liability in the Consolidated Financial Statements for loss contingencies when a loss is known or considered probable and the amount can be reasonably estimated. If the reasonable estimate of a known or probable loss is a range, and no amount within the range is a better estimate than any other, the minimum amount of the range is accrued. If a loss does not meet the known or probable level but is reasonably possible it is disclosed and if the loss or range of loss can be reasonably estimated, the estimated loss or range of loss is disclosed. The Company's reserves consist of specific reserves for individual claims and additional amounts for anticipated developments of these claims as well as for incurred but not yet reported claims. The specific reserves for individual known claims are quantified with the assistance of legal counsel and outside risk professionals where appropriate. In addition, outside risk professionals assist in the determination of reserves for incurred but not yet reported claims through evaluation of the Company's specific loss history, actual claims reported and industry trends together with statistical and other factors. Reserve estimates may be adjusted as additional information regarding a claim becomes known. Because most contingencies are resolved over long periods of time, new developments (including litigation developments, the discovery of new facts, changes in legislation and outcomes of similar cases), changes in assumptions or changes in the Company's strategy in any given period can require the Company to adjust the loss contingency estimates that have been recorded in the financial statements, record estimates for liabilities or assets previously not susceptible of reasonable estimates or pay cash settlements or judgments. While the Company actively pursues financial recoveries from insurance providers and indemnifying parties, it does not recognize any recoveries until realized or until such time as a sustained pattern of collections is established related to historical matters of a similar nature and magnitude. If the Company's self-insurance and litigation reserves prove inadequate, it would be required to incur an expense equal to the amount of the loss incurred in excess of the reserves, which would adversely affect the Company's Consolidated Financial Statements.

In addition, the Company's operations, products and services are subject to numerous U.S. federal, state, local and non-U.S. environmental, health and safety laws and regulations concerning, among other things, the health and safety of our employees, the generation, storage, use and transportation of hazardous materials, emissions or discharges of

substances into the environment, investigation and remediation of hazardous substances or materials at various sites, chemical constituents in products and end-of-life disposal and take-back programs for products sold. A number of the Company's operations involve the handling, manufacturing, use or sale of substances that are or could be classified as hazardous materials within the meaning of applicable laws. Compliance with these laws and regulations has not had and, based on current information and the applicable laws and regulations currently in effect, is not expected to have a material effect on the Company's capital expenditures, earnings or competitive position, and the Company does not anticipate material capital expenditures for environmental control facilities.

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In addition to environmental compliance costs, the Company from time to time incurs costs related to remedial efforts or alleged environmental damage associated with past or current waste disposal practices or other hazardous materials handling practices. For example, generators of hazardous substances found in disposal sites at which environmental problems are alleged to exist, as well as the current and former owners of those sites and certain other classes of persons, are subject to claims brought by state and federal regulatory agencies pursuant to statutory authority. The Company has received notification from the U.S. Environmental Protection Agency, and from state and non-U.S. environmental agencies, that conditions at certain sites where the Company and others previously disposed of hazardous wastes and/or are or were property owners require clean-up and other possible remedial action, including sites where the Company has been identified as a potentially responsible party under U.S. federal and state environmental laws. The Company has projects underway at a number of current and former facilities, in both the United States and abroad, to investigate and remediate environmental contamination resulting from past operations. Remediation activities generally relate to soil and/or groundwater contamination and may include pre-remedial activities such as fact-finding and investigation, risk assessment, feasibility study and/or design, as well as remediation actions such as contaminant removal, monitoring and/or installation, operation and maintenance of longer-term remediation systems. The Company is also from time to time party to personal injury, property damage or other claims brought by private parties alleging injury or damage due to the presence of, or exposure to, hazardous substances. The Company can also become subject to additional remedial, compliance or personal injury costs due to future events such as changes in existing laws or regulations, changes in agency direction or enforcement policies, developments in remediation technologies, changes in the conduct of the Company's operations and changes in accounting rules.

The Company has recorded a provision for environmental investigation and remediation and environmental-related claims with respect to sites owned or formerly owned by the Company and its subsidiaries and third-party sites where the Company has been determined to be a potentially responsible party. The Company generally makes an assessment of the costs involved for its remediation efforts based on environmental studies, as well as its prior experience with similar sites. The ultimate cost of site cleanup is difficult to predict given the uncertainties of the Company's involvement in certain sites, uncertainties regarding the extent of the required cleanup, the availability of alternative cleanup methods, variations in the interpretation of applicable laws and regulations, the possibility of insurance recoveries with respect to certain sites and the fact that imposition of joint and several liability with right of contribution is possible under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 and other environmental laws and regulations. If the Company determines that potential liability for a particular site or with respect to a personal injury claim is known or considered probable and reasonably estimable, the Company accrues the total estimated loss, including investigation and remediation costs, associated with the site or claim. As of December 31, 2021, the Company had a reserve of \$181 million for environmental matters which are known or considered probable and reasonably estimable (of which \$143 million are noncurrent), which reflects the Company's best estimate of the costs to be incurred with respect to such matters.

While the Company actively pursues insurance recoveries, as well as recoveries from other potentially responsible parties, it does not recognize any insurance recoveries for environmental liability claims until realized or until such time as a sustained pattern of collections is established related to historical matters of a similar nature and magnitude.

The Company's Restated Certificate of Incorporation requires it to indemnify to the full extent authorized or permitted by law any person made, or threatened to be made a party to any action or proceeding by reason of his or her service as a director or officer of the Company, or by reason of serving at the request of the Company as a director or officer of any other entity, subject to limited exceptions. Danaher's Amended and Restated By-laws provide for similar indemnification rights. In addition, Danaher has executed with each director and executive officer of Danaher Corporation an indemnification agreement which provides for substantially similar indemnification rights and under which Danaher has agreed to pay expenses in advance of the final disposition of any such indemnifiable proceeding. While the Company maintains insurance for this type of liability, a significant deductible applies to this coverage and any such liability could exceed the amount of the insurance coverage.

As of December 31, 2021, the Company had approximately \$703 million of guarantees consisting primarily of outstanding standby letters of credit, bank guarantees and performance and bid bonds. These guarantees have been provided in connection with certain arrangements with vendors, customers, insurance providers, financing counterparties and governmental entities to secure the Company's obligations and/or performance requirements

related to specific transactions. The Company believes that if the obligations under these instruments were triggered, it would not have a material effect on its Consolidated Financial Statements.

NOTE 19. STOCKHOLDERS' EQUITY AND STOCK-BASED COMPENSATION

Stockholders' Equity

On July 16, 2013, the Company's Board of Directors approved a repurchase program (the "Repurchase Program") authorizing the repurchase of up to 20 million shares of the Company's common stock from time to time on the open market or in privately negotiated transactions. There is no expiration date for the Repurchase Program, and the timing and amount of any shares

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repurchased under the program will be determined by the Company's management based on its evaluation of market conditions and other factors. The Repurchase Program may be suspended or discontinued at any time. Any repurchased shares will be available for use in connection with the Company's equity compensation plans (or any successor plan) and for other corporate purposes. As of December 31, 2021, 20 million shares remained available for repurchase pursuant to the Repurchase Program. The Company expects to fund any future stock repurchases using the Company's available cash balances or proceeds from the issuance of debt.

Except in connection with the Envista Split-Off in 2019, neither the Company nor any "affiliated purchaser" repurchased any shares of Company common stock during 2021, 2020 or 2019. Refer to Note 3 for discussion of the 22.9 million shares of Danaher common stock tendered to and repurchased by the Company in connection with the Envista Split-Off.

The following table summarizes the Company's share activity for the years ended December 31 (shares in millions):

	2021	2020	2019
Preferred stock - shares issued:			
Balance, beginning of period	3.4	1.7	—
Issuance of MCPS	—	1.7	1.7
Balance, end of period	3.4	3.4	1.7
Common stock - shares issued:			
Balance, beginning of period	851.3	835.5	817.9
Issuance of common stock attributable to stock-based compensation	3.4	4.5	4.6
Common stock issued in connection with acquisitions	0.1	—	—
Common stock issued in connection with LYONs' conversions	0.9	0.4	0.9
Other issuance of common stock	—	10.9	12.1
Balance, end of period	855.7	851.3	835.5

In May 2020, the Company completed the underwritten public offering of 10.9 million shares of Danaher common stock at a price to the public of \$163.00 per share (the "2020 Common Stock Offering"), resulting in net proceeds of approximately \$1.7 billion, after deducting expenses and the underwriters' discount of \$54 million. Simultaneously, the Company completed the underwritten public offering of 1.72 million shares of its 5.0% MCPS Series B, without par value and with a liquidation preference of \$1,000 per share (the "2020 MCPS Offering"), resulting in net proceeds of approximately \$1.7 billion, after deducting expenses and the underwriters' discount of \$49 million. The Company has used the net proceeds from the 2020 Common Stock Offering and the 2020 MCPS Offering for general corporate purposes.

On March 1, 2019, the Company completed the underwritten public offering of 12.1 million shares of Danaher common stock at a price to the public of \$123.00 per share (the "2019 Common Stock Offering"), resulting in net proceeds of approximately \$1.4 billion, after deducting expenses and the underwriters' discount of \$45 million. Simultaneously, the Company completed the underwritten public offering of 1.65 million shares of its 4.75% MCPS Series A, without par value and with a liquidation preference of \$1,000 per share (the "2019 MCPS Offering"), resulting in net proceeds of approximately \$1.6 billion, after deducting expenses and the underwriters' discount of \$50 million. The Company used the net proceeds from the 2019 Common Stock Offering and the 2019 MCPS Offering to fund a portion of the cash consideration payable for, and certain costs associated with, the Cytiva Acquisition. Prior to the completion of the Cytiva Acquisition, the Company invested the net proceeds in short-term bank deposits and/or interest-bearing, investment-grade securities.

Unless converted earlier in accordance with the terms of the applicable certificate of designations, each share of MCPS Series A and MCPS Series B (together, the "MCPS Shares") will mandatorily convert on their respective Mandatory Conversion Date, set forth below, into a number of shares of the Company's common stock between the applicable Minimum Conversion Rate and the applicable Maximum Conversion Rate, set forth below (subject to further anti-dilution adjustments). The number of shares of the Company's common stock issuable upon conversion will be determined based on the average volume-weighted average price per share of the Company's common stock

over the 20 consecutive trading day period beginning on, and including, the 21st scheduled trading day immediately before the applicable Mandatory Conversion Date. Subject to certain exceptions, at any time prior to the Mandatory Conversion Date, holders may elect to convert the MCPS Shares into common stock based on the applicable Minimum Conversion Rate (subject to further anti-dilution adjustments). In the event of a fundamental change, the MCPS Shares will convert at the fundamental change rates specified in the applicable certificate of designations, and the holders of MCPS Shares would be entitled to a fundamental change make-whole dividend. In both 2021 and 2020, holders converted 20 shares of MCPS Series A into 133 and 132 shares of Danaher common stock, respectively.

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Holders of MCPS Shares will be entitled to receive, when and if declared by the Company's Board of Directors, cumulative dividends at the applicable Annual Cumulative Dividend Rate of the Liquidation Preference per share, payable in cash or, subject to certain limitations, by delivery of shares of the Company's common stock or any combination of cash and shares of the Company's common stock, at the Company's election. If declared, dividends on the MCPS Shares are payable quarterly on January 15, April 15, July 15 and October 15 of each year (to, and including, the Mandatory Conversion Date), to the holders of record of the MCPS Shares as they appear on the Company's stock register at the close of business on the immediately preceding December 31, March 31, June 30 and September 30, respectively.

The following summarizes the key terms of the MCPS Shares as of December 31, 2021:

	Annual Cumulative Dividend Rate	Liquidation Preference per Share	Minimum Conversion Rate	Maximum Conversion Rate	Mandatory Conversion Date
Series A	4.75 %\$	1,000	6.6611 shares	8.1598 shares	April 15, 2022
Series B	5.00 %\$	1,000	5.0103 shares	6.1376 shares	April 15, 2023

Stock-Based Compensation

Stock options, RSUs and PSUs have been issued to directors, officers and other employees under the Company's 2007 Omnibus Incentive Plan. The 2007 Omnibus Incentive Plan provides for the grant of stock options, stock appreciation rights, RSUs, restricted stock, PSUs or any other stock-based award and cash-based awards. A total of approximately 127 million shares of Danaher common stock have been authorized for issuance under the 2007 Omnibus Incentive Plan. As of December 31, 2021, approximately 50 million shares of the Company's common stock remain available for issuance under the 2007 Omnibus Incentive Plan.

Stock options granted prior to 2022 under the 2007 Omnibus Incentive Plan generally vest pro rata over a five-year period and terminate ten years from the grant date, though the specific terms of each grant are determined by the Compensation Committee of the Company's Board (the "Compensation Committee"). Stock options granted subsequent to December 31, 2021 under the amended and restated 2007 Omnibus Incentive Plan generally vest pro rata over a four-year period and terminate ten years from the grant date, though specific terms of each grant are determined by the Compensation Committee. The Company's executive officers and certain other employees have been awarded options with different vesting criteria, and options granted to outside directors are fully vested as of the grant date. Option exercise prices for options granted by the Company equal the closing price of the Company's common stock on the NYSE on the date of grant.

RSUs issued under the 2007 Omnibus Incentive Plan provide for the issuance of a share of the Company's common stock at no cost to the holder. RSUs granted prior to 2022 to employees under the 2007 Omnibus Incentive Plan generally provide for time-based vesting over a five-year period, although executive officers and certain other employees have been awarded RSUs with different vesting criteria. RSUs granted subsequent to December 31, 2021 to employees under the amended and restated 2007 Omnibus Incentive Plan generally vest pro rata over a four-year period, although executive officers and certain other employees have been awarded RSUs with different vesting criteria. The RSUs that have been granted to directors under the 2007 Omnibus Incentive Plan vest on the earlier of the first anniversary of the grant date or the date of, and immediately prior to, the next annual meeting of the Company's shareholders following the grant date, but the underlying shares are not issued until the earlier of the director's death or the first day of the seventh month following the director's retirement from the Board. Prior to vesting, RSUs granted under the 2007 Omnibus Incentive Plan do not have dividend equivalent rights, do not have voting rights and the shares underlying the RSUs are not considered issued and outstanding.

PSUs issued under the 2007 Omnibus Incentive Plan provide for the issuance of a share of the Company's common stock at no cost to the holder, vest based on specified performance criteria, are subject to an additional holding period following vesting and are entitled to dividend equivalent rights. The PSU dividend equivalent rights are subject to the same vesting and payment restrictions as the related shares, and the shares underlying the PSUs are not considered issued and outstanding.

In connection with the Envista Disposition, Envista adopted a stock-based compensation plan, which provided for stock-based awards denominated in shares of Envista common stock. Envista employees who participated in the Danaher stock compensation program prior to the Separation continued to participate in such program solely with

respect to outstanding compensation awards received prior to the Separation, until the Split-Off (at which time such awards were terminated and replaced with awards denominated in Envista common stock under the Envista stock compensation plan). Stock-based compensation expense for Envista is included in results from discontinued operations.

The equity compensation awards granted by the Company generally vest only if the employee is employed by the Company (or in the case of directors, the director continues to serve on the Company Board) on the vesting date or in other limited circumstances, including following a qualifying retirement. To cover the exercise of options and vesting of RSUs and PSUs,

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the Company generally issues new shares from its authorized but unissued share pool, although it may instead issue treasury shares in certain circumstances.

The Company accounts for stock-based compensation by measuring the cost of employee services received in exchange for all equity awards granted based on the fair value of the award as of the grant date. The Company recognizes the compensation expense over the requisite service period (which is generally the vesting period but may be shorter than the vesting period if the employee becomes retirement eligible before the end of the vesting period). The fair value for RSU awards was calculated using the closing price of the Company's common stock on the date of grant, adjusted for the fact that RSUs do not accrue dividends. The fair value of the PSU awards was calculated using a Monte Carlo pricing model. The fair value of the options granted was calculated using a Black-Scholes Merton option pricing model ("Black-Scholes").

The following summarizes the assumptions used in the Black-Scholes model to value options granted during the years ended December 31:

	2021	2020	2019
Risk-free interest rate	0.6 – 1.5%	0.3 – 1.3%	1.7 – 2.6%
Weighted average volatility	29.8 %	24.3 %	20.4 %
Dividend yield	0.3 %	0.4 %	0.5 %
Expected years until exercise	5.0 – 7.5	5.0 – 8.0	5.0 – 8.0

The Black-Scholes model incorporates assumptions to value stock-based awards. The risk-free rate of interest for periods within the contractual life of the option is based on a zero-coupon U.S. government instrument whose maturity period equals or approximates the option's expected term. Expected volatility is based on implied volatility from traded options on the Company's stock and historical volatility of the Company's stock. The dividend yield is calculated by dividing the Company's annual common stock dividend, based on the most recent quarterly dividend rate, by the closing stock price on the grant date. To estimate the option exercise timing used in the valuation model (which impacts the risk-free interest rate and the expected years until exercise), in addition to considering the vesting period and contractual term of the option, the Company analyzes and considers actual historical exercise experience for previously granted options. The Company stratifies its employee population into multiple groups for option valuation and attribution purposes based upon distinctive patterns of forfeiture rates and option holding periods, as indicated by the ranges set forth in the table above for the risk-free interest rate and the expected years until exercise.

The amount of stock-based compensation expense recognized during a period is also based on the portion of the awards that are ultimately expected to vest. The Company estimates pre-vesting forfeitures at the time of grant by analyzing historical data and revises those estimates in subsequent periods if actual forfeitures differ from those estimates. Ultimately, the total expense recognized over the vesting period will equal the fair value of awards that actually vest.

The following summarizes the components of the Company's continuing operations stock-based compensation expense for the years ended December 31 (\$ in millions):

	2021	2020	2019
RSUs/PSUs:			
Pretax compensation expense	\$ 129	\$ 114	\$ 97
Income tax benefit	(26)	(24)	(20)
RSU/PSU expense, net of income taxes	103	90	77
Stock options:			
Pretax compensation expense	89	73	62
Income tax benefit	(18)	(15)	(13)
Stock option expense, net of income taxes	71	58	49
Total stock-based compensation:			
Pretax compensation expense	218	187	159
Income tax benefit	(44)	(39)	(33)
Total stock-based compensation expense, net of income taxes	\$ 174	\$ 148	\$ 126

Stock-based compensation has been recognized as a component of selling, general and administrative expenses in the accompanying Consolidated Statements of Earnings. As of December 31, 2021, \$211 million of total unrecognized compensation cost related to RSUs/PSUs is expected to be recognized over a weighted average period of approximately two

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years. As of December 31, 2021, \$231 million of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted average period of approximately three years. Future compensation amounts will be adjusted for any changes in estimated forfeitures.

The following summarizes option activity under the Company's stock plans (in millions, except weighted exercise price and number of years):

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding as of January 1, 2019	18.6	\$ 70.86		
Granted	4.3	117.32		
Exercised	(3.5)	53.02		
Cancelled/forfeited	(0.9)	98.98		
Adjustment due to Envista Split-Off ^(a)	(1.5)	91.65		
Outstanding as of December 31, 2019	17.0	82.95		
Granted	2.9	160.71		
Exercised	(3.5)	62.54		
Cancelled/forfeited	(0.5)	113.94		
Outstanding as of December 31, 2020	15.9	100.65		
Granted	2.8	240.75		
Exercised	(2.4)	79.16		
Cancelled/forfeited	(0.7)	144.60		
Outstanding as of December 31, 2021	15.6	127.13	6	\$ 3,141
Vested and expected to vest as of December 31, 2021 ^(b)	15.1	\$ 125.23	6	\$ 3,077
Vested as of December 31, 2021	7.0	\$ 85.81	5	\$ 1,691

^(a) The "Adjustment due to Envista Split-Off" reflects the cancellation of options which were outstanding as of December 18, 2019 and held by Envista employees, which have been terminated and replaced by Envista equity awards as part of the Envista Split-Off.

^(b) The "expected to vest" options are the net unvested options that remain after applying the forfeiture rate assumption to total unvested options.

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (the difference between the Company's closing stock price on the last trading day of 2021 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on December 31, 2021. The amount of aggregate intrinsic value will change based on the price of the Company's common stock.

Options outstanding as of December 31, 2021 are summarized below (in millions, except price per share and number of years):

Exercise Price	Outstanding			Exercisable	
	Shares	Average Exercise Price	Average Remaining Life (in years)	Shares	Average Exercise Price
\$38.64 to \$62.18	1.0	\$ 52.21	2	1.0	\$ 52.21
\$62.19 to \$80.91	2.2	67.02	4	2.2	67.02
\$80.92 to \$100.23	4.2	92.60	5	2.4	91.21
\$100.24 to \$163.84	5.1	131.98	7	1.3	124.92
\$163.85 to \$299.68	3.1	231.03	9	0.1	189.56

The aggregate intrinsic value of options exercised during the years ended December 31, 2021, 2020 and 2019 was \$446 million, \$415 million and \$266 million, respectively. Exercise of options during the years ended December 31, 2021, 2020 and 2019 resulted in cash receipts of \$167 million, \$211 million and \$179 million, respectively. Upon exercise of the award by the employee, the Company derives a tax deduction measured by the excess of the market value over the grant price at the date of exercise. The Company realized a tax benefit of \$83 million, \$82 million and \$51 million in 2021, 2020 and 2019, respectively, related to the exercise of employee stock options.

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The following summarizes information on unvested RSU and PSU activity (in millions, except weighted average grant-date fair value):

	Number of RSUs/ PSUs	Weighted Average Grant-Date Fair Value
Unvested as of January 1, 2019	3.9	\$ 82.21
Granted	1.4	115.38
Vested	(1.1)	75.51
Forfeited	(0.3)	92.82
Adjustment due to Envista Split-Off ^(a)	(0.4)	98.18
Unvested as of December 31, 2019	3.5	94.85
Granted	1.1	159.93
Vested	(1.0)	91.08
Forfeited	(0.2)	111.59
Unvested as of December 31, 2020	3.4	116.03
Granted	0.9	234.52
Vested	(1.0)	101.86
Forfeited	(0.2)	147.20
Unvested as of December 31, 2021	3.1	152.99

^(a) The “Adjustment due to Envista Split-Off” reflects the cancellation of RSUs and PSUs which were outstanding as of December 18, 2019 and held by Envista employees which have been terminated and replaced by Envista equity awards as part of the Envista Split-Off.

The Company realized a tax benefit of \$35 million, \$18 million and \$25 million in the years ended December 31, 2021, 2020 and 2019, respectively, related to the vesting of RSUs and PSUs.

The excess tax benefit of \$95 million, \$85 million and \$55 million related to the exercise of employee stock options and vesting of RSUs and PSUs for the years ended December 31, 2021, 2020 and 2019, respectively, has been recorded as a reduction to the current income tax provision and is reflected as an operating cash inflow in the accompanying Consolidated Statements of Cash Flows.

In connection with the exercise of certain stock options and the vesting of RSUs previously issued by the Company, a number of shares sufficient to fund statutory minimum tax withholding requirements has been withheld from the total shares issued or released to the award holder (though under the terms of the applicable plan, the shares are considered to have been issued and are not added back to the pool of shares available for grant). During the year ended December 31, 2021, 346 thousand shares with an aggregate value of \$81 million were withheld to satisfy the requirement. During the year ended December 31, 2020, 352 thousand shares with an aggregate value of \$58 million were withheld to satisfy the requirement. The withholding is treated as a reduction in additional paid-in capital in the accompanying Consolidated Statements of Stockholders’ Equity and a reduction in proceeds from the issuance of common stock in connection with stock-based compensation in the Consolidated Statements of Cash Flows.

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Accumulated Other Comprehensive Income

The changes in accumulated other comprehensive income (loss) by component are summarized below (\$ in millions).

	Foreign Currency Translation Adjustments	Pension and Postretirement Plan Benefit Adjustments	Cash Flow Hedge Adjustments	Accumulated Comprehensive Income (Loss)
Balance, January 1, 2019	\$ (2,100)	\$ (691)	\$ —	\$ (2,791)
Other comprehensive income (loss) before reclassifications:				
Decrease	(176)	(149)	(149)	(474)
Income tax impact	(7)	32	9	34
Other comprehensive income (loss) before reclassifications, net of income taxes	(183)	(117)	(140)	(440)
Reclassification adjustments				
Increase	109 ^(c)	36 ^(a)	27 ^(b)	172
Income tax impact	—	(9)	—	(9)
Reclassification adjustments, net of income taxes	109	27	27	163
Net other comprehensive income (loss), net of income taxes	(74)	(90)	(113)	(277)
Balance, December 31, 2019	(2,174)	(781)	(113)	(3,068)
Other comprehensive income (loss) before reclassifications:				
Increase (decrease)	2,894	(239)	(432)	2,223
Income tax impact	25	57	—	82
Other comprehensive income (loss) before reclassifications, net of income taxes	2,919	(182)	(432)	2,305
Reclassification adjustments				
Increase	—	46 ^(a)	361 ^(b)	407
Income tax impact	—	(11)	(1)	(12)
Reclassification adjustments, net of income taxes	—	35	360	395
Net other comprehensive income (loss), net of income taxes	2,919	(147)	(72)	2,700
Balance, December 31, 2020	745	(928)	(185)	(368)
Other comprehensive income (loss) before reclassifications:				
Increase (decrease)	(1,277)	436	523	(318)
Income tax impact	(7)	(102)	5	(104)
Other comprehensive income (loss) before reclassifications, net of income taxes	(1,284)	334	528	(422)
Reclassification adjustments				
Increase (decrease)	—	58 ^(a)	(280) ^(b)	(222)
Income tax impact	—	(14)	(1)	(15)
Reclassification adjustments, net of income taxes	—	44	(281)	(237)
Net other comprehensive income (loss), net of income taxes	(1,284)	378	247	(659)
Balance, December 31, 2021	<u>\$ (539)</u>	<u>\$ (550)</u>	<u>\$ 62</u>	<u>\$ (1,027)</u>

- ^(a) This accumulated other comprehensive income (loss) component is included in the computation of net periodic pension and postretirement cost (refer to Note 16 for additional details).
- ^(b) Reflects reclassification to earnings related to remeasurement of certain long-term debt (refer to Note 15 for additional details).
- ^(c) Reflects reclassification to earnings related to the Envista Disposition (refer to Note 3 for additional details).

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

The Company's management, with the participation of the Company's President and Chief Executive Officer, and Executive Vice President and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the Company's President and Chief Executive Officer, and Executive Vice President and Chief Financial Officer, have concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective.

Management's annual report on its internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) and the independent registered public accounting firm's audit report on the effectiveness of Danaher's internal control over financial reporting are included in the Company's financial statements for the year ended December 31, 2021 included in Item 8 of this Annual Report on Form 10-K, under the headings "Report of Management on Danaher Corporation's Internal Control Over Financial Reporting" and "Report of Independent Registered Public Accounting Firm," respectively, and are incorporated herein by reference.

There have been no changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the Company's most recent completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Disclosure Pursuant to Section 13(r) of the Exchange Act

Pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012, which amended the Exchange Act to add Section 13(r) thereof, an issuer is required to disclose in its annual or quarterly reports, as applicable, whether, during the relevant reporting period, it or any entity acting on its behalf knowingly engaged in certain activities, transactions or dealings related to parties subject to sanctions administered by the Office of Foreign Assets Control ("OFAC") within the U.S. Department of the Treasury, even if those transactions are authorized by law.

On March 2, 2021, the U.S. government designated the Russian Federal Security Service (the "FSB") as a blocked party under Executive Order 13382. On the same day, the U.S. Department of the Treasury's Office of Foreign Assets Control issued General License No. 1B (the "OFAC General License"), which generally authorizes U.S. companies to engage in certain transactions and dealings with the FSB necessary and ordinarily incident to requesting or obtaining licenses, permits, certifications or notifications issued or registered by the FSB for the importation, distribution or use of information technology products in Russia. Section 13(r) of the Exchange Act now requires disclosure of dealings with FSB, even where the activities were conducted in compliance with applicable laws and regulations.

In the normal course of business, as permitted and authorized by the OFAC General License, certain of the Company's subsidiaries file notifications with, or apply for import licenses and permits from, the FSB as required pursuant to Russian encryption product import controls for the purpose of enabling such subsidiaries or their channel partners to import and distribute certain products in the Russian Federation. There are no gross revenues or net profits directly associated with these activities, and neither the Company nor any of its subsidiaries distribute or sell products or provide services to the FSB. The Company expects that certain of its subsidiaries will continue to file notifications with and apply for import licenses and permits from the FSB to qualify their products for importation and distribution in the Russian Federation if and as permitted by applicable U.S. law, including the OFAC General License.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Other than the information below, the information required by this Item is incorporated by reference from the sections entitled *Proposal 1–Election of Directors of Danaher*, *Corporate Governance* and *Other Information* in the Proxy Statement for the

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Company's 2022 annual meeting of shareholders and from the information under the caption "Information About Our Executive Officers" in Part I hereof. No nominee for director was selected pursuant to any arrangement or understanding between the nominee and any person other than the Company pursuant to which such person is or was to be selected as a director or nominee.

Code of Ethics

Danaher has adopted a code of business conduct and ethics for directors, officers (including Danaher's principal executive officer, principal financial officer and principal accounting officer) and employees, known as the Code of Conduct. The Code of Conduct is available in the "Investors" section of Danaher's website at www.danaher.com.

Danaher intends to disclose any amendment to the Code of Conduct that relates to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K, and any waiver from a provision of the Code of Conduct granted to any director, principal executive officer, principal financial officer, principal accounting officer, or any of its other executive officers, in the "Investors" section of its website, at www.danaher.com, within four business days following the date of such amendment or waiver.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference from the sections entitled *Director Compensation*, *Compensation Discussion and Analysis*, *Compensation Committee Report*, *Compensation Tables and Information* and *Summary of Employment Agreements and Plans* in the Proxy Statement for the Company's 2022 annual meeting of shareholders (provided that the Compensation Committee Report shall not be deemed to be "filed").

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated by reference from the sections entitled *Beneficial Ownership of Danaher Common Stock by Directors, Officers and Principal Shareholders*, *Summary of Employment Agreements and Plans* and *Compensation Tables and Information* in the Proxy Statement for the Company's 2022 annual meeting of shareholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated by reference from the section entitled *Director Independence and Related Person Transactions* in the Proxy Statement for the Company's 2022 annual meeting of shareholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Our independent registered public accounting firm is Ernst & Young LLP, Tysons, Virginia, PCAOB ID: 00042.

The information required by this Item is incorporated by reference from the section entitled *Proposal 2—Ratification of Independent Registered Public Accounting Firm* in the Proxy Statement for the Company's 2022 annual meeting of shareholders.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

a) The following documents are filed as part of this report.

- (1) Financial Statements. The financial statements are set forth under “Item 8. Financial Statements and Supplementary Data” of this Annual Report on Form 10-K.
- (2) Schedules. An index of Exhibits and Schedules is on page 114 of this report. Schedules other than those listed below have been omitted from this Annual Report on Form 10-K because they are not required, are not applicable or the required information is included in the financial statements or the notes thereto.
- (3) Exhibits. The exhibits listed in the accompanying Exhibit Index are filed or incorporated by reference as part of this Annual Report on Form 10-K.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

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**DANAHER CORPORATION
INDEX TO FINANCIAL STATEMENTS, SUPPLEMENTARY DATA AND FINANCIAL STATEMENT
SCHEDULE**

Schedule:

Valuation and Qualifying Accounts

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EXHIBIT INDEX

Exhibit Number	Description	
3.1	<u>Restated Certificate of Incorporation of Danaher Corporation</u>	Incorporated by reference from Exhibit 3.1 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended June 29, 2012
3.2	<u>Certificate of Designations of the 4.75% Mandatory Convertible Preferred Stock, Series A</u>	Incorporated by reference from Exhibit 3.1 to Danaher Corporation's Current Report on Form 8-K filed March 1, 2019
3.3	<u>Certificate of Designations of the 5.00% Mandatory Convertible Preferred Stock, Series B</u>	Incorporated by reference from Exhibit 3.1 to Danaher Corporation's Current Report on Form 8-K filed May 12, 2020
3.4	<u>Amended and Restated By-laws of Danaher Corporation</u>	Incorporated by reference from Exhibit 3.1 to Danaher Corporation's Current Report on Form 8-K filed July 13, 2021
4.1	<u>Senior Indenture dated as of December 11, 2007 by and between Danaher Corporation and The Bank of New York Mellon Trust Company, N.A. as trustee ("Senior Indenture")</u>	Incorporated by reference from Exhibit 1.2 to Danaher Corporation's Current Report on Form 8-K filed on December 11, 2007
4.2	<u>First Supplemental Indenture to Senior Indenture, dated as of September 15, 2015, by and between Danaher Corporation and The Bank of New York Mellon Trust Company, N.A. as trustee</u>	Incorporated by reference from Exhibit 4.1 to Danaher Corporation's Current Report on Form 8-K filed September 15, 2015
4.3	<u>Indenture dated as of July 8, 2015, by and between Danaher Corporation, as guarantor, DH Europe Finance S.a.r.l., as issuer, and The Bank of New York Mellon Trust Company, N.A. as trustee ("Danaher International Indenture")</u>	Incorporated by reference from Exhibit 4.1 to Danaher Corporation's Current Report on Form 8-K filed on July 8, 2015
4.4	<u>First Supplemental Indenture to Danaher International Indenture, dated as of July 8, 2015, by and between Danaher Corporation, as guarantor, DH Europe Finance S.A., as issuer, and The Bank of New York Mellon Trust Company, N.A. as trustee</u>	Incorporated by reference from Exhibit 4.2 to Danaher Corporation's Current Report on Form 8-K filed on July 8, 2015
4.5	<u>Second Supplemental Indenture to Danaher International Indenture, dated as of June 30, 2017, by and between Danaher Corporation, as guarantor, DH Europe Finance S.a.r.l., as issuer, and The Bank of New York Mellon Trust Company, N.A. as trustee</u>	Incorporated by reference from Exhibit 4.2 to Danaher Corporation's Current Report on Form 8-K filed on June 30, 2017
4.6	<u>Second Supplemental Indenture to Senior Indenture, dated as of July 1, 2019 between Danaher Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee</u>	Incorporated by reference from Exhibit 4.2 to Danaher Corporation's Post-Effective Amendment No. 1 to Registration Statement on Form S-3 filed July 10, 2019
4.7	<u>Third Supplemental Indenture to Senior Indenture, dated as of March 30, 2020 between Danaher Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee</u>	Incorporated by reference from Exhibit 4.3 to Danaher Corporation's Current Report on Form 8-K filed on March 30, 2020
4.8	<u>Fourth Supplemental Indenture to Senior Indenture, dated as of October 6, 2020 between Danaher Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee</u>	Incorporated by reference from Exhibit 4.4 to Danaher Corporation's Current Report on Form 8-K filed on October 6, 2020

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4.9	<u>Fifth Supplemental Indenture to Senior Indenture, dated as of December 10, 2021 between Danaher Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee</u>	Incorporated by reference from Exhibit 4.4 to Danaher Corporation's Current Report on Form 8-K filed on December 10, 2021
4.10	<u>Third Supplemental Indenture to Danaher International Indenture, dated as of July 1, 2019 among DH Europe Finance S.à r.l., as issuer, Danaher Corporation, as guarantor and The Bank of New York Mellon Trust Company, N.A., as trustee</u>	Incorporated by reference from Exhibit 4.5 to Danaher Corporation's Post-Effective Amendment No. 1 to Registration Statement on Form S-3 filed July 10, 2019
4.11	<u>Base Indenture, dated as of September 18, 2019, among DH Europe Finance II S.à r.l., as issuer, Danaher Corporation, as guarantor and The Bank of New York Mellon Trust Company, N.A., as trustee ("Danaher International II Indenture")</u>	Incorporated by reference from Exhibit 4.1 to Danaher Corporation's Current Report on Form 8-K filed September 18, 2019
4.12	<u>First Supplemental Indenture to Danaher International II Indenture, dated as of September 18, 2019, among DH Europe Finance II S.à r.l., as issuer, Danaher Corporation, as guarantor and The Bank of New York Mellon Trust Company, N.A., as trustee</u>	Incorporated by reference from Exhibit 4.2 to Danaher Corporation's Current Report on Form 8-K filed September 18, 2019
4.13	<u>Specimen Certificate of the 4.75% Mandatory Convertible Preferred Stock, Series A</u>	Included in Exhibit 3.2 above
4.14	<u>Specimen Certificate of the 5.00% Mandatory Convertible Preferred Stock, Series B</u>	Included in Exhibit 3.3 above
4.15	<u>Description of Securities Registered Under Section 12 of the Exchange Act</u>	
10.1	<u>Danaher Corporation 2007 Omnibus Incentive Plan, as amended and restated*</u>	Incorporated by reference from Exhibit 10.1 to Danaher Corporation's Current Report on Form 8-K filed December 8, 2021
10.2	<u>Danaher Corporation Non-Employee Directors' Deferred Compensation Plan, as amended, a sub-plan under the 2007 Omnibus Incentive Plan*</u>	Incorporated by reference from Exhibit 10.2 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2008
10.3	<u>Amended Form of Election to Defer under the Danaher Corporation Non-Employee Directors' Deferred Compensation Plan*</u>	Incorporated by reference from Exhibit 10.3 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2008
10.4	<u>Form of Danaher Corporation 2007 Omnibus Incentive Plan Stock Option Agreement for Non-Employee Directors*</u>	
10.5	<u>Form of Danaher Corporation 2007 Omnibus Incentive Plan RSU Agreement for Non-Employee Directors*</u>	
10.6	<u>Form of Danaher Corporation 2007 Omnibus Incentive Plan Stock Option Agreement*</u>	
10.7	<u>Form of Danaher Corporation 2007 Omnibus Incentive Plan RSU Agreement*</u>	
10.8	<u>Form of Danaher Corporation 2007 Omnibus Incentive Plan PSU Agreement*</u>	
10.9	<u>Danaher Corporation & Subsidiaries Amended and Restated Executive Deferred Incentive Program*</u>	Incorporated by reference from Exhibit 10.8 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2018
10.10	<u>Amendment to Danaher Corporation & Subsidiaries Amended and Restated Executive Deferred Incentive Program*</u>	Incorporated by reference from Exhibit 10.14 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended September 27, 2019

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10.11	<u>Danaher Corporation Excess Contribution Program, a sub-plan under the 2007 Omnibus Incentive Plan, as amended and restated*</u>	Incorporated by reference from Exhibit 10.9 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2018
10.12	<u>Amendment to Danaher Excess Contribution Program*</u>	Incorporated by reference from Exhibit 10.15 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended September 27, 2019
10.13	<u>Amended and Restated Danaher Corporation Deferred Compensation Plan*</u>	Incorporated by reference from Exhibit 10.12 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended September 27, 2019
10.14	<u>Amendment to Amended and Restated Danaher Corporation Deferred Compensation Plan*</u>	Incorporated by reference from Exhibit 10.13 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended September 27, 2019
10.15	<u>Danaher Corporation Senior Leader Severance Pay Plan*</u>	Incorporated by reference from Exhibit 10.1 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended March 29, 2013
10.16	<u>Amended and Restated Agreement Regarding Competition and Protection of Proprietary Interests by and between Danaher Corporation and Rainer M. Blair, dated May 6, 2020*</u>	Incorporated by reference from Exhibit 10.2 to Danaher Corporation's Current Report on Form 8-K filed May 6, 2020
10.17	<u>Agreement Regarding Competition and Protection of Proprietary Interests by and between Danaher Corporation and Joakim Weidemanis, dated as of May 15, 2020*</u>	Incorporated by reference from Exhibit 10.3 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended July 3, 2020
10.18	<u>Agreement Regarding Competition and Protection of Proprietary Interests by and between Danaher Corporation and Matthew McGrew dated November 7, 2018*</u>	Incorporated by reference from Exhibit 10.2 to Danaher Corporation's Current Report on Form 8-K filed on November 8, 2018
10.19	<u>Agreement Regarding Competition and Protection of Proprietary Interests by and between Danaher Corporation and Jennifer Honeycutt dated January 26, 2021*</u>	
10.20	<u>Agreement Regarding Competition and Protection of Proprietary Interests by and between Danaher Corporation and Angela S. Lalor dated March 23, 2012*</u>	Incorporated by reference from Exhibit 10.16 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2016
10.21	<u>Letter Agreement by and between Danaher Corporation and Angela S. Lalor, dated March 19, 2012*</u>	Incorporated by reference from Exhibit 10.14 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2012
10.22	<u>Description of compensation arrangements for non-management directors*</u>	Incorporated by reference from Exhibit 10.22 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2019
10.23	<u>Management Agreement dated February 23, 2012 by and between FJ900, Inc. and Joust Capital III, LLC⁽¹⁾</u>	Incorporated by reference from Exhibit 10.25 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2011
10.24	<u>Interchange Agreement dated July 22, 2011 by and between Danaher Corporation and Joust Capital III, LLC⁽²⁾</u>	Incorporated by reference from Exhibit 10.10 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended July 1, 2011
10.25	<u>Aircraft Time Sharing Agreement by and between Danaher Corporation and Rainer M. Blair, dated as of August 3, 2020*⁽³⁾</u>	Incorporated by reference from Exhibit 10.1 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended October 2, 2020
10.26	<u>Form of Director and Officer Indemnification Agreement</u>	Incorporated by reference from Exhibit 10.35 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2008

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10.27	<u>Second Amended and Restated Credit Agreement, dated as of August 27, 2019, among Danaher Corporation, certain of its subsidiaries party thereto, Bank of America, N.A., as Administrative Agent and a Swing Line Lender, and the lenders referred to therein</u>	Incorporated by reference from Exhibit 10.1 to Danaher Corporation's Current Report on Form 8-K filed August 29, 2019
10.28	<u>Amendment No. 1 to Second Amended and Restated Credit Agreement, dated as of September 20, 2019, among Danaher Corporation, Bank of America, N.A., Bank of America, N.A. London Branch and Citibank, N.A., each in their respective roles as a Swing Line Lender, Bank of America, N.A. as Administrative Agent and the lenders referred to therein</u>	Incorporated by reference from Exhibit 10.8 to Danaher Corporation's Report on Form 10-Q for the quarter ended September 27, 2019
10.29	<u>Amendment No. 2 to Second Amended and Restated Credit Agreement, dated as of October 7, 2019, among Danaher Corporation, Bank of America, N.A., Bank of America, N.A. London Branch and Citibank, N.A., each in their respective roles as a Swing Line Lender, Bank of America, N.A. as Administrative Agent and the lenders referred to therein</u>	Incorporated by reference from Exhibit 10.9 to Danaher Corporation's Report on Form 10-Q for the quarter ended September 27, 2019
21.1	<u>Subsidiaries of Registrant</u>	
22.1	<u>Subsidiary guarantors and issuers of guaranteed securities and affiliates whose securities collateralize securities of the Registrant</u>	
23.1	<u>Consent of Independent Registered Public Accounting Firm</u>	
31.1	<u>Certification of Chief Executive Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>	
31.2	<u>Certification of Chief Financial Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>	
32.1	<u>Certification of Chief Executive Officer, Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>	
32.2	<u>Certification of Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>	
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. ⁽⁴⁾	
101.SCH	Inline XBRL Taxonomy Extension Schema Document ⁽⁴⁾	
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document ⁽⁴⁾	
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document ⁽⁴⁾	
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document ⁽⁴⁾	
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document ⁽⁴⁾	
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	

Danaher is a party to additional long-term debt instruments under which, in each case, the total amount of debt authorized does not exceed 10% of the total assets of Danaher and its subsidiaries on a consolidated basis. Pursuant

to paragraph 4(iii)(A) of Item 601(b) of Regulation S-K, Danaher agrees to furnish a copy of such instruments to the Securities and Exchange Commission upon request.

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- * Indicates management contract or compensatory plan, contract or arrangement.
- (1) In accordance with Instruction 2 to Item 601(a)(4) of Regulation S-K, FJ900, Inc. (a subsidiary of Danaher) has entered into a management agreement with Joust Capital II, LLC that is substantially identical in all material respects to the form of agreement referenced as Exhibit 10.23, except as to the referenced aircraft and the name of the counterparty.
 - (2) In accordance with Instruction 2 to Item 601(a)(4) of Regulation S-K, Danaher Corporation or a subsidiary thereof has entered into additional interchange agreements with each of Joust Capital II, LLC and Joust Capital III, LLC that are substantially identical in all material respects to the form of agreement attached as Exhibit 10.24, except as to the referenced aircraft and, in certain cases, the name of the counterparty.
 - (3) In accordance with Instruction 2 to Item 601(a)(4) of Regulation S-K, Danaher Corporation has entered into an aircraft time sharing agreement with Matthew R. McGrew that is substantially identical in all material respects to the form of agreement referenced as Exhibit 10.25.
 - (4) Attached as Exhibit 101 to this report are the following documents formatted in Inline XBRL (Inline Extensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2021 and 2020, (ii) Consolidated Statements of Earnings for the years ended December 31, 2021, 2020, and 2019, (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2021, 2020, and 2019, (iv) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2021, 2020, and 2019, (v) Consolidated Statements of Cash Flows for the years ended December 31, 2021, 2020, and 2019 and (vi) Notes to Consolidated Financial Statements.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

DANAHER CORPORATION

Date: February 23, 2022

By: /s/ RAINER M. BLAIR
Rainer M. Blair
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this annual report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated:

Name, Title and Signature**Date**/s/ STEVEN M. RALES

February 23, 2022

Steven M. Rales
Chairman of the Board/s/ MITCHELL P. RALES

February 23, 2022

Mitchell P. Rales
Chairman of the Executive Committee/s/ RAINER M. BLAIR

February 23, 2022

Rainer M. Blair
President, Chief Executive Officer and Director/s/ LINDA HEFNER FILLER

February 23, 2022

Linda Hefner Filler
Director/s/ TERI LIST

February 23, 2022

Teri List
Director/s/ WALTER G. LOHR, JR.

February 23, 2022

Walter G. Lohr, Jr.
Director/s/ JESSICA L. MEGA, M.D., MPH

February 23, 2022

Jessica L. Mega, M.D, MPH
Director/s/ PARDIS C. SABETI, M.D., D.Phil

February 23, 2022

Pardis C. Sabeti, M.D., D.Phil
Director/s/ A. SHANE SANDERS

February 23, 2022

A. Shane Sanders

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Director

/s/ JOHN T. SCHWIETERS

February 23, 2022

John T. Schwieters

Director

/s/ ALAN G. SPOON

February 23, 2022

Alan G. Spoon

Director

/s/ RAYMOND C. STEVENS, Ph.D.

February 23, 2022

Raymond C. Stevens, Ph.D.

Director

/s/ ELIAS A. ZERHOUNI, M.D.

February 23, 2022

Elias A. Zerhouni, M.D.

Director

/s/ MATTHEW R. MCGREW

February 23, 2022

Matthew R. McGrew

Executive Vice President and Chief Financial
Officer

/s/ CHRISTOPHER M. BOUDA

February 23, 2022

Christopher M. Bouda

Vice President and Chief Accounting Officer

DANAHER CORPORATION AND SUBSIDIARIES
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
(\$ in millions)

Classification	Balance at Beginning of Period ^(a)	Charged to Costs & Expenses	Impact of Currency	Charged to Other Accounts ^(b)	Write-Offs, Write- Downs & Deductions	Balance at End of Period ^(a)
Year ended December 31, 2021:						
Allowances deducted from asset account						
Allowance for doubtful accounts	\$ 134	31	(5)	—	(34)	\$ 126
Year ended December 31, 2020:						
Allowances deducted from asset account						
Allowance for doubtful accounts	\$ 105	31	4	14	(20)	\$ 134
Year ended December 31, 2019:						
Allowances deducted from asset account						
Allowance for doubtful accounts	\$ 103	30	(1)	—	(27)	\$ 105

^(a) Amounts include allowance for doubtful accounts classified as current and noncurrent.

^(b) Amounts related to businesses acquired, net of amounts related to businesses disposed not included in discontinued operations, and amounts related to the adoption impact from ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2020

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-08089

dhr-20201231_g1.jpg

DANAHER CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)
2200 Pennsylvania Avenue, N.W., Suite 800W
Washington, DC
(Address of Principal Executive Offices)

59-1995548
(I.R.S. Employer Identification Number)
20037-1701
(Zip Code)

Registrant's telephone number, including area code: 202-828-0850

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, \$0.01 par value	DHR	New York Stock Exchange
4.75% Mandatory Convertible Preferred Stock, Series A, without par value	DHR.PRA	New York Stock Exchange
5.00% Mandatory Convertible Preferred Stock, Series B, without par value	DHR.PRB	New York Stock Exchange
Floating Rate Senior Notes due 2022	DHR/22A	New York Stock Exchange
1.700% Senior Notes due 2024	DHR 24	New York Stock Exchange
2.500% Senior Notes due 2025	DHR/25	New York Stock Exchange
0.200% Senior Notes due 2026	DHR/26	New York Stock Exchange
2.100% Senior Notes due 2026	DHR 26	New York Stock Exchange
1.200% Senior Notes due 2027	DHR/27	New York Stock Exchange
0.450% Senior Notes due 2028	DHR/28	New York Stock Exchange
2.500% Senior Notes due 2030	DHR 30	New York Stock Exchange
0.750% Senior Notes due 2031	DHR/31	New York Stock Exchange
1.350% Senior Notes due 2039	DHR/39	New York Stock Exchange
1.800% Senior Notes due 2049	DHR/49	New York Stock Exchange

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

NONE
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☒

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 (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-accelerated Filer	<input type="checkbox"/>	Smaller Reporting company	<input type="checkbox"/>
Emerging Growth Company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of February 5, 2021, the number of shares of Registrant’s common stock outstanding was 712,204,198. The aggregate market value of common stock held by non-affiliates of the Registrant on July 3, 2020 was \$113.2 billion, based upon the closing price of the Registrant’s common stock as quoted on the New York Stock Exchange on such date.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates certain information by reference from the Registrant’s proxy statement for its 2021 annual meeting of shareholders to be filed pursuant to Regulation 14A within 120 days after Registrant’s fiscal year-end. With the exception of the sections of the 2021 Proxy Statement specifically incorporated herein by reference, the 2021 Proxy Statement is not deemed to be filed as part of this Form 10-K.

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In this Annual Report, the terms “Danaher” or the “Company” refer to Danaher Corporation, Danaher Corporation and its consolidated subsidiaries or the consolidated subsidiaries of Danaher Corporation, as the context requires. Unless otherwise indicated, all financial data in this Annual Report refer to continuing operations only.

INFORMATION RELATING TO FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Annual Report, in other documents we file with or furnish to the Securities and Exchange Commission (“SEC”), in our press releases, webcasts, conference calls, materials delivered to shareholders and other communications, are “forward-looking statements” within the meaning of the U.S. federal securities laws. All statements other than historical factual information are forward-looking statements, including without limitation statements regarding: projections of revenue, expenses, profit, profit margins, pricing, tax rates, tax provisions, cash flows, pension and benefit obligations and funding requirements, our liquidity position or other projected financial measures; management’s plans and strategies for future operations, including statements relating to anticipated operating performance, cost reductions, restructuring activities, new product and service developments, competitive strengths or market position, acquisitions and the integration thereof, divestitures, spin-offs, split-offs or other distributions, strategic opportunities, securities offerings, stock repurchases, dividends and executive compensation; growth, declines and other trends in markets we sell into; new or modified laws, regulations and accounting pronouncements; future regulatory approvals and the timing and conditionality thereof; outstanding claims, legal proceedings, tax audits and assessments and other contingent liabilities; future foreign currency exchange rates and fluctuations in those rates; the potential or anticipated direct or indirect impact of COVID-19 on our business, results of operations and/or financial condition; general economic and capital markets conditions; the anticipated timing of any of the foregoing; assumptions underlying any of the foregoing; and any other statements that address events or developments that Danaher intends or believes will or may occur in the future. Terminology such as “believe,” “anticipate,” “should,” “could,” “intend,” “will,” “plan,” “expect,” “estimate,” “project,” “target,” “may,” “possible,” “potential,” “forecast” and “positioned” and similar references to future periods are intended to identify forward-looking statements, although not all forward-looking statements are accompanied by such words. Forward-looking statements are based on assumptions and assessments made by our management in light of their experience and perceptions of historical trends, current conditions, expected future developments and other factors they believe to be appropriate. These forward-looking statements are subject to a number of risks and uncertainties, including but not limited to the risks and uncertainties set forth below and under “Item 1A. Risk Factors” in this Annual Report.

Forward-looking statements are not guarantees of future performance and actual results may differ materially from the results, developments and business decisions contemplated by our forward-looking statements. Accordingly, you should not place undue reliance on any such forward-looking statements. Forward-looking statements speak only as of the date of the report, document, press release, webcast, call, materials or other communication in which they are made. Except to the extent required by applicable law, we do not assume any obligation to update or revise any forward-looking statement, whether as a result of new information, future events and developments or otherwise.

Investment in our securities involves risk and uncertainty and you should carefully consider all information in this Annual Report on Form 10-K prior to making an investment decision regarding our securities. Below is a summary of material risks and uncertainties we face, which are discussed more fully in “Item 1A. Risk Factors”:

Business and Strategic Risks

- The COVID-19 pandemic has adversely impacted, and continues to pose risks to, certain elements of our business and our financial statements, the nature and extent of which are highly uncertain and unpredictable.
- Conditions in the global economy, the particular markets we serve and the financial markets can adversely affect our business and financial statements.
- We face intense competition and if we are unable to compete effectively, we may experience decreased demand and decreased market share. Even if we compete effectively, we may be required to reduce the prices we charge.
- Our growth depends in part on the timely development and commercialization, and customer acceptance, of new and enhanced products and services based on technological innovation. Our growth can also suffer if

the markets into which we sell our products and services decline, do not grow as anticipated or experience cyclicalities.

- The health care industry and related industries that we serve have undergone, and are in the process of undergoing, significant changes in an effort to reduce (and increase the predictability of) costs, which can adversely affect our business and financial statements.

- International economic, political, legal, compliance, social and business factors (including without limitation the impact of the United Kingdom's departure from the European Union) can negatively affect our business and financial statements.
- Collaborative partners and other third-parties we rely on for development, supply and marketing of certain products, potential products and technologies could fail to perform sufficiently.

Acquisitions, Divestitures and Investment Risks

- Any inability to consummate acquisitions at our historical rate and at appropriate prices, and to make appropriate investments that support our long-term strategy, could negatively impact our growth rate and stock price. In addition, our acquisition of businesses, investments, joint ventures and other strategic relationships could negatively impact our business and financial statements and our indemnification rights may not fully protect us from liabilities we may incur related to such transactions.
- Divestitures or other dispositions could negatively impact our business, and contingent liabilities from businesses that we or our predecessors have disposed could adversely affect our business and financial statements. For example, we could incur significant liability if any of the split-off or spin-off transactions we have consummated is determined to be a taxable transaction or otherwise pursuant to our indemnification obligations with respect to such transactions.

Operational Risks

- Significant disruptions in, or breaches in security of, our information technology systems or data; other losses or disruptions due to catastrophe; and labor disputes can all adversely affect our business and financial statements.
- Defects and unanticipated use or inadequate disclosure with respect to our products or services, or allegations thereof, can adversely affect our business and financial statements.
- If we encounter problems manufacturing products, fail to adjust our manufacturing capacity or related purchases to reflect changing conditions, or suffer disruptions due to sole or limited sources of supply, our business and financial statements may suffer. Adverse changes with respect to key distributors and other channel partners can also adversely affect our business and financial statements.
- Our restructuring actions can have long-term adverse effects on our business and financial statements.

Intellectual Property Risks

- Any inability to adequately protect or avoid third party infringement of our intellectual property, and third party claims that we are infringing their intellectual property rights, can adversely affect our business and financial statements.

Financial and Tax Risks

- Our outstanding debt has increased significantly as a result of the acquisition of Cytiva, and we may incur additional debt in the future. Our existing and future indebtedness may limit our operations and our use of our cash flow and negatively impact our credit ratings; and any failure to comply with the covenants that apply to our indebtedness could adversely affect our business and financial statements.
- Our business and financial statements can be adversely affected by foreign currency exchange rates, changes in our tax rates (including as a result of changes in tax laws) or income tax liabilities/assessments, the outcome of tax audits, financial market risks related to our defined benefit pension plans, recognition of impairment charges for our goodwill or other intangible assets, and fluctuations in the cost and availability of commodities.

Legal, Regulatory, Compliance and Reputational Risks

- Our businesses are subject to extensive regulation (including without limitation regulations applicable to the healthcare industry). Failure to comply with those regulations (including without limitation by our employees, agents or business partners) or significant developments or changes in U.S. laws or policies can adversely affect our business and financial statements. Changes in governmental regulations can also reduce demand for our products or services or increase our expenses.
- With respect to the regulated medical devices we offer, certain modifications to such products may require new 510(k) clearances or other marketing authorizations and may require us to recall or cease marketing such products; off-label marketing of such products could result in substantial penalties; and clinical trials we conduct with respect to such

products or potential products may have results that are unexpected or are perceived unfavorably by the market, all of which could adversely affect our business and financial statements.

- We are subject to or otherwise responsible for a variety of litigation and other legal and regulatory proceedings in the course of our business that can adversely affect our business and financial statements.
- Our operations, products and services expose us to the risk of environmental, health and safety liabilities, costs and violations that could adversely affect our business and financial statements.

PART I

ITEM 1. BUSINESS

General

Danaher is a global science and technology innovator committed to helping its customers solve complex challenges and improving quality of life around the world. Danaher is comprised of more than 20 operating companies with leadership positions in the life sciences, diagnostics, environmental and applied sectors, organized under three segments (Life Sciences; Diagnostics; and Environmental & Applied Solutions). United by the DANAHER BUSINESS SYSTEM (“DBS”), our businesses are also typically characterized by a high level of products and services that are sold on a recurring basis, primarily through a direct sales model and to a geographically diverse customer base. Our business’ research and development, manufacturing, sales, distribution, service and administrative facilities are located in more than 60 countries.

Danaher strives to create shareholder value primarily through three strategic priorities:

- strengthening our competitive advantage through consistent application of the DBS tools;
- enhancing our portfolio in attractive science and technology markets through strategic capital allocation; and
- consistently attracting and retaining exceptional talent.

Danaher measures its progress against these strategic priorities over the long-term based primarily on financial metrics relating to revenue growth, profitability, cash flow and capital returns, as well as certain non-financial metrics. To further the strategic objectives set forth above, the Company also acquires businesses and makes investments that either complement its existing business portfolio or expand its portfolio into new and attractive markets. Given the rapid pace of technological development and the specialized expertise typical of Danaher’s served markets, acquisitions, strategic alliances and investments provide the Company access to important new technologies and domain expertise. Danaher believes there are many acquisition and investment opportunities available within its targeted markets. The extent to which we identify, consummate and effectively integrate appropriate acquisitions and consummate appropriate investments affects our overall growth and operating results. Danaher also continually assesses the strategic fit of its existing businesses and may dispose of businesses that are deemed not to fit with its strategic plan.

DBS is not only the set of business processes and tools our operating companies use on a daily basis, but is more broadly our culture. As reflected in our logo, DBS features five fundamental core values:

1. The Best Team Wins
2. Customers Talk, We Listen
3. Kaizen is our Way of Life
4. Innovation Defines our Future
5. We Compete for Shareholders

Underpinned by these five fundamental core values as well as our Shared Purpose – *Helping Realize Life's Potential*, the DBS tools are organized into three pillars that are designed to apply to every aspect of our business: Growth, Lean and Leadership.

The idea for Danaher originated in the early 1980's when the Company's founders, Steven M. and Mitchell P. Rales, envisioned a business that would generate sustainable long-term value for customers, employees and shareholders. Through a series of acquisitions and divestitures, Danaher has evolved over time from a more industrial-oriented company into the science and technology innovator it is today. While the operating companies that make up Danaher have changed, DBS continues to be the guiding philosophy for the Company.

Sales in 2020 by geographic destination (geographic destination refers to the geographic area where the final sale to the Company's unaffiliated customer is made) as a percentage of total 2020 sales were: North America, 40% (including 39% in the United States); Western Europe, 24%; other developed markets, 6%; and high-growth markets, 30%. The Company defines high-growth markets as developing markets of the world experiencing extended periods of accelerated growth in gross domestic product and infrastructure which include Eastern Europe, the Middle East, Africa, Latin America and Asia (with the exception of Japan, Australia and New Zealand). The Company defines developed markets as all markets of the world that are not high-growth markets.

LIFE SCIENCES

The Company's Life Sciences segment offers a broad range of instruments and consumables that are primarily used by customers to study the basic building blocks of life, including genes, proteins, metabolites and cells, in order to understand the causes of disease, identify new therapies, and test and manufacture new drugs and vaccines. Sales in 2020 for this segment by geographic destination (as a percentage of total 2020 sales) were: North America, 37%; Western Europe, 28%; other developed markets, 7%; and high-growth markets, 28%.

Danaher established the life sciences business in 2005 through the acquisition of Leica Microsystems and has expanded the business through numerous subsequent acquisitions, including the acquisitions of AB Sciex and Molecular Devices in 2010, Beckman Coulter in 2011, Pall in 2015, Phenomenex in 2016, IDT in 2018 and Cytiva in 2020. On March 31, 2020, the Company acquired the Biopharma business of General Electric Company's ("GE") Life Sciences division, now known as Cytiva, for a cash purchase price of approximately \$20.7 billion (net of approximately \$0.1 billion of acquired cash) and the assumption of approximately \$0.4 billion of pension liabilities (the "Cytiva Acquisition"). Cytiva is a leading provider of instruments, consumables and software that support the research, discovery, process development and manufacturing workflows of biopharmaceutical drugs. Cytiva is included in the Company's Life Sciences segment results beginning in the second quarter of 2020. The acquisition has provided and is expected to provide additional sales and earnings growth opportunities for the Company's Life Sciences segment by expanding the business' geographic and product line diversity, including new product and service offerings that complement the Company's current biologics workflow solutions. As a condition to obtaining certain regulatory approvals for the closing of the transaction, the Company was required to divest

certain of its existing product lines in the Life Sciences segment that in the aggregate generated revenues of approximately \$170 million in 2019.

The Life Sciences segment consists of the following businesses:

Bioprocess—The bioprocess business is a leading provider of technologies, consumables and services that advance and accelerate the development and manufacture of vaccines, biologic drugs, and novel cell and gene therapies. The business offers solutions that support its customers across the pharmaceutical and biopharmaceutical value chain, from the earliest stages of drug discovery and research, to product and process development, clinical trials, therapy manufacturing and clinical use. The business' workflow solutions include process chromatography instruments and consumables, cell culture media, single-use technologies, development instrumentation, lab filtration, and genomics consumables.

Filtration—The filtration, separation and purification technologies business is a leading provider of products used to remove solid, liquid and gaseous contaminants from a variety of liquids and gases, primarily through the sale of filtration consumables and to a lesser extent systems that incorporate filtration consumables and associated hardware. The business' core materials and technologies can be applied in many ways to solve complex fluid separation challenges, and are sold across a wide array of applications in two primary business groups:

- Life Sciences. The business' life sciences technologies facilitate the process of drug discovery, development, regulatory validation and production and are sold to biopharmaceutical, food and beverage and medical customers. In the biopharmaceutical area, the business sells a broad line of filtration and purification technologies, single use bioreactors and associated accessories, hardware and engineered systems primarily to pharmaceutical and biopharmaceutical companies for use in the development and commercialization of chemically synthesized and biologically derived drugs, plasma and vaccines. Biotechnology drugs, plasma and biologically derived vaccines in particular are filtration and purification intensive and represent a significant opportunity for growth for the business in the biopharmaceutical area. The business also serves the filtration needs of the food and beverage markets, helping customers ensure the quality and safety of their products while lowering operating costs and minimizing waste. In the medical area, hospitals use the Company's breathing circuit and intravenous filters and water filters to help control the spread of infections.
- Industrial. Virtually all of the raw materials, process fluids and waste streams that are found in industry are candidates for multiple stages of filtration, separation and purification. In addition, most of the machines used in complex production processes require filtration to protect sensitive parts from degradation due to contamination. The business' technologies enhance the quality and efficiency of manufacturing processes and prolong equipment life in applications such as semiconductor equipment, airplanes, oil refineries, power generation turbines, petrochemical plants, municipal water plants and mobile mining equipment. Within these segments, demand is driven by end-users and original equipment manufacturers ("OEM") seeking to improve product performance, increase production and efficiency, reduce operating costs, extend the life of their equipment, conserve water and meet environmental regulations.

Cellular Analysis, Lab Automation and Centrifugation—The business offers workflow instruments and consumables that help researchers analyze genomic, protein and cellular information. Key product areas include sample preparation equipment such as centrifugation and capillary electrophoresis instrumentation and consumables; liquid handling automation instruments and associated consumables; flow cytometry instrumentation and associated antibodies and reagents; and particle characterization instrumentation. Researchers use these products to study biological function in the pursuit of basic research, as well as therapeutic and diagnostic development. Typical users include pharmaceutical and biotechnology companies, universities, medical schools and research institutions and in some cases industrial manufacturers.

Mass Spectrometry—The mass spectrometry business is a leading global provider of high-end mass spectrometers as well as related consumable chromatography columns and sample preparation extraction products. Mass spectrometry is a technique for identifying, analyzing and quantifying elements, chemical compounds and biological molecules, individually or in complex mixtures. The mass spectrometers utilize various combinations of quadrupole, time-of-flight and ion trap technologies. The business' mass spectrometer systems and related products are used in numerous applications such as drug discovery and clinical development of therapeutics as well as in basic research, clinical testing, food and beverage quality testing and environmental testing. The business' global services network provides

implementation, validation, training and maintenance to support customer installations around the world. Typical users of these mass spectrometry and related products include molecular biologists, bioanalytical chemists, toxicologists and forensic scientists as well as quality assurance and quality control technicians. The business also provides high-performance bioanalytical measurement systems, including microplate readers, automated cellular screening products and associated reagents and imaging software. Typical users of these products include biologists and chemists engaged in research and drug discovery, who use these products to determine electrical or chemical activity in cell samples.

Microscopy—The microscopy business is a leading global provider of professional microscopes designed to capture, manipulate and preserve images and enhance the user’s visualization and analysis of microscopic structures. The Company’s microscopy products include laser scanning (confocal) microscopes, compound microscopes and related equipment, surgical and other stereo microscopes and specimen preparation products for electron microscopy. Typical users of these products include research, medical and surgical professionals operating in research and pathology laboratories, academic settings and surgical theaters.

Genomics Consumables—The genomics consumables business is a leading provider of custom nucleic acid products for the life sciences industry, primarily through the manufacture of custom DNA and RNA oligonucleotides and gene fragments utilizing a proprietary manufacturing ecosystem. The business has developed proprietary technologies for genomics applications such as next generation sequencing, CRISPR genome editing, qPCR, and RNA interference. The business also manufactures products used in diagnostic tests for many forms of cancer, as well as inherited and infectious diseases. Typical users of these products include professionals in the areas of academic and commercial research, agriculture, medical diagnostics, and pharmaceutical development.

Customers served by the Life Sciences segment select products based on a number of factors, including product quality and reliability, the product’s capacity to enhance productivity, innovation (particularly productivity and sensitivity improvements), product performance and ergonomics, access to a service and support network and the other factors described under “—Competition.” The businesses in Danaher’s Life Sciences segment market their products and services under key brands including BECKMAN COULTER, CYTIVA, IDT, LEICA MICROSYSTEMS, MOLECULAR DEVICES, PALL, PHENOMENEX and SCIEX. Manufacturing facilities are located in North America, Europe, Asia and New Zealand. The business sells to customers through direct sales personnel and independent distributors.

DIAGNOSTICS

The Company’s Diagnostics segment offers analytical instruments, reagents, consumables, software and services that hospitals, physicians’ offices, reference laboratories and other critical care settings use to diagnose disease and make treatment decisions. Sales in 2020 for this segment by geographic destination (as a percentage of total 2020 sales) were: North America, 43%; Western Europe, 19%; other developed markets, 5%; and high-growth markets, 33%.

Danaher established the diagnostics business in 2004 through the acquisition of Radiometer and expanded the business through numerous subsequent acquisitions, including the acquisitions of Vision Systems in 2006, Beckman Coulter in 2011, Iris International and Aperio Technologies in 2012, HemoCue in 2013, Devicor Medical Products in 2014, the clinical microbiology business of Siemens Healthcare Diagnostics in 2015 and Cepheid in 2016. The Diagnostics segment consists of the following businesses:

Core Lab Diagnostics—The core lab business is a leading manufacturer and marketer of biomedical testing instruments, systems and related consumables that are used to evaluate and analyze samples made up of body fluids, cells and other substances. The information generated is used to diagnose disease, monitor and guide treatment and therapy, assist in managing chronic disease and assess patient status in hospital, outpatient and physicians’ office settings. The business offers the following products.

- Chemistry systems use electrochemical detection and chemical reactions with patient samples to detect and quantify substances of diagnostic interest in blood, urine and other body fluids. Commonly performed tests include glucose, cholesterol, triglycerides, electrolytes, proteins and enzymes, as well as tests to detect urinary tract infections and kidney and bladder disease.
- Immunoassay systems also detect and quantify biochemicals of diagnostic interest (such as proteins and hormones) in body fluids, particularly in circumstances where more specialized diagnosis is required. Commonly performed immunoassay tests assess thyroid function, screen and monitor for cancer and cardiac risk and provide important information in fertility and reproductive testing.
- Hematology products are used for cellular analysis. The business’ hematology systems use principles of physics, optics, electronics and chemistry to separate cells of diagnostic interest and then quantify and characterize them, allowing clinicians to study formed elements in blood (such as red and white blood cells and platelets).

- Microbiology systems are used for the identification of bacteria and antibiotic susceptibility testing (ID/AST) from human clinical samples, to detect and quantify bacteria related to microbial infections in urine, blood, and other body fluids, and to detect infections such as urinary tract infections, pneumonia and wound infections. The business' technology enables direct testing of clinical isolates to ensure reliable detection of resistance to antibiotics.

- Automation systems reduce manual operation and associated cost and errors from the pre-analytical through post-analytical stages including sample barcoding/information tracking, centrifugation, aliquoting, storage and conveyance. These systems along with the analyzers described above are controlled through laboratory level software that enables laboratory managers to monitor samples, results and lab efficiency.

Typical users of the segment's core lab products include hospitals, physician's offices, reference laboratories and pharmaceutical clinical trial laboratories.

Molecular Diagnostics—The molecular diagnostics business is a leading provider of biomedical testing instruments, systems and related consumables that enable DNA-based testing for organisms and genetic-based diseases in both clinical and non-clinical markets. These products integrate and automate the complicated and time-intensive steps associated with DNA-based testing (including sample preparation and DNA amplification and detection) to allow the testing to be performed in both laboratory and non-laboratory environments with minimal training and infrastructure. These products also include systems which commonly test for health care-associated infections, respiratory disease, sexual health and virology.

Critical Care Diagnostics—The critical care diagnostics business is a leading worldwide provider of instruments, software and related consumables and services that are used in both laboratory and point-of-care environments to rapidly measure critical parameters, including blood gases, electrolytes, metabolites and cardiac markers, as well as for anemia and high-sensitivity glucose testing. Typical users of these products include hospital central laboratories, intensive care units, hospital operating rooms, hospital emergency rooms, physician's office laboratories and blood banks.

Anatomical Pathology Diagnostics—The anatomical pathology diagnostics business is a leader in the anatomical pathology industry, offering a comprehensive suite of instrumentation and related consumables used across the entire workflow of a pathology laboratory. The anatomical pathology diagnostics products include chemical and immuno-staining instruments, reagents, antibodies and consumables; tissue embedding, processing and slicing (microtomes) instruments and related reagents and consumables; slide cover-slipping and slide/cassette marking instruments; imaging instrumentation including slide scanners, microscopes and cameras; software solutions to store, share and analyze pathology images digitally and minimally invasive, vacuum-assisted breast biopsy collection instruments. Typical users of these products include pathologists, lab managers and researchers.

Customers in the diagnostics industry select products based on a number of factors, including product quality and reliability, the scope of tests that can be performed, the accuracy and speed of the product, the product's ability to enhance productivity, ease of use, total cost of ownership and access to a highly qualified service and support network as well as the other factors described under "—Competition." The businesses in Danaher's Diagnostics segment market their products and services under key brands including BECKMAN COULTER, CEPHEID, HEMOCUE, LEICA BIOSYSTEMS, MAMMATOME and RADIOMETER. Manufacturing facilities are located in North America, Europe, Asia and Australia. The business sells to customers primarily through direct sales personnel and, to a lesser extent, through independent distributors.

ENVIRONMENTAL & APPLIED SOLUTIONS

The Company's Environmental & Applied Solutions segment offers products and services that help protect important resources and keep global food and water supplies safe. Sales in 2020 for this segment by geographic destination (as a percentage of total 2020 sales) were: North America, 45%; Western Europe, 23%; other developed markets, 3%; and high-growth markets, 29%. The Company's Environmental & Applied Solutions segment consists of the following businesses:

Water Quality—The Company's water quality business is a leading provider of instrumentation, consumables, software, services and disinfection systems to help analyze, treat and manage the quality of ultra-pure, potable, industrial, waste, ground, source and ocean water in residential, commercial, municipal, industrial and natural resource applications. Danaher entered the water quality sector in the late 1990's through the acquisitions of Dr. Lange and Hach Company, and has enhanced the geographic coverage and capabilities of its products and services through subsequent acquisitions, including the acquisition of Trojan Technologies Inc. in 2004 and ChemTreat, Inc. in 2007. The water quality business designs, manufactures and markets:

- a wide range of analytical instruments, related consumables, software and services that detect and measure chemical, physical and microbiological parameters in ultra-pure, potable, industrial, waste, municipal, ground, source and ocean water;
- chemical treatment solutions intended to address corrosion, scaling and biological growth problems in boiler, cooling water and wastewater applications as well as associated analytical services, primarily in applied and industrial end markets; and
- ultraviolet disinfection systems, consumables and services, which disinfect billions of gallons of municipal, industrial and consumer water every day.

Typical users of these products and services include professionals in municipal drinking water and wastewater treatment plants, industrial process and discharge water facilities, wastewater treatment facilities, third-party testing laboratories and environmental operations. Customers in these industries choose suppliers based on a number of factors including the customer's existing supplier relationships, application expertise, product performance and ease of use, the comprehensiveness of the supplier's solutions offering, after-sales service and support and the other factors described under "—Competition." The Company's water quality businesses provide products under a variety of key brands, including CHEMTREAT, HACH, MCCROMETER, OTT HYDROMET, PALL WATER, SEA-BIRD and TROJAN TECHNOLOGIES. Manufacturing facilities are primarily located in North America, Europe and Asia. Sales are made through the business' direct sales personnel, e-commerce, independent representatives and independent distributors.

Product Identification—The Company's product identification business is a leading provider of instruments, software, services and consumables for various color and appearance management, packaging design and quality management, packaging converting, printing, marking, coding and traceability applications for consumer, pharmaceutical and industrial products. Danaher entered the product identification market through the acquisition of Videojet in 2002, and has expanded the product and geographic coverage through various subsequent acquisitions, including the acquisitions of Willett International Limited in 2003, Linx Printing Technologies PLC in 2005, EskoArtwork in 2011, X-Rite in 2012, Laetus in 2015, Advanced Vision Technology Limited ("AVT") in 2017 and Blue Software in 2018. The product identification business designs, manufactures and markets:

- a variety of instruments, consumables and solutions used to give products unique identities by printing date, lot and bar codes and other information on primary and secondary packaging, applying high-quality alphanumeric codes, logos and graphics to a wide range of surfaces at a variety of production line speeds, angles and locations on a product or package. Its vision inspection and track-and-trace solutions also help pharmaceutical and consumer goods manufacturers safeguard the authenticity of their products through supply chains.
- software for online collaboration, three-dimensional virtualization, workflow automation, quality approvals and prepress processes to manage structural design, artwork creation, color and product information for branded packaging and marketing materials. Its packaging solutions help consumer goods manufacturers improve their business processes, shorten time to market and reduce costs across internal departments and external suppliers.
- innovative color and appearance solutions through standards, software, measurement devices and related services. The business' expertise in inspiring, virtualizing, selecting, specifying, formulating and measuring color and appearance helps users improve the quality and relevance of their products and reduce costs.
- flexographic computer-to-plate imaging equipment, solutions for print process control, press control and quality assurance systems for the packaging, labels and commercial print industries. Its automation, print process and press control solutions help packaging manufacturers reduce lead time and satisfy their customers' demands for smaller, more frequent print jobs.

Typical users of these products include manufacturers of consumer goods, pharmaceuticals, paints, plastics and textiles, retailers, graphic design firms and packaging printers and converters. Customers in these industries choose suppliers based on a number of factors, including domain experience, speed and accuracy, ease of connection to the internet and other software systems, equipment uptime and reliable operation without interruption, ease of maintenance, service coverage and the other factors described under "—Competition." The product identification business' products are primarily marketed under key brands including AVT, ESKO, LAETUS, LINX, PANTONE, VIDEOJET and X-RITE. Manufacturing and software development facilities are located in North America, Europe, Latin America and Asia. Sales are generally made through the business' direct sales personnel, independent distributors and e-commerce.

The following discussion includes information common to all of Danaher's segments.

Materials

The Company's manufacturing operations employ a wide variety of raw materials, including metallic-based components, electronic components, chemistries, OEM products, plastics and other petroleum-based products. Prices of oil and gas also affect the Company's costs for freight and utilities. The Company purchases raw materials from a large number of independent sources around the world. No single supplier is material, although for some components that require particular specifications or regulatory or other qualifications there may be a single supplier or a limited number of suppliers that can readily provide such components. The Company utilizes a number of techniques to address potential disruption in and other risks relating to its supply chain, including in certain cases the use of safety stock, alternative materials and qualification of multiple supply

sources. During 2020, the Company had no raw material shortages that had a material effect on the business. For a further discussion of risks related to the materials and components required for the Company's operations, refer to "Item 1A. Risk Factors."

Intellectual Property

The Company owns numerous patents, trademarks, copyrights, trade secrets and licenses to intellectual property owned by others. Although in aggregate the Company's intellectual property is important to its operations, the Company does not consider any single patent, trademark, copyright, trade secret or license (or any related group of any such items) to be of material importance to any segment or to the business as a whole. From time to time the Company engages in litigation to protect its intellectual property rights. For a discussion of risks related to the Company's intellectual property, refer to "Item 1A. Risk Factors." All capitalized brands and product names throughout this document are trademarks owned by, or licensed to, Danaher.

Competition

Although the Company's businesses generally operate in highly competitive markets, the Company's competitive position cannot be determined accurately in the aggregate or by segment since none of its competitors offer all of the same product and service lines or serve all of the same markets as the Company, or any of its segments, does. Because of the range of the products and services the Company sells and the variety of markets it serves, the Company encounters a wide variety of competitors, including well-established regional competitors, competitors who are more specialized than it is in particular markets, as well as larger companies or divisions of larger companies with substantial sales, marketing, research and financial capabilities. The Company is facing increased competition in a number of its served markets as a result of the entry of new, large companies into certain markets, the entry of competitors based in low-cost manufacturing locations, and increasing consolidation in particular markets. The number of competitors varies by product and service line. Management believes that the Company has a market leadership position in many of the markets it serves. Key competitive factors vary among the Company's businesses and product and service lines, but include the specific factors noted above with respect to each particular business and typically also include price, quality and safety, performance, delivery speed, application expertise, service and support, technology and innovation, distribution network, breadth of product, service and software offerings and brand name recognition. For a discussion of risks related to competition, refer to "Item 1A. Risk Factors."

Human Capital

As of December 31, 2020, the Company had approximately 69,000 employees (whom we refer to as "associates"), of whom approximately 24,000 were employed in the United States and approximately 45,000 were employed outside of the United States. Approximately 67,000 of the Company's total employees were full-time and 2,000 were part-time employees. Of the United States employees, approximately 300 were hourly-rated, unionized employees. Outside the United States, the Company has government-mandated collective bargaining arrangements and union contracts in certain countries, particularly in Europe where many of the Company's employees are represented by unions and/or works councils.

Danaher is committed to attracting, developing, engaging and retaining the best people from around the world to sustain and grow our science and technology leadership. As noted above, "Consistently attracting and retaining exceptional talent" is one of our three strategic priorities and "The Best Team Wins" is one of our five Core Values, reflecting the critical role our human capital plays in supporting our strategy. Our human capital strategy spans multiple, key dimensions, including the following:

- **Culture and Governance**
 - Our culture is rooted in DBS and in our Shared Purpose, *Helping Realize Life's Potential*. At its core, DBS reflects a commitment to use process to continuously improve every aspect of our business. Our Shared Purpose gives meaning and direction to our continuous improvement.
 - Danaher's Board of Directors reviews the Company's human capital strategy annually and at other times during the year in connection with significant initiatives and acquisitions, supported by the Compensation Committee's oversight of our executive and equity compensation programs. At the management level, our Senior Vice President of Human Resources, who reports directly to our

President and CEO, is responsible for the development and execution of the Company's human capital strategy.

- **Recruitment**

- As part of our commitment to the Core Value “The Best Team Wins”, we focus on identifying, attracting and recruiting diverse talent to meet our current and future business needs. Danaher’s talent acquisition strategy is focused on broadening our candidate pools, which we believe will increase underrepresented talent throughout the Company.

- **Engagement**

- General. Our engagement strategy focuses on developing the best workplace and best people leaders to meet our associates’ needs every day. Further, we believe that better associate engagement helps enable better retention and better business performance. We assess our engagement performance through an annual engagement survey that addresses engagement, direct supervisor effectiveness, behavior change and performance enablement, as well as through our voluntary turnover rate.
- D+I. We believe a diverse workforce and culture of inclusion is essential to drive innovation, fuel growth and help ensure our technologies and products effectively serve a global customer base. Danaher’s Diversity + Inclusion Council (including Danaher’s Senior Vice President of Human Resources, Vice President of Diversity + Inclusion and multiple other executive officers) oversees the development and execution of our diversity and inclusion (“D+I”) strategy. We focus on broadening our candidate pools, sourcing diverse slates in the hiring process and implementing and sustaining programs (such as our U.S.-based Associate Resource Groups for Women, Black, Latinx, LGBTQ and Asian descent associates) that offer mentorship, support and engagement to help our associates, including those from underrepresented groups, succeed and thrive. In support of our D+I commitment, we conduct regular pay reviews from a race (in the United States.) and gender (globally) perspective that serve to proactively identify and address potential pay differences. As of December 31, 2020, 36% of our total associates were female; 29% of our managerial associates were female; 33% of our total U.S. associates were People of Color; and 25% of our U.S. managerial associates were People of Color.

- **Retention**

- Compensation and Benefits. We are committed to offering competitive compensation and benefits, tailored in form and amount to geography, industry, experience and performance and designed to attract associates, motivate and reward performance, drive growth and support retention. We have a common job architecture across our businesses to provide a standardized framework for defining jobs, job families, and career levels, and set market-aligned pay structures for each career level (adjusted as appropriate for the particular job family, industry, and geography) based on a range of compensation surveys.
- Performance Management. Our Performance for Growth process supports our high-performance culture by seeking to ensure that high-performing associates are recognized and rewarded for their contributions.
- Talent Development and Career Mobility. Our talent development program (which is generally structured to consist of 70% on-the-job learning, 20% coaching and mentoring and 10% formal training) strives to provide every associate with appropriate development opportunities. In particular, we make available to people leaders at every level training, coaching and developmental resources to help them be effective leaders and advance their careers. We further encourage internal promotion and mobility through our Danaher Go program, which makes open positions throughout the organization visible to associates and proactively encourages our associates to seek promotional opportunities. We assess our performance in this area using metrics including internal fill rate (which tracks the percentages of open roles at particular levels filled by our own associates) as well as the percentage of eligible associates with talent assessments/career plans.

- Safety and Risk Management. Associate safety is deeply embedded in our culture. Our Environment, Health and Safety (“EHS”) Policy establishes the core principles upon which our EHS management programs are built, and associates use our DBS-based “4E” toolkit to identify, assess and control hazards related to ergonomics, energetics, exposures and environment. In addition, we evaluate and manage risks relating to our human capital strategy as part of Danaher’s enterprise risk management program. Key quantitative measures that we use to assess performance in this category include total recordable incident rate (defined as the number of work-related injuries or illness cases serious enough to require treatment beyond first aid, per 200,000 hours worked) and days away, restricted or transferred (defined as the number of work-related injuries or illness cases that result in an employee working with physical restrictions, being away from work or unable to do their job or transferring to other work, per 200,000 hours worked).

The health and well-being of our associates has been a key area of focus in our response to the COVID-19 pandemic. We launched a global Employee Assistance Program in March 2020 to ensure a consistent support structure for mental health and well-being across the Company and expanded the program over the course of the year to provide enhanced support with respect to childcare, eldercare and tutoring, among other areas. In the United States, we have provided benefits beyond the requirements of the Families First Act, for example by extending our leave policy to cover elder care and providing for voluntary leaves even in certain circumstances not required by the law. We have focused on implementing safety precautions on a facility-specific basis, such as wearing appropriate protective equipment, social distancing measures, work-from-home requirements where feasible and in many cases staggered work shifts, restricted work zones and daily temperature screenings. The results of our 2020 Associate Engagement Survey validate the impact of these efforts: 88% of surveyed associates felt satisfied with Danaher's efforts to care for associates during the pandemic, while 93% of surveyed associates agreed that their leaders took actions to maintain a safe work environment.

Research and Development ("R&D")

The Company conducts R&D activities for the purpose of developing new products, enhancing the functionality, effectiveness, ease of use and reliability of its existing products and expanding the applications for which uses of its products are appropriate. The Company's R&D efforts include internal initiatives and those that use licensed or acquired technology, and we work with a number of leading research institutions, universities and clinicians around the world to develop, evaluate and clinically test our products. The Company conducts R&D activities primarily in North America, Europe, and Asia and generally on a business-by-business basis, although it does conduct certain R&D activities on a centralized basis. The Company anticipates that it will continue to make significant expenditures for R&D as it seeks to provide a continuing flow of innovative products and services to maintain and improve its competitive position. For a discussion of the risks related to the need to develop and commercialize new products and product enhancements, refer to "Item 1A. Risk Factors."

Government Contracts

Although the substantial majority of the Company's revenue in 2020 was from customers other than governmental entities, each of Danaher's segments has agreements relating to the sale of products to government entities. As a result, the Company is subject to various statutes and regulations that apply to companies doing business with governments. For a discussion of risks related to government contracting requirements, refer to "Item 1A. Risk Factors." No material portion of Danaher's business is subject to renegotiation of profits or termination of contracts at the election of a government entity.

Regulatory Matters

The Company faces extensive government regulation both within and outside the United States relating to the development, manufacture, marketing, sale and distribution of its products and services. The following sections describe certain significant regulations that the Company is subject to. These are not the only regulations that the Company's businesses must comply with. For a description of the risks related to the regulations that the Company's businesses are subject to, refer to "Item 1A. Risk Factors."

Medical Device Regulations

Many of our products are classified as medical devices and are subject to restrictions under domestic and foreign laws, rules, regulations, self-regulatory codes, circulars and orders, including, but not limited to, the U.S. Food, Drug, and Cosmetic Act (the "FDCA"). The FDCA requires these products, when sold in the United States, to be safe and effective for their intended uses and to comply with the regulations administered by the U.S. Food and Drug Administration ("FDA"). The FDA regulates the design, development, research, preclinical and clinical testing, introduction, manufacture, advertising, labeling, packaging, marketing, distribution, import and export and record keeping for such products. Many medical device products are also regulated by comparable agencies in non-U.S. countries in which they are produced or sold.

Unless an exemption applies, the FDA requires that a manufacturer introducing a new medical device or a new indication for use of an existing medical device obtain either a Section 510(k) premarket notification clearance or a premarket approval ("PMA") before introducing it into the U.S. market. The type of marketing authorization is generally linked to the classification of the device. The FDA classifies medical devices into one of three classes

(Class I, II or III) based on the degree of risk the FDA determines to be associated with a device and the level of regulatory control deemed necessary to ensure the device's safety and effectiveness.

The process of obtaining a Section 510(k) clearance generally requires the submission of performance data and clinical data, which in some cases can be extensive, to demonstrate that the device is "substantially equivalent" to a device that was on the market before 1976 or to a device that has been found by the FDA to be "substantially equivalent" to such a pre-1976 device.

A predecessor device is referred to as “predicate device.” As a result, FDA clearance requirements may extend the development process for a considerable length of time.

Medical devices can be marketed only for the indications for which they are cleared or approved. After a device has received 510(k) clearance for a specific intended use, any change or modification that significantly affects its safety or effectiveness, such as a significant change in the design, materials, method of manufacture or intended use, may require a new 510(k) clearance or PMA approval and payment of an FDA user fee. The determination as to whether or not a modification could significantly affect the device’s safety or effectiveness is initially left to the manufacturer using available FDA guidance; however, the FDA may review this determination to evaluate the regulatory status of the modified product at any time and may require the manufacturer to cease marketing and recall the modified device until 510(k) clearance or PMA approval is obtained.

Any medical devices we manufacture and distribute are subject to pervasive and continuing regulation by the FDA and certain state and non-U.S. agencies. These include product listing and establishment registration requirements, which help facilitate inspections and other regulatory actions. As a medical device manufacturer, our manufacturing facilities are subject to inspection on a routine basis by the FDA. We are required to adhere to the Current Good Manufacturing Practices (“CGMP”) requirements, as set forth in the Quality Systems Regulation (“QSR”), which require manufacturers, including third-party manufacturers, to follow stringent design, testing, control, documentation and other quality assurance procedures during all phases of the design and manufacturing process.

We must also comply with post-market surveillance regulations, including medical device reporting (“MDR”) requirements which require that we review and report to the FDA any incident in which our products may have caused or contributed to a death or serious injury. We must also report any incident in which our product has malfunctioned if that malfunction would likely cause or contribute to a death or serious injury if it were to recur.

Labeling and promotional activities are subject to scrutiny by the FDA and, in certain circumstances, by the Federal Trade Commission. Medical devices approved or cleared by the FDA may not be promoted for unapproved or uncleared uses, otherwise known as “off-label” promotion. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses.

In the European Union (“EU”), our products are subject to the medical device and in vitro medical device laws of the various member states, which for many years were based on Directives of the European Commission. However, in May 2017, the EU adopted new, formal regulations to replace such Directives; specifically, the EU Medical Device Regulation (the “EU MDR”) and In Vitro Diagnostic Regulation (the “EU IVDR”), each of which imposes stricter requirements for the marketing and sale of medical devices and in vitro devices, including in the area of clinical evaluation requirements, quality systems and post-market surveillance. The EU regulations were adopted with staggered transitional periods that have since been updated. The full application of the EU MDR has been postponed until May 2021, while the EU IVDR will be fully applicable in May 2022. Complying with the EU MDR and EU IVDR requires modifications to our quality management systems, additional resources in certain functions and updates to technical files, among other changes, which cost approximately \$30 million in 2020 and we anticipate will cost approximately \$35 million in 2021.

Other Healthcare Laws

We are also subject to the U.S. Foreign Corrupt Practices Act and various health care related laws regulating fraud and abuse, research and development, pricing and sales and marketing practices, and the privacy and security of health information, including the U.S. federal regulations described below. Many states, foreign countries and supranational bodies have also adopted laws and regulations similar to, and in some cases more stringent than, the U.S. federal regulations discussed above and below, including the UK Bribery Act and similar anti-bribery laws.

- Many of our healthcare-related products are purchased by healthcare providers that typically bill various third-party payers, such as governmental healthcare programs (e.g., Medicare, Medicaid and comparable non-U.S. programs), private insurance plans and managed care plans, for the healthcare services provided to their patients. The ability of our customers to obtain appropriate reimbursement for products and services from third-party payers is critical because it affects which products customers purchase and the prices they are willing to pay. As a result, many of our healthcare-related products are subject to regulation regarding quality and cost by the U.S. Department of Health and Human Services (“HHS”), including the Centers for

Medicare & Medicaid Services (“CMS”), as well as comparable state and non-U.S. agencies responsible for reimbursement and regulation of healthcare goods and services, including laws and regulations related to kickbacks, false claims, self-referrals and healthcare fraud. Third-party payers are increasingly reducing reimbursements for medical products and services and, in international markets, many countries have instituted price ceilings on specific products and therapies. Price ceilings, decreases in third-party reimbursement for any product or a decision by a third-party payor not to cover a product could reduce usage and patient demand for the product.

- The U.S. Federal Anti-Kickback Statute prohibits persons from knowingly and willfully soliciting, offering, receiving or providing remuneration (including any kickback or bribe), directly or indirectly, in exchange for or to induce either the referral of an individual, or the furnishing or arranging for a good or service, for which payment may be made in whole or in part under a federal health care program, such as Medicare or Medicaid. A person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation.
- The Health Insurance Portability and Accountability Act of 1996 (“HIPAA”) prohibits knowingly and willfully (1) executing, or attempting to execute, a scheme to defraud any health care benefit program, including private payors, or (2) falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for health care benefits, items or services. In addition, HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, also restricts the use and disclosure of patient identifiable health information, mandates the adoption of standards relating to the privacy and security of patient identifiable health information and requires the reporting of certain security breaches with respect to such information. Similar to the U.S. Federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the healthcare fraud statute implemented under HIPAA or specific intent to violate it in order to have committed a violation.
- The False Claims Act imposes liability on any person or entity that, among other things, knowingly presents, or causes to be presented, a false or fraudulent claim for payment by a federal health care program, knowingly makes, uses or causes to be made or used, a false record or statement material to a false or fraudulent claim, or knowingly makes a false statement to avoid, decrease or conceal an obligation to pay money to the U.S. federal government. The qui tam provisions of the False Claims Act allow a private individual to bring actions on behalf of the federal government alleging that the defendant has submitted a false claim to the federal government, and to share in any monetary recovery. In addition, the government may assert that a claim including items and services resulting from a violation of the U.S. Federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the civil False Claims Act.
- The federal Civil Monetary Penalties Law prohibits, among other things, the offering or transferring of remuneration to a Medicare or Medicaid beneficiary that the person knows or should know is likely to influence the beneficiary’s selection of a particular supplier of Medicare or Medicaid payable items or services.
- The Open Payments Act requires manufacturers of medical devices covered under Medicare, Medicaid or the Children’s Health Insurance Program with specific exceptions to record payments and other transfers of value to a broad range of healthcare providers and teaching hospitals and to report this data as well as ownership and investment interests held by the physicians described above and their immediate family members to HHS for subsequent public disclosure. Similar reporting requirements have also been enacted on the state level, and an increasing number of countries either have adopted or are considering similar laws requiring transparency of interactions with health care professionals.

In addition, some of the in vitro diagnostic drugs-of-abuse assays and reagents sold by the Company’s subsidiaries contain small amounts of controlled substances, and as a result some of the Company’s facilities are inspected periodically by the United States Drug Enforcement Administration to ensure that the Company properly handles, stores and disposes of controlled substances in the manufacture of those products.

Federal consumer protection and unfair competition laws broadly regulate marketplace activities and activities that potentially harm consumers. Analogous U.S. state laws and regulations, such as state anti-kickback and false claims laws, also may apply to our business practices, including but not limited to, research, distribution, sales and marketing arrangements and claims involving healthcare items or services reimbursed by any third-party payor, including private insurers. Further, there are state laws that require medical device manufacturers to comply with the voluntary compliance guidelines and the relevant compliance guidance promulgated by the U.S. federal government, or otherwise restrict payments that may be made to healthcare providers and other potential referral sources; state laws and regulations that require manufacturers to file reports relating to pricing and marketing information, which requires tracking gifts and other remuneration and items of value provided to healthcare professionals and entities; state and local laws requiring the registration of sales representatives; and state laws governing the privacy and

security of health information in certain circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA.

For a discussion of risks related to regulation by the FDA and comparable agencies of other countries, and the other regulatory regimes referenced above, please refer to section entitled “Item 1A. Risk Factors.”

Healthcare Reform

In the United States and certain foreign jurisdictions, there have been, and we expect there will continue to be, a number of legislative and regulatory changes to the healthcare system. There is significant interest in promoting changes in healthcare systems with the stated goals of containing healthcare costs, improving quality or expanding access. For example, in the United States, in March 2010, the U.S. Patient Protection and Affordable Care Act (as amended by the Health Care and Education Affordability Reconciliation Act) (collectively, the “PPACA”) was signed into law, which substantially changed the way healthcare is financed by both governmental and private insurers and significantly affected the healthcare industry. Since its enactment, there have been judicial, Congressional and executive challenges to certain aspects of the PPACA, and there may be additional challenges and amendments to the PPACA in the future.

Moreover, there has recently been heightened governmental scrutiny over the manner in which manufacturers set prices for their marketed products, which has resulted in several Congressional inquiries and proposed and enacted legislation designed, among other things, to bring more transparency to product pricing, review the relationship between pricing and manufacturer patient programs and reform government program reimbursement methodologies for medical products. Individual states in the United States have also become increasingly active in implementing regulations designed to control product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures and, in some cases, mechanisms to encourage importation from other countries and bulk purchasing.

Data Privacy and Security Laws

As a global organization, we are subject to data privacy and security laws, regulations, and customer-imposed controls in numerous jurisdictions as a result of having access to and processing confidential, personal and/or sensitive data in the course of our business. For example, in the United States, HIPAA privacy and security rules require certain of our operations to maintain controls to protect the availability and confidentiality of patient health information, individual states regulate data breach and security requirements and multiple governmental bodies assert authority over aspects of the protection of personal privacy. In particular, the California Consumer Privacy Act (“CCPA”), which came into effect in January 2020 has some of the same features as the GDPR (discussed below), and has already prompted several other states to consider enacting similar laws. The EU General Data Protection Regulation that became effective in May 2018 (“GDPR”) has imposed significantly stricter requirements in how we collect, transmit, process and retain personal data, including, among other things, in certain circumstances a requirement for almost immediate notice of data breaches to supervisory authorities with significant fines for non-compliance. Several other countries such as China and Russia have passed, and other countries are considering passing, laws that require personal data relating to their citizens to be maintained on local servers and impose additional data transfer restrictions. For a discussion of risks related to these laws, refer to “Item 1A. Risk Factors.”

Environmental Laws and Regulations

For a discussion of the environmental laws and regulations that the Company’s operations, products and services are subject to and other environmental contingencies, refer to Note 18 to the Consolidated Financial Statements included in this Annual Report. For a discussion of risks related to compliance with environmental and health and safety laws and risks related to past or future releases of, or exposures to, hazardous substances, refer to “Item 1A. Risk Factors.”

Antitrust Laws

The U.S. federal government, most U.S. states and many other countries have laws that prohibit certain types of conduct deemed to be anti-competitive. Violations of these laws can result in various sanctions, including criminal and civil penalties. Private plaintiffs also could bring civil lawsuits against us in the United States for alleged antitrust law violations, including claims for treble damages.

Export/Import Compliance

The Company is required to comply with various U.S. export/import control and economic sanctions laws, including:

- the International Traffic in Arms Regulations administered by the U.S. Department of State, Directorate of Defense Trade Controls, which, among other things, imposes license requirements on the export from the United States of defense articles and defense services listed on the U.S. Munitions List;
- the Export Administration Regulations administered by the U.S. Department of Commerce, Bureau of Industry and Security, which, among other things, impose licensing requirements on the export, in-country transfer and re-export of certain dual-use goods, technology and software (which are items that have both commercial and military, or proliferation applications);

- the regulations administered by the U.S. Department of Treasury, Office of Foreign Assets Control, which implement economic sanctions imposed against designated countries, governments and persons based on United States foreign policy and national security considerations; and
- the import regulatory activities of the U.S. Customs and Border Protection and other U.S. government agencies.

Other nations' governments have implemented similar export/import control and economic sanction regulations, which may affect the Company's operations or transactions subject to their jurisdictions.

In addition, under U.S. laws and regulations, U.S. companies and their subsidiaries and affiliates outside the United States are prohibited from participating or agreeing to participate in unsanctioned foreign boycotts in connection with certain business activities, including the sale, purchase, transfer, shipping or financing of goods or services within the United States or between the United States and countries outside of the United States. If we, or certain third parties through which we sell or provide goods or services, violate anti-boycott laws and regulations, we may be subject to civil or criminal enforcement action and varying degrees of liability.

For a discussion of risks related to export/import control and economic sanctions laws, refer to "Item 1A. Risk Factors."

International Operations

The Company's products and services are available worldwide, and its principal markets outside the United States are in Europe and Asia. The Company also has operations around the world, and this geographic diversity allows the Company to draw on the skills of a worldwide workforce, provides greater stability to its operations, allows the Company to drive economies of scale, provides revenue streams that may help offset economic trends that are specific to individual economies and offers the Company an opportunity to access new markets for products. In addition, the Company believes that future growth depends in part on its ability to continue developing products and sales models that successfully target high-growth markets.

The manner in which the Company's products and services are sold outside the United States differs by business and by region. Most of the Company's sales in non-U.S. markets are made by its subsidiaries located outside the United States, though the Company also sells directly from the United States into non-U.S. markets through various representatives and distributors and, in some cases, directly. In countries with low sales volumes, the Company generally sells through representatives and distributors.

For a discussion of the United Kingdom's withdrawal from the EU ("Brexit") and certain risks and implications thereof for the Company, refer to "Item 1A—Risk Factors".

Information about the effects of foreign currency fluctuations on the Company's business is set forth in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A") included in this Annual Report. For a discussion of risks related to the Company's non-U.S. operations and foreign currency exchange, refer to "Item 1A. Risk Factors."

Available Information

The Company maintains an internet website at www.danaher.com. The Company makes available free of charge on the website its annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after filing such material with, or furnishing such material to, the SEC. Danaher's internet site and the information contained on or connected to that site are not incorporated by reference into this Form 10-K.

ITEM 1A. RISK FACTORS

You should carefully consider the risks and uncertainties described below, together with the information included elsewhere in this Annual Report on Form 10-K and other documents we file with the SEC. The risks and uncertainties described below are those that we have identified as material, but are not the only risks and uncertainties facing us. Our business is also subject to general risks and uncertainties that affect many other companies, such as market conditions, economic conditions, geopolitical events, changes in laws, regulations or

accounting rules, fluctuations in interest rates, terrorism, wars or conflicts, major health concerns including epidemics, natural disasters or other disruptions of expected business conditions. Additional risks and uncertainties not currently known to us or that we currently believe are immaterial also may impair our business and financial statements, including our results of operations, liquidity, financial condition and stock price.

Business and Strategic Risks

The COVID-19 pandemic has adversely impacted, and continues to pose risks to, certain elements of our business and our financial statements, the nature and extent of which are highly uncertain and unpredictable.

Our global operations expose us to risks associated with public health crises, including epidemics and pandemics such as COVID-19. The global spread of COVID-19 has led to unprecedented restrictions on, and disruptions in, business and personal activities, including as a result of preventive and precautionary measures that we, other businesses, our communities and governments are taking to mitigate the spread. For example, many governments have issued “stay-at-home” orders which restrict business and personal activities, and many employers are requiring employees to work from home. In addition to existing travel and activity restrictions, jurisdictions may continue to close borders, impose prolonged quarantines and further restrict travel and other activities. The pandemic has caused a global recession of potentially extended duration.

The direct impact of COVID-19 and the preventive and precautionary measures implemented as a result thereof have adversely affected, and are expected to continue to adversely affect, certain elements of our Company (including to a different degree our operations, commercial organizations, supply chains and distribution systems) and the future impact may be material, though the impact on our different businesses and the different elements of our businesses varies (please see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for a discussion of how COVID-19 impacted our results of operations and financial position in 2020). Without limiting the foregoing, we have experienced and/or may in the future experience:

- adverse impacts on customer orders and purchases and unpredictable reductions in demand for many of our products;
- constraints on the movement of our products through the supply chain;
- adverse impacts on our collections of accounts receivable, including delays in collections and increases in uncollectible receivables;
- supply chain capacity constraints and price increases, including with respect to freight services;
- adverse impacts on our workforce and/or key employees;
- unpredictable increases in demand for certain products; and
- increased cybersecurity attack activity.

In an effort to optimize availability of needed medical and other supplies and products in connection with the COVID-19 pandemic, we may elect to or governments may require us or our customers to allocate manufacturing capacity (for example pursuant to the U.S. Defense Production Act (“DPA”)) in a way that adversely affects our financial condition and results of operations, results in differential treatment of customers and/or adversely affects our reputation and customer relationships. For example, certain of our customers are or have been subject to DPA requirements relating to the production of COVID-19 related products and have required certain of our businesses to also comply with these requirements under our supply agreements. Further, the Biomedical Advanced Research and Development Authority (“BARDA”) of the U.S. government has agreed to finance an expansion of production capacity at one of our businesses for COVID-19 related products, and in connection therewith the business has committed certain of such incremental production capacity to the U.S. government pursuant to the DPA. In addition, unpredictable increases in demand for certain of our products can exceed our capacity to meet such demand on a timely basis or at all, which can result in negative publicity and otherwise adversely affect our business and financial statements. The accelerated development and production of products and services in an effort to address medical and other requirements as a result of the pandemic also increases the risk of regulatory enforcement actions, product defects or claims thereof. In addition, the COVID-19 vaccines that are developed may not all use Danaher’s vaccine development/production solutions, and/or may use Danaher’s solutions to different degrees; and if the number of COVID-19 vaccines under development declines (for example because one or a limited number of vaccines emerges as the preferred solution) the demand for Danaher’s vaccine development/production solutions may decline. Danaher’s COVID-19 testing solutions may also not ultimately be the preferred testing solutions for COVID-19. Any of these developments may adversely affect our business and financial statements.

Although we successfully issued debt and equity in underwritten offerings in 2020, COVID-19 has led to disruption and volatility in the global capital markets, which has increased the cost of, and adversely impacted access to, capital (including in the commercial paper markets) and increased economic uncertainty. There are no assurances that the commercial paper markets or the capital markets will be available to us in the future or that the lenders participating in our revolving credit facilities will be able to provide financing in accordance with their contractual obligations.

While the pandemic continues we expect to experience continued adverse impacts on our business and financial statements, which adverse impacts are unpredictable and may be material. Even to the extent COVID-19 conditions begin to improve, the duration and sustainability of any such improvements will be uncertain and continuing adverse impacts and/or the degree of improvement may vary dramatically by geography and line of business. The actions Danaher's businesses take in response to any improvements in conditions may vary widely by geography and line of business and will likely be made with incomplete information; pose the risk that such actions may prove to be premature, incorrect or insufficient; and could have a material, adverse impact on our business and financial statements. In addition, any restructuring activities we undertake in light of the COVID-19 impact may adversely affect our business and financial statements.

Conditions in the global economy, the particular markets we serve and the financial markets may adversely affect our business and financial statements.

Our business is sensitive to general economic conditions. Slower economic growth in the domestic and/or international markets, actual or anticipated default on sovereign debt, volatility in the currency and credit markets, high levels of unemployment or underemployment, reduced levels of capital expenditures, changes or anticipation of potential changes in government trade, fiscal, tax and monetary policies, changes in capital requirements for financial institutions, government deficit reduction and budget negotiation dynamics, sequestration, austerity measures and other challenges that affect the global economy have in the past adversely affected, and may in the future adversely affect, the Company and its distributors, customers and suppliers, including having the effect of:

- reducing demand for our products and services (in this Annual Report, references to products and services also includes software), limiting the financing available to our customers and suppliers, increasing order cancellations and resulting in longer sales cycles and slower adoption of new technologies;
- increasing the difficulty in collecting accounts receivable and the risk of excess and obsolete inventories;
- increasing price competition in our served markets;
- supply interruptions, which could disrupt our ability to produce our products;
- increasing the risk of impairment of goodwill and other long-lived assets, and the risk that we may not be able to fully recover the value of other assets such as real estate and tax assets;
- increasing the risk that counterparties to our contractual arrangements will become insolvent or otherwise unable to fulfill their contractual obligations which, in addition to increasing the risks identified above, could result in preference actions against us; and
- adversely impacting market sizes and growth rates.

If growth in the global economy or in any of the markets we serve slows for a significant period, if there is significant deterioration in the global economy or such markets or if improvements in the global economy do not benefit the markets we serve, our business and financial statements could be adversely affected.

We face intense competition and if we are unable to compete effectively, we may experience decreased demand and decreased market share. Even if we compete effectively, we may be required to reduce the prices we charge.

Our businesses operate in industries that are intensely competitive and have been subject to increasing consolidation. Because of the range of the products and services we sell and the variety of markets we serve, we encounter a wide variety of competitors; refer to “Item 1. Business—Competition” for additional details. In order to compete effectively, we must retain longstanding relationships with major customers and continue to grow our business by establishing relationships with new customers, continually developing new products and services to maintain and expand our brand recognition and leadership position in various product and service categories and penetrating new markets, including high-growth markets. Our ability to compete can also be impacted by changing customer preferences and requirements (for example increased demand for products incorporating digital capabilities or more environmentally-friendly products and supplier practices) as well as changes in the way healthcare services are delivered (including the movement of some care from acute to non-acute settings and increased focus on chronic disease management). Cost containment efforts by governments and the private sector, particularly in the healthcare industry, are also resulting in increased emphasis on products that reduce costs and improve efficiency and effectiveness. In addition, significant shifts in industry market share have occurred and may in the future occur in connection with product problems, safety alerts and publications about products, reflecting the competitive significance of product quality, product efficacy and quality systems in our industry. Our failure to compete effectively and/or pricing pressures resulting from competition may adversely impact our business and financial statements, and our expansion into new markets may result in greater-than-expected risks, liabilities and expenses. In addition, the Company’s competitors and customers have from time to time introduced, and may in the future introduce, private label, generic or low-cost products that compete with the Company’s products at lower price points. Competitors’ products can capture significant market share or lead to a decrease in market prices overall, resulting in an adverse effect on the Company’s business and financial statements.

Our growth depends in part on the timely development and commercialization, and customer acceptance, of new and enhanced products and services based on technological innovation.

We generally sell our products and services in industries that are characterized by rapid technological changes, frequent new product introductions and changing industry standards. If we do not develop innovative new and enhanced products and services on a timely basis, our offerings will become obsolete over time and our business and financial statements will suffer. Our success will depend on several factors, including our ability to:

- correctly identify customer needs and preferences and predict future needs and preferences;
- allocate our R&D funding to products and services with higher growth prospects;
- anticipate and respond to our competitors’ development of new products and services and technological innovations;
- differentiate our offerings from our competitors’ offerings and avoid commoditization;
- innovate and develop new technologies and applications, and acquire or obtain rights to third-party technologies that may have valuable applications in our served markets;
- obtain adequate intellectual property rights with respect to key technologies before our competitors do;
- successfully commercialize new technologies in a timely manner, price them competitively and cost-effectively manufacture and deliver sufficient volumes of new products of appropriate quality on time;
- obtain necessary regulatory approvals of appropriate scope (including with respect to medical device products by demonstrating satisfactory clinical results where applicable, as well as achieving third-party reimbursement); and
- stimulate customer demand for and convince customers to adopt new technologies.

If we fail to accurately predict future customer needs and preferences or fail to produce viable technologies, we may invest heavily in R&D of products and services that do not lead to significant revenue, which would adversely affect

our business and financial statements. Even when we successfully innovate and develop new and enhanced products and services, we often incur substantial costs in doing so, and our profitability may suffer. In addition, promising new offerings may fail to reach the market or realize only limited commercial success because of real or perceived efficacy or safety concerns, failure to achieve positive clinical outcomes, uncertainty over third-party reimbursement or entrenched patterns of clinical practice. Competitors may also develop after-market services and parts for our products which attract customers and adversely affect our return on investment for new products.

The health care industry and related industries that we serve have undergone, and are in the process of undergoing, significant changes in an effort to reduce (and increase the predictability of) costs, which can adversely affect our business and financial statements.

The health care industry and related industries that we serve have undergone, and are in the process of undergoing, significant changes in an effort to reduce (and increase the predictability of) costs, including the following:

- many of our customers, and the end-users to whom our customers supply products, rely on government funding of and reimbursement for healthcare products and services and research activities. The PPACA, health care austerity measures in other countries and other potential healthcare reform changes and government austerity measures have reduced and may further reduce the amount of government funding or reimbursement available to customers or end-users of our products and services and/or the volume of medical procedures using our products and services. For example, the Protecting Access to Medicare Act of 2014, or PAMA, introduced a multi-year pricing program for services payable under the Clinical Laboratory Fee Schedule (“CLFS”) that is designed to bring Medicare allowable amounts in line with the amounts paid by private payers. It is still unclear whether and to what extent these new rates will affect overall pricing and reimbursement for clinical laboratory testing services, but to the extent our customers conclude that Medicare reimbursement for these services is inadequate, it can in turn adversely impact the prices at which we sell our products. Other countries, as well as some private payors, also control the price of health care products, directly or indirectly, through reimbursement, payment, pricing or coverage limitations, tying reimbursement to outcomes or (in the case of governmental entities) through compulsory licensing. Global economic uncertainty or deterioration can also adversely impact government funding and reimbursement.
- governmental and private health care providers and payors around the world are increasingly utilizing managed care for the delivery of healthcare services, centralizing purchasing, limiting the number of vendors that may participate in purchasing programs, forming group purchasing organizations and integrated health delivery networks and pursuing consolidation to improve their purchasing leverage and using competitive bid processes to procure healthcare products and services. Payors are also seeking to improve price predictability in an effort to mitigate exposure to future price increases.

These changes as well as other impacts from market demand, government regulations, third-party coverage and reimbursement policies and societal pressures are changing the way healthcare is delivered, reimbursed and funded and have in the past and could in the future cause participants in the healthcare industry and related industries that we serve to purchase fewer of our products and services, reduce the prices they are willing to pay for our products or services, reduce the amounts of reimbursement and funding available for our products and services from governmental agencies or third-party payors, heighten clinical data requirements, reduce the volume of medical procedures that use our products and services, affect the acceptance rate of new technologies and products and increase our compliance and other costs. In addition, we may be excluded from important market segments or unable to enter into contracts with group purchasing organizations and integrated health networks on terms acceptable to us, and even if we do enter into such contracts they may be on terms that negatively affect our current or future profitability. All of the factors described above can adversely affect our business and financial statements.

International economic, political, legal, compliance, social and business factors can negatively affect our business and financial statements.

In 2020, approximately 61% of our sales were derived from customers outside the United States. In addition, many of our manufacturing operations, suppliers and employees are located outside the United States. Since our growth strategy depends in part on our ability to further penetrate markets outside the United States and increase the localization of our products and services, we expect to continue to increase our sales and presence outside the United States, particularly in the high-growth markets. Our international business (and particularly our business in high-growth markets) is subject to risks that are customarily encountered in non-U.S. operations, including:

- interruption in the transportation of materials to us and finished goods to our customers;
- differences in terms of sale, including longer payment terms than are typical in the United States;
- local product preferences and product requirements;

- changes in a country's or region's political, social or economic conditions, such as the devaluation of particular currencies;
- trade protection measures, embargoes and import or export restrictions and requirements;
- unexpected changes in laws or regulatory requirements, including changes in tax laws;

- capital controls and limitations on ownership and on repatriation of earnings and cash;
- the potential for nationalization of enterprises;
- changes in local healthcare delivery, payment and reimbursement policies and programs;
- limitations on legal rights and our ability to enforce such rights;
- difficulty in staffing and managing widespread operations;
- differing labor or employment regulations;
- difficulties in implementing restructuring actions on a timely or comprehensive basis;
- differing protection of intellectual property; and
- greater uncertainty, risk, expense and delay in commercializing products in certain foreign jurisdictions, including with respect to product and other regulatory approvals.

International business risks have in the past and may in the future negatively affect our business and financial statements.

For example, in 2020 we generated approximately 12% of our sales from China. Accordingly, our business and financial statements can be adversely influenced by political, economic, legal, compliance and social conditions in China generally. Additionally, China's government continues to play a significant role in regulating industry development by imposing industrial policies, and it maintains control over China's economic growth through setting monetary policy and determining treatment of particular industries or companies. Further, considerable uncertainty exists regarding the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China. Uncertainty or adverse changes to economic conditions in China or the policies of China's government or its laws and regulations can have a material adverse effect on the overall economic growth of China and can adversely affect our business and financial statements.

In addition, our global operations expose us to risks associated with public health crises and epidemics, such as COVID-19, which could adversely impact our supply chains and distribution systems, reduce demand for our products and services, and otherwise adversely affect our business and financial statements.

Our growth can suffer if the markets into which we sell our products and services decline, do not grow as anticipated or experience cyclical.

Our growth depends in part on the growth of the markets which we serve, and visibility into our markets is limited (particularly for markets into which we sell through distribution). Our quarterly sales and profits depend substantially on the volume and timing of orders received during the fiscal quarter, which are difficult to forecast. Any decline or lower than expected growth in our served markets could diminish demand for our products and services, which would adversely affect our business and financial statements. Certain of our businesses operate in industries that may experience periodic, cyclical downturns. In addition, in certain of our businesses demand depends on customers' capital spending budgets as well as government funding policies, and matters of public policy and government budget dynamics as well as product and economic cycles can affect the spending decisions of these entities. Demand for our products and services is also sensitive to changes in customer order patterns, which may be affected by announced price changes, marketing or promotional programs, new product introductions, the timing of industry trade shows and changes in distributor or customer inventory levels due to distributor or customer management thereof or other factors. Any of these factors could adversely affect our business and financial statements in any given period.

Certain of our businesses rely on relationships with collaborative partners and other third-parties for development, supply and marketing of certain products, potential products and technologies, and such collaborative partners or other third-parties could fail to perform sufficiently.

We believe that for certain of our businesses, success in penetrating target markets depends in part on their ability to develop and maintain collaborative relationships with other companies. Relying on collaborative relationships is risky because, among other things, our collaborative partners may (1) not devote sufficient resources to the success of our collaborations; (2) fail to obtain regulatory approvals necessary to continue the collaborations in a timely manner; (3) be acquired by other companies and terminate our collaborative partnership or become insolvent; (4) compete with us; (5) disagree with us on key details of the collaborative relationship; (6) have insufficient capital resources; and (7) decline to renew existing collaborations on acceptable terms. Because these and other factors may be beyond our control, the development or commercialization of our products

involved in collaborative partnerships may be delayed or otherwise adversely affected. If we or any of our collaborative partners terminate a collaborative arrangement, we may be required to devote additional resources to product development and commercialization or we may need to cancel some development programs, which could adversely affect our business and financial statements.

Acquisitions, Divestitures and Investment Risks

Any inability to consummate acquisitions at our historical rate and at appropriate prices, and to make appropriate investments that support our long-term strategy, could negatively impact our growth rate and stock price.

Our ability to grow revenues, earnings and cash flow at or above our historic rates depends in part upon our ability to identify and successfully acquire and integrate businesses at appropriate prices and realize anticipated synergies, and to make appropriate investments that support our long-term strategy. We may not be able to consummate acquisitions at rates similar to the past, which could adversely impact our growth rate and our stock price. Promising acquisitions and investments are difficult to identify and complete for a number of reasons, including high valuations, competition among prospective buyers or investors, the availability of affordable funding in the capital markets and the need to satisfy applicable closing conditions and obtain applicable antitrust and other regulatory approvals on acceptable terms. In addition, competition for acquisitions and investments has resulted and may result in higher purchase prices. Changes in accounting or regulatory requirements or instability in the credit markets could also adversely impact our ability to consummate acquisitions and investments.

Our acquisition of businesses, investments, joint ventures and other strategic relationships could negatively impact our business and financial statements.

As part of our business strategy we acquire businesses, make investments and enter into joint ventures and other strategic relationships in the ordinary course, and we also from time to time complete more significant transactions; refer to MD&A for additional details. For example, our acquisition of Cytiva in March 2020 is Danaher's largest acquisition to date based on purchase price. Acquisitions (including the acquisition of Cytiva), investments, joint ventures and strategic relationships involve a number of financial, accounting, managerial, operational, legal, compliance and other risks and challenges, including but not limited to the following, any of which could adversely affect our business and our financial statements:

- businesses, technologies, services and products that we acquire or invest in sometimes under-perform relative to our expectations and the price that we paid, fail to perform in accordance with our anticipated timetable or fail to achieve and/or sustain profitability;
- we from time to time incur or assume significant debt in connection with our acquisitions, investments, joint ventures or strategic relationships, which can also cause a deterioration of Danaher's credit ratings, result in increased borrowing costs and interest expense and diminish our future access to the capital markets;
- acquisitions, investments, joint ventures or strategic relationships can cause our financial results to differ from our own or the investment community's expectations in any given period, or over the long-term;
- pre-closing and post-closing earnings charges can adversely impact our results in any given period, and the impact may be substantially different from period-to-period;
- acquisitions, investments, joint ventures or strategic relationships can create demands on our management, operational resources and financial and internal control systems that we are unable to effectively address;
- we can experience difficulty in integrating cultures, personnel, operations and financial and other controls and systems and retaining key employees and customers;
- we may be unable to achieve cost savings or other synergies anticipated in connection with an acquisition, investment, joint venture or strategic relationship;
- we have assumed and may assume unknown liabilities, known contingent liabilities that become realized, known liabilities that prove greater than anticipated, internal control deficiencies or exposure to regulatory sanctions resulting from the acquired company's or investee's activities and the realization of any of these

liabilities or deficiencies can increase our expenses, adversely affect our financial position or cause us to fail to meet our public financial reporting obligations;

- in connection with acquisitions and joint ventures, we often enter into post-closing financial arrangements such as purchase price adjustments, earn-out obligations and indemnification obligations, which can have unpredictable financial results;

- as a result of our acquisitions and investments, we have recorded significant goodwill and other assets on our balance sheet and if we are not able to realize the value of these assets, or if the value of our investments declines, we are required to incur impairment charges;
- we may have interests that diverge from those of our joint venture partners or other strategic partners or the companies we invest in, and we may not be able to direct or influence the management and operations of the joint venture, other strategic relationship or investee in the manner we believe is most appropriate, exposing us to additional risk; and
- investing in or making loans to early-stage companies often entails a high degree of risk, and we do not always achieve the strategic, technological, financial or commercial benefits we anticipate; we may lose our investment or fail to recoup our loan; or our investment may be illiquid for a greater-than-expected period of time.

The indemnification provisions of acquisition agreements by which we have acquired companies may not fully protect us and as a result we may face unexpected liabilities.

Certain of the acquisition agreements by which we have acquired companies require the former owners to indemnify us against certain liabilities related to the operation of the acquired company before we acquired it. In most of these agreements, however, the liability of the former owners is limited and certain former owners may be unable to meet their indemnification responsibilities. We cannot assure you that these indemnification provisions will protect us fully or at all, and as a result we may face unexpected liabilities that adversely affect our business and financial statements.

Divestitures or other dispositions could negatively impact our business, and contingent liabilities from businesses that we or our predecessors have disposed could adversely affect our business and financial statements.

We continually assess the strategic fit of our existing businesses and may divest, spin-off, split-off or otherwise dispose of businesses that are deemed not to fit with our strategic plan or are not achieving the desired return on investment. For example, in 2015, Danaher separated and split-off to Danaher shareholders the majority of its former communications business in a Reverse Morris Trust transaction with NetScout Systems, Inc. (the “Communications Disposition”), in 2016 Danaher separated and spun-off to Danaher shareholders its former Test & Measurement segment, Industrial Technologies segment (excluding the product identification businesses) and retail/commercial petroleum business (collectively known as Fortive Corporation) (the “Fortive Disposition”), and in 2019 Danaher consummated the separation and initial public offering (“IPO”) and subsequent split-off of its Dental segment, known as Envista Holdings Corporation (the “Envista Disposition”). Transactions such as these pose risks and challenges that could negatively impact our business and financial statements. For example, when we decide to sell or otherwise dispose of a business or assets, we may be unable to do so on satisfactory terms within our anticipated timeframe or at all, and even after reaching a definitive agreement to sell or dispose a business the sale is typically subject to satisfaction of pre-closing conditions which may not become satisfied. In addition, divestitures or other dispositions can dilute the Company’s earnings per share, have other adverse financial, tax and accounting impacts and distract management, and disputes can arise with buyers. In addition, we have retained responsibility for and/or have agreed to indemnify buyers against some known and unknown contingent liabilities related to a number of businesses we or our predecessors have sold or disposed. The resolution of these contingencies has not had a material effect on our business or financial statements but we cannot be certain that this favorable pattern will continue.

Potential indemnification liabilities pursuant to the Communications Disposition, the Fortive Disposition or the Envista Disposition could materially and adversely affect our business and financial statements.

With respect to each of the Communications Disposition, the Fortive Disposition and the Envista Disposition, we entered into a separation agreement and related agreements to govern the separation and related transactions and the relationship between the respective companies going forward. These agreements provide for specific indemnity and liability obligations of each party that can lead to disputes between us and the respective counterparty. If we are required to indemnify any of the other parties under the circumstances set forth in these agreements, we may be subject to substantial liabilities. In addition, with respect to the liabilities for which the other parties have agreed to indemnify us under these agreements, there can be no assurance that the indemnity rights we have against such other parties will be sufficient to protect us against the full amount of the liabilities, or that such other parties will be able

to fully satisfy their respective indemnification obligations. It is also possible that a court could disregard the allocation of assets and liabilities agreed to between Danaher and such other parties and require Danaher to assume responsibility for obligations allocated to such other parties. Each of these risks could negatively affect our business and financial statements.

We could incur significant liability if any of the Communications Disposition, the Fortive Disposition or the Envista Disposition is determined to be a taxable transaction.

We have received opinions from outside tax counsel to the effect that each of the Communications Disposition, the Fortive Disposition and the Envista Disposition qualifies as a transaction that is described in Sections 355(a) and 368(a)(1)(D) of the Internal Revenue Code. These opinions rely on certain facts, assumptions, representations and undertakings regarding the past and future conduct of the companies' respective businesses and other matters. If any of these facts, assumptions, representations or undertakings are incorrect or not satisfied, our stockholders and we may not be able to rely on the respective opinion of tax counsel and could be subject to significant tax liabilities. Notwithstanding the opinion of tax counsel, the Internal Revenue Service ("IRS") could determine on audit that any such transactions are taxable if it determines that any of these facts, assumptions, representations or undertakings are not correct or have been violated or if it disagrees with the conclusions in the respective opinion. If any such transaction is determined to be taxable for U.S. federal income tax purposes, our stockholders that are subject to U.S. federal income tax and we could incur significant U.S. federal income tax liabilities.

Operational Risks

A significant disruption in, or breach in security of, our information technology systems or data or violation of data privacy laws can adversely affect our business and financial statements.

We rely on information technology systems, some of which are provided and/or managed by third-parties, to process, transmit and store electronic information (including sensitive data such as confidential business information and personally identifiable data relating to employees, customers, other business partners and patients), and to manage or support a variety of critical business processes and activities (such as receiving and fulfilling orders, billing, collecting and making payments, shipping products, providing services and support to customers and fulfilling contractual obligations). In addition, some of our remote monitoring products and services incorporate software and information technology that house personal data and some products or software we sell to customers connect to our systems for maintenance or other purposes. These systems, products and services (including those we acquire through business acquisitions) can be damaged, disrupted or shut down due to attacks by computer hackers, computer viruses, ransomware, human error or malfeasance, power outages, hardware failures, telecommunication or utility failures, catastrophes or other unforeseen events, and in any such circumstances our system redundancy and other disaster recovery planning may be ineffective or inadequate. Attacks can also target hardware, software and information installed, stored or transmitted in our products after such products have been purchased and incorporated into third-party products, facilities or infrastructure. Security breaches of systems provided or enabled by us, regardless of whether the breach is attributable to a vulnerability in our products or services, or security breaches of third party systems we rely on to process, store or transmit electronic information, can result in the misappropriation, destruction or unauthorized disclosure of confidential information or personal data belonging to us or to our employees, partners, customers, patients or suppliers. Like most multinational corporations, our information technology systems and data have been subject to computer viruses, malicious codes, unauthorized access and other cyber-attacks and we expect the sophistication and frequency of such attacks to continue to increase. Unauthorized tampering, adulteration or interference with our products may also adversely affect product functionality and result in loss of data, risk to patient safety and product recalls or field actions. The attacks, breaches, misappropriations and other disruptions and damage described above can interrupt our operations or the operations of our customers and partners, delay production and shipments, result in theft of our and our customers' intellectual property and trade secrets, result in disclosure of personally identifiable information, damage customer, patient, business partner and employee relationships and our reputation and result in defective products or services, legal claims and proceedings, liability and penalties under privacy laws and increased costs for security and remediation, in each case resulting in an adverse effect on our business and financial statements.

In addition, our information technology systems require an ongoing commitment of significant resources to maintain and enhance existing systems and develop new systems to keep pace with continuing changes in information processing technology, evolving legal and regulatory standards, evolving customer expectations, changes in the techniques used to obtain unauthorized access to data and information systems, and the information technology needs associated with our changing products and services. There can be no assurance that we will be able to successfully maintain, enhance and upgrade our systems as necessary to effectively address these requirements. Further, a greater

number of our employees are working remotely in response to the COVID-19 pandemic and related governmental and community responses, which exposes us to greater cybersecurity risks.

Any inability to maintain reliable information technology systems and appropriate controls with respect to global data privacy and security requirements and prevent data breaches can result in adverse regulatory consequences, business consequences and litigation. As a global organization, we are subject to data privacy and security laws, regulations, and customer-imposed controls in numerous jurisdictions as a result of having access to and processing confidential, personal and/or sensitive data in the course of our business. Please see “Item 1. Business—Regulatory Matters” for additional information. Entities that are

found to be in violation of HIPAA as the result of a breach of unsecured patient health information, a complaint about privacy practices or an audit by the HHS, may be subject to significant civil, criminal and administrative fines and penalties and/or additional reporting and oversight obligations if required to enter into a resolution agreement and corrective action plan with HHS to settle allegations of HIPAA non-compliance. Failure to comply with the requirements of GDPR and the applicable national data protection laws of the EU member states may result in fines of up to €20 million or up to 4% of the total worldwide annual turnover of the preceding financial year, whichever is higher, and other administrative penalties. Several other countries such as China and Russia have passed, and other countries are considering passing, laws that require personal data relating to their citizens to be maintained on local servers and impose additional data transfer restrictions. There is also a new, broad privacy law in California, the CCPA, which came into effect in January 2020. The CCPA has some of the same features as the GDPR, and has already prompted several other states to consider enacting similar laws. Government enforcement actions can be costly and interrupt the regular operation of our business, and data breaches or violations of data privacy laws can result in civil and criminal, monetary and non-monetary penalties, any of which may adversely affect our business and financial statements. In addition, compliance with the varying data privacy regulations across the United States and around the world has required significant expenditures and may require additional expenditures, and may require further changes in our products or business models that increase competition or reduce revenue.

Defects and unanticipated use or inadequate disclosure with respect to our products or services, or allegations thereof, can adversely affect our business and financial statements.

Manufacturing or design defects or “bugs” in, unanticipated use of, safety or quality issues (or the perception of such issues) with respect to, “off label” use of, or inadequate disclosure of risks relating to the use of products and services that we make or sell (including items that we source from third-parties) can lead to personal injury, death, and/or property damage and adversely affect our business and financial statements. These events can lead to recalls or safety alerts, result in the removal of a product or service from the market and result in product liability or similar claims being brought against us. Recalls, removals and product liability and similar claims (regardless of their validity or ultimate outcome) result in significant costs, as well as negative publicity and damage to our reputation that could reduce demand for our products and services. Our business can also be affected by studies of the utilization, safety and efficacy of medical device products and components that are conducted by industry participants, government agencies and others. Any of the above can result in the discontinuation of marketing of such products in one or more countries and give rise to claims for damages from persons who believe they have been injured as a result of product issues, including claims by individuals or groups seeking to represent a class.

If we suffer loss to our facilities, supply chains, distribution systems or information technology systems due to catastrophe or other events, our operations could be seriously harmed.

Our facilities, supply chains, distribution systems and information technology systems are subject to catastrophic loss due to fire, flood, earthquake, hurricane, power shortage or outage, public health crisis (including epidemics and pandemics) and the reaction thereto, war, terrorism, riot or other natural or man-made disasters, such as the COVID-19 pandemic and the damage caused to our facilities by Hurricane Maria in Puerto Rico in 2017. If any of these facilities, supply chains or systems were to experience a catastrophic loss, it could disrupt our operations, delay production and shipments, result in defective products or services, diminish demand, damage customer relationships and our reputation and result in legal exposure and significant repair or replacement expenses. The third-party insurance coverage that we maintain varies from time to time in both type and amount depending on cost, availability and our decisions regarding risk retention, and may be unavailable or insufficient to protect us against such losses.

The manufacture of many of our products is a highly exacting and complex process, and if we directly or indirectly encounter problems manufacturing products, our business and financial statements could suffer.

The manufacture of many of our products is a highly exacting and complex process, due in part to strict regulatory requirements. Problems can arise during manufacturing for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials or components, natural disasters and environmental factors, and if not discovered before the product is released to market can result in recalls and product liability exposure. Because of the time required to approve and license certain regulated manufacturing facilities and other stringent regulations of the FDA and similar agencies regarding the manufacture of certain of our products, an alternative manufacturer is not always available on a timely basis to replace such production capacity. Any of these manufacturing problems could result in significant adverse impacts to our business and financial statements.

If we cannot adjust our manufacturing capacity or the purchases required for our manufacturing activities to reflect changes in market conditions and customer demand, our business and financial statements may suffer. In addition, our reliance upon sole or limited sources of supply for certain materials, components and services can cause production interruptions, delays and inefficiencies.

We purchase materials, components and equipment from third-parties for use in our manufacturing operations, including metallic-based components, electronic components, chemistries, OEM products, plastics and other petroleum-based products. Our profitability could be adversely impacted if we are unable to adjust our purchases to reflect changes in customer demand and market fluctuations, including those caused by seasonality or cyclicalities. During a market upturn, suppliers from time to time extend lead times, limit supplies or increase prices. If we cannot purchase sufficient products at competitive prices and quality and on a timely enough basis to meet increasing demand, we may not be able to satisfy market demand, product shipments may be delayed, our costs may increase or we may breach our contractual commitments and incur liabilities. Conversely, in order to secure supplies for the production of products, we sometimes enter into noncancelable purchase commitments with vendors, which can impact our ability to adjust our inventory to reflect declining market demands. If demand for our products is less than we expect, we may experience additional excess and obsolete inventories and be forced to incur additional charges and our business and financial statements may suffer.

In addition, some of our businesses purchase certain requirements from sole or limited source suppliers for reasons of quality assurance, regulatory requirements, cost effectiveness, availability or uniqueness of design. If these or other suppliers encounter financial, operating or other difficulties or if our relationship with them changes, we might not be able to quickly establish or qualify replacement sources of supply. The supply chains for our businesses can also be disrupted by supplier capacity constraints, bankruptcy or exiting of the business for other reasons, decreased availability of key raw materials or commodities and external events such as natural disasters, pandemic health issues, war, terrorist actions, governmental actions (such as trade protectionism) and legislative or regulatory changes. Any of these factors can result in production interruptions, delays, extended lead times and inefficiencies.

Because we cannot always immediately adapt our production capacity and related cost structures to changing market conditions, at times our manufacturing capacity exceeds or falls short of our production requirements. Any or all of these problems can result in the loss of customers, provide an opportunity for competing products to gain market acceptance and otherwise adversely affect our business and financial statements.

Adverse changes in our relationships with, or the financial condition, performance, purchasing patterns or inventory levels of, key distributors and other channel partners can adversely affect our business and financial statements.

Certain of our businesses sell a significant amount of their products to or through key distributors and other channel partners that have valuable relationships with customers and end-users. Some of these distributors and other partners also sell our competitors' products or compete with us directly, and if they favor competing products for any reason they may fail to market our products effectively. Adverse changes in our relationships with these distributors and other partners, reduction or discontinuation of their purchases from us or adverse developments in their financial condition, performance or purchasing patterns, can adversely affect our business and financial statements. The levels of inventory maintained by our distributors and other channel partners, and changes in those levels, also impacts our results of operations in any given period. In addition, the consolidation of distributors and customers in certain of our served industries can adversely impact our business and financial statements.

Our financial results are subject to fluctuations in the cost and availability of commodities that we use in our operations.

As discussed in "Item 1. Business—Materials," our manufacturing and other operations employ a wide variety of components, raw materials and other commodities. Prices for and availability of these components, raw materials and other commodities have fluctuated significantly in the past. Any sustained interruption in the supply of these items could adversely affect our business and financial statements. In addition, due to the highly competitive nature of the industries that we serve, the cost-containment efforts of our customers and the terms of certain contracts we are party to, when commodity prices rise we are not always able to pass along cost increases through higher prices. If we are unable to fully recover higher commodity costs through price increases or offset these increases through cost

reductions, or if there is a time delay between the increase in costs and our ability to recover or offset these costs, our margins and profitability could decline and our business and financial statements could be adversely affected.

Our restructuring actions can have long-term adverse effects on our business and financial statements.

We have implemented significant restructuring activities across our businesses to adjust our cost structure, and we may engage in similar restructuring activities in the future. These restructuring activities and our regular ongoing cost reduction activities (including in connection with the integration of acquired businesses) reduce our available talent, assets and other resources and

can slow improvements in our products and services, adversely affect our ability to respond to customers, limit our ability to increase production quickly if demand for our products increases and trigger adverse public attention. In addition, delays in implementing planned restructuring activities or other productivity improvements, unexpected costs or failure to meet targeted improvements may diminish the operational or financial benefits we expect to realize from such actions. Moreover, we may not succeed in implementing present or future restructuring activities or cost reduction activities. Realizing the anticipated benefits from these initiatives, if any benefits are achieved at all, can take several years, and we may be unable to achieve our targeted cost efficiencies and profit margin improvements. Additionally, we may have insufficient access to capital to fund investments in these strategic initiatives, or our business strategy may change from time to time, which could delay our ability to implement initiatives that we believe are important to our business. Any of the circumstances described above could adversely impact our business and financial statements.

Work stoppages, union and works council campaigns and other labor disputes could adversely impact our productivity and results of operations.

Certain of our U.S. and non-U.S. employees are subject to collective labor arrangements. We are subject to potential work stoppages, union and works council campaigns and other labor disputes, any of which could adversely impact our business and financial statements.

Intellectual Property Risks

If we are unable to adequately protect our intellectual property, or if third-parties infringe our intellectual property rights, we may suffer competitive injury or expend significant resources enforcing our rights. These risks are particularly pronounced in countries in which we do business that do not have levels of protection of intellectual property comparable to the United States.

Many of the markets we serve are technology-driven, and as a result intellectual property rights play a significant role in product development and differentiation. We own numerous patents, trademarks, copyrights, trade secrets and other intellectual property and licenses to intellectual property owned by others, which in aggregate are important to our business. The intellectual property rights that we obtain, however, are not always sufficiently broad and do not always provide us a significant competitive advantage, and patents may not be issued for pending or future patent applications owned by or licensed to us. In addition, the steps that we and our licensors have taken to maintain and protect our intellectual property do not always prevent it from being challenged, invalidated, circumvented, designed-around or becoming subject to compulsory licensing. In some circumstances, enforcement is not available to us because an infringer has a dominant intellectual property position or for other business reasons. We also rely on nondisclosure and noncompetition agreements with employees, consultants and other parties to protect, in part, trade secrets and other proprietary rights. There can be no assurance that these agreements adequately protect our trade secrets and other proprietary rights and will not be breached, that we will have adequate remedies for any breach, that others will not independently develop substantially equivalent proprietary information or that third-parties will not otherwise gain access to our trade secrets or other proprietary rights. Our failure to obtain or maintain intellectual property rights that convey competitive advantage, adequately protect our intellectual property or detect or prevent circumvention or unauthorized use of such property and the cost of enforcing our intellectual property rights can adversely impact our business and financial statements.

These risks are particularly pronounced in countries in which we do business that do not have levels of protection of corporate proprietary information, intellectual property, technology and other assets comparable to the United States. The risks we encounter in such countries include but are not limited to the following:

- Joint ventures that we participate in can include restrictions that could compromise our control over the intellectual property, technology and proprietary information of the joint venture;
- As we expand our operations globally, increasing amounts of our data, intellectual property and technology is used and stored in countries outside the United States, and regulations in certain countries require data to be stored locally. These factors increase the risk that such data, intellectual property and technology could be stolen or otherwise compromised;

- Certain of our products have been counterfeited and we may encounter additional and/or increased levels of counterfeiting in the future;
- Governmental entities may adopt regulations or other requirements that give them rights to certain of our intellectual property, technology and/or proprietary information, such as through compulsory licensing or foreign ownership restrictions or requirements;

- In certain countries, we do not have the same ability to enforce intellectual property rights as we do in the United States;
- Governmental regulations relating to state secrecy or other topics limit our ability to transfer data or technology out of certain jurisdictions; and
- Risks, costs and challenges of operating in a particular jurisdiction can result in a decision to relocate or divert operations to a different jurisdiction, potentially at higher cost.

Any of these risks can adversely impact our business and financial statements. Refer to “—International economic, political, legal, compliance, social and business factors could negatively affect our financial statements” for a discussion of additional risks relating to our international operations.

Third-parties from time to time claim that we are infringing or misappropriating their intellectual property rights and we could suffer significant litigation expenses, losses or licensing expenses or be prevented from selling products or services.

From time to time, we receive notices from third parties alleging intellectual property infringement or misappropriation of third parties’ intellectual property and cannot be certain that the conduct of our business does not and will not infringe or misappropriate the intellectual property rights of others. Disputes or litigations regarding intellectual property can be costly and time-consuming to defend due to the complexity of many of our technologies and the uncertainty of intellectual property litigation. Our intellectual property portfolio may not be useful in asserting a counterclaim, or negotiating a license, in response to a claim of infringement or misappropriation. In addition, as a result of such claims of infringement or misappropriation, we could lose our rights to critical technology, be unable to license critical technology or sell critical products and services, be required to pay substantial damages or license fees with respect to the infringed rights, be required to license technology or other intellectual property rights from others, be required to cease marketing, manufacturing or using certain products or be required to redesign, re-engineer or re-brand our products at substantial cost, any of which could adversely impact our business and financial statements. Third-party intellectual property rights may also make it more difficult or expensive for us to meet market demand for particular product or design innovations. When we are required to seek licenses under patents or other intellectual property rights of others, we are not always able to acquire these licenses on acceptable terms, if at all. Even if we successfully defend against claims of infringement or misappropriation, we may incur significant costs and diversion of management attention and resources, which could adversely affect our business and financial statements.

The U.S. government has certain rights to use and disclose some of the intellectual property that we license and could exclusively license it to a third-party if we fail to achieve practical application of the intellectual property.

Certain technology licensed by us under agreements with third-party licensors is subject to government rights. Government rights in inventions conceived or reduced to practice under a government-funded program can include a nonexclusive, royalty-free worldwide license to practice or have practiced such inventions for any governmental purpose. In addition, the U.S. government has the right to require us or our licensors (as applicable) to grant licenses which would be exclusive under any of such inventions to a third-party if they determine that: (1) adequate steps have not been taken to commercialize such inventions in a particular field of use; (2) such action is necessary to meet public health or safety needs; or (3) such action is necessary to meet requirements for public use under federal regulations. Further, the government rights include the right to use and disclose, without limitation, technical data relating to licensed technology that was developed in whole or in part at government expense.

Financial and Tax Risks

Our outstanding debt has increased significantly as a result of the Cytiva Acquisition, and we may incur additional debt in the future. Our existing and future indebtedness may limit our operations and our use of our cash flow and negatively impact our credit ratings; and any failure to comply with the covenants that apply to our indebtedness could adversely affect our business and financial statements.

As of December 31, 2020, we had approximately \$21.2 billion in outstanding indebtedness. In addition, we had the ability to incur approximately \$4.4 billion of additional indebtedness in direct borrowings or under our outstanding commercial paper facilities based on the amounts available under our credit facilities which were not being used to

backstop outstanding commercial paper balances. Our debt level and related debt service obligations (as well as the dividend obligations pursuant to our Series A and Series B Mandatory Convertible Preferred Stock (“MCPS”)) can have negative consequences, including (1) requiring us to dedicate significant cash flow from operations to the payment of principal and interest on our debt (or dividends on our MCPS), which reduces the funds we have available for other purposes such as acquisitions and other investments; (2) reducing our flexibility in planning for or reacting to changes in our business and market conditions; and (3) exposing us to interest rate risk since a portion of our debt obligations are at variable rates.

If our credit ratings are downgraded or put on watch for a potential downgrade, we may not be able to sell additional debt securities or borrow money in the amounts, at the times or interest rates or upon the more favorable terms and conditions that might be available if our current credit ratings were maintained.

Our credit facilities and long-term debt obligations also impose certain restrictions on us, including certain restrictions on our ability to incur liens on our assets, and a requirement under our credit facilities to maintain a consolidated leverage ratio (the ratio of consolidated indebtedness to consolidated indebtedness plus shareholders' equity) of 0.65 to 1.0 or less. If we breach any of these restrictions and cannot obtain a waiver from the lenders on favorable terms, subject to applicable cure periods, the outstanding indebtedness (and any other indebtedness with cross-default provisions) could be declared immediately due and payable, which would adversely affect our business and financial statements (including without limitation our liquidity). If we add new debt in the future, the risks described above would increase.

We may be required to recognize impairment charges for our goodwill and other intangible assets.

As of December 31, 2020, the net carrying value of our goodwill and other intangible assets totaled approximately \$56.7 billion. In accordance with generally accepted accounting principles, we periodically assess these assets to determine if they are impaired. Significant negative industry or economic trends, disruptions to our business, inability to effectively integrate acquired businesses, unexpected significant changes or planned changes in use of our assets, changes in the structure of our business, divestitures, market capitalization declines, or increases in associated discount rates can impair our goodwill and other intangible assets. Any charges relating to such impairments adversely affect our financial statements in the periods recognized.

Foreign currency exchange rates can adversely affect our financial statements.

Sales and purchases in currencies other than the U.S. dollar expose us to fluctuations in foreign currencies relative to the U.S. dollar and may adversely affect our financial statements. Increased strength of the U.S. dollar increases the effective price of our products sold in U.S. dollars into other countries, which can from time to time require us to lower our prices or adversely affect sales to the extent we do not increase local currency prices. Decreased strength of the U.S. dollar adversely affects the cost of materials, products and services we purchase overseas. Sales and expenses of our non-U.S. businesses are also translated into U.S. dollars for reporting purposes and the strengthening of the U.S. dollar generally results in unfavorable translation effects. In addition, certain of our businesses invoice customers in a currency other than the business' functional currency, and movements in the invoiced currency relative to the functional currency can also result in unfavorable translation effects. The Company also faces exchange rate risk from its investments in subsidiaries owned and operated in foreign countries.

Changes in our tax rates or exposure to additional income tax liabilities or assessments can affect our profitability. In addition, audits by tax authorities can result in additional tax payments for prior periods.

We are subject to income taxes in the United States and in numerous non-U.S. jurisdictions. On December 22, 2017, the Tax Cuts and Jobs Act ("TCJA") was enacted. The TCJA significantly revised the U.S. federal corporate income tax law by, among other things, lowering the corporate income tax rate to 21.0%, implementing a quasi-territorial tax system, and imposing a one-time tax on unremitted cumulative non-U.S. earnings of foreign subsidiaries ("Transition Tax").

Due to the potential for changes to tax laws and regulations or changes to the interpretation thereof (including regulations and interpretations pertaining to the TCJA), the ambiguity of tax laws and regulations, the subjectivity of factual interpretations, the complexity of our intercompany arrangements, uncertainties regarding the geographic mix of earnings in any particular period, and other factors, our estimates of effective tax rate and income tax assets and liabilities can be incorrect and our financial statements could be adversely affected; please refer to MD&A for a discussion of additional factors that may adversely affect our effective tax rate and decrease our profitability in any period. The impact of the factors referenced in the preceding sentence may be substantially different from period-to-period.

In addition, the amount of income taxes we pay is subject to ongoing audits by U.S. federal, state and local tax authorities and by non-U.S. tax authorities, such as the audits described in MD&A and the Company's Consolidated Financial Statements. If audits result in payments or assessments different from our reserves, our results can include unfavorable adjustments to our tax liabilities and our financial statements can be adversely affected. For example, the

Danish tax authority's assessments purporting to impose withholding tax relating to interest accrued in Denmark on historical borrowings from certain of the Company's subsidiaries (further discussed in MD&A and the Company's Consolidated Financial Statements) could take many years to resolve and could ultimately result in a material, adverse impact to the Company's financial statements, including its cash flows and effective tax rates. Any further significant changes to the tax system in the United States or in other jurisdictions (including changes in the taxation of international income as further described below) could also adversely affect our financial statements. Please see MD&A and the Company's Consolidated Financial Statements for a further discussion of the Company's tax audits.

Changes in tax law relating to multinational corporations could adversely affect our tax position.

The U.S. Congress, government agencies in non-U.S. jurisdictions where we and our affiliates do business, and the Organisation for Economic Co-operation and Development (“OECD”) have focused on issues related to the taxation of multinational corporations. One example is in the area of “base erosion and profit shifting,” for which the OECD has released several components of its comprehensive plan that have been adopted and expanded by many taxing authorities to address perceived tax abuse and inconsistencies between tax jurisdictions. As a result, the tax laws in the United States and other countries in which we do business could change on a prospective or retroactive basis, and any such changes could adversely affect our business and financial statements.

Legal, political, and economic uncertainty surrounding the exit of the United Kingdom (“UK”) from the EU could have an adverse effect on our business and financial statements.

The UK ceased to be a member state of the EU on January 31, 2020 (commonly referred to as “Brexit”), and the transition period provided for in the withdrawal agreement entered by the UK and the EU ended on December 31, 2020. In December 2020, the UK and the EU agreed on a trade and cooperation agreement that applies provisionally until it is ratified by the parties to the agreement. On December 31, 2020, the UK passed legislation giving effect to the trade and cooperation agreement, with the EU expected to formally adopt the agreement in the first half of 2021. The trade and cooperation agreement covers the general objectives and framework of the relationship between the UK and the EU, including with respect to trade, transport, visas, judicial matters, law enforcement and security matters, and provides for continued participation in community programs and mechanisms for dispute resolution. Uncertainties remain regarding the application of the terms of the trade and cooperation agreement and the other potential impacts of Brexit, such as the impact of new or different laws and regulations as the UK determines which EU laws to replace or replicate (including potentially new or different regulations affecting clearance or approval of products that are developed or manufactured in the UK), and trade and tax impacts as the UK negotiates its own tax and trade treaties with countries around the world. The impacts from Brexit could add time and expense to the conduct of our business, delay regulatory approval of products, adversely impact the manufacturing or movement of products, adversely impact customer demand and otherwise adversely affect our business and financial statements. As of December 31, 2020, the Company had eight manufacturing facilities in the UK and the Company’s net investment in property, plant and equipment in the UK was \$214 million. For the year ended December 31, 2020, less than 5% of our sales were derived from customers located in the UK, however, the impact of Brexit could also impact our business and financial statements outside the UK.

Our defined benefit pension plans are subject to financial market risks that could adversely affect our financial statements.

The performance of the financial markets and interest rates impact our defined benefit pension plan expenses and funding obligations. Significant changes in market interest rates, decreases in the fair value of plan assets, investment losses on plan assets and changes in discount rates can increase our funding obligations and adversely impact our financial statements. In addition, upward pressure on the cost of providing health care coverage to current employees and retirees can increase our future funding obligations and adversely affect our financial statements.

Legal, Regulatory, Compliance and Reputational Risks

Significant developments or changes in U.S. laws or policies, including changes in U.S. trade policies and tariffs and the reaction of other countries thereto, particularly China, can have an adverse effect on our business and financial statements.

Significant developments or changes in U.S. laws and policies (including as a result of the new U.S. administration), such as laws and policies governing foreign trade, manufacturing, and development and investment in the territories and countries where we or our customers operate, or governing the health care system and drug prices, can adversely affect our business and financial statements. For example, the previous U.S. administration increased tariffs on certain goods imported into the United States and trade tensions between the United States and China escalated, with each country imposing significant, additional tariffs on a wide range of goods imported from the other country. The U.S. and China could impose other types of restrictions such as limitations on government procurement or technology export restrictions, which could affect our access to markets. These factors have adversely affected, and in the future could further adversely affect, our business and financial statements.

Our business and financial statements can be impaired by improper conduct by any of our employees, agents or business partners.

We cannot provide assurance that our internal controls and compliance systems, including our Code of Conduct, always protect us from acts committed by employees, agents or business partners of ours (or of businesses we acquire or partner with) that violate U.S. and/or non-U.S. laws, including the laws governing payments to government officials, bribery, fraud, kickbacks and false claims, pricing, sales and marketing practices, conflicts of interest, competition, employment practices and workplace behavior, export and import compliance, economic and trade sanctions, money laundering and data privacy. In particular, the

U.S. Foreign Corrupt Practices Act, the UK Bribery Act and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business, and we operate in many parts of the world that have experienced governmental corruption to some degree. Any such improper actions or allegations of such acts could damage our reputation and subject us to civil or criminal investigations in the United States and in other jurisdictions and related shareholder lawsuits, could lead to substantial civil and criminal, monetary and non-monetary penalties and could cause us to incur significant legal and investigatory fees. In addition, the government may seek to hold us liable for violations committed by companies in which we invest or that we acquire. We also rely on our suppliers to adhere to our supplier code of conduct, and material violations of such code of conduct could occur that could have a material effect on our business and financial statements.

Our businesses are subject to extensive regulation; failure to comply with those regulations could adversely affect our business and financial statements.

In addition to the environmental, health, safety, health care, medical device, anticorruption, data privacy and other regulations noted elsewhere in this Annual Report, our businesses are subject to extensive regulation by U.S. and non-U.S. governmental and self-regulatory entities at the supranational, federal, state, local and other jurisdictional levels, including the following:

- We are required to comply with various import laws and export control and economic sanctions laws, which may affect our transactions with certain customers, business partners and other persons and dealings between our employees and between our subsidiaries. In certain circumstances, export control and economic sanctions regulations may prohibit the export of certain products, services and technologies. In other circumstances, we may be required to obtain an export license before exporting the controlled item. Compliance with the various import laws that apply to our businesses can restrict our access to, and increase the cost of obtaining, certain products and at times can interrupt our supply of imported inventory. In addition, we sell and provide products and technology to third parties, such as agents, representatives and distributors, who may export such items to end-users, and if any of these third parties do not comply with applicable export or import laws we may incur liability. In addition, from time to time, certain of our subsidiaries have limited business dealings in countries subject to comprehensive sanctions. These business dealings represent an insignificant amount of our consolidated revenues and income but expose us to a heightened risk of violating applicable sanctions regulations. We have established policies and procedures designed to assist with our compliance with such laws and regulations. However, there can be no assurance that our policies and procedures have prevented and will prevent violations of these regulations and any violation can adversely affect our business and financial statements.
- We also have agreements to sell products and services to government entities and are subject to various statutes and regulations that apply to companies doing business with government entities (less than 5% of our 2020 sales were made to the U.S. federal government). The laws governing government contracts differ from the laws governing private contracts. For example, many government contracts contain pricing and other terms and conditions that are not applicable to private contracts. Our agreements with government entities are in some cases subject to termination, reduction or modification at the convenience of the government or in the event of changes in government requirements, reductions in federal spending and other factors, and we may underestimate our costs of performing under the contract. In certain cases, a governmental entity may require us to pay back amounts it has paid to us. Government contracts that have been awarded to us following a bid process can become the subject of a bid protest by a losing bidder, which could result in loss of the contract. We are also subject to investigation and audit for compliance with the requirements governing government contracts.

These are not the only regulations that our businesses must comply with. The regulations we are subject to have tended to become more stringent over time and can be inconsistent across jurisdictions. We, our representatives and the industries in which we operate are at times under review and/or investigation by regulatory authorities. Failure to comply (or any alleged or perceived failure to comply) with the regulations referenced above or any other regulations can result in import detentions, fines, damages, civil and administrative penalties, injunctions, consent decrees, suspensions or losses of regulatory approvals, recall or seizure of products, operating restrictions, refusal of the government to approve product export applications or allow us to enter into supply contracts, disbarment from selling

to certain governmental agencies or exclusion from government funded healthcare programs, such as Medicare and Medicaid or similar programs in other countries or jurisdictions, integrity oversight and reporting obligations to resolve allegations of non-compliance, disruption of our business, limitation on our ability to manufacture, import, export and sell products and services, loss of customers, significant legal and investigatory fees, disgorgement, individual imprisonment, reputational harm, contractual damages, diminished profits, curtailment or restricting of business operations, criminal prosecution and other monetary and non-monetary penalties. Compliance with these and other regulations can also affect our returns on investment, require us to incur significant expenses or modify our business model or impair our flexibility in modifying product, marketing, pricing or other strategies for growing our business. Our products and operations are also often subject to the rules of industrial standards bodies such as the International Standards Organization, and

failure to comply with these rules can result in withdrawal of certifications needed to sell our products and services and otherwise adversely impact our business and financial statements. For additional information regarding these risks, refer to “Item 1. Business—Regulatory Matters.”

We are subject to or otherwise responsible for a variety of litigation and other legal and regulatory proceedings in the course of our business that can adversely affect our business and financial statements.

We are subject to or otherwise responsible for a variety of litigation and other legal and regulatory proceedings in the course of our business (or related to the business operations of previously owned entities), including claims or counterclaims for damages arising out of the use of products or services and claims relating to intellectual property matters, employment matters, tax matters, commercial disputes, breach of contract claims, competition and sales and trading practices, environmental matters, personal injury, insurance coverage, securities matters, fiduciary duties and acquisition or divestiture-related matters, as well as regulatory subpoenas, requests for information, investigations and enforcement. We also from time to time become subject to lawsuits as a result of acquisitions or as a result of liabilities retained from, or representations, warranties or indemnities provided in connection with, businesses divested by us or our predecessors. The types of claims made in lawsuits include claims for compensatory damages, punitive and consequential damages (and in some cases, treble damages) and/or injunctive relief. The defense of these lawsuits can divert our management’s attention, we from time to time incur significant expenses in defending these lawsuits, and we can be required to pay damage awards or settlements or become subject to equitable remedies that adversely affect our business and financial statements. Moreover, any insurance or indemnification rights that we may have may be insufficient or unavailable to protect us against such losses. Because most contingencies are resolved over long periods of time, new developments (including litigation developments, the discovery of new facts, changes in legislation and outcomes of similar cases), changes in assumptions or changes in the Company’s strategy in any given period can require us to adjust the loss contingency estimates that we have recorded in our financial statements, record estimates for liabilities or assets previously not susceptible of reasonable estimates or pay cash settlements or judgments. Any of these developments can adversely affect our business and financial statements in any particular period. We cannot assure you that our liabilities in connection with current and future litigation and other legal and regulatory proceedings will not exceed our estimates or adversely affect our financial statements and business. However, based on our experience, current information and applicable law, we do not believe that it is reasonably possible that any amounts we may be required to pay in connection with litigation and other legal and regulatory proceedings in excess of our reserves as of December 31, 2020 will have a material effect on our business or financial statements.

From time to time, we become aware through our internal audits and other internal control procedures, employees or other parties of possible compliance matters, such as complaints or concerns relating to accounting, internal controls, financial reporting, auditing or ethical matters or relating to compliance with laws. When we become aware of such possible compliance matters, we investigate internally and take what we believe to be appropriate corrective action. Internal investigations can lead to the assertion of claims or the commencement of legal or regulatory proceedings against us and adversely affect our business and financial statements.

Certain of our businesses are subject to extensive regulation by the U.S. FDA and by comparable agencies of other countries, as well as laws regulating fraud and abuse in the healthcare industry and the privacy and security of health information. Failure to comply with those regulations could adversely affect our business and financial statements.

Certain of our products are medical devices and other products that are subject to regulation by the U.S. FDA, by other federal and state governmental agencies, by comparable agencies of other countries and regions, by certain accrediting bodies and by regulations governing hazardous materials and drugs-of abuse (or the manufacture and sale of products containing any such materials). The global regulatory environment has become increasingly stringent and unpredictable. Several countries that did not have regulatory requirements for medical devices have established such requirements in recent years, and other countries have expanded, or plan to expand, their existing regulations. Please see “Item 1. Business—Regulatory Matters” for more information. Failure to meet these requirements adversely impacts our business and financial statements in the applicable geographies.

To varying degrees, these regulators require us to comply with laws and regulations governing the development, testing, manufacturing, labeling, marketing, distribution and post-marketing surveillance of our products. We cannot guarantee that we will be able to obtain regulatory clearance (such as 510(k) clearance) or approvals for our new

products or modifications to (or additional indications or uses of) existing products within our anticipated timeframe or at all, and if we do obtain such clearance or approval it may be time-consuming, costly and subject to restrictions. Our ability to obtain such regulatory clearances or approvals will depend on many factors, for example our ability to obtain the necessary clinical trial results, and the process for obtaining such clearances or approvals could change over time and may require the withdrawal of products from the market until such clearances are obtained. Even after initial regulatory clearance or approval, we are subject to periodic inspection by these regulatory authorities, and if safety issues arise we can be required to amend conditions for use of a product, such as

providing additional warnings on the product's label or narrowing its approved intended use, which could reduce the product's market acceptance. We are also subject to various laws regulating fraud and abuse, research and development, pricing and sales and marketing practices, the privacy and security of health information as well as manufacturing and quality standards, including the federal regulations described in "Item 1. Business—Regulatory Matters."

Government authorities may conclude that our business practices do not comply with current or future statutes, regulations, agency guidance or case law. Failure to obtain required regulatory clearances or approvals before marketing our products (or before implementing modifications to or promoting additional indications or uses of our products), other violations of laws or regulations, failure to remediate inspectional observations to the satisfaction of these regulatory authorities, real or perceived efficacy or safety concerns or trends of adverse events with respect to our products (even after obtaining clearance for distribution) and unfavorable or inconsistent clinical data from existing or future clinical trials can lead to FDA Form 483 Inspectional Observations, warning letters, notices to customers, declining sales, loss of customers, loss of market share, remediation and increased compliance costs, recalls, seizures of adulterated or misbranded products, fines, expenses, injunctions, civil penalties, criminal penalties, consent decrees, administrative detentions, refusals to permit importations, partial or total shutdown of production facilities or the implementation of operating restrictions, narrowing of permitted uses for a product, refusal of the government to grant 510(k) clearance, suspension or withdrawal of approvals, pre-market notification rescissions and other adverse effects referenced under the risk factor titled "Our businesses are subject to extensive regulation; failure to comply with those regulations could adversely affect our business and financial statements." Further, defending against any such actions can be costly and time-consuming and may require significant personnel resources. Therefore, even if we are successful in defending against any such actions brought against us, our business may be impaired. Ensuring that our internal operations and business arrangements with third parties comply with applicable laws and regulations also involves substantial costs.

Our products are subject to clinical trials, the results of which may be unexpected, or perceived as unfavorable by the market, and could adversely affect our business and financial statements.

As a part of the regulatory process of obtaining marketing clearance for certain new products and new indications for certain existing products, we conduct and participate in numerous clinical trials with a variety of study designs, patient populations and trial endpoints. Unexpected or inconsistent clinical data from existing or future clinical trials, or a regulator's or the market's perception of this clinical data, can adversely impact our ability to obtain product approvals, our position in, and share of, the markets in which we participate and our business and financial statements.

Off-label marketing of our products could result in substantial penalties.

The FDA strictly regulates the promotional claims that may be made about approved or cleared products. In particular, any clearances we may receive only permit us to market our products for the uses indicated on the labeling cleared by the FDA. We may request additional label indications for our current products, and the FDA may deny those requests outright, require additional expensive performance or clinical data to support any additional indications or impose limitations on the intended use of any cleared products as a condition of clearance. If the FDA or any other federal, state or foreign regulator determines that we have marketed our products for off-label use, we can be subject to exclusion from participation in government healthcare programs and the other adverse effects referenced under the risk factor titled "Certain of our businesses are subject to extensive regulation by the U.S. FDA and by comparable agencies of other countries, as well as laws regulating fraud and abuse in the healthcare industry and the privacy and security of health information. Failure to comply with those regulations could adversely affect our business and financial statements." Any of these events could significantly harm our business and financial statements.

Certain modifications to our products may require new 510(k) clearances or other marketing authorizations and may require us to recall or cease marketing our products.

Once a medical device is permitted to be legally marketed in the United States pursuant to a 510(k) clearance, a manufacturer may be required to notify the FDA of certain modifications to the device (similar requirements apply in other jurisdictions). Manufacturers determine in the first instance whether a change to a product requires a new 510(k) clearance or premarket submission, but the FDA may review any manufacturer's decision. The FDA may not

agree with our decisions regarding whether new clearances are necessary. We have made modifications to our products in the past and have determined based on our review of the applicable FDA regulations and guidance that in certain instances new 510(k) clearances or other premarket submissions were not required. We may make similar modifications or add additional features in the future that we believe do not require a new 510(k) clearance. If the FDA disagrees with our determinations and requires us to submit new 510(k) notifications, we may be required to cease marketing or to recall the modified product until we obtain clearance, and we may be subject to civil and criminal, monetary and non-monetary penalties and damage to our reputation.

Our operations, products and services expose us to the risk of environmental, health and safety liabilities, costs and violations that could adversely affect our business and financial statements.

Our operations, products and services are subject to numerous U.S. federal, state, local and non-U.S. environmental, health and safety laws and regulations concerning, among other things, the health and safety of our employees, the generation, storage, use and transportation of hazardous materials, emissions or discharges of substances into the environment, investigation and remediation of hazardous substances or materials at various sites, chemical constituents in products and end-of-life disposal and take-back programs for products sold. We cannot assure you that our environmental, health and safety compliance program (or the compliance programs of businesses we acquire) have been or will at all times be effective. Failure to comply with any of these laws can result in civil and criminal, monetary and non-monetary penalties and damage to our reputation. In addition, we cannot provide assurance that our costs of complying with current or future environmental protection and health and safety laws will not exceed our estimates or adversely affect our business or financial statements.

In addition, we from time to time incur costs related to remedial efforts or alleged environmental damage associated with past or current waste disposal practices or other hazardous materials handling practices. We are also from time to time party to personal injury, property damage or other claims brought by private parties alleging injury or damage due to the presence of or exposure to hazardous substances. We can also become subject to additional remedial, compliance or personal injury costs due to future events such as changes in existing laws or regulations, changes in agency direction or enforcement policies, developments in remediation technologies, changes in the conduct of our operations and changes in accounting rules. For additional information regarding these risks, refer to the Consolidated Financial Statements included in this Annual Report. We cannot assure you that our liabilities arising from past or future releases of, or exposures to, hazardous substances will not exceed our estimates or adversely affect our reputation and financial statements or that we will not be subject to additional claims for personal injury or remediation in the future based on our past, present or future business activities. However, based on the information we currently have we do not believe that it is reasonably possible that any amounts we may be required to pay in connection with environmental matters in excess of our reserves as of December 31, 2020 will have a material effect on our business or financial statements.

Changes in governmental regulations can reduce demand for our products or services or increase our expenses.

We compete in markets in which we and our customers must comply with supranational, federal, state, local and other jurisdictional regulations, such as regulations governing health and safety, the environment, food and drugs, privacy and electronic communications. We develop, configure and market our products and services to meet customer needs created by these regulations. These regulations are complex, change frequently, have tended to become more stringent over time and may be inconsistent across jurisdictions. Any significant change in any of these regulations (or in the interpretation or application thereof) can reduce demand for, increase our costs of producing or delay the introduction of new or modified products and services, or restrict our existing activities, products and services. For example, a number of our products and services are marketed to the pharmaceutical and related industries for use in discovering and developing drugs and therapies. Changes in the U.S. FDA's regulation of the drug discovery and development process can have an adverse effect on the demand for these products and services. In addition, in certain of our markets our growth depends in part upon the introduction of new regulations. In these markets, the delay or failure of governmental and other entities to adopt or enforce new regulations, the adoption of new regulations which our products and services are not positioned to address or the repeal of existing regulations, can adversely affect demand. In addition, regulatory deadlines can result in substantially different levels of demand for our products and services from period-to-period.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

As of December 31, 2020, the Company had facilities in over 60 countries, including approximately 239 significant administrative, sales, research and development, manufacturing and distribution facilities. 98 of these facilities are located in the United States in over 20 states and 141 are located outside the United States, primarily in Europe and to a lesser extent in Asia, South America, the rest of North America and Australia. Refer to the Consolidated

Financial Statements included in this Annual Report for additional information with respect to the Company's lease commitments.

ITEM 3. LEGAL PROCEEDINGS

For information regarding legal proceedings, refer to the section titled "Legal Proceedings" in MD&A.

Consistent with SEC Regulation S-K Item 103, we have elected to disclose those environmental proceedings with a governmental entity as a party where the Company reasonably believes such proceeding would result in monetary sanctions, exclusive of interest and costs, of \$1 million or more.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

Set forth below are the names, ages, positions and experience of Danaher's executive officers as of February 5, 2021. All of Danaher's executive officers hold office at the pleasure of Danaher's Board of Directors. Unless otherwise stated, the positions indicated are Danaher positions.

Name	Age	Position	Officer Since
Steven M. Rales	69	Chairman of the Board	1984
Mitchell P. Rales	64	Chairman of the Executive Committee	1984
Rainer M. Blair	56	President and Chief Executive Officer	2014
Matthew R. McGrew	49	Executive Vice President and Chief Financial Officer	2019
Jennifer L. Honeycutt	51	Executive Vice President	2021
Joakim Weidemanis	51	Executive Vice President	2017
Brian W. Ellis	54	Senior Vice President – General Counsel	2016
Jose-Carlos Gutierrez-Ramos	58	Senior Vice President – Chief Scientific Officer	2020
William H. King	53	Senior Vice President – Strategic Development	2005
Angela S. Lalor	55	Senior Vice President – Human Resources	2012
Robert S. Lutz	63	Senior Vice President – Chief Accounting Officer	2002
Daniel A. Raskas	54	Senior Vice President – Corporate Development	2004

Steven M. Rales is a co-founder of Danaher and has served on Danaher's Board of Directors since 1983, serving as Danaher's Chairman of the Board since 1984. He was also CEO of the Company from 1984 to 1990. Mr. Rales is also a member of the board of directors of Fortive Corporation, and is a brother of Mitchell P. Rales.

Mitchell P. Rales is a co-founder of Danaher and has served on Danaher's Board of Directors since 1983, serving as Chairman of the Executive Committee of Danaher since 1984. He was also President of the Company from 1984 to 1990. Mr. Rales is also a member of the board of directors of Colfax Corporation and of Fortive Corporation, and is a brother of Steven M. Rales.

Rainer M. Blair has served as President and Chief Executive Officer since September 2020, after serving as Executive Vice President from January 2017 to August 2020 and Vice President – Group Executive from March 2014 to January 2017.

Matthew R. McGrew has served as Executive Vice President and Chief Financial Officer since January 2019, after serving as Group CFO of Danaher from 2012 until December 2018.

Jennifer L. Honeycutt has served as Executive Vice President since January 2021 after serving as Vice President – Group Executive from May 2019 until December 2020, President of Danaher's Pall business from January 2017 until April 2019 and President of Danaher's Beckman Life Sciences business from May 2013 until December 2016.

Joakim Weidemanis has served as Executive Vice President since December 2017 after serving as Vice President – Group Executive from March 2014 until December 2017.

Brian W. Ellis has served as Senior Vice President – General Counsel since joining Danaher in January 2016.

Jose-Carlos Gutierrez-Ramos has served as Senior Vice President – Chief Scientific Officer since joining Danaher in December 2020. Prior to joining Danaher, Dr. Gutierrez-Ramos served as Vice President-Drug Discovery for AbbVie, Inc., a biopharmaceutical company, from January 2020 to December 2020; as President and CEO of

Repertoire Immune Medicines, a biotechnology company, from August 2018 until January 2020; and as President and CEO of Synlogic, Inc., a biopharmaceutical company, from August 2015 until August 2018.

William H. King has served as Senior Vice President – Strategic Development since 2014.

Angela S. Lalor has served as Senior Vice President – Human Resources since joining Danaher in 2012.

Robert S. Lutz has served as Senior Vice President – Chief Accounting Officer since 2010.

Daniel A. Raskas has served as Senior Vice President – Corporate Development since 2010.

PART II

ITEM 5. MARKET FOR THE REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the New York Stock Exchange under the symbol DHR. As of February 5, 2021, there were 2,372 holders of record of Danaher’s common stock.

Any future payments of dividends on the Company’s common stock will be determined by Danaher’s Board of Directors and will depend on business conditions, Danaher’s earnings and other factors Danaher’s Board deems relevant.

Issuer Purchases of Equity Securities

Refer to Note 19 to the Consolidated Financial Statements included in this Annual Report for a discussion of the Company’s common stock repurchase program.

Except in connection with the Envista Split-Off in 2019, neither the Company nor any “affiliated purchaser” repurchased any shares of Company common stock during 2020, 2019 or 2018.

Recent Issuances of Unregistered Securities

During the fourth quarter of 2020, holders of certain of the Company’s Liquid Yield Option Notes due 2021 (“LYONs”) converted such LYONs into an aggregate of 74 thousand shares of Danaher common stock, par value \$0.01 per share. In each case, the shares of common stock were issued solely to existing security holders upon conversion of the LYONs pursuant to the exemption from registration provided under Section 3(a)(9) of the Securities Act of 1933, as amended.

ITEM 6. NOT APPLICABLE

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) is designed to provide material information relevant to an assessment of Danaher’s financial condition and results of operations, including an evaluation of the amounts and certainty of cash flows from operations and from outside sources. The MD&A is designed to focus specifically on material events and uncertainties known to management that are reasonably likely to cause reported financial information not to be necessarily indicative of future operating results or of future financial condition. This includes descriptions and amounts of matters that have had a material impact on reported operations, as well as matters that are reasonably likely based on management’s assessment to have a material impact on future operations. The Company’s MD&A is divided into five sections:

- Overview
- Results of Operations
- Liquidity and Capital Resources
- Critical Accounting Estimates
- New Accounting Standards

This discussion and analysis should be read together with Danaher’s audited financial statements and related Notes thereto as of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 included in this Annual Report. Management’s discussion and analysis of financial condition and results of operations for 2018 is included in Item 7 of the Company’s 2019 Annual Report on Form 10-K filed with the Securities and Exchange Commission and should be referred to for information regarding this period.

Unless otherwise indicated, all financial results in this report refer to continuing operations.

OVERVIEW

General

Refer to “Item 1. Business—General” for a discussion of Danaher’s strategic objectives and methodologies for delivering long-term shareholder value. Danaher is a multinational business with global operations. During 2020, approximately 61% of Danaher’s sales were derived from customers outside the United States. As a diversified, global business, Danaher’s operations are affected by worldwide, regional and industry-specific economic and political factors. Danaher’s geographic and industry diversity, as well as the range of its products, software and services, help limit the impact of any one industry or the economy of any single country on its consolidated operating results. The Company’s individual businesses monitor key competitors and customers, including to the extent possible their sales, to gauge relative performance and the outlook for the future.

As a result of the Company’s geographic and industry diversity, the Company faces a variety of opportunities and challenges, including rapid technological development (particularly with respect to computing, automation, artificial intelligence, mobile connectivity, communications and digitization) in most of the Company’s served markets, the expansion and evolution of opportunities in high-growth markets, trends and costs associated with a global labor force, consolidation of the Company’s competitors and increasing regulation. The Company operates in a highly competitive business environment in most markets, and the Company’s long-term growth and profitability will depend in particular on its ability to expand its business in high-growth geographies and high-growth market segments, identify, consummate and integrate appropriate acquisitions and identify and consummate appropriate investments and strategic partnerships, develop innovative and differentiated new products and services with higher gross profit margins, expand and improve the effectiveness of the Company’s sales force, continue to reduce costs and improve operating efficiency and quality, and effectively address the demands of an increasingly regulated global environment. The Company is making significant investments, organically and through acquisitions and investments, to address the rapid pace of technological change in its served markets and to globalize its manufacturing, research and development and customer-facing resources (particularly in high-growth markets) in order to be responsive to the Company’s customers throughout the world and improve the efficiency of the Company’s operations.

The COVID-19 Pandemic

The global spread of a novel strain of coronavirus (COVID-19) has led to unprecedented restrictions on, and disruptions in, business and personal activities, including as a result of preventive and precautionary measures that we, other businesses, our communities and governments have taken and are taking to mitigate the spread of the virus and to manage its impact. The Company continues to actively monitor the pandemic and has taken and intends to continue taking steps to identify and mitigate

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the adverse impacts on, and risks to, the Company's business (including but not limited to its employees, customers, business partners, manufacturing capabilities and capacity, and supply and distribution channels) posed by the spread of COVID-19 and the governmental and community responses thereto. The Company's businesses have activated their business continuity plans in response to the pandemic, including taking steps in an effort to help keep our workforce healthy and safe, and are assessing and updating those plans on an ongoing basis. As a result of COVID-19 the Company's businesses have modified certain of their respective business practices (including in many cases with respect to employee travel, employee work locations, and cancellation of physical participation in meetings, events and conferences), and the Company expects to take such further actions as may be required by government authorities or as determined to be in the best interests of our employees, customers and other business partners. The Company has developed return-to-work protocols designed to help ensure the health and safety of its employees, customers and business partners, for its businesses to apply as and when return-to-work is legally permissible and deemed appropriate. We are also working with our suppliers to understand the existing and potential future negative impacts to our supply chain and take actions in an effort to mitigate such impacts. To date we have not experienced any significant supply chain disruptions. Given that the prevalence of COVID-19 and the nature of the response thereto (including the degree to which restrictions are being relaxed or re-imposed) varies significantly by geography, the impact of the pandemic on the Company's different business locations around the world at any given time also varies significantly.

We are also deploying our capabilities, expertise and scale to address the critical health needs related to COVID-19. We have developed and made available a diagnostic test for the rapid detection of COVID-19 and a diagnostic test that can detect antibodies in blood to confirm current or past exposure to COVID-19. In addition, our businesses, including the recently acquired Cytiva business (the Cytiva Acquisition is described below), are providing critical support to firms that are developing and producing vaccines for COVID-19, among other support. Cytiva, net of the product line divestitures required for regulatory approval of the acquisition, contributed approximately 1,800 basis points to the increase in the Company's total sales in 2020 compared to 2019. We estimate that COVID-19 related demand contributed between approximately 700 to 750 basis points to the Company's core sales growth including Cytiva in 2020 compared to 2019 (for the definition of "core sales including Cytiva," refer to "—Results of Operations" below). As and to the extent the COVID-19 pandemic subsides we expect the demand for products and services related to COVID-19 will also subside. As further discussed below, while COVID-19 has positively impacted revenues for certain of our businesses, the pandemic and response thereto had a material negative impact on revenues and profitability in other of our businesses in 2020 and, while conditions overall improved sequentially from the second quarter through the end of 2020, the global demand for many of our products and services may remain depressed at least in the near-term if not longer.

As noted below and subject to the assumptions discussed below, the Company expects core sales and core sales including Cytiva to grow in the first quarter of 2021 compared to the prior year. However, due to the speed with which the COVID-19 situation continues to evolve, the global breadth of its spread, the range of governmental and community responses thereto and our geographic and business line diversity, its further impact on our business remains highly uncertain, but may be materially negative and will depend on future developments including but not limited to:

- the duration of weaknesses in the macroeconomic environment and the timing and extent of recovery in the global demand for our products and services;
- the pace at which medical providers resume patient care and testing that is not related to the COVID-19 pandemic, the timing of when research performed by laboratories and other institutions return to normal levels, and payment and funding dynamics related to the foregoing; and
- the development and rate of adoption of the products we are offering to help address the pandemic and the effects thereof; competitive product launches and related pricing pressure; impacts from changes in the mix of our product offerings; and the degree to which COVID-19 testing solutions and vaccines are made available and utilized.

For additional information on the risks of COVID-19 to the Company's operations, refer to the "Item 1A—Risk Factors" section of this Annual Report.

Business Performance

Consolidated sales for the year ended December 31, 2020 increased 24.5% as compared to 2019. Acquisitions, primarily Cytiva, contributed 18.0% to the increase in sales in 2020. While differences exist among the Company's businesses, on an overall basis, demand for the Company's products and services increased on a year-over-year basis in 2020 as compared to 2019. This demand, together with the Company's continued investments in sales growth initiatives and the other business-specific factors discussed below, contributed to year-over-year core sales growth of 6.5% and core sales growth including Cytiva of 9.5% (for the definition of "core sales" refer to "—Results of Operations" below). From the date of Danaher's acquisition of Cytiva on March 31, 2020 through December 31, 2020, Cytiva's core sales grew more than 30% (compared to the comparable 2019 period when the Cytiva business was owned by General Electric Company ("GE")) reflecting strength in

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its served markets and its support in helping its customers develop and produce vaccines for COVID-19. Geographically, both high-growth and developed markets contributed to year-over-year core sales growth during 2020. Core sales in developed markets grew at a low-double digit rate in 2020 as compared to 2019 and were driven by North America and Western Europe. Core sales in high-growth markets grew at a mid-single digit rate in 2020 as compared to 2019 as growth in China and other high-growth markets in the second half of 2020 more than offset declines in China during the first quarter due to the impact of the COVID-19 pandemic. High-growth markets represented approximately 30% of the Company's total sales in 2020.

The Company's net earnings from continuing operations for the year ended December 31, 2020 totaled approximately \$3.6 billion, compared to approximately \$2.4 billion for the year ended December 31, 2019. Net earnings attributable to common stockholders for the year ended December 31, 2020 totaled approximately \$3.5 billion or \$4.89 per diluted common share compared to approximately \$2.9 billion or \$4.05 per diluted common share for the year ended December 31, 2019. The increase in net earnings in 2020 as compared to 2019 was driven by net earnings from increased sales in the Company's existing businesses, net earnings from Cytiva, the 2020 gain on sale of product lines, and the provision for uncertain tax positions recorded in the first quarter of 2019 discussed below in "—Results of Operations—Income Taxes", partially offset by the 2019 gain on the disposition of Envista Holdings Corporation. Refer to "—Results of Operations" for further discussion of the year-over-year changes in net earnings and diluted net earnings per common share for the year ended December 31, 2020.

While the ultimate impact of COVID-19 on future periods is highly uncertain, the Company expects core sales and core sales including Cytiva to grow in the first quarter of 2021, assuming the negative impact of the pandemic does not increase in the United States and internationally. Demand for instruments and consumables related to COVID-19-related testing capabilities as well as supporting customers in pursuit of new COVID-19-related treatments and vaccines are expected to continue to drive growth in 2021 while the performance of the Company's other businesses is expected to continue to improve. As discussed above, an increase of the COVID-19 infection rate and the re-imposition of government required restrictions could have a material negative impact on the Company's financial statements.

Acquisitions and Dispositions

On March 31, 2020, the Company acquired the Biopharma business of GE's Life Sciences division, now known as Cytiva, for a cash purchase price of approximately \$20.7 billion (net of approximately \$0.1 billion of acquired cash) and the assumption of approximately \$0.4 billion of pension liabilities (the "Cytiva Acquisition"). Cytiva is a leading provider of instruments, consumables and software that support the research, discovery, process development and manufacturing workflows of biopharmaceutical drugs. Cytiva is included in the Company's Life Sciences segment results beginning in the second quarter of 2020. The acquisition has provided and is expected to provide additional sales and earnings growth opportunities for the Company's Life Sciences segment by expanding the business' geographic and product line diversity, including new product and service offerings that complement the Company's current biologics workflow solutions.

Refer to Note 3 to the Consolidated Financial Statements for discussion regarding the Company's acquisitions.

Envista Disposition

On September 20, 2019, Envista Holdings Corporation ("Envista"), a Danaher subsidiary at the time, completed an underwritten IPO of 30.8 million shares of its common stock, (the "IPO"), which represented 19.4% of Envista's outstanding shares at the time of the offering, at a public offering price of \$22.00 per share. In connection with the completion of the IPO, through a series of equity and other transactions, the Company transferred its dental businesses to Envista (the "Separation"). On December 18, 2019, Danaher completed the disposition of its remaining 80.6% ownership of Envista common stock through a split-off exchange offer, which resulted in Danaher's repurchase of 22.9 million shares of Danaher common stock in exchange for the remaining shares of Envista common stock held by Danaher (the "Split-Off"). The IPO, Separation and Split-Off are collectively referred to as the "Envista Disposition". As a result, the Company recognized a gain on the disposition of \$451 million in the fourth quarter of 2019 equal to the difference between the fair value of the Danaher common stock tendered in the exchange offer and the carrying value of Envista common stock. The accounting requirements for reporting Envista as a discontinued operation were met when the Split-Off was completed.

Refer to Note 4 to the Consolidated Financial Statements for further discussion.

UK’s referendum decision to exit the EU (“Brexit”)

For a discussion of Brexit and certain risks and implications thereof for the Company, refer to “Item 1A—Risk Factors”.

RESULTS OF OPERATIONS

In this report, references to the non-GAAP measures of core sales (also referred to as core revenues or sales/revenues from existing businesses) and core sales including Cytiva refer to sales from continuing operations calculated according to generally accepted accounting principles in the United States (“GAAP”) but excluding:

- sales from acquired businesses (as defined below, as applicable); and
- the impact of currency translation.

References to sales or operating profit attributable to acquisitions or acquired businesses refer to sales or operating profit, as applicable, from acquired businesses recorded prior to the first anniversary of the acquisition less the amount of sales and operating profit, as applicable, attributable to divested product lines not considered discontinued operations prior to the first anniversary of the divestiture; provided that in calculating core sales including Cytiva, Cytiva’s sales (net of the sales of the Company product lines divested in 2020 to obtain regulatory approval to acquire Cytiva, or the “divested product lines”) (“Cytiva sales”) are excluded from the definition of sales attributable to acquisitions or acquired businesses. The portion of revenue attributable to currency translation is calculated as the difference between:

- the period-to-period change in revenue (excluding sales from acquired businesses (as defined above, as applicable)); and
- the period-to-period change in revenue (excluding sales from acquired businesses (as defined above, as applicable)) after applying current period foreign exchange rates to the prior year period.

As noted above, beginning with results for the second quarter of 2020, the Company also presents core sales on a basis that includes Cytiva sales. Prior to the acquisition of Cytiva, Danaher calculated core sales solely on a basis that excluded sales from acquired businesses recorded prior to the first anniversary of the acquisition. However, given Cytiva’s significant size and historical core sales growth rate, in each case compared to Danaher’s existing businesses, management believes it is appropriate to also present core sales on a basis that includes Cytiva sales. Management believes this presentation provides useful information to investors by demonstrating the impact Cytiva has on the Company’s current growth profile, rather than waiting to demonstrate such impact 12 months after the acquisition when Cytiva would normally have been included in Danaher’s core sales calculation. Danaher calculates period-to-period core sales growth including Cytiva by adding to the baseline period sales Cytiva’s historical sales from such period (when it was owned by GE), net of the sales of the divested product lines, and also adding the Cytiva sales to the current period.

Core sales growth (and the related measure of core sales including Cytiva) should be considered in addition to, and not as a replacement for or superior to, sales, and may not be comparable to similarly titled measures reported by other companies. Management believes that reporting these non-GAAP financial measures provides useful information to investors by helping identify underlying growth trends in Danaher’s business and facilitating comparisons of Danaher’s revenue performance with its performance in prior and future periods and to Danaher’s peers. Management also uses these non-GAAP financial measures to measure the Company’s operating and financial performance, and uses core sales growth as one of the performance measures in the Company’s executive short-term cash incentive program. The Company excludes the effect of currency translation from these measures because currency translation is not under management’s control, is subject to volatility and can obscure underlying business trends, and excludes the effect of acquisitions (other than Cytiva sales, in the case of core sales growth including Cytiva) and divestiture-related items because the nature, size, timing and number of acquisitions and divestitures can vary dramatically from period-to-period and between the Company and its peers and can also obscure underlying business trends and make comparisons of long-term performance difficult.

Throughout this discussion, references to sales growth or decline refer to the impact of both price and unit sales and references to productivity improvements generally refer to improved cost efficiencies resulting from the ongoing application of DBS.

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Core Sales Growth and Core Sales Growth Including Cytiva

	2020 vs. 2019	2019 vs. 2018
Total sales growth (GAAP)	24.5 %	5.0 %
Impact of:		
Acquisitions/divestitures	(18.0)%	(1.0)%
Currency exchange rates	— %	2.0 %
Core sales growth (non-GAAP)	6.5 %	6.0 %
Impact of Cytiva sales growth (net of divested product lines)	3.0 %	
Core sales growth including Cytiva (non-GAAP)	9.5 %	

2020 Compared to 2019

Total sales increased 24.5% on a year-over-year basis in 2020 primarily as a result of an increase in sales from acquired businesses, net of divestitures, primarily due to the acquisition of Cytiva, as well as an increase in core sales resulting from the factors discussed below by segment. The impact of currency translation did not have a significant impact on reported sales on a year-over-year basis in 2020 as the negative impact of a stronger U.S. dollar in the first half of 2020 was offset by the favorable impact of the weakening of the U.S. dollar in the second half of 2020.

Operating Profit Performance

Operating profit margins were 19.0% for the year ended December 31, 2020 as compared to 18.3% in 2019. The following factors impacted year-over-year operating profit margin comparisons.

2020 vs. 2019 operating profit margin comparisons were favorably impacted by:

- Higher 2020 core sales volumes, lower overall spending levels for business travel and other business activities as a result of the pandemic and incremental year-over-year cost savings associated with the continued productivity improvement initiatives taken in 2020 and 2019, net of incremental year-over-year costs associated with various new product development and sales, service and marketing growth investments - 170 basis points
- The incremental accretive effect in 2020 of acquired businesses (including Cytiva), net of product line dispositions which did not qualify as discontinued operations - 125 basis points

2020 vs. 2019 operating profit margin comparisons were unfavorably impacted by:

- Acquisition-related fair value adjustments to inventory and deferred revenue, and incremental transaction costs deemed significant and integration preparation costs, in each case related to the acquisition of Cytiva - 215 basis points. The Company deems acquisition-related transaction costs incurred in a given period to be significant (generally relating to the Company's larger acquisitions) if it determines that such costs exceed the range of acquisition-related transaction costs typical for Danaher in a given period.
- Impairment charges related to trade names in the Environmental & Applied Solutions segment incurred in the third quarter of 2020 - 5 basis points
- Impairment charges related to a facility in the Diagnostics segment and a trade name and other intangible assets in the Environmental & Applied Solutions segment incurred in the first quarter of 2020 - 5 basis points

Business Segments

Sales by business segment for the years ended December 31 are as follows (\$ in millions):

	2020	2019	2018
Life Sciences	\$ 10,576	\$ 6,951	\$ 6,471
Diagnostics	7,403	6,561	6,258
Environmental & Applied Solutions	4,305	4,399	4,320
Total	<u>\$ 22,284</u>	<u>\$ 17,911</u>	<u>\$ 17,049</u>

For information regarding the Company's sales by geographical region, refer to Note 2 to the accompanying Consolidated Financial Statements.

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LIFE SCIENCES

The Company's Life Sciences segment offers a broad range of instruments and consumables that are primarily used by customers to study the basic building blocks of life, including genes, proteins, metabolites and cells, in order to understand the causes of disease, identify new therapies, and test and manufacture new drugs and vaccines.

Life Sciences Selected Financial Data

(\$ in millions)	Year Ended December 31		
	2020	2019	2018
Sales	\$ 10,576	\$ 6,951	\$ 6,471
Operating profit	2,054	1,401	1,229
Depreciation	183	130	127
Amortization of intangible assets	870	357	344
Operating profit as a % of sales	19.4 %	20.2 %	19.0 %
Depreciation as a % of sales	1.7 %	1.9 %	2.0 %
Amortization as a % of sales	8.2 %	5.1 %	5.3 %

Core Sales Growth and Core Sales Growth Including Cytiva

	2020 vs. 2019	2019 vs. 2018
Total sales growth (GAAP)	52.0 %	7.5 %
Impact of:		
Acquisitions/divestitures	(46.5)%	(2.5)%
Currency exchange rates	— %	2.0 %
Core sales growth (non-GAAP)	5.5 %	7.0 %
Impact of Cytiva sales growth (net of divested product lines)	7.5 %	
Core sales growth including Cytiva (non-GAAP)	13.0 %	

2020 Compared to 2019

Price increases in the segment contributed 1.0% to revenue growth on a year-over-year basis during 2020 as compared with 2019 and are reflected as a component of the change in core revenue growth.

During 2020, total sales in the segment increased 52.0% primarily as a result of increased sales from acquisitions, net of divestitures and increased core sales resulting from the factors discussed below. Currency exchange rates had a negligible impact on total sales in 2020 compared to 2019. During 2020, increased demand for instruments and consumables used for COVID-19 related applications in the bioprocessing end-market was partially offset by lower demand in certain non-COVID-19 applications as a result of the response to the pandemic. The Company saw lower demand for equipment late in the first quarter and in the second quarter as the COVID-19 pandemic spread around the world, academic research labs closed late in the first quarter of 2020 and customers deferred purchases of larger instruments. The Company saw the gradual reopening of certain research labs later in 2020 as the pandemic subsided, although the recurrence of the pandemic in certain geographies has required certain labs to remain closed or operate at a lower capacity. Core sales for filtration, separation and purification technologies increased across most major geographies on a year-over-year basis led by Western Europe, China and North America. Demand for filtration, separation and purification technologies was led by COVID-19 related demand in the biopharmaceutical end-market, partially offset by weaker demand in the fluid technology and asset protection and aerospace end-markets. Core sales of microscopy products decreased on a year-over-year basis across all major product lines, primarily due to lower demand in the medical, industrial, and life science research end-markets. Geographically, demand for microscopy products decreased across all major geographies and end-markets, as shutdown measures to curb COVID-19 reduced year-over-year demand for equipment in particular. Year-over-year core sales for flow cytometry and particle counting solutions increased in 2020 across all major geographies and most end-markets due to increased demand for genomic sample preparation consumables and automation products resulting from the COVID-19 pandemic. Core sales of the business' broad range of mass spectrometers declined on a year-over-year basis due to lower demand in the clinical and pharmaceutical end-markets in the first half of the year as a result of

the COVID-19 pandemic. Demand for mass spectrometer products improved sequentially throughout the second half of 2020. Geographically, the decrease in demand was led by North America, Western Europe and China. Core sales in the genomics consumables business increased across all major geographies and product lines, driven primarily by demand for primer and probe kits related to COVID-19 testing.

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The acquisition of Cytiva on March 31, 2020 has provided, and is expected to continue to provide additional sales and earnings growth opportunities for the Company's Life Sciences segment by expanding the business' geographic and product line diversity, including new product and service offerings that complement the Company's biologics workflow solutions. Due to the proximity of the acquisition date to the end of the first quarter, there are no results of operations for Cytiva included in the Life Sciences segment in the first quarter of 2020. Beginning in the second quarter of 2020, Cytiva is included in the Life Sciences segment results. In the last nine months of 2020, Cytiva experienced significant increased demand across all major geographies and end-markets, driven by demand for instruments and consumables used in the research and development of COVID-19-related treatments and vaccines.

Operating Profit Performance

Operating profit margins declined 80 basis points during 2020 as compared to 2019. The following factors impacted year-over-year operating profit margin comparisons.

2020 vs. 2019 operating profit margin comparisons were favorably impacted by:

- Higher 2020 core sales volumes, lower overall spending levels for business travel and other business activities as a result of the pandemic, incremental year-over-year cost savings associated with the continued productivity improvement initiatives taken in 2020 and 2019 and the impact of foreign currency exchange rates in 2020, net of incremental year-over-year costs associated with various new product development and sales and marketing growth investments - 200 basis points
- The incremental accretive effect in 2020 of acquired businesses, net of product line dispositions which did not qualify as discontinued operations - 200 basis points

2020 vs. 2019 operating profit margin comparisons were unfavorably impacted by:

- Acquisition-related fair value adjustments to inventory and deferred revenue related to the acquisition of Cytiva - 480 basis points

Depreciation and amortization increased during 2020 as compared to 2019 due primarily to the impact of the acquisition of Cytiva.

DIAGNOSTICS

The Company's Diagnostics segment offers analytical instruments, reagents, consumables, software and services that hospitals, physicians' offices, reference laboratories and other critical care settings use to diagnose disease and make treatment decisions.

Diagnostics Selected Financial Data

(\$ in millions)	Year Ended December 31		
	2020	2019	2018
Sales	\$ 7,403	\$ 6,561	\$ 6,258
Operating profit	1,538	1,134	1,074
Depreciation	397	376	379
Amortization of intangible assets	205	206	210
Operating profit as a % of sales	20.8 %	17.3 %	17.2 %
Depreciation as a % of sales	5.4 %	5.7 %	6.1 %
Amortization as a % of sales	2.8 %	3.1 %	3.4 %

Core Sales Growth

	2020 vs. 2019	2019 vs. 2018
Total sales growth (GAAP)	13.0 %	5.0 %
Impact of:		
Currency exchange rates	0.5 %	2.0 %
Core sales growth (non-GAAP)	13.5 %	7.0 %

2020 Compared to 2019

Price increases in the segment did not have a significant impact on sales growth on a year-over-year basis during 2020 as compared with 2019.

During 2020, total sales in the segment increased 13.0%, driven by the factors discussed below related to core sales growth, net of a modest negative impact from currency exchange rates. During 2020, increased demand for molecular diagnostics and acute care instruments and consumables to support the response to the COVID-19 pandemic was partially offset by lower demand for instruments and consumables in the clinical lab businesses as a result of shutdowns and restrictions related to the pandemic. While patient volumes remained down year-over-year, the Company saw sequential improvement in patient volume from the second quarter of 2020 through the end of the year. Core sales in the segment's clinical lab business decreased on a year-over-year basis driven by lower demand across all major product lines. Geographically, shutdown measures to curb COVID-19 reduced core laboratory testing volumes year-over-year across all major geographies. Core sales increased in the molecular diagnostics business on a year-over-year basis in both developed and high-growth markets and contributed significantly to overall segment core sales growth. The molecular diagnostics business experienced particularly strong growth in sales of instruments and consumables in the infectious disease product line driven by the development and commercialization of diagnostic test solutions for COVID-19. Core sales in the acute care diagnostic business increased year-over-year primarily due to higher demand for blood gas instruments and consumables, driven in part by increased hospitalizations as a result of the COVID-19 pandemic. Geographically, demand was strong across all major geographies. Core sales in the pathology business grew year-over-year driven by increased demand for advanced staining consumables and pathology imaging products. Geographically, core sales growth in the pathology business was led by North America and Western Europe, partially offset by soft demand in China.

Operating Profit Performance

Operating profit margins increased 350 basis points during 2020 as compared to 2019. The following factors impacted year-over-year operating profit margin comparisons.

2020 vs. 2019 operating profit margin comparisons were favorably impacted by:

- Higher 2020 core sales volumes, lower overall spending levels for business travel and other business activities as a result of the pandemic and incremental year-over-year cost savings associated with the continued productivity improvement initiatives taken in 2020 and 2019, net of incremental year-over-year costs associated with various new product development and sales and marketing growth investments and the impact of foreign currency exchange rates in 2020 - 355 basis points

2020 vs. 2019 operating profit margin comparisons were unfavorably impacted by:

- Impairment charges related to a facility incurred in the first quarter of 2020 - 5 basis points

Depreciation and amortization as a percentage of sales decreased during 2020 as compared with 2019 largely due to the impact of increased sales in 2020.

ENVIRONMENTAL & APPLIED SOLUTIONS

The Company's Environmental & Applied Solutions segment offers products and services that help protect important resources and keep global food and water supplies safe. The Company's water quality business provides instrumentation, consumables, software, services and disinfection systems to help analyze, treat and manage the quality of ultra-pure, potable, industrial, waste, ground, source and ocean water in residential, commercial, municipal, industrial and natural resource applications. The Company's product identification business provides instruments, software, services and consumables for various color and appearance management, packaging design and quality management, packaging converting, printing, marking, coding and traceability applications for consumer, pharmaceutical and industrial products.

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Environmental & Applied Solutions Selected Financial Data

(\$ in millions)	Year Ended December 31		
	2020	2019	2018
Sales	\$ 4,305	\$ 4,399	\$ 4,320
Operating profit	979	1,052	988
Depreciation	47	49	47
Amortization of intangible assets	63	62	62
Operating profit as a % of sales	22.7 %	23.9 %	22.9 %
Depreciation as a % of sales	1.1 %	1.1 %	1.1 %
Amortization as a % of sales	1.5 %	1.4 %	1.4 %

Core Sales (Decline) Growth

	2020 vs. 2019	2019 vs. 2018
Total sales (decline) growth (GAAP)	(2.0)%	2.0 %
Impact of:		
Acquisitions/divestitures	— %	(0.5)%
Currency exchange rates	0.5 %	2.0 %
Core sales (decline) growth (non-GAAP)	(1.5)%	3.5 %

2020 Compared to 2019

Price increases in the segment contributed 1.5% to sales growth on a year-over-year basis during 2020 as compared with 2019 and are reflected as a component of the change in core revenue growth.

During 2020, total sales in the segment decreased 2.0% primarily as a result of the factors discussed below related to core sales declines, as well as from the negative impact of currency exchange rates. Core sales in the segment's water quality businesses increased slightly during 2020 as compared with 2019 as increased demand for consumables was mostly offset by lower over-year demand for equipment as a result of the COVID-19 pandemic. While demand for equipment decreased on a year-over-year basis in 2020, the Company saw sequential improvement in the demand for equipment from the second quarter of 2020 through the end of the year. Year-over-year core sales in the analytical instrumentation product line increased in 2020, as increases in Western Europe and China more than offset decreases in North America and the Middle East. In the business' chemical treatment solutions product line, increased demand in the food and beverage, commercial and industrial, and power end-markets was offset by lower demand in the oil and gas, primary metals, transportation and chemical end-markets. Geographically, year-over-year core sales in the chemical treatment solutions product line increased in North America and decreased in Latin America. Core sales in the business' ultraviolet water disinfection product line increased in 2020, as increased demand in North America and Western Europe more than offset weaker demand in the high-growth markets.

Core sales in the segment's product identification businesses decreased at a mid-single digit rate during 2020 as compared with 2019 driven by lower demand for equipment as a result of the COVID-19 pandemic. While demand for equipment decreased on a year-over-year basis in 2020, the Company saw sequential improvement in the demand for equipment from the second quarter of 2020 through the end of the year. Core sales in the marking and coding business decreased year-over-year, as increased demand in North America was more than offset by weaker demand in Western Europe and the high-growth markets. Demand for marking and coding equipment decreased in 2020, offsetting increased demand for consumables in the food and beverage, consumer-packaged goods and pharmaceutical end-markets. For packaging and color solutions products and services, core sales decreased year-over-year, driven by lower demand for equipment in North America, Western Europe and the high-growth markets. The Company saw continued improvement in demand for packaging and color management solutions in the second half of 2020 compared to the first half of the year.

Operating Profit Performance

Operating profit margins declined 120 basis points during 2020 as compared to 2019. Year-over-year operating profit margin comparisons were unfavorably impacted by:

- Lower 2020 core sales volumes and incremental year-over-year costs associated with sales, service and marketing growth investments, net of lower overall spending levels for business travel and other business activities as a result of the pandemic, incremental year-over-year cost savings associated with the continued productivity improvement initiatives taken in 2020 and 2019 and the impact of foreign currency exchange rates in 2020 - 65 basis points

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- Impairment charges related to trade names incurred in the third quarter of 2020 - 35 basis points
- Impairment charges related to a trade name and other intangible assets incurred in the first quarter of 2020 - 5 basis points
- The incremental net dilutive effect in 2020 of acquired businesses - 15 basis points

COST OF SALES AND GROSS PROFIT

(\$ in millions)	Year Ended December 31		
	2020	2019	2018
Sales	\$ 22,284	\$ 17,911	\$ 17,049
Cost of sales	(9,809)	(7,927)	(7,544)
Gross profit	\$ 12,475	\$ 9,984	\$ 9,505
Gross profit margin	56.0 %	55.7 %	55.8 %

The year-over-year increase in cost of sales during 2020 as compared with 2019 was due primarily to the impact of higher year-over-year sales volumes, including sales volumes from recently acquired businesses, and 2020 acquisition-related charges associated with fair value adjustments to inventory in connection with the Cytiva Acquisition, which increased cost of sales by \$457 million in 2020.

The year-over-year increase in gross profit margin during 2020 as compared with 2019 was due primarily to higher year-over-year sales volumes, including sales volumes from recently acquired businesses, and higher gross profit margins of recently acquired businesses, partially offset by the impact of 2020 acquisition-related charges associated with fair value adjustments to inventory and deferred revenue in connection with the Cytiva Acquisition, which adversely impacted gross profit margin comparisons by approximately 215 basis points in 2020 compared to 2019.

OPERATING EXPENSES

(\$ in millions)	Year Ended December 31		
	2020	2019	2018
Sales	\$ 22,284	\$ 17,911	\$ 17,049
Selling, general and administrative (“SG&A”) expenses	(6,896)	(5,589)	(5,391)
Research and development (“R&D”) expenses	(1,348)	(1,126)	(1,059)
SG&A as a % of sales	30.9 %	31.2 %	31.6 %
R&D as a % of sales	6.0 %	6.3 %	6.2 %

SG&A expenses as a percentage of sales declined 30 basis points on a year-over-year basis for 2020 compared with 2019. The decline was driven by the benefit of increased leverage of the Company’s general and administrative cost base resulting from higher 2020 sales volumes, including sales volumes from recently acquired companies, incremental year-over-year cost savings associated with the continuing productivity improvement initiatives taken in 2020 and 2019, lower travel expenses in 2020 and lower year-over-year transaction costs related to the Cytiva Acquisition. These decreases were partially offset by incremental year-over-year amortization charges which adversely impacted SG&A as a percentage of sales by approximately 160 basis points, primarily related to the Cytiva Acquisition in 2020, as well as impairment charges related to a facility in the Diagnostics segment and trade name and other intangible assets in the Environmental & Applied solutions segment incurred in the first and third quarters of 2020 and continued investments in sales and marketing growth initiatives.

R&D expenses (consisting principally of internal and contract engineering personnel costs) as a percentage of sales declined in 2020 as compared with 2019, primarily due to lower R&D expenses as a percentage of sales in businesses recently acquired as well as the impact of sales growth rates in 2020 exceeding the spending growth related to the Company's new product development initiatives.

NONOPERATING INCOME (EXPENSE)

The Company disaggregates the service cost component of net periodic benefit costs of noncontributory defined benefit pension plans and other postretirement employee benefit plans and presents the other components of net periodic benefit cost in other (expense) income, net. These other components include the assumed rate of return on plan assets, partially offset by amortization of actuarial losses and interest and aggregated to a gain of \$16 million, \$12 million and \$35 million as of December 31, 2020, 2019 and 2018, respectively. The Company's net periodic pension cost for the year ended December 31, 2019 includes a settlement loss of \$7 million (\$6 million after tax or \$0.01 per diluted common share) as a result of the transfer of a portion of its non-U.S. pension liabilities related to one defined benefit plan to a third party.

The Company estimates the fair value of investments in equity securities using the Fair Value Alternative and records adjustments to fair value within net earnings. Additionally, the Company is a limited partner in a partnership that invests in early stage companies. While the partnership records these investments at fair value, the Company's investment in the partnership is accounted for under the equity method of accounting. During the year ended December 31, 2020, the Company recorded net realized and unrealized gains of \$18 million related to changes in the fair value of these investments. In addition, the Company recorded other income of \$5 million related to certain other transactions during 2020. These items are reflected in other income (expense), net in the Company's Consolidated Statement of Earnings. No significant realized or unrealized gains or losses were recorded in either 2019 or 2018 with respect to these investments.

GAIN ON SALE OF PRODUCT LINES

As a condition to obtaining certain regulatory approvals for the closing of the Cytiva Acquisition, the Company was required to divest certain of its existing product lines in the Life Sciences segment that in the aggregate generated revenues of approximately \$170 million in 2019. On April 30, 2020, the Company completed the sale of these product lines for a cash purchase price, net of cash transferred and transaction costs, of \$826 million and recognized a pretax gain on sale of \$455 million (\$305 million after-tax or \$0.42 per diluted common share) in the second quarter of 2020. The divestiture of these product lines did not represent a strategic shift with a major effect on the Company's operations and financial results and therefore is not reported as a discontinued operation.

LOSS ON EARLY EXTINGUISHMENT OF BORROWINGS

In the fourth quarter of 2020, the Company redeemed the €800 million aggregate principal amount of 1.7% senior unsecured notes due 2022 at a redemption price equal to the outstanding principal amount and a make-whole premium as specified in the applicable indenture, plus accrued and unpaid interest. The Company recorded a loss on early extinguishment of these borrowings of \$26 million (\$20 million after-tax or \$0.03 per diluted common share) related to the payment of make-whole premiums in connection with the redemption. The Company funded the redemption using available cash balances, including proceeds from the fourth quarter 2020 issuance of the 2.6% senior unsecured notes due 2050.

In the fourth quarter of 2019, the Company redeemed the \$500 million aggregate principal amount of 2.4% senior unsecured notes due 2020 and the \$375 million aggregate principal amount of 5.0% senior unsecured notes due 2020 at a redemption price equal to the outstanding principal amount and a make-whole premium as specified in the applicable indenture, plus accrued and unpaid interest. The Company recorded a loss on extinguishment of these borrowings of \$7 million (\$5 million after-tax or \$0.01 per diluted common share) related to the payment of make-whole premiums in connection with the redemption. The Company funded the redemption using a portion of the cash distribution it received in connection with the Envista Disposition.

INTEREST COSTS

Interest expense of \$275 million for 2020 was \$167 million higher than in 2019, due primarily to the impact of higher average debt balances as a result of the issuances of debt in 2019 and 2020 (primarily to fund the Cytiva Acquisition) and 2020 borrowings under the Company's \$5.0 billion unsecured revolving credit facility with a syndicate of banks that expires on August 27, 2024, subject to a one-year extension option at the request of the Company with the consent of the lenders (the "Five-Year Facility") and the Company's \$5.0 billion 364-day unsecured revolving credit facility with a syndicate of banks that was scheduled to expire on August 26, 2020 (the "Superseded 364-Day Facility"), prior to the subsequent repayment of such credit facility borrowings. Proceeds from these borrowings as well as available cash balances were used to fund the acquisition of Cytiva and for general

corporate purposes. Interest income of \$71 million for 2020 was \$68 million lower than in 2019, due primarily to lower interest rates and lower average cash balances in 2020 due to the funding of the Cytiva Acquisition.

In January 2019, the Company entered into approximately \$1.9 billion of cross-currency swap derivative contracts on its U.S. dollar-denominated bonds to effectively convert the Company's U.S. dollar-denominated bonds to obligations denominated in Danish kroner, Japanese yen, euro and Swiss franc and reduce the interest rate from the stated interest rates on the U.S. dollar-denominated debt to the interest rates of the swaps. In addition, in 2020, the Company entered into approximately \$1.0 billion of cross-currency swap derivative contracts on its U.S. dollar-denominated bonds to effectively convert the Company's U.S.

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dollar-denominated bonds to obligations denominated in euro and reduce the interest rate from the stated interest rates on the U.S. dollar-denominated debt to the interest rates of the swaps. As of December 31, 2020, approximately \$2.0 billion of the cross-currency swap derivative contracts remained outstanding. For a further description of the Company's debt and cross-currency swap derivative contracts related to the debt as of December 31, 2020 refer to Notes 11 and 12 to the Consolidated Financial Statements.

INCOME TAXES

General

Income tax expense and deferred tax assets and liabilities reflect management's assessment of future taxes expected to be paid on items reflected in the Company's Consolidated Financial Statements. The Company records the tax effect of discrete items and items that are reported net of their tax effects in the period in which they occur.

The Company's effective tax rate can be affected by changes in the mix of earnings in countries with different statutory tax rates (including as a result of business acquisitions and dispositions), changes in the valuation of deferred tax assets and liabilities, accruals related to contingent tax liabilities and period-to-period changes in such accruals, the results of audits and examinations of previously filed tax returns (as further discussed below), the expiration of statutes of limitations, the implementation of tax planning strategies, tax rulings, court decisions, settlements with tax authorities and changes in tax laws and regulations, such as the TCJA and legislative policy changes that may result from the OECD's initiative on Base Erosion and Profit Shifting or the change in the U.S. administration. For a description of the tax treatment of earnings that are planned to be reinvested indefinitely outside the United States, refer to "—Liquidity and Capital Resources—Cash and Cash Requirements" below.

The amount of income taxes the Company pays is subject to ongoing audits by federal, state and foreign tax authorities, which often result in proposed assessments. Management performs a comprehensive review of its global tax positions on a quarterly basis. Based on these reviews, which take into account the results of discussions and resolutions of matters with certain tax authorities and the other factors referenced in the prior paragraph, reserves for contingent tax liabilities are accrued or adjusted as necessary. For a discussion of risks related to these and other tax matters, refer to "Item 1A. Risk Factors".

Year-Over-Year Changes in the Tax Provision and Effective Tax Rate

	Year E
	2020
Effective tax rate from continuing operations	18.9 %

The Company's effective tax rate for 2020 and 2019 differs from the U.S. federal statutory rate of 21.0%, due principally to the Company's earnings outside the United States that are indefinitely reinvested and taxed at rates different than the U.S. federal statutory rate. Refer to Note 15 to the Consolidated Financial Statements for a discussion of the Company's effective tax rate.

The Company conducts business globally, and files numerous consolidated and separate income tax returns in the U.S. federal, state and foreign jurisdictions. The non-U.S. countries in which the Company has a significant presence include China, Denmark, Germany, Singapore, Sweden, Switzerland and the United Kingdom. Excluding these jurisdictions, the Company believes that a change in the statutory tax rate of any individual foreign country would not have a material effect on the Company's Consolidated Financial Statements given the geographic dispersion of the Company's taxable income.

The Company and its subsidiaries are routinely examined by various domestic and international taxing authorities. The IRS has completed substantially all of the examinations of the Company's federal income tax returns through 2015 and is currently examining certain of the Company's federal income tax returns for 2016 through 2018. In addition, the Company has subsidiaries in Austria, Belgium, Canada, China, Denmark, France, Germany, India, Japan, Korea, Switzerland, the United Kingdom and various other countries, states and provinces that are currently under audit for years ranging from 2004 through 2018.

In the fourth quarter of 2018 and the first quarter of 2019, the IRS proposed significant adjustments to the Company's taxable income for the years 2012 through 2015 with respect to the deferral of tax on certain premium

income related to the Company's self-insurance programs. For income tax purposes, the recognition of premium income has been deferred in accordance with U.S. tax laws related to insurance. The IRS challenged the deferral of premiums for certain types of the Company's self-insurance policies. These proposed adjustments would have increased the Company's taxable income over the 2012 through 2015 period by approximately \$2.7 billion. In the third quarter of 2020, the Company settled the 2012 through 2015 audit period with the IRS, including the resolution of these proposed adjustments. The settlement was not material to the Company's financial statements, including its cash flows and effective tax rate. As the settlement with the IRS was specific to the audit period, the settlement does not preclude the IRS from proposing similar adjustments to the Company's self-insurance programs

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in current or future audits. In connection with its examination of the Company's federal income tax returns for 2016, 2017 and 2018, the IRS has requested additional information on the Company's self-insurance programs. Due to the enactment of the TCJA in 2017 and the resulting reduction in the U.S. corporate tax rate for years after 2017, the Company revalued its deferred tax liabilities related to the temporary differences associated with this deferred premium income from 35.0% to 21.0%. If the IRS proposes adjustments related to the Company's self-insurance premiums with respect to years subsequent to 2015 and prior to adoption of the TCJA and the Company is unsuccessful in defending its position, any taxes owed to the IRS may be computed under the previous 35.0% statutory tax rate and the Company may be required to revalue the related deferred tax liabilities from 21.0% to 35.0%, which in addition to any interest due on the amounts assessed, would require a charge to future earnings. Management believes the positions the Company has taken in its U.S. tax returns are in accordance with the relevant tax laws.

Tax authorities in Denmark have raised significant issues related to interest accrued by certain of the Company's subsidiaries. On December 10, 2013, the Company received assessments from the Danish tax authority ("SKAT") of approximately DKK 1.9 billion including interest through December 31, 2020 (approximately \$309 million based on exchange rates as of December 31, 2020) imposing withholding tax relating to interest accrued in Denmark on borrowings from certain of the Company's subsidiaries for the years 2004 through 2009. The Company appealed these assessments to the Danish National Tax Tribunal in 2014. The appeal is pending, awaiting the final outcome of other, preceding withholding tax cases that were appealed to the Danish courts and subsequently to the Court of Justice of the European Union ("CJEU"). In February 2019, the CJEU decided several of these cases and ruled that the exemption of interest payments from withholding taxes provided in the applicable EU directive should be denied where taxpayers use the directive for abusive or fraudulent purposes, and that it is up to the national courts to make this determination. This decision of the CJEU now awaits application by the Danish High Court in the other, preceding withholding tax cases. SKAT has maintained a similar position related to withholding tax on interest accrued in Denmark on borrowings from certain of the Company's subsidiaries with respect to tax years 2010 through 2015. In 2019, the Company received aggregate assessments for these matters of approximately DKK 1.8 billion including interest through December 31, 2020 (approximately \$302 million based on the exchange rate as of December 31, 2020). The Company is appealing these assessments as well.

Management believes the positions the Company has taken in Denmark are in accordance with the relevant tax laws and is vigorously defending its positions. The Company intends on pursuing this matter through the Danish High Court should the appeal to the Danish National Tax Tribunal be unsuccessful. The Company will continue to monitor decisions of both the Danish courts and the CJEU and evaluate the impact of these court rulings on the Company's tax positions in Denmark. The ultimate resolution of this matter is uncertain, could take many years, and could result in a further material adverse impact to the Company's financial statements, including its cash flow and effective tax rate.

On June 24, 2020, SKAT issued a press release to announce that it has misapplied Denmark's interest rules in some assessments concerning withholding tax and overcharged interest. Subsequent to year end, the Company received a notice from SKAT dated January 15, 2021 that includes a significant reduction in the interest amounts due related to the assessments discussed above. The Company is reviewing the notice and the revised interest calculations received from SKAT.

The Company expects its 2021 effective tax rate to be approximately 20.5% which is higher than the 2020 rate due primarily to the geographic mix of earnings anticipated for 2021. Any future legislative changes in the United States and/or potential tax reform in other jurisdictions, could cause the Company's effective tax rate to differ from this estimate. Refer to Note 15 to the Consolidated Financial Statements for additional information related to income taxes.

DISCONTINUED OPERATIONS

As further discussed in Note 4 to the Consolidated Financial Statements, discontinued operations include the results of Envista which was disposed of during the fourth quarter of 2019. In 2019, earnings from discontinued operations, net of income taxes, were \$576 million and reflect the operating results of Envista prior to the Envista Disposition and a gain on the disposition of Envista of \$451 million, net of certain costs associated with the Envista Disposition including costs related to establishing Envista as a stand-alone entity and legal, accounting and investment banking fees.

COMPREHENSIVE INCOME

Comprehensive income increased by approximately \$3.6 billion in 2020 as compared to 2019, primarily due to a gain on foreign currency translation adjustments in 2020 compared to a loss in 2019, higher net earnings and a decrease in the loss from cash flow hedge adjustments in 2020 compared to 2019, partially offset by an increase in losses from pension and postretirement plan benefit adjustments in 2020 compared to 2019. The Company recorded a foreign currency translation gain of approximately \$2.9 billion for 2020 compared to a translation loss of \$75 million for 2019. The Company recorded a pension and postretirement plan benefit loss of \$147 million for 2020 compared to a loss of \$90 million for 2019. The

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Company recorded losses from cash flow hedge adjustments related to the Company's cross-currency swap derivative contracts in 2020 of \$72 million compared to losses of \$113 million in 2019.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to market risk from changes in interest rates, foreign currency exchange rates, equity prices and commodity prices as well as credit risk, each of which could impact its Consolidated Financial Statements. The Company generally addresses its exposure to these risks through its normal operating and financing activities. The Company also periodically uses derivative financial instruments to manage foreign exchange risks and interest rate risks. In addition, the Company's broad-based business activities help to reduce the impact that volatility in any particular area or related areas may have on its financial statements as a whole.

Interest Rate Risk

The Company manages interest cost using a mixture of fixed-rate and variable-rate debt. A change in interest rates on fixed rate debt impacts the fair value of the debt but not the Company's earnings or cash flow because the interest on such debt is fixed. Generally, the fair market value of fixed-rate debt will increase as interest rates fall and decrease as interest rates rise. As of December 31, 2020, an increase of 100 basis points in interest rates would have decreased the fair value of the Company's fixed-rate long-term debt (excluding the LYONs, which have not been included in this calculation as the value of this convertible debt was primarily derived from the value of its underlying common stock) by approximately \$2.0 billion.

As of December 31, 2020, the Company's variable-rate debt obligations consisted primarily of euro-based commercial paper borrowings (refer to Note 11 to the Consolidated Financial Statements for information regarding the Company's outstanding commercial paper balances as of December 31, 2020). As a result, the Company's primary interest rate exposure results from changes in short-term interest rates. As these shorter duration obligations mature, the Company may issue additional short-term commercial paper obligations to refinance all or part of these borrowings, to the extent commercial paper markets are available. In 2020, the average annual interest rate associated with the Company's outstanding commercial paper borrowings was approximately negative 6 basis points. A hypothetical increase of this average to positive 13 basis points would have increased the Company's annual interest expense by \$5 million. The hypothetical increase used is the actual amount by which the Company's commercial paper interest rates fluctuated during 2020.

Refer to "Results of Operations—Interest Costs" for discussion of the Company's cross-currency swap derivative contracts and interest rate swap agreements.

Currency Exchange Rate Risk

The Company faces transactional exchange rate risk from transactions with customers in countries outside the United States and from intercompany transactions between affiliates. Transactional exchange rate risk arises from the purchase and sale of goods and services in currencies other than Danaher's functional currency or the functional currency of its applicable subsidiary. The Company also faces translational exchange rate risk related to the translation of financial statements of its foreign operations into U.S. dollars, Danaher's functional currency. Costs incurred and sales recorded by subsidiaries operating outside of the United States are translated into U.S. dollars using exchange rates effective during the respective period. As a result, the Company is exposed to movements in the exchange rates of various currencies against the U.S. dollar. In particular, the Company has more sales in European currencies than it has expenses in those currencies. Therefore, when European currencies strengthen or weaken against the U.S. dollar, operating profits are increased or decreased, respectively. The effect of a change in currency exchange rates on the Company's net investment in international subsidiaries is reflected in the accumulated other comprehensive income (loss) component of stockholders' equity.

Currency exchange rates did not have a significant impact on 2020 reported sales on a year-over-year basis. If the currency exchange rates in effect as of December 31, 2020 were to prevail throughout 2021, currency exchange rates would increase 2021 estimated sales relative to 2020 sales by approximately 3.0%. Strengthening of the U.S. dollar against other major currencies compared to the exchange rates in effect as of December 31, 2020 would adversely impact the Company's sales and results of operations on an overall basis. Any weakening of the U.S. dollar against other major currencies compared to the exchange rates in effect as of December 31, 2020 would positively impact the Company's sales and results of operations.

The Company has generally accepted the exposure to exchange rate movements without using derivative financial instruments to manage this transactional exchange risk, although the Company has used foreign currency-denominated debt and cross-currency swaps to hedge a portion of its net investments in foreign operations against adverse movements in exchange rates. Both positive and negative movements in currency exchange rates against the U.S. dollar will continue to affect the reported amount of sales and net earnings in the Company's Consolidated Financial Statements. In addition, the Company has assets and liabilities held in foreign currencies. A 10% depreciation in major currencies relative to the U.S. dollar as of December 31,

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2020 would have reduced foreign currency-denominated net assets and stockholders' equity by approximately \$1.5 billion. As of December 31, 2020, the Company had \$2.0 billion of cross-currency swap derivative contracts outstanding as hedges of its net investment in foreign operations. These contracts effectively convert the Company's U.S. dollar-denominated bonds to obligations denominated in Danish kroner, Japanese yen, euro and Swiss franc, and partially offset the impact of changes in currency rates on foreign currency-denominated net assets during the term of the swap. The Company also uses cross-currency swap derivative contracts to hedge U.S. dollar-denominated long-term debt issuances in a foreign subsidiary whose functional currency is the euro against adverse movements in exchange rates between the U.S. dollar and the euro. For a further description of the Company's cross-currency swap derivative contracts as of December 31, 2020 refer to Note 12 to the Consolidated Financial Statements.

Equity Price Risk

The Company's investment portfolio from time to time includes publicly-traded equity securities that are sensitive to fluctuations in market price, though as of December 31, 2020, the Company held no available-for-sale marketable equity securities. The Company holds non-marketable equity investments in privately held companies that may be impacted by equity price risks. These non-marketable equity investments are accounted for under the Fair Value Alternative method with changes in fair value recorded in earnings. Volatility in the equity markets or other fair value considerations could affect the value of these investments and require charges or gains to be recognized in earnings.

Commodity Price Risk

For a discussion of risks relating to commodity prices, refer to "Item 1A. Risk Factors."

Credit Risk

The Company is exposed to potential credit losses in the event of nonperformance by counterparties to its financial instruments. Financial instruments that potentially subject the Company to credit risk consist of cash and temporary investments, receivables from customers and derivatives. The Company places cash and temporary investments with various high-quality financial institutions throughout the world and exposure is limited at any one institution. Although the Company typically does not obtain collateral or other security to secure these obligations, it does regularly monitor the third-party depository institutions that hold its cash and cash equivalents. The Company's emphasis is primarily on safety and liquidity of principal and secondarily on maximizing yield on those funds.

In addition, concentrations of credit risk arising from receivables from customers are limited due to the diversity of the Company's customers. The Company's businesses perform credit evaluations of their customers' financial conditions as deemed appropriate and also obtain collateral or other security when deemed appropriate.

The Company enters into derivative transactions infrequently and typically with high-quality financial institutions, so that exposure at any one institution is limited.

LIQUIDITY AND CAPITAL RESOURCES

Management assesses the Company's liquidity in terms of its ability to generate cash to fund its operating, investing and financing activities. The Company continues to generate substantial cash from operating activities and believes that its operating cash flow and other sources of liquidity will be sufficient to allow it to continue investing in existing businesses, consummating strategic acquisitions and investments, paying interest and servicing debt, funding restructuring activities and managing its capital structure on a short and long-term basis.

Notwithstanding the foregoing, the Company continues to monitor the impact of the COVID-19 pandemic on the Company's liquidity and capital resources and has taken actions intended to mitigate adverse impacts. Historically, the Company has generally relied on borrowings under its commercial paper program to address liquidity requirements that exceed the capacity provided by its operating cash flows and cash on hand, while also accessing the capital markets from time to time to secure financing for more significant acquisitions. The COVID-19 pandemic adversely affected the availability of new borrowings in the commercial paper markets at times during 2020. Therefore, in the first half of 2020, the Company engaged in the following financing transactions:

- The Company borrowed \$2.5 billion under the Five-Year Facility and \$2.5 billion under the Superseded 364-Day Facility for general corporate purposes (including payment of a portion of the purchase price for the

Cytiva Acquisition and repayment of certain commercial paper obligations as they matured). The Company replaced the Superseded 364-Day Facility with a new \$2.5 billion 364-Day Facility, which was terminated on December 31, 2020. All amounts borrowed under the credit facilities referenced above were repaid in 2020. As of December 31, 2020,

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after taking into account amounts backstopping outstanding commercial paper, the Company had availability under the Five-Year Credit Facility of approximately \$4.4 billion for direct borrowings or to backstop the issuance of additional commercial paper to the extent available.

- The Company issued approximately €2.5 billion (approximately \$2.7 billion based on currency exchange rates as of the respective dates of the pricing of the notes) aggregate principal amount of euro-denominated senior unsecured notes, the proceeds of which have been and are being used for general corporate purposes (including repayment of the borrowings under the Superseded 364-Day Facility and the Five-Year Facility, and repayment of certain commercial paper obligations as they mature).
- The Company completed the 2020 Common Stock Offering and 2020 MCPS Offering and received net proceeds of approximately \$1.73 billion and \$1.67 billion, respectively, which have been and will be used for general corporate purposes.
- In October 2020, the Company issued \$1.0 billion aggregate principal amount of U.S. dollar-denominated senior unsecured notes, the proceeds of which have been and will be used for general corporate purposes, including the redemption of the 2022 Euronotes in the fourth quarter of 2020.

Following is an overview of the Company's cash flows and liquidity for the years ended December 31:

Overview of Cash Flows and Liquidity

(\$ in millions)	2020	2019	2018
Total operating cash flows provided by continuing operations	\$ 6,215	\$ 3,657	\$ 3,644
Cash paid for acquisitions	\$ (20,971)	\$ (331)	\$ (2,173)
Payments for additions to property, plant and equipment	(791)	(636)	(584)
Proceeds from sales of property, plant and equipment	2	13	6
Payments for purchases of investments	(342)	(241)	(146)
Proceeds from sales of investments	13	—	22
Proceeds from sale of product lines	826	—	—
All other investing activities	24	29	1
Total investing cash used in discontinued operations	—	(72)	(75)
Net cash used in investing activities	\$ (21,239)	\$ (1,238)	\$ (2,949)
Proceeds from the issuance of common stock in connection with stock-based compensation	\$ 153	\$ 130	\$ 96
Proceeds from the public offering of common stock, net of issuance costs	1,729	1,443	—
Proceeds from the public offering of preferred stock, net of issuance costs	1,668	1,600	—
Net proceeds from the sale of Envista Holdings Corporation common stock, net of issuance costs	—	643	—
Payment of dividends	(615)	(527)	(433)
Net (repayments of) proceeds from borrowings (maturities of 90 days or less)	(4,637)	2,802	66
Proceeds from borrowings (maturities longer than 90 days)	8,670	12,113	—
Repayments of borrowings (maturities longer than 90 days)	(5,933)	(1,565)	(508)
Make-whole premiums to redeem borrowings prior to maturity	(26)	(7)	—
All other financing activities	(3)	(43)	(18)
Cash distributions to Envista Holdings Corporation, net	—	(224)	—
Net cash provided by (used in) financing activities	\$ 1,006	\$ 16,365	\$ (797)

- Operating cash flows from continuing operations increased approximately \$2.6 billion, or approximately 70%, during 2020 as compared to 2019, due to higher net earnings (and excluding noncash impairment charges and fair value adjustments related to certain long-lived assets in 2020, noncash charges for depreciation, amortization and stock compensation in both periods, and noncash discrete tax charges in 2019), higher cash provided by trade accounts payable, prepaid expenses and other assets, and accrued expenses and other liabilities during the 2020 period

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compared to the prior year, partially offset by higher cash used for trade accounts receivable and inventories in 2020 compared to the prior year.

- Net cash used in investing activities increased approximately \$20.0 billion during 2020 as compared to 2019 and consisted primarily of cash paid for acquisitions, primarily the Cytiva Acquisition, and to a lesser extent investments. Refer to Notes 3 and 9 to the Consolidated Financial Statements included in this Annual Report for a discussion of the Company's acquisitions and investments.
- Refer to the discussion at the beginning of the "Liquidity and Capital Resources" section for a summary of the Company's 2020 financing activities.
- As of December 31, 2020, the Company held approximately \$6.0 billion of cash and cash equivalents.

Operating Activities

Cash flows from operating activities can fluctuate significantly from period-to-period as working capital needs and the timing of payments for income taxes, restructuring activities and productivity improvement initiatives, pension funding and other items impact reported cash flows.

Operating cash flows from continuing operations were approximately \$6.2 billion for 2020, an increase of approximately \$2.6 billion, or approximately 70%, as compared to 2019. The year-over-year change in operating cash flows from 2019 to 2020 was primarily attributable to the following factors:

- 2020 operating cash flows benefited from higher net earnings in 2020 as compared to 2019. Partially offsetting the impact of this increase is the fact that 2019 net earnings from continuing operations included \$215 million of net discrete noncash tax charges compared to a net discrete noncash tax benefit of \$85 million in 2020. In addition, net earnings from continuing operations in 2020 included \$22 million of noncash impairment charges and \$6 million of fair value adjustment gains related to certain long-lived assets and investments. These noncash charges and gains impacted earnings without a corresponding impact to operating cash flows.
- Net earnings for 2020 reflected an increase of approximately \$1.1 billion of depreciation, amortization (intangible assets and inventory step-up) and stock compensation expense as compared to 2019. Amortization expense primarily relates to the amortization of intangible assets and inventory fair value adjustments. Depreciation expense relates to both the Company's manufacturing and operating facilities as well as instrumentation leased to customers under operating-type lease arrangements. The increase in depreciation and amortization in 2020 compared to 2019 is primarily due to the Cytiva Acquisition in 2020. Depreciation, amortization and stock compensation are noncash expenses that decrease earnings without a corresponding impact to operating cash flows.
- The aggregate of trade accounts receivable, inventories and trade accounts payable used \$160 million in operating cash flows during 2020, compared to \$161 million of operating cash flows used in 2019. The amount of cash flow generated from or used by the aggregate of trade accounts receivable, inventories and trade accounts payable depends upon how effectively the Company manages the cash conversion cycle, which effectively represents the number of days that elapse from the day it pays for the purchase of raw materials and components to the collection of cash from its customers and can be significantly impacted by the timing of collections and payments in a period.
- The aggregate of prepaid expenses and other assets, deferred income taxes and accrued expenses and other liabilities provided \$765 million in operating cash flows during 2020, compared to \$38 million provided in 2019. The timing of cash payments for taxes, various employee-related liabilities, customer funding and accrued expenses drove the majority of this change.

Investing Activities

Cash flows relating to investing activities consist primarily of cash used for acquisitions and capital expenditures, including instruments leased to customers, cash used for investments and cash proceeds from divestitures of businesses or assets.

Net cash used in investing activities was approximately \$21.2 billion during 2020 compared to approximately \$1.2 billion of net cash used in 2019.

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Acquisitions, Divestitures and Sale of Investments

For a discussion of the Company's 2020 acquisitions and divestitures refer to "—Overview" and Note 3 to the Consolidated Financial Statements. In addition, in 2020 and 2019, the Company invested \$342 million and \$241 million, respectively, in non-marketable equity securities and partnerships.

During 2019, the Company acquired five businesses for total consideration of \$331 million in cash, net of cash acquired. The businesses acquired complement existing units of each of the Company's three segments. The aggregate annual sales of these businesses at the time of their acquisition, in each case based on the companies' revenues for its last completed fiscal year prior to the acquisition, were \$72 million.

Refer to Note 4 to the Consolidated Financial Statements for additional information regarding the Company's transfer of its former dental business to Envista Holdings Corporation.

Capital Expenditures

Capital expenditures are made primarily for increasing capacity, replacing equipment, supporting new product development, improving information technology systems and the manufacture of instruments that are used in operating-type lease arrangements that certain of the Company's businesses enter into with customers. Capital expenditures totaled \$791 million in 2020 and \$636 million in 2019. The year-over-year increase in capital spending in 2020 was primarily due to capital expenditures to support production of products supporting customers' efforts related to testing, treatment and vaccine production for COVID-19 and capital expenditures at Cytiva, partially offset by declines in expenditures for instruments used in OTL arrangements. In 2021, the Company expects to incur higher capital spending than the prior year, to primarily support production of products related to testing, treatment and vaccine production for COVID-19. The Company's actual expenditures will ultimately depend on business conditions, including demand for the Company's products related to COVID-19, regulatory requirements, and the capability of suppliers to support increased production. As a result, the Company estimates capital expenditures in 2021 to be between approximately \$1.0 billion and \$1.2 billion.

Financing Activities

Cash flows from financing activities consist primarily of cash flows associated with the issuance and repayments of commercial paper, issuance and repayment of long-term debt, issuance and repurchases of common stock, issuance of preferred stock and payments of cash dividends to shareholders. Financing activities provided cash of approximately \$1.0 billion during 2020 compared to approximately \$16.4 billion of cash provided during 2019. The year-over-year decrease in cash provided by financing activities was due primarily to the significant borrowings incurred in 2019 to finance the Cytiva Acquisition, partially offset by borrowings incurred in 2020 to finance the remaining amounts needed to acquire Cytiva and for general corporate purposes.

Total debt was approximately \$21.2 billion and \$21.7 billion as of December 31, 2020 and 2019, respectively, and notes payable and current portion of long-term debt was \$11 million and \$212 million as of December 31, 2020 and 2019, respectively. As of December 31, 2020 the Company had the ability to incur approximately \$4.4 billion of additional indebtedness in direct borrowings or under the outstanding commercial paper facilities based on the amounts available under the Company's \$5.0 billion Five-Year Facility which were not being used to backstop outstanding commercial paper balances. As of December 31, 2020, the Company has classified \$611 million of its borrowings outstanding under the euro-denominated commercial paper program and \$290 million of borrowings outstanding under the 2021 Yen Notes as long-term debt in the accompanying Consolidated Balance Sheet as the Company has the intent and ability, as supported by availability under the Five-Year Facility, to refinance these borrowings for at least one year from the balance sheet date. As commercial paper obligations mature, the Company may issue additional short-term commercial paper obligations to refinance all or part of these borrowings, to the extent commercial paper markets are available.

Under the Company's U.S. and euro-denominated commercial paper program, the notes are typically issued at a discount from par, generally based on the ratings assigned to the Company by credit rating agencies at the time of the issuance and prevailing market rates measured by reference to LIBOR or EURIBOR. Additionally, the Company's floating rate senior unsecured notes due 2022 pay interest based upon the three-month EURIBOR plus 0.3%. In July 2017, the head of the United Kingdom Financial Conduct Authority announced the intent to phase out the use

of LIBOR by the end of 2021. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, is considering replacing U.S. dollar LIBOR with the Secured Overnight Financing Rate, or SOFR, a new index calculated by short-term repurchase agreements, backed by Treasury securities. The Company has evaluated the anticipated impact of the transition from LIBOR and does not expect the transition to be material to the Company's financial position.

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Refer to Note 11 to the Consolidated Financial Statements for additional information regarding the Company's financing activities and indebtedness, including the Company's outstanding debt as of December 31, 2020, and the Company's commercial paper program and Five-Year Facility.

Common Stock Offering and MCPS Offering

For a description of the 2019 Common Stock and MCPS Series A Offerings and the 2020 Common Stock and MCPS Series B Offerings, refer to Note 19 to the Consolidated Financial Statements.

Shelf Registration Statement

The Company has filed a "well-known seasoned issuer" shelf registration statement on Form S-3 with the SEC that registers an indeterminate amount of debt securities, common stock, preferred stock, warrants, depositary shares, purchase contracts and units for future issuance. The Company expects to use net proceeds realized by the Company from future securities sales off this shelf registration statement for general corporate purposes, including without limitation repayment or refinancing of debt or other corporate obligations, acquisitions, capital expenditures, share repurchases and dividends and/or working capital.

Stock Repurchase Program

Please see Note 19 to the Consolidated Financial Statements for a description of the Company's stock repurchase program.

Dividends

The Company declared a regular quarterly dividend of \$0.18 per share of Company common stock that was paid on January 29, 2021 to holders of record on December 28, 2020. In addition, the Company declared quarterly cash dividends of \$11.875 per MCPS Series A and \$12.50 per MCPS Series B that were paid on January 15, 2021 to holders of record as of December 31, 2020. Aggregate 2020 and 2019 cash payments for dividends on Company common stock were \$500 million and \$478 million, respectively, and aggregate 2020 and 2019 cash payments for the dividends on the Company's MCPS were \$115 million and \$49 million, respectively. The year-over-year increase in dividend payments in 2020 primarily relates to dividends paid on the MCPS Series A and MCPS Series B, which were issued in March 2019 and May 2020, respectively, and an increase in the quarterly dividend rate on common stock effective with respect to the dividend paid in the second quarter of 2020.

Cash and Cash Requirements

As of December 31, 2020, the Company held approximately \$6.0 billion of cash and cash equivalents that were on deposit with financial institutions or invested in highly liquid investment-grade debt instruments with a maturity of 90 days or less with an approximate weighted average annual interest rate of 0.2%. Of this amount, approximately \$1.5 billion was held within the United States and approximately \$4.5 billion was held outside of the United States. The Company will continue to have cash requirements to support working capital needs, capital expenditures, acquisitions and investments, pay interest and service debt, pay taxes and any related interest or penalties, fund its restructuring activities and pension plans as required, pay dividends to shareholders, repurchase shares of the Company's common stock as applicable and support other business needs. The Company generally intends to use available cash and internally generated funds to meet these cash requirements, but in the event that additional liquidity is required, particularly in connection with acquisitions, the Company may also borrow under its commercial paper programs or Five-Year Facility, enter into new credit facilities and either borrow directly thereunder or use such credit facilities to backstop additional borrowing capacity under its commercial paper program and/or issue debt and/or equity in the capital markets, in each case to the extent such sources of capital remain available. The Company also may from time to time access the capital markets to take advantage of favorable interest rate environments or other market conditions.

While repatriation of some cash held outside the United States may be restricted by local laws, most of the Company's foreign cash could be repatriated to the United States. Following enactment of the TCJA and the associated Transition Tax, in general, repatriation of cash to the United States can be completed with no incremental U.S. tax; however, repatriation of cash could subject the Company to non-U.S. jurisdictional taxes on distributions. The cash that the Company's non-U.S. subsidiaries hold for indefinite reinvestment is generally used to finance

foreign operations, investments and acquisitions. The income taxes applicable to repatriating such earnings are not readily determinable. As of December 31, 2020, principally all of the Company's non-U.S. earnings are indefinitely reinvested and management believes that the Company has sufficient liquidity to satisfy its cash needs, including its cash needs in the United States.

During 2020, the Company contributed \$140 million to its U.S. defined benefit pension plans and \$51 million to its non-U.S. defined benefit pension plans. During 2021, the Company's cash contribution requirements for its U.S. and its non-U.S. defined benefit pension plans are expected to be approximately \$10 million and \$44 million, respectively. The ultimate

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amounts to be contributed depend upon, among other things, legal requirements, underlying asset returns, the plan's funded status, the anticipated tax deductibility of the contribution, local practices, market conditions, interest rates and other factors.

Contractual and Other Obligations

For a description of the Company's debt and lease obligations, commitments, and litigation and contingencies, refer to Notes 5, 11, 17, and 18 to the Consolidated Financial Statements.

Legal Proceedings

Refer to "Item 3. Legal Proceedings" and Note 18 to the Consolidated Financial Statements for information regarding legal proceedings and contingencies, and for a discussion of risks related to legal proceedings and contingencies, refer to "Item 1A. Risk Factors."

CRITICAL ACCOUNTING ESTIMATES

Management's discussion and analysis of the Company's financial condition and results of operations is based upon the Company's Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. The Company bases these estimates and judgments on historical experience, the current economic environment and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ materially from these estimates and judgments.

The Company believes the following accounting estimates are most critical to an understanding of its financial statements. Estimates are considered to be critical if they meet both of the following criteria: (1) the estimate requires assumptions about material matters that are uncertain at the time the estimate is made, and (2) material changes in the estimate are reasonably likely from period-to-period. For a detailed discussion on the application of these and other accounting estimates, refer to Note 1 to the Consolidated Financial Statements.

Acquired Intangibles—The Company's business acquisitions, including the Cytiva Acquisition, typically result in the recognition of goodwill, developed technology and other intangible assets, which affect the amount of future period amortization expense and possible impairment charges that the Company may incur. The fair values of acquired intangibles are determined using information available near the acquisition date based on estimates and assumptions that are deemed reasonable by the Company. Significant assumptions include the discount rates and certain assumptions that form the basis of the forecasted results of the acquired business including revenue, earnings before interest, taxes, depreciation and amortization ("EBITDA"), growth rates, royalty rates and technology obsolescence rates. These assumptions are forward looking and could be affected by future economic and market conditions. The Company engages third-party valuation specialists who review the Company's critical assumptions and calculations of the fair value of acquired intangible assets in connection with significant acquisitions. In connection with acquisitions during the year ended December 31, 2020, the Company recognized aggregate goodwill of approximately \$10.4 billion and intangible assets of approximately \$10.7 billion. Refer to Notes 1, 3 and 8 to the Consolidated Financial Statements for a description of the Company's policies relating to goodwill, acquired intangibles and acquisitions.

In performing its goodwill impairment testing, the Company estimates the fair value of its reporting units primarily using a market-based approach which relies on current trading multiples of forecasted EBITDA for companies operating in businesses similar to each of the Company's reporting units to calculate an estimated fair value of each reporting unit. In evaluating the estimates derived by the market-based approach, management makes judgments about the relevance and reliability of the multiples by considering factors unique to its reporting units, including operating results, business plans, economic projections, anticipated future cash flows, and transactions and marketplace data as well as judgments about the comparability of the market proxies selected. There are inherent uncertainties related to these assumptions and management's judgment in applying them to the analysis of goodwill impairment.

As of December 31, 2020, the Company had five reporting units for goodwill impairment testing. Reporting units resulting from recent acquisitions generally present the highest risk of impairment. Management believes the

impairment risk associated with these reporting units generally decreases as these businesses are integrated into the Company and better positioned for potential future earnings growth. The Company's annual goodwill impairment analysis in 2020 indicated that in all instances, the fair values of the Company's reporting units exceeded their carrying values and consequently did not result in an impairment charge. The excess of the estimated fair value over carrying value (expressed as a percentage of carrying value for the respective reporting unit) for each of the Company's reporting units as of the annual testing date ranged from approximately 80% to approximately 695%. In order to evaluate the sensitivity of the fair value calculations used in the goodwill impairment

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test, the Company applied a hypothetical 10% decrease to the fair values of each reporting unit and compared those hypothetical values to the reporting unit carrying values. Based on this hypothetical 10% decrease, the excess of the estimated fair value over carrying value (expressed as a percentage of carrying value for the respective reporting unit) for each of the Company's reporting units ranged from approximately 60% to approximately 615%.

The Company reviews identified intangible assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining whether an impairment loss occurred for finite-lived intangibles requires a comparison of the carrying amount to the sum of undiscounted cash flows expected to be generated by the asset. These analyses require management to make judgments and estimates about future revenues, expenses, market conditions and discount rates related to these assets. Indefinite-lived intangibles are subject to impairment testing at least annually or more frequently if events or changes in circumstances indicate that potential impairment exists. Determining whether an impairment loss occurred for indefinite-lived intangible assets involves calculating the fair value of the indefinite-lived intangible assets and comparing the fair value to their carrying value. If the fair value is less than the carrying value, the difference is recorded as an impairment loss. Refer to Note 8 to the Consolidated Financial Statements for a description of intangible assets impairment charges recorded during 2020.

If actual results are not consistent with management's estimates and assumptions, goodwill and other intangible assets may be overstated and a charge would need to be taken against net earnings which would adversely affect the Company's financial statements. Historically, the Company's estimates of goodwill and intangible assets have been materially correct.

Contingent Liabilities—As discussed in "Item 3. Legal Proceedings" and Note 18 to the Consolidated Financial Statements, the Company is, from time to time, subject to a variety of litigation and similar contingent liabilities incidental to its business (or the business operations of previously owned entities). The Company recognizes a liability for any legal contingency that is known or probable of occurrence and reasonably estimable. These assessments require judgments concerning matters such as litigation developments and outcomes, the anticipated outcome of negotiations, the number of future claims and the cost of both pending and future claims. In addition, because most contingencies are resolved over long periods of time, liabilities may change in the future due to various factors, including those discussed in Note 18 to the Consolidated Financial Statements. If the reserves established by the Company with respect to these contingent liabilities are inadequate, the Company would be required to incur an expense equal to the amount of the loss incurred in excess of the reserves, which would adversely affect the Company's financial statements.

Revenue Recognition—The Company derives revenues from the sale of products and services. Revenue is recognized when control over the promised products or services is transferred to the customer in an amount that reflects the consideration that the Company expects to receive in exchange for those goods or services. In determining if control has transferred, the Company considers whether certain indicators of the transfer of control are present, such as the transfer of title, present right to payment, significant risks and rewards of ownership and customer acceptance when acceptance is not a formality. To determine the consideration that the customer owes the Company, the Company must make judgments regarding the amount of customer allowances and rebates, as well as an estimate for product returns. The Company also enters into lease arrangements with customers which requires the Company to determine whether the arrangements are operating or sales-type leases. Refer to Notes 1 and 2 to the Consolidated Financial Statements for a description of the Company's revenue recognition policies.

If the Company's judgments regarding revenue recognition prove incorrect, the Company's reported revenues in particular periods may be incorrect. Historically, the Company's estimates of revenue have been materially correct.

Pension and Other Postretirement Benefits—For a description of the Company's pension and other postretirement benefit accounting practices, refer to Notes 13 and 14 to the Consolidated Financial Statements. Calculations of the amount of pension and other postretirement benefit costs and obligations depend on the assumptions used in the actuarial valuations, including assumptions regarding discount rates, expected return on plan assets, rates of salary increases, health care cost trend rates, mortality rates and other factors. If the assumptions used in calculating pension and other postretirement benefits costs and obligations are incorrect or if the factors underlying the assumptions change (as a result of differences in actual experience, changes in key economic indicators or other factors) the Company's financial statements could be materially affected. A 50 basis point reduction in the discount rates used for the plans would have increased the U.S. net obligation by \$144 million (\$110 million on an after-tax basis) and the

non-U.S. net obligation by \$191 million (\$147 million on an after-tax basis) from the amounts recorded in the Consolidated Financial Statements as of December 31, 2020. A 50 basis point increase in the discount rates used for the plans would have decreased the U.S. net obligation by \$133 million (\$101 million on an after-tax basis) and the non-U.S. net obligation by \$175 million (\$135 million on an after-tax basis) from the amounts recorded in the Consolidated Financial Statements as of December 31, 2020.

For 2020, the estimated long-term rate of return for the U.S. plans was 7.0%, and the Company intends to use an assumption of 6.75% for 2021. The estimated long-term rate of return for the non-U.S. plans was determined on a plan-by-plan basis based on

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the nature of the plan assets and ranged from 0.5% to 5.0%. If the expected long-term rate of return on plan assets for 2020 was reduced by 50 basis points, pension expense for the U.S. and non-U.S. plans for 2020 would have increased \$9 million (\$7 million on an after-tax basis) and \$6 million (\$4 million on an after-tax basis), respectively.

For a discussion of the Company's 2020 and anticipated 2021 defined benefit pension plan contributions, refer to "—Liquidity and Capital Resources—Cash and Cash Requirements".

Income Taxes—For a description of the Company's income tax accounting policies, refer to Notes 1 and 15 to the Consolidated Financial Statements. The Company establishes valuation allowances for its deferred tax assets if it is more likely than not that some or all of the deferred tax asset will not be realized. This requires management to make judgments and estimates regarding: (1) the timing and amount of the reversal of taxable temporary differences, (2) expected future taxable income, and (3) the impact of tax planning strategies. Future changes to tax rates would also impact the amounts of deferred tax assets and liabilities and could have an adverse impact on the Company's financial statements.

The Company provides for unrecognized tax benefits when, based upon the technical merits, it is "more likely than not" that an uncertain tax position will not be sustained upon examination. Judgment is required in evaluating tax positions and determining income tax provisions. The Company re-evaluates the technical merits of its tax positions and may recognize an uncertain tax benefit in certain circumstances, including when: (1) a tax audit is completed; (2) applicable tax laws change, including a tax case ruling or legislative guidance; or (3) the applicable statute of limitations expires.

In addition, certain of the Company's tax returns are currently under review by tax authorities including in Denmark and the United States (refer to "—Results of Operations—Income Taxes" and Note 15 to the Consolidated Financial Statements). Management believes the positions taken in these returns are in accordance with the relevant tax laws. However, the outcome of these audits is uncertain and could result in the Company being required to record charges for prior year tax obligations which could have a material adverse impact to the Company's financial statements, including its effective tax rate.

An increase of 1.0% in the Company's 2020 nominal tax rate would have resulted in an additional income tax provision for continuing operations for the year ended December 31, 2020 of \$45 million.

NEW ACCOUNTING STANDARDS

For a discussion of the new accounting standards impacting the Company, refer to Note 1 to the Consolidated Financial Statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this item is included under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Management on Danaher Corporation's Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Securities Exchange Act of 1934.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2020. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in "Internal Control-Integrated Framework" (2013 framework). Based on this assessment, management concluded that, as of December 31, 2020, the Company's internal control over financial reporting is effective.

The Company completed the acquisition of Cytiva on March 31, 2020. Since the Company has not yet fully incorporated the internal controls and procedures of Cytiva into the Company's internal control over financial reporting, management excluded Cytiva from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2020. Cytiva constituted 36% of the Company's total assets as of December 31, 2020 and 15% of the Company's total revenues for the year then ended.

The Company's independent registered public accounting firm has issued an audit report on the effectiveness of the Company's internal control over financial reporting. This report dated February 24, 2021 appears on pages 60-61 of this Form 10-K.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Danaher Corporation

Opinion on Internal Control over Financial Reporting

We have audited Danaher Corporation and subsidiaries' internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Danaher Corporation and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

As indicated in the accompanying Report of Management on Danaher Corporation's Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Cytiva, which is included in the 2020 consolidated financial statements of the Company and constituted 36% of total assets as of December 31, 2020 and 15% of the Company's total revenue for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of Cytiva.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2020 and 2019, the related consolidated statements of earnings, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and financial statement schedule listed in the Index at Item 15(a) and our report dated February 24, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Danaher Corporation's Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Tysons, Virginia
February 24, 2021

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Danaher Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Danaher Corporation and subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of earnings, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 24, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

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Description of the Matter

Uncertain Tax

As discussed in statements, the Company has multiple international operations with numerous tax returns. The Company's tax position may be affected because tax laws and regulations are constantly changing. In certain matters, the Company is uncertain whether, based on the facts and circumstances, it is more likely than not that the amount of tax benefits related to December 31, 2015, will be realized. The tax benefits related to approximately \$15, if the Internal Revenue Service related to the Company is sustained, the Company may be able to increase its future earnings. The Company is uncertain whether the tax benefits related to the sale of the Company will be sustained or not sustainable. The Company is uncertain whether the tax benefit related to the sale of the Company will be sustained or not sustainable. Due to the inherent uncertainty in the resolution of some of the Company's uncertain tax positions, unrecognized tax benefits of tax subject matter may be more likely than not to be sustained.

How We Addressed the Matter in Our Audit

We tested controls over uncertain tax positions and evaluated the technical merits of the Company's tax positions. To evaluate whether the uncertain tax positions are sustainable, our audit procedures included an evaluation of applicable tax regulations and subject matter resources, consideration of relevant facts and circumstances, correspondence with tax authorities, and third-party advice obtained. We evaluated the adequacy of the Company's disclosure in Note 15 to the consolidated financial statements in relation to these uncertain tax positions.

Description of the Matter

Accounting for

As discussed in statements, on March 1, 2015, the Biopharmaceutical Company purchased the Biopharmaceutical Company for a purchase price of approximately \$1.5 billion, which was accounted for as an acquisition. The allocation of the purchase price to the fair value of the identifiable intangible assets, which were approximately \$1.2 billion, comprised of technology and other intangible assets. Auditing the Company's accounting for the acquisition of Cytiva was complex, requiring the determination of the fair value of the identifiable intangible assets. The estimation of the fair value of the identifiable intangible assets is sensitive to the assumptions used in the valuation. The sensitivity of the fair value of the identifiable intangible assets to the underlying assumptions used in the valuation was evaluated. Cytiva and other intangible assets were identified as significant assumptions used in the valuation. These assets include technology and other intangible assets. The assumptions used in the valuation were evaluated.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2002.

Tysons, Virginia
February 24, 2021

DANAHER CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(\$ in millions, except per share amount)

	As of December 31	
	2020	2019
ASSETS		
Current assets:		
Cash and equivalents	\$ 6,035	\$ 19,912
Trade accounts receivable, less allowance for doubtful accounts of \$132 as of December 31, 2020 and \$104 as of December 31, 2019	4,045	3,191
Inventories	2,292	1,628
Prepaid expenses and other current assets	1,430	865
Total current assets	13,802	25,596
Property, plant and equipment, net	3,262	2,302
Other long-term assets	2,395	1,721
Goodwill	35,420	22,713
Other intangible assets, net	21,282	9,750
Total assets	\$ 76,161	\$ 62,082
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and current portion of long-term debt	\$ 11	\$ 212
Trade accounts payable	2,049	1,515
Accrued expenses and other liabilities	5,342	3,205
Total current liabilities	7,402	4,932
Other long-term liabilities	7,789	5,351
Long-term debt	21,193	21,517
Stockholders' equity:		
Preferred stock, no par value, 15.0 million shares authorized; 1.65 million shares of 4.75% Mandatory Convertible Preferred Stock, Series A, issued and outstanding as of December 31, 2020 and December 31, 2019; 1.72 million shares of 5.00% Mandatory Convertible Preferred Stock, Series B, issued and outstanding as of December 31, 2020 and no shares issued or outstanding as of December 31, 2019	3,268	1,600
Common stock - \$0.01 par value, 2.0 billion shares authorized; 851.3 million issued and 711.0 million outstanding as of December 31, 2020; 835.5 million issued and 695.5 million outstanding as of December 31, 2019	9	8
Additional paid-in capital	9,698	7,565
Retained earnings	27,159	24,166
Accumulated other comprehensive income (loss)	(368)	(3,068)
Total Danaher stockholders' equity	39,766	30,271
Noncontrolling interests	11	11
Total stockholders' equity	39,777	30,282
Total liabilities and stockholders' equity	\$ 76,161	\$ 62,082

See the accompanying Notes to the Consolidated Financial Statements.

DANAHER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(\$ and shares in millions, except per share amounts)

	Year Ended December 31		
	2020	2019	2018
Sales	\$ 22,284	\$ 17,911	\$ 17,049
Cost of sales	(9,809)	(7,927)	(7,544)
Gross profit	12,475	9,984	9,505
Operating costs:			
Selling, general and administrative expenses	(6,896)	(5,589)	(5,391)
Research and development expenses	(1,348)	(1,126)	(1,059)
Operating profit	4,231	3,269	3,055
Nonoperating income (expense):			
Other income (expense), net	39	12	35
Gain on sale of product lines	455	—	—
Loss on early extinguishment of borrowings	(26)	(7)	—
Interest expense	(275)	(108)	(137)
Interest income	71	139	9
Earnings from continuing operations before income taxes	4,495	3,305	2,962
Income taxes	(849)	(873)	(556)
Net earnings from continuing operations	3,646	2,432	2,406
Earnings from discontinued operations, net of income taxes	—	576	245
Net earnings	3,646	3,008	2,651
Mandatory convertible preferred stock dividends	(136)	(68)	—
Net earnings attributable to common stockholders	\$ 3,510	\$ 2,940	\$ 2,651
Net earnings per common share from continuing operations:			
Basic	\$ 4.97	\$ 3.31	\$ 3.43
Diluted	\$ 4.89	\$ 3.26	\$ 3.39
Net earnings per common share from discontinued operations:			
Basic	\$ —	\$ 0.81	\$ 0.35
Diluted	\$ —	\$ 0.79	\$ 0.34
Net earnings per common share:			
Basic	\$ 4.97	\$ 4.11 *	\$ 3.78
Diluted	\$ 4.89	\$ 4.05	\$ 3.74 *
Average common stock and common equivalent shares outstanding:			
Basic	706.2	715.0	700.6
Diluted	718.7	725.5	710.2

* Net earnings per common share amount does not add due to rounding.

See the accompanying Notes to the Consolidated Financial Statements.

DANAHER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(\$ in millions)

	Year Ended December 31		
	2020	2019	2018
Net earnings	\$ 3,646	\$ 3,008	\$ 2,651
Other comprehensive income (loss), net of income taxes:			
Foreign currency translation adjustments	2,918	(75)	(632)
Pension and postretirement plan benefit adjustments	(147)	(90)	(13)
Unrealized gain (loss) on available-for-sale securities	1	1	(1)
Cash flow hedge adjustments	(72)	(113)	—
Total other comprehensive income (loss), net of income taxes	2,700	(277)	(646)
Comprehensive income	\$ 6,346	\$ 2,731	\$ 2,005

See the accompanying Notes to the Consolidated Financial Statements.

DANAHER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(\$ in millions)

	Year Ended December 31		
	2020	2019	2018
Preferred stock:			
Balance, beginning of period	\$ 1,600	\$ —	\$ —
Issuance of Mandatory Convertible Preferred Stock	1,668	1,600	—
Balance, end of period	\$ 3,268	\$ 1,600	\$ —
Common stock:			
Balance, beginning of period	\$ 8	\$ 8	\$ 8
Common stock-based award activity	1	—	—
Issuance of common stock	—	—	—
Balance, end of period	\$ 9	\$ 8	\$ 8
Additional paid-in capital:			
Balance, beginning of period	\$ 7,565	\$ 5,834	\$ 5,538
Common stock-based award activity	351	315	253
Common stock issued in connection with acquisitions	—	—	24
Common stock issued in connection with LYONs' conversions	53	33	19
Issuance of common stock	1,729	1,443	—
Sale of Envista Holdings Corporation common stock	—	(60)	—
Balance, end of period	\$ 9,698	\$ 7,565	\$ 5,834
Retained earnings:			
Balance, beginning of period	\$ 24,166	\$ 25,162	\$ 22,806
Adoption of accounting standards	(8)	—	154
Net earnings	3,646	3,008	2,651
Common stock dividends declared	(509)	(484)	(449)
Mandatory Convertible Preferred Stock dividends declared	(136)	(68)	—
Tendered common stock in exchange offer for Envista Holdings Corporation common stock	—	(3,452)	—
Balance, end of period	\$ 27,159	\$ 24,166	\$ 25,162
Accumulated other comprehensive income (loss):			
Balance, beginning of period	\$ (3,068)	\$ (2,791)	\$ (1,994)
Adoption of accounting standards	—	—	(151)
Other comprehensive income (loss)	2,700	(277)	(646)
Balance, end of period	\$ (368)	\$ (3,068)	\$ (2,791)
Noncontrolling interests:			
Balance, beginning of period	\$ 11	\$ 12	\$ 10
Activity related to Envista Holdings Corporation	—	(3)	—
Change in noncontrolling interests	—	2	2
Balance, end of period	\$ 11	\$ 11	\$ 12
Total stockholders' equity, end of period	\$ 39,777	\$ 30,282	\$ 28,225

See the accompanying Notes to the Consolidated Financial Statements.

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DANAHER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(\$ in millions)

	Year Ended December 31		
	2020	2019	2018
Cash flows from operating activities:			
Net earnings	\$ 3,646	\$ 3,008	\$ 2,651
Less: earnings from discontinued operations, net of income taxes	—	576	245
Net earnings from continuing operations	3,646	2,432	2,406
Noncash items:			
Depreciation	637	564	562
Amortization of intangible assets	1,138	625	616
Amortization of acquisition-related inventory fair value step-up	457	—	—
Stock-based compensation expense	187	159	138
Pretax gain on sale of product lines	(455)	—	—
Change in deferred income taxes	518	(415)	(252)
Change in trade accounts receivable, net	(264)	(157)	(55)
Change in inventories	(123)	(22)	(134)
Change in trade accounts payable	227	18	229
Change in prepaid expenses and other assets	102	48	78
Change in accrued expenses and other liabilities	145	405	56
Total operating cash provided by continuing operations	6,215	3,657	3,644
Total operating cash (used in) provided by discontinued operations	(7)	295	378
Net cash provided by operating activities	6,208	3,952	4,022
Cash flows from investing activities:			
Cash paid for acquisitions	(20,971)	(331)	(2,173)
Payments for additions to property, plant and equipment	(791)	(636)	(584)
Proceeds from sales of property, plant and equipment	2	13	6
Payments for purchases of investments	(342)	(241)	(146)
Proceeds from sales of investments	13	—	22
Proceeds from sale of product lines	826	—	—
All other investing activities	24	29	1
Total investing cash used in continuing operations	(21,239)	(1,166)	(2,874)
Total investing cash used in discontinued operations	—	(72)	(75)
Net cash used in investing activities	(21,239)	(1,238)	(2,949)
Cash flows from financing activities:			
Proceeds from the issuance of common stock in connection with stock-based compensation	153	130	96
Proceeds from the public offering of common stock, net of issuance costs	1,729	1,443	—
Proceeds from the public offering of preferred stock, net of issuance costs	1,668	1,600	—
Net proceeds from the sale of Envista Holdings Corporation common stock, net of issuance costs	—	643	—
Payment of dividends	(615)	(527)	(433)
Net (repayments of) proceeds from borrowings (maturities of 90 days or less)	(4,637)	2,802	66
Proceeds from borrowings (maturities longer than 90 days)	8,670	12,113	—
Repayments of borrowings (maturities longer than 90 days)	(5,933)	(1,565)	(508)
Make-whole premiums to redeem borrowings prior to maturity	(26)	(7)	—
All other financing activities	(3)	(43)	(18)
Total financing cash provided by (used in) continuing operations	1,006	16,589	(797)
Cash distributions to Envista Holdings Corporation, net	—	(224)	—
Net cash provided by (used in) financing activities	1,006	16,365	(797)
Effect of exchange rate changes on cash and equivalents	148	45	(118)
Net change in cash and equivalents	(13,877)	19,124	158
Beginning balance of cash and equivalents	19,912	788	630
Ending balance of cash and equivalents	\$ 6,035	\$ 19,912	\$ 788

Supplemental disclosure:

See the accompanying Notes to the Consolidated Financial Statements.

DANAHER CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business—Danaher Corporation (“Danaher” or the “Company”) designs, manufactures and markets professional, medical, industrial and commercial products and services, which are typically characterized by strong brand names, innovative technology and major market positions. As of December 31, 2020, the Company operates in three business segments: Life Sciences; Diagnostics; and Environmental & Applied Solutions.

The Company’s Life Sciences segment offers a broad range of instruments and consumables that are primarily used by customers to study the basic building blocks of life, including genes, proteins, metabolites and cells, in order to understand the causes of disease, identify new therapies, and test and manufacture new drugs and vaccines.

The Company’s Diagnostics segment offers analytical instruments, reagents, consumables, software and services that hospitals, physicians’ offices, reference laboratories and other critical care settings use to diagnose disease and make treatment decisions.

The Company’s Environmental & Applied Solutions segment offers products and services that help protect important resources and keep global food and water supplies safe. The Company’s water quality business provides instrumentation, consumables, software, services and disinfection systems to help analyze, treat and manage the quality of ultra-pure, potable, industrial, waste, ground, source and ocean water in residential, commercial, municipal, industrial and natural resource applications. The Company’s product identification business provides instruments, software, services and consumables for various color and appearance management, packaging design and quality management, packaging converting, printing, marking, coding and traceability applications for consumer, pharmaceutical and industrial products.

Refer to Notes 3 and 4 for a discussion of significant acquisitions, discontinued operations and other dispositions.

Accounting Principles—The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”). The Consolidated Financial Statements include the accounts of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation. The Consolidated Financial Statements also reflect the impact of noncontrolling interests. Noncontrolling interests do not have a significant impact on the Company’s consolidated results of continuing operations, therefore earnings attributable to noncontrolling interests for continuing operations are not presented separately in the Company’s Consolidated Statements of Earnings. Earnings attributable to noncontrolling interests have been reflected in selling, general and administrative expenses and were insignificant in all periods presented. Reclassifications of certain prior year amounts have been made to conform to the current year presentation.

Use of Estimates—The preparation of these financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. The Company bases these estimates on historical experience, the current economic environment and on various other assumptions that are believed to be reasonable under the circumstances. However, uncertainties associated with these estimates exist and actual results may differ materially from these estimates.

Cash and Equivalents—The Company considers all highly liquid investments with a maturity of three months or less at the date of purchase to be cash equivalents.

Accounts Receivable and Allowances for Doubtful Accounts—All trade accounts, contract and finance receivables are reported on the accompanying Consolidated Balance Sheets adjusted for any write-offs and net of allowances for doubtful accounts. The allowances for doubtful accounts represent management’s best estimate of the expected future credit losses from the Company’s trade accounts, contract and finance receivable portfolios. Determination of the allowances requires management to exercise judgment about the timing, frequency and severity of credit losses that could materially affect the provision for credit losses and, therefore, net earnings. The Company regularly performs detailed reviews of its portfolios to determine if an impairment has occurred and evaluates the collectability of receivables based on a combination of various financial and qualitative factors that may affect customers’ ability to pay, including customers’ financial condition, collateral, debt-servicing ability, past payment experience and credit

bureau information. In circumstances where the Company is aware of a specific customer's inability to meet its financial obligations, a specific reserve is recorded against amounts due to reduce the recognized receivable to the amount reasonably expected to be collected. Additions to the allowances for doubtful accounts are charged to current period earnings, amounts determined to be uncollectible are charged directly against the allowances, while amounts recovered on previously written-off accounts increase the allowances. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional reserves would be

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required. The Company does not believe that trade accounts receivable represent significant concentrations of credit risk because of the diversified portfolio of individual customers and geographical areas. On January 1, 2020, the Company adopted Accounting Standards Update (“ASU”) No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, using the modified retrospective transition method and recorded a net increase to the allowance for doubtful accounts of \$10 million due to the cumulative impact of adoption. As a result of the adoption of the ASU, the Company’s allowance for doubtful accounts as of December 31, 2020 reflects the Company’s best estimate of the expected future losses for its accounts receivables based on economic conditions; however, as a result of the uncertainty caused by the coronavirus (COVID-19) pandemic and other factors, these estimates may change and future actual losses may differ from the Company’s estimates. The Company will continue to monitor economic conditions and will revise the estimates of the expected future losses for accounts receivable as necessary. The Company recorded \$31 million, \$30 million and \$31 million of expense associated with doubtful accounts for the years ended December 31, 2020, 2019 and 2018, respectively.

Included in the Company’s trade accounts receivable and other long-term assets as of December 31, 2020 and 2019 are \$254 million and \$244 million of net aggregate financing receivables, respectively. All financing receivables are evaluated for impairment based on individual customer credit profiles.

Inventory Valuation—Inventories include the costs of material, labor and overhead. Domestic inventories are stated at the lower of cost and net realizable value primarily using the first-in, first-out (“FIFO”) method with certain businesses applying the last-in, first-out method (“LIFO”) to value inventory. Inventories held outside the United States are stated at the lower of cost or market primarily using the FIFO method.

Property, Plant and Equipment—Property, plant and equipment are carried at cost. The provision for depreciation has been computed principally by the straight-line method based on the estimated useful lives of the depreciable assets as follows:

Category	Useful Life
Buildings	30 years
Leased assets and leasehold improvements	Amortized over the lesser of the economic life of the asset or the term of the lease
Machinery and equipment	3 – 10 years
Customer-leased instruments	5 – 7 years

Estimated useful lives are periodically reviewed and, when appropriate, changes to estimates are made prospectively.

Investments—Investments over which the Company has a significant influence but not a controlling interest, are accounted for using the equity method of accounting which requires the Company to record its initial investment at cost and adjust the balance each period for the Company’s share of the investee’s income or loss and dividends paid. The Company also invests in start-up companies where the Company has neither control of nor significant influence over the investee. The Company measures these non-marketable equity securities at fair value and recognizes changes in fair value in net earnings. For securities without readily available fair values, the Company has elected the measurement alternative to record these investments at cost and to adjust for impairments and observable price changes with a same or similar security from the same issuer within net earnings (the “Fair Value Alternative”). Additionally, the Company is a limited partner in a partnership that invests in start-up companies. While the partnership records these investments at fair value, the Company’s investment in the partnership is accounted for under the equity method of accounting. The Company made minority investments in non-marketable equity securities and equity method investments totaling \$342 million in 2020 and \$241 million in 2019, including investments in a partnership of \$172 million in 2020 and \$189 million in 2019. During 2020, the Company recorded net realized and unrealized gains of \$18 million, related to changes in the fair value of these investments which is reflected in other income (expense), net, in the Consolidated Statement of Earnings. No significant realized or unrealized gains or losses were recorded in 2019 or 2018 with respect to these investments.

Other Assets—Other assets principally include noncurrent financing receivables, noncurrent deferred tax assets and other investments.

Fair Value of Financial Instruments—The Company’s financial instruments consist primarily of cash and cash equivalents, trade accounts receivable, investments in equity securities, available-for-sale debt securities and cross-currency swaps, nonqualified deferred compensation plans, obligations under trade accounts payable and short and long-term debt. Due to their short-term nature, the carrying values for cash and cash equivalents, trade accounts receivable and trade accounts payable approximate fair value. Refer to Note 9 for the fair values of the Company’s investments in equity securities, available-for-sale debt securities and cross-currency swaps and other obligations.

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Goodwill and Other Intangible Assets—Goodwill and other intangible assets result from the Company’s acquisition of existing businesses. In accordance with accounting standards related to business combinations, goodwill is not amortized; however, certain finite-lived identifiable intangible assets, primarily customer relationships and acquired technology, are amortized over their estimated useful lives. Intangible assets with indefinite lives are not amortized. In-process research and development (“IPR&D”) is initially capitalized at fair value and when the IPR&D project is complete, the asset is considered a finite-lived intangible asset and amortized over its estimated useful life. If an IPR&D project is abandoned, an impairment loss equal to the value of the intangible asset is recorded in the period of abandonment. The Company reviews identified intangible assets and goodwill for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. The Company also tests intangible assets with indefinite lives and goodwill for impairment at least annually. Refer to Notes 3 and 8 for additional information about the Company’s goodwill and other intangible assets.

Revenue Recognition—The Company derives revenues primarily from the sale of Life Sciences, Diagnostics and Environmental & Applied Solutions products and services. Revenue is recognized when control of the promised products or services is transferred to the Company’s customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products or services (the transaction price). A performance obligation is a promise in a contract to transfer a distinct product or service to a customer and is the unit of account under Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers*. For equipment, consumables and most software licenses sold by the Company, control transfers to the customer at a point in time. To indicate the transfer of control, the Company must have a present right to payment, legal title must have passed to the customer, the customer must have the significant risks and rewards of ownership, and where acceptance is not a formality, the customer must have accepted the product or service. The Company’s principal terms of sale are FOB Shipping Point, or equivalent, and, as such, the Company primarily transfers control and records revenue for product sales upon shipment. Sales arrangements with delivery terms that are not FOB Shipping Point are not recognized upon shipment and the transfer of control for revenue recognition is evaluated based on the associated shipping terms and customer obligations. If a performance obligation to the customer with respect to a sales transaction remains to be fulfilled following shipment (typically installation or acceptance by the customer), revenue recognition for that performance obligation is deferred until such commitments have been fulfilled. Returns for products sold are estimated and recorded as a reduction of revenue at the time of sale. Customer allowances and rebates, consisting primarily of volume discounts and other short-term incentive programs, are recorded as a reduction of revenue at the time of sale because these allowances reflect a reduction in the transaction price. Product returns, customer allowances and rebates are estimated based on historical experience and known trends. For extended warranty, service, post contract support (“PCS”), software-as-a-service (“SaaS”) and other long-term contracts, control transfers to the customer over the term of the arrangement. Revenue for extended warranty, service, PCS, SaaS and certain software licenses is recognized based upon the period of time elapsed under the arrangement. Revenue for other long-term contracts is generally recognized based upon the cost-to-cost measure of progress, provided that the Company meets the criteria associated with transferring control of the good or service over time.

Certain of the Company’s revenues relate to operating-type lease (“OTL”) arrangements. Leases are outside the scope of ASC 606 and are therefore accounted for in accordance with ASC 842, *Leases* (or ASC 840, *Leases* (“ASC 840”) prior to January 1, 2019). Equipment lease revenue for OTL agreements is recognized on a straight-line basis over the life of the lease, and the cost of customer-leased equipment is recorded within property, plant and equipment in the accompanying Consolidated Balance Sheets and depreciated over the equipment’s estimated useful life. Depreciation expense associated with the leased equipment under OTL arrangements is reflected in cost of sales in the accompanying Consolidated Statements of Earnings. The OTLs are generally not cancellable until after an initial term and may or may not require the customer to purchase a minimum number of consumables or tests throughout the contract term. The Company also enters into sales-type lease (“STL”) arrangements with customers which result in earlier recognition of equipment lease revenue as compared to an OTL.

For a contract with multiple performance obligations, the Company allocates the contract’s transaction price to each performance obligation on a relative standalone selling price basis using the Company’s best estimate of the standalone selling price of each distinct product or service in the contract. The primary method used to estimate standalone selling price is the price observed in standalone sales to customers; however, when prices in standalone sales are not available the Company may use third-party pricing for similar products or services or estimate the standalone selling price. Allocation of the transaction price is determined at the contracts’ inception.

Shipping and Handling—Shipping and handling costs are included as a component of cost of sales. Revenue derived from shipping and handling costs billed to customers is included in sales.

Advertising—Advertising costs are expensed as incurred.

Research and Development—The Company conducts research and development activities for the purpose of developing new products, enhancing the functionality, effectiveness, ease of use and reliability of the Company's existing products and

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expanding the applications for which uses of the Company's products are appropriate. Research and development costs are expensed as incurred.

Income Taxes—The Company's income tax expense represents the tax liability for the current year, the tax benefit or expense for the net change in deferred tax liabilities and assets during the year, as well as reserves for unrecognized tax benefits and return to provision adjustments. Deferred tax liabilities and assets are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted rates expected to be in effect during the year in which the differences reverse. Deferred tax assets generally represent items that can be used as a tax deduction or credit in the Company's tax return in future years for which the tax benefit has already been reflected on the Company's Consolidated Statements of Earnings. The Company establishes valuation allowances for its deferred tax assets if it is more likely than not that some or all of the deferred tax asset will not be realized. Deferred tax liabilities generally represent items that have already been taken as a deduction on the Company's tax return but have not yet been recognized as an expense in the Company's Consolidated Statements of Earnings. The effect on deferred tax assets and liabilities due to a change in tax rates is recognized in income tax expense in the period that includes the enactment date. The Company provides for unrecognized tax benefits when, based upon the technical merits, it is "more likely than not" that an uncertain tax position will not be sustained upon examination. Judgment is required in evaluating tax positions and determining income tax provisions. The Company re-evaluates the technical merits of its tax positions and may recognize an uncertain tax benefit in certain circumstances, including when: (1) a tax audit is completed; (2) applicable tax laws change, including a tax case ruling or legislative guidance; or (3) the applicable statute of limitations expires. The Company recognizes potential accrued interest and penalties associated with unrecognized tax positions in income tax expense. Refer to Note 15 for additional information and discussion of the impact of the enactment of the Tax Cuts and Jobs Act ("TCJA") in the United States.

Productivity Improvement and Restructuring—The Company periodically initiates productivity improvement and restructuring activities to appropriately position the Company's cost base relative to prevailing economic conditions and associated customer demand as well as in connection with certain acquisitions. Costs associated with productivity improvement and restructuring actions can include one-time termination benefits and related charges in addition to facility closure, contract termination and other related activities. The Company records the cost of the productivity improvement and restructuring activities when the associated liability is incurred.

Foreign Currency Translation—Exchange rate adjustments resulting from foreign currency transactions are recognized in net earnings, whereas effects resulting from the translation of financial statements are reflected as a component of accumulated other comprehensive income (loss) within stockholders' equity. Assets and liabilities of subsidiaries operating outside the United States with a functional currency other than U.S. dollars are translated into U.S. dollars using year end exchange rates and income statement accounts are translated at weighted average rates. Net foreign currency transaction gains or losses were not material in any of the years presented. As discussed below, the Company uses its foreign currency-denominated debt and cross-currency swap arrangements whereby existing U.S. dollar-denominated borrowings are effectively converted to foreign currency borrowings to partially hedge its net investments in foreign operations against adverse movements in exchange rates.

Derivative Financial Instruments—The Company is neither a dealer nor a trader in derivative instruments. The Company has generally accepted the exposure to transactional exchange rate movements without using derivative instruments to manage this risk, although the Company from time to time partially hedges its net investments in foreign operations against adverse movements in exchange rates through foreign currency-denominated debt and cross-currency swaps. The Company will periodically enter into foreign currency forward contracts to mitigate a portion of its foreign currency exchange risk and forward starting swaps to mitigate interest rate risk related to the Company's debt. The Company also uses cross-currency swap derivative contracts to hedge long-term debt issuances in a foreign currency other than the functional currency of the borrower. When utilized, the derivative instruments are recorded on the Consolidated Balance Sheets as either an asset or liability measured at fair value. To the extent the derivative instrument qualifies as an effective hedge, changes in fair value are recognized in accumulated other comprehensive income (loss) in stockholders' equity. Changes in the value of the foreign currency denominated debt and cross-currency swaps designated as hedges of the Company's net investment in foreign operations based on spot rates are recognized in accumulated other comprehensive income (loss) in stockholders' equity and offset changes in the value of the Company's foreign currency denominated operations. Refer to Note 12 for additional information.

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Accumulated Other Comprehensive Income (Loss)—Accumulated other comprehensive income (loss) refers to certain gains and losses that under U.S. GAAP are included in comprehensive income (loss) but are excluded from net earnings as these amounts are initially recorded as an adjustment to stockholders' equity. Foreign currency translation adjustments are generally not adjusted for income taxes as they relate to indefinite investments in non-U.S. subsidiaries. The changes in accumulated other comprehensive income (loss) by component are summarized below (\$ in millions). Foreign currency translation adjustments generally relate to indefinite investments in non-U.S. subsidiaries, as well as the impact from the Company's hedges of its net investment in foreign operations, including the Company's cross-currency swap derivatives, net of any tax impacts.

	Foreign Currency Translation Adjustments	Pension and Postretirement Plan Benefit Adjustments	Unrealized Gain (Loss) on Available-For- Sale Securities	Cash Flow Hedge Adjustments	Total
Balance, January 1, 2018	\$ (1,466)	\$ (678)	\$ (1)	\$ —	\$ (2,145)
Other comprehensive income (loss) before reclassifications:					
Decrease	(632)	(45)	(1)	—	(678)
Income tax impact	—	9	—	—	9
Other comprehensive income (loss) before reclassifications, net of income taxes	(632)	(36)	(1)	—	(669)
Amounts reclassified from accumulated other comprehensive income (loss):					
Increase	—	30 ^(a)	—	—	30
Income tax impact	—	(7)	—	—	(7)
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes	—	23	—	—	23
Net current period other comprehensive income (loss), net of income taxes	(632)	(13)	(1)	—	(646)
Balance, December 31, 2018	(2,098)	(691)	(2)	—	(2,791)
Other comprehensive income (loss) before reclassifications:					
(Decrease) increase	(178)	(149)	2	(149)	(474)
Income tax impact	(6)	32	(1)	9	34
Other comprehensive income (loss) before reclassifications, net of income taxes	(184)	(117)	1	(140)	(440)
Amounts reclassified from accumulated other comprehensive income (loss):					
Increase	109 ^(c)	36 ^(a)	—	27 ^(b)	172
Income tax impact	—	(9)	—	—	(9)
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes	109	27	—	27	163
Net current period other comprehensive income (loss), net of income taxes	(75)	(90)	1	(113)	(277)
Balance, December 31, 2019	(2,173)	(781)	(1)	(113)	(3,068)
Other comprehensive income (loss) before reclassifications:					
Increase (decrease)	2,893	(239)	1	(432)	2,223
Income tax impact	25	57	—	—	82
Other comprehensive income (loss) before reclassifications, net of income taxes	2,918	(182)	1	(432)	2,305
Amounts reclassified from accumulated other comprehensive income (loss):					
Increase	—	46 ^(a)	—	361 ^(b)	407
Income tax impact	—	(11)	—	(1)	(12)
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes	—	35	—	360	395
Net current period other comprehensive income (loss), net of income taxes	2,918	(147)	1	(72)	2,700
Balance, December 31, 2020	\$ 745	\$ (928)	\$ —	\$ (185)	\$ (368)

^(a) This accumulated other comprehensive income (loss) component is included in the computation of net periodic pension and postretirement cost (refer to Notes 13 and 14 for additional details).

- ^(b) Reflects reclassification to earnings related to remeasurement of certain long-term debt (refer to Note 12 for additional details).
- ^(c) Reflects reclassification to earnings related to the Envista Disposition (refer to Note 4 for additional details).

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Accounting for Stock-Based Compensation—The Company accounts for stock-based compensation by measuring the cost of employee services received in exchange for all equity awards granted, including stock options, restricted stock units (“RSUs”) and performance stock units (“PSUs”), based on the fair value of the award as of the grant date. Equity-based compensation expense is recognized net of an estimated forfeiture rate on a straight-line basis over the requisite service period of the award, except that in the case of RSUs, compensation expense is recognized using an accelerated attribution method. Refer to Note 19 for additional information on the stock-based compensation plans in which certain employees of the Company participate.

Pension and Postretirement Benefit Plans—The Company measures its pension and postretirement plans’ assets and its obligations that determine the respective plan’s funded status as of the end of the Company’s fiscal year, and recognizes an asset for a plan’s overfunded status or a liability for a plan’s underfunded status in its balance sheet. Changes in the funded status of the plans are recognized in the year in which the changes occur and reported in comprehensive income (loss). Refer to Notes 13 and 14 for additional information on the Company’s pension and postretirement plans including a discussion of the actuarial assumptions, the Company’s policy for recognizing the associated gains and losses and the method used to estimate service and interest cost components.

Accounting Standards Recently Adopted—In August 2018, the Financial Accounting Standards Board (“FASB”) issued ASU Update No. 2018-13, *Fair Value Measurement (Topic 820)*, which modifies the disclosures on fair value measurements by removing the requirement to disclose the amount and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy and the policy for timing of such transfers. The ASU expands the disclosure requirements for Level 3 fair value measurements, primarily focused on changes in unrealized gains and losses included in other comprehensive income (loss). The ASU is effective for public entities for fiscal years beginning after December 15, 2019, with early adoption permitted. On January 1, 2020, the Company adopted the ASU and the ASU did not have a significant impact on the Company’s Consolidated Financial Statements. Refer to Note 9 for the Company’s fair value measurement disclosures.

In August 2018, the FASB issued ASU No. 2018-14, *Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*, which amends ASC 715, *Compensation—Retirement Benefits*, to add, remove and clarify disclosure requirements related to defined benefit pension and other postretirement plans. Adoption of the ASU resulted in elimination of the following disclosures (a) the amounts expected to be amortized from accumulated other comprehensive income and reported as a component of net periodic benefit cost during the following fiscal year, and (b) the effects of a one-percentage-point change in the assumed health care cost trend rates on the aggregate projected service and interest cost and accumulated postretirement benefit obligation; and additional disclosures explaining the reasons for significant gains and losses related to the change in benefit obligations for the period. Refer to Notes 13 and 14 for the Company’s pension and other postretirement employee benefit plan disclosures.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which amends the impairment model by requiring entities to use a forward-looking approach based on expected losses rather than incurred losses to estimate credit losses on certain types of financial instruments, including trade receivables. This may result in the earlier recognition of allowances for losses. The ASU is effective for public entities for fiscal years beginning after December 15, 2019, with early adoption permitted. In November 2018, the FASB issued ASU No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, which provided additional implementation guidance on the previously issued ASU. On January 1, 2020, the Company adopted the ASU using the modified retrospective transition method. The Company recorded a decrease to beginning retained earnings of \$8 million, net of tax, as of January 1, 2020 due to the cumulative impact of adopting Topic 326. The impact to retained earnings was primarily the result of an increase in the Company’s allowance for doubtful accounts as a result of Topic 326’s requirement to use a forward-looking approach based on expected losses rather than incurred losses to estimate credit losses on certain types of financial instruments, including trade receivables.

Accounting Standards Not Yet Adopted—In August 2020, the FASB issued ASU No. 2020-06, *Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity*. The ASU includes amendments to the guidance on convertible instruments and the derivative scope exception for contracts in an entity’s own equity and simplifies the accounting for convertible instruments which include beneficial conversion features or cash conversion features by removing certain separation models in Subtopic 470-20. Additionally, the ASU will require entities to use the “if-

converted” method when calculating diluted earnings per share for convertible instruments. The ASU is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Management has not yet completed its assessment of the impact of the new standard on the Company’s Consolidated Financial Statements.

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NOTE 2. REVENUE

The following table presents the Company's revenues disaggregated by geographical region and revenue type (\$ in millions). Sales taxes and other usage-based taxes collected from customers are excluded from revenues. The Company defines high-growth markets as developing markets of the world experiencing extended periods of accelerated growth in gross domestic product and infrastructure which include Eastern Europe, the Middle East, Africa, Latin America and Asia (with the exception of Japan, Australia and New Zealand). The Company defines developed markets as all markets of the world that are not high-growth markets.

	Life Sciences	Diagnostics	Environmental & Applied Solutions	Total
Year ended December 31, 2020:				
Geographical region:				
North America	\$ 3,919	\$ 3,182	\$ 1,910	\$ 9,011
Western Europe	2,939	1,375	1,009	5,323
Other developed markets	754	423	122	1,299
High-growth markets	2,964	2,423	1,264	6,651
Total	<u>\$ 10,576</u>	<u>\$ 7,403</u>	<u>\$ 4,305</u>	<u>\$ 22,284</u>
Revenue type:				
Recurring	\$ 7,400	\$ 6,143	\$ 2,435	\$ 15,978
Nonrecurring	3,176	1,260	1,870	6,306
Total	<u>\$ 10,576</u>	<u>\$ 7,403</u>	<u>\$ 4,305</u>	<u>\$ 22,284</u>
Year ended December 31, 2019:				
Geographical region:				
North America	\$ 2,596	\$ 2,531	\$ 1,885	\$ 7,012
Western Europe	1,876	1,132	1,049	4,057
Other developed markets	585	402	125	1,112
High-growth markets	1,894	2,496	1,340	5,730
Total	<u>\$ 6,951</u>	<u>\$ 6,561</u>	<u>\$ 4,399</u>	<u>\$ 17,911</u>
Revenue type:				
Recurring	\$ 4,411	\$ 5,524	\$ 2,372	\$ 12,307
Nonrecurring	2,540	1,037	2,027	5,604
Total	<u>\$ 6,951</u>	<u>\$ 6,561</u>	<u>\$ 4,399</u>	<u>\$ 17,911</u>
Year ended December 31, 2018:				
Geographical region:				
North America	\$ 2,295	\$ 2,404	\$ 1,771	\$ 6,470
Western Europe	1,847	1,155	1,059	4,061
Other developed markets	570	379	126	1,075
High-growth markets	1,759	2,320	1,364	5,443
Total	<u>\$ 6,471</u>	<u>\$ 6,258</u>	<u>\$ 4,320</u>	<u>\$ 17,049</u>
Revenue type:				
Recurring	\$ 4,132	\$ 5,272	\$ 2,280	\$ 11,684
Nonrecurring	2,339	986	2,040	5,365
Total	<u>\$ 6,471</u>	<u>\$ 6,258</u>	<u>\$ 4,320</u>	<u>\$ 17,049</u>

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The Company sells equipment to customers as well as consumables, software licenses and services, some of which customers purchase on a recurring basis. Consumables sold for use with the equipment sold by the Company are typically critical to the use of the equipment and are typically used on a one-time or limited basis, requiring frequent replacement in the customer's operating cycle. Examples of these consumables include reagents used in diagnostic tests, filters used in filtration, separation and purification processes and cartridges for marking and coding equipment. Additionally, some of the Company's consumables are used on a standalone basis, such as water treatment solutions. The Company separates its goods and services between those typically sold to a customer on a recurring basis and those typically sold to a customer on a nonrecurring basis. Recurring revenue includes revenue from consumables, services, software licenses recognized over time, SaaS licenses, sales-and-usage based royalties and OTLs. Nonrecurring revenue includes sales from equipment, software licenses recognized at a point in time and STLs. OTLs and STLs are included in the above revenue amounts. For the years ended December 31, 2020, 2019 and 2018, lease revenue was \$444 million, \$432 million and \$401 million, respectively.

Remaining Performance Obligations

Remaining performance obligations represent the aggregate transaction price allocated to performance obligations with an original contract term greater than one year which are fully or partially unsatisfied at the end of the period. Remaining performance obligations include noncancelable purchase orders, the non-lease portion of minimum purchase commitments under long-term consumable supply arrangements, extended warranty, service and PCS contracts, SaaS and other long-term contracts. These remaining performance obligations do not include revenue from contracts with customers with an original term of one year or less, revenue from long-term consumable supply arrangements with no minimum purchase requirements or revenue expected from purchases made in excess of the minimum purchase requirements or revenue from equipment leased to customers. While the remaining performance obligation disclosure is similar in concept to backlog, the definition of remaining performance obligations excludes leases and contracts that provide the customer with the right to cancel or terminate for convenience with no substantial penalty, even if historical experience indicates the likelihood of cancellation or termination is remote. Additionally, the Company has elected to exclude contracts with customers with an original term of one year or less from remaining performance obligations while these contracts are included within backlog.

As of December 31, 2020, the aggregate amount of the transaction price allocated to remaining performance obligations was approximately \$3.0 billion. The Company expects to recognize revenue on approximately 50% of the remaining performance obligations over the next 12 months, 23% over the subsequent 12 months, and the remainder recognized thereafter.

Contract Balances

The timing of revenue recognition, billings and cash collections results in billed trade accounts receivable, unbilled receivables ("contract assets") and deferred revenue, customer deposits and billings in excess of revenue recognized ("contract liabilities") on the Consolidated Balance Sheets. In addition, the Company defers certain costs incurred to obtain a contract ("contract costs").

Contract Assets—Most of the Company's long-term contracts are billed as work progresses in accordance with the contract terms and conditions, either at periodic intervals or upon achievement of certain milestones. Often this results in billing occurring subsequent to revenue recognition resulting in contract assets. Contract assets are generally classified as other current assets in the Consolidated Balance Sheets. The balance of contract assets as of December 31, 2020 and 2019 was \$65 million and \$77 million, respectively.

Contract Liabilities—The Company often receives cash payments from customers in advance of the Company's performance resulting in contract liabilities. These contract liabilities are classified as either current or long-term in the Consolidated Balance Sheets based on the timing of when the Company expects to recognize revenue. As of December 31, 2020 and 2019, contract liabilities were approximately \$1.4 billion and \$806 million, respectively, and are included within accrued expenses and other liabilities and other long-term liabilities in the accompanying Consolidated Balance Sheets. The increase in the contract liability balance during the year ended December 31, 2020 was primarily a result of cash payments received in advance of satisfying performance obligations and acquisitions, partially offset by revenue recognized during the year that was included in the opening contract liability balance. The increase in the contract liability balance during the year ended December 31, 2019 was primarily a result of cash payments received in advance of satisfying performance obligations and acquisitions, partially offset by revenue

recognized during the year that was included in the opening contract liability balance. Revenue recognized during the years ended December 31, 2020 and 2019 that was included in the opening contract liability balance was \$638 million and \$603 million, respectively.

Contract Costs—The Company capitalizes certain direct incremental costs incurred to obtain a contract, typically sales-related commissions, where the amortization period for the related asset is greater than one year. These costs are amortized over the contract term or a longer period, generally the expected life of the customer relationship if renewals are expected and the renewal commission is not commensurate with the initial commission. Contract costs are classified as current or long-term

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other assets in the Consolidated Balance Sheets based on the timing of when the Company expects to recognize the expense and are generally amortized into earnings on a straight-line basis (which is consistent with the transfer of control for the related goods or services). Management assesses these costs for impairment at least quarterly and as “triggering” events occur that indicate it is more likely than not that an impairment exists. The balance of contract costs as of December 31, 2020 and 2019 were not significant. Amortization expense related to these costs for the years ended December 31, 2020 and 2019 was also not significant. The costs to obtain a contract where the amortization period for the related asset is one year or less are expensed as incurred and recorded within selling, general and administrative expenses in the accompanying Consolidated Statements of Earnings.

Contract assets, liabilities and costs are reported on the accompanying Consolidated Balance Sheets on a contract-by-contract basis.

NOTE 3. ACQUISITIONS

The Company continually evaluates potential acquisitions that either strategically fit with the Company’s existing portfolio or expand the Company’s portfolio into a new and attractive business area. The Company has completed a number of acquisitions and the purchases of the acquired businesses have resulted in the recognition of goodwill in the Company’s Consolidated Financial Statements. This goodwill arises because the purchase prices for these businesses reflect a number of factors including the future earnings and cash flow potential of these businesses, the multiple to earnings, cash flow and other factors at which similar businesses have been purchased by other acquirers, the competitive nature of the processes by which the Company acquired the businesses, the avoidance of the time and costs which would be required (and the associated risks that would be encountered) to enhance the Company’s existing product offerings to key target markets and enter into new and profitable businesses and the complementary strategic fit and resulting synergies these businesses bring to existing operations.

The Company makes an initial allocation of the purchase price at the date of acquisition based upon its understanding of the fair value of the acquired assets and assumed liabilities. The Company obtains the information used for the purchase price allocation during due diligence and through other sources. In the months after closing, as the Company obtains additional information about the acquired assets and liabilities, including through tangible and intangible asset appraisals, and learns more about the newly acquired business, it is able to refine the estimates of fair value and more accurately allocate the purchase price. The fair values of acquired intangibles are determined based on estimates and assumptions that are deemed reasonable by the Company. Significant assumptions include the discount rates and certain assumptions that form the basis of the forecasted results of the acquired business including revenue, earnings before interest, taxes, depreciation and amortization (“EBITDA”), growth rates, royalty rates and technology obsolescence rates. These assumptions are forward looking and could be affected by future economic and market conditions. The Company engages third-party valuation specialists who review the Company’s critical assumptions and calculations of the fair value of acquired intangible assets in connection with significant acquisitions. Only facts and circumstances that existed as of the acquisition date are considered for subsequent adjustment. The Company is continuing to evaluate certain pre-acquisition contingencies associated with certain of its 2020 acquisitions (including the acquisition of Cytiva, as described below) and is also in the process of obtaining valuations of certain acquisition-related assets and liabilities in connection with these acquisitions. The Company will make appropriate adjustments to the purchase price allocation prior to completion of the measurement period, as required.

The following briefly describes the Company’s acquisition activity for the three years ended December 31, 2020.

On March 31, 2020, the Company acquired the Biopharma business of General Electric Company’s (“GE”) Life Sciences division, now known as Cytiva, for a cash purchase price of approximately \$20.7 billion (net of approximately \$0.1 billion of acquired cash) and the assumption of approximately \$0.4 billion of pension liabilities (the “Cytiva Acquisition”). Cytiva is a leading provider of instruments, consumables and software that support the research, discovery, process development and manufacturing workflows of biopharmaceutical drugs. Cytiva is included in the Company’s Life Sciences segment results beginning in the second quarter of 2020. The acquisition has provided and is expected to provide additional sales and earnings growth opportunities for the Company’s Life Sciences segment by expanding the business’ geographic and product line diversity, including new product and service offerings that complement the Company’s current biologics workflow solutions. To fulfill a condition to obtaining certain regulatory approvals for the closing of the transaction, on April 30, 2020 the Company divested

certain of its existing product lines in the Life Sciences segment for a cash purchase price, net of cash transferred and transaction costs, of \$826 million and recognized a pretax gain on sale of \$455 million (\$305 million after-tax or \$0.42 per diluted common share). The divested product lines in the aggregate generated revenues of approximately \$170 million in 2019. The divestiture of these product lines did not represent a strategic shift with a major effect on the Company's operations and financial results and therefore is not reported as a discontinued operation.

The Company financed the Cytiva Acquisition with approximately \$3.0 billion of proceeds from the 2019 underwritten public offerings of its Common Stock and Series A Mandatory Convertible Preferred Stock ("MCPS Series A"), approximately

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\$10.8 billion of proceeds from the 2019 issuance of euro-denominated and U.S. dollar-denominated long-term debt, and approximately \$6.9 billion from the aggregate of proceeds from commercial paper borrowings, borrowings under the Company's Five-Year Facility (as defined below) and cash on hand. The Company preliminarily recorded approximately \$10.2 billion of goodwill related to the Cytiva Acquisition.

During 2020, in addition to the Cytiva Acquisition, the Company acquired four businesses for total consideration of \$256 million in cash, net of cash acquired. The businesses acquired complement existing units of the Company's Life Sciences and Environmental & Applied Solutions segments. The Company preliminarily recorded an aggregate of \$231 million of goodwill related to these acquisitions. The aggregate annual sales of the five businesses acquired in 2020 at the time of their acquisition, in each case based on the company's revenues for its last completed fiscal year prior to the acquisition, were approximately \$3.3 billion.

During 2019, the Company acquired five businesses for total consideration of \$331 million in cash, net of cash acquired. The business acquired complements existing units of each of the Company's three segments. The aggregate annual sales of these businesses at the time of their acquisition, in each case based on the company's revenues for its last completed fiscal year prior to the acquisition, were \$72 million. The Company recorded an aggregate of \$217 million of goodwill related to these acquisitions.

On April 13, 2018, the Company acquired Integrated DNA Technologies, Inc. ("IDT"), a privately-held manufacturer of custom DNA and RNA oligonucleotides serving customers in the academic and biopharmaceutical research, biotechnology, agriculture, clinical diagnostics and pharmaceutical development end-markets, for a purchase price of approximately \$2.1 billion, net of cash acquired. IDT had revenues of approximately \$260 million in 2017, and is now part of the Company's Life Sciences segment.

The Company financed the acquisition of IDT with available cash and proceeds from the issuance of commercial paper. The Company recorded approximately \$1.2 billion of goodwill related to the IDT acquisition. The acquisition of IDT has provided additional sales and earnings growth opportunities for the Company's Life Sciences segment by expanding the segment's product line diversity, including new product and service offerings in the area of genomics consumables, and through the potential future acquisition of complementary businesses.

In addition to the IDT acquisition, during 2018, the Company acquired one other business for total consideration of \$95 million in cash, net of cash acquired. The business acquired complements an existing unit of the Environmental & Applied Solutions segment. The aggregate annual sales of this business at the time of its acquisition, based on the company's revenues for its last completed fiscal year prior to the acquisition, were \$53 million. The Company recorded an aggregate of \$63 million of goodwill related to this acquisition.

The following summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition (\$ in millions):

	2020	2019	2018
Trade accounts receivable	\$ 487	\$ 9	\$ 41
Inventories	934	9	15
Property, plant and equipment	690	4	88
Goodwill	10,402	217	1,276
Other intangible assets, primarily technology, customer relationships and trade names	10,712	113	851
Trade accounts payable	(250)	(3)	(7)
Pension liabilities	(423)	—	—
Deferred tax liabilities	(1,167)	—	(21)
Other assets and liabilities, net	(414)	(18)	(46)
Net assets acquired	20,971	331	2,197
Less: noncash consideration	—	—	(24)
Net cash consideration	\$ 20,971	\$ 331	\$ 2,173

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The following summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition for the individually significant acquisition in 2020 discussed above, and all of the other 2020 acquisitions as a group (\$ in millions):

	Cytiva	Others	Total
Trade accounts receivable	\$ 482	\$ 5	\$ 487
Inventories	930	4	934
Property, plant and equipment	689	1	690
Goodwill	10,171	231	10,402
Other intangible assets, primarily technology, customer relationships and trade names	10,656	56	10,712
Trade accounts payable	(247)	(3)	(250)
Pension liabilities	(423)	—	(423)
Deferred tax liabilities	(1,157)	(10)	(1,167)
Other assets and liabilities, net	(386)	(28)	(414)
Net cash consideration	<u>\$ 20,715</u>	<u>\$ 256</u>	<u>\$ 20,971</u>

The following summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition for the individually significant acquisition in 2018 discussed above, and all of the other 2018 acquisitions as a group (\$ in millions):

	IDT	Others	Total
Trade accounts receivable	\$ 36	\$ 5	\$ 41
Inventories	15	—	15
Property, plant and equipment	88	—	88
Goodwill	1,213	63	1,276
Other intangible assets, primarily technology, customer relationships and trade names	811	40	851
Trade accounts payable	(6)	(1)	(7)
Deferred tax liabilities	(21)	—	(21)
Other assets and liabilities, net	(34)	(12)	(46)
Net assets acquired	<u>2,102</u>	<u>95</u>	<u>2,197</u>
Less: noncash consideration	<u>(24)</u>	<u>—</u>	<u>(24)</u>
Net cash consideration	<u>\$ 2,078</u>	<u>\$ 95</u>	<u>\$ 2,173</u>

Transaction-related costs for the Cytiva Acquisition were \$59 million and \$93 million for the years ended December 31, 2020 and 2019, respectively. During 2018, the Company incurred acquisition-related transaction costs and change in control payments of \$15 million associated with the IDT acquisition. In addition, the Company's earnings for 2018 reflect the pretax impact of \$1 million of nonrecurring acquisition date fair value adjustments to inventory related to the IDT acquisition. Transaction-related costs and acquisition-related fair value adjustments attributable to other acquisitions were not material for the years ended December 31, 2020, 2019 or 2018.

Pro Forma Financial Information (Unaudited)

The unaudited pro forma information for the periods set forth below gives effect to the 2020 and 2019 acquisitions as if they had occurred as of January 1, 2019. The pro forma information is presented for informational purposes only and is not necessarily indicative of the results of operations that actually would have been achieved had the acquisitions been consummated as of that time (\$ in millions except per share amounts):

	2020	2019
Sales	\$ 23,130	\$ 20,985
Net earnings from continuing operations	3,845	2,416
Diluted net earnings per common share from continuing operations ^(a)	5.16	3.21

^(a) Diluted net earnings per common share from continuing operations is calculated by adding the interest on the Company's LYONs to net earnings from continuing operations and deducting the MCPS dividends from net earnings from continuing operations.

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The 2020 unaudited pro forma sales and net earnings set forth above were adjusted to exclude the pretax impact of \$509 million of nonrecurring acquisition date fair value adjustments to inventory and deferred revenue related to the Cytiva Acquisition. The 2019 unaudited pro forma sales and net earnings from continuing operations were adjusted to include the impact of these items.

In addition, acquisition-related transaction costs of \$59 million and \$93 million for the years ended December 31, 2020 and 2019, respectively, associated with the Cytiva Acquisition were excluded from pro forma net earnings from continuing operations. The pretax gain of \$455 million (\$305 million after-tax or \$0.42 per diluted common share) related to the divestiture of certain product lines that was required as a condition to obtaining certain regulatory approvals for the closing of the Cytiva Acquisition was also excluded from the 2020 pro forma net earnings from continuing operations.

NOTE 4. DISCONTINUED OPERATIONS

On September 20, 2019, Envista Holdings Corporation (“Envista”), completed an initial public offering (“IPO”) of 30.8 million shares of its common stock, which represented 19.4% of Envista’s outstanding shares at the time of the offering, at a public offering price of \$22.00 per share. Envista realized net proceeds of \$643 million from the IPO, after deducting underwriting discounts and deal expenses.

In connection with the completion of the IPO, through a series of equity and other transactions, the Company transferred its dental businesses to Envista (the “Separation”). In exchange, Envista transferred consideration of approximately \$2.0 billion to the Company, which consists primarily of the net proceeds from the IPO and approximately \$1.3 billion of proceeds from Envista’s term debt financing. The excess of the net book value of the business transferred to Envista over the net proceeds from the IPO was \$60 million and was recorded as a reduction to additional paid-in capital in the accompanying Consolidated Balance Sheet.

On December 18, 2019, Danaher completed the disposition of the remaining 80.6% ownership of Envista common stock through a split-off exchange offer, which resulted in Danaher’s repurchase of 22.9 million shares of the Company’s common stock in exchange for the remaining shares of Envista held by Danaher (the “Split-Off”). The IPO, Separation and Split-Off are collectively referred to as the “Envista Disposition”. As a result, the Company recognized a gain on the disposition of \$451 million in the fourth quarter of 2019. At the time of the disposition, the Company reclassified \$109 million of foreign currency translation adjustment losses related to Envista from accumulated other comprehensive income (loss) to the Company’s results of discontinued operations as a component of the net gain on the Envista Disposition. As a result of the IPO, Danaher recorded an increase to noncontrolling interest of \$689 million in 2019 for the sale of the Envista common stock and subsequent earnings and other comprehensive income (loss) attributable to the noncontrolling interest. At the time of the Envista Disposition, Danaher decreased noncontrolling interests by \$692 million to record the deconsolidation of Envista and the elimination of the noncontrolling interest.

The accounting requirements for reporting Envista as a discontinued operation were met when the Split-Off was completed. Accordingly, the Consolidated Financial Statements for all periods presented reflect this business as a discontinued operation. The Company allocated a portion of the consolidated interest expense to discontinued operations based on the ratio of the discontinued business’ net assets to the Company’s consolidated net assets. Envista had revenues of approximately \$2.6 billion in 2019 prior to the exchange offer and approximately \$2.8 billion in 2018.

As a result of the Envista Disposition, the Company incurred \$69 million and \$15 million in IPO and Separation-related costs during the years ended December 31, 2019 and 2018, respectively, which are reflected in earnings from discontinued operations, net of income taxes in the accompanying Consolidated Statements of Earnings. These costs primarily relate to professional fees associated with preparation of regulatory filings and activities within finance, tax, legal and information technology functions as well as certain investment banking fees and tax costs.

Danaher used a portion of the consideration received from Envista to redeem \$882 million in aggregate principal amount of outstanding indebtedness in the fourth quarter of 2019 (consisting of the Company’s 2.4% senior unsecured notes due 2020 and 5.0% senior unsecured notes due 2020). The Company incurred make-whole premiums in connection with the redemption of \$7 million (\$5 million after-tax or \$0.01 per diluted common share).

The Company used the balance of the consideration it received from Envista to redeem commercial paper borrowings as they matured.

In connection with the Envista IPO and Separation, Danaher and Envista entered into various agreements to effect the disposition and provide a framework for their relationship after the Envista Separation, including a separation agreement, transition services agreement, employee matters agreement, tax matters agreement, intellectual property matters agreement and DANAHER BUSINESS SYSTEM (“DBS”) license agreement. These agreements provide for the allocation between Danaher and Envista of assets, employees, liabilities and obligations (including investments, property and employee benefits and tax-related assets and liabilities) attributable to periods prior to, at and after Envista’s separation from Danaher and govern certain relationships between Danaher and Envista after the Envista Separation. In addition, Danaher is also party to various

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commercial agreements with Envista entities. The amounts paid and received by Danaher for transition services provided under the above agreements as well as sales and purchases to and from Envista were not material to the Company's results of operations for the years ended December 31, 2020 and 2019.

The key components of income from Envista from discontinued operations for the years ended December 31 were as follows (\$ in millions):

	2019	2018
Sales	\$ 2,610	\$ 2,845
Cost of sales	(1,177)	(1,243)
Selling, general and administrative expenses	(1,095)	(1,081)
Research and development expenses	(152)	(172)
Other income (expense), net	2	3
Interest expense	(9)	(21)
Income from discontinued operations before income taxes	179	331
Gain on disposition of Envista before income taxes	451	—
Earnings from discontinued operations before income taxes	630	331
Income taxes	(41)	(86)
Earnings from discontinued operations, net of income taxes	589	245
Net earnings attributable to noncontrolling interest	(13)	—
Net earnings from discontinued operations attributable to common stockholders	\$ 576	\$ 245

NOTE 5. LEASES

The Company has operating leases for office space, warehouses, distribution centers, research and development facilities, manufacturing locations and certain equipment, primarily automobiles. Many leases include one or more options to renew, some of which include options to extend the leases for up to 30 years, and some leases include options to terminate the leases within 30 days. In certain of the Company's lease agreements, the rental payments are adjusted periodically to reflect actual charges incurred for common area maintenance, utilities, inflation and/or changes in other indexes. The Company's finance leases were not material as of December 31, 2020 and 2019. Right-of-use ("ROU") assets arising from finance leases are included in property, plant and equipment, net and the liabilities are included in notes payable and current portion of long-term debt and long-term debt in the accompanying Consolidated Balance Sheets.

The components of operating lease expense for the years ended December 31 were as follows (\$ in millions):

	2020	2019
Fixed operating lease expense ^(a)	\$ 216	\$ 196
Variable operating lease expense	46	45
Total operating lease expense	\$ 262	\$ 241

^(a) Includes short-term leases and sublease income, both of which were immaterial.

Supplemental cash flow information related to the Company's operating leases for the years ended December 31 were as follows (\$ in millions):

	2020	2019
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 221	\$ 202
ROU assets obtained in exchange for operating lease obligations	246	145

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The following table presents the lease balances within the Consolidated Balance Sheets, weighted average remaining lease term, and weighted average discount rates related to the Company's operating leases as of December 31 (\$ in millions):

		2020	2019
Lease Assets and Liabilities	Classification		
Assets:			
Operating lease ROU assets	Other long-term assets	\$ 942	\$ 764
Liabilities:			
Current:			
Operating lease liabilities	Accrued expenses and other liabilities	\$ 189	\$ 158
Long-term:			
Operating lease liabilities	Other long-term liabilities	785	639
Total operating lease liabilities		\$ 974	\$ 797
Weighted average remaining lease term			
		7 years	7 years
Weighted average discount rate			
		2.8 %	3.1 %

The following table presents the maturity of the Company's operating lease liabilities as of December 31, 2020 (\$ in millions):

2021	\$ 213
2022	181
2023	151
2024	128
2025	105
Thereafter	302
Total operating lease payments	1,080
Less: imputed interest	106
Total operating lease liabilities	\$ 974

As of December 31, 2020, the Company had no additional significant operating or finance leases that had not yet commenced.

ASC 840 Comparative Disclosures

Total rent expense under ASC 840 for all operating leases was \$234 million for the year ended December 31, 2018.

NOTE 6. INVENTORIES

The classes of inventory as of December 31 are summarized as follows (\$ in millions):

	2020	2019
Finished goods	\$ 1,232	\$ 833
Work in process	369	285
Raw materials	691	510
Total	\$ 2,292	\$ 1,628

As of December 31, 2020 and 2019, the difference between inventories valued at LIFO and the value of that same inventory if the FIFO method had been used was not significant. The liquidation of LIFO inventory did not have a significant impact on the Company's results of operations in any period presented.

NOTE 7. PROPERTY, PLANT AND EQUIPMENT

The classes of property, plant and equipment as of December 31 are summarized as follows (\$ in millions):

	2020	2019
Land and improvements	\$ 192	\$ 149
Buildings	1,522	954
Machinery and equipment	2,881	2,194
Customer-leased equipment	1,849	1,766
Gross property, plant and equipment	6,444	5,063
Less: accumulated depreciation	3,182	2,761
Property, plant and equipment, net	\$ 3,262	\$ 2,302

NOTE 8. GOODWILL AND OTHER INTANGIBLE ASSETS

As discussed in Note 3, goodwill arises from the purchase price for acquired businesses exceeding the fair value of tangible and intangible assets acquired less assumed liabilities and noncontrolling interests. Management assesses the goodwill of each of its reporting units for impairment at least annually at the beginning of the fourth quarter and as “triggering” events occur that indicate that it is more likely than not that an impairment exists. The Company elected to bypass the optional qualitative goodwill assessment allowed by applicable accounting standards and performed a quantitative impairment test for all reporting units as this was determined to be the most effective method to assess for impairment across the reporting units.

The Company estimates the fair value of its reporting units primarily using a market approach, based on current trading multiples of EBITDA for companies operating in businesses similar to each of the Company’s reporting units, in addition to recent available market sale transactions of comparable businesses. In determining the estimated fair value of each reporting unit, the Company also applies a control premium. If the estimated fair value of the reporting unit is less than its carrying value, the Company must perform additional analysis to determine if the reporting unit’s goodwill has been impaired.

As of December 31, 2020, the Company had five reporting units for goodwill impairment testing. As of the date of the 2020 annual impairment test, the carrying value of the goodwill included in each individual reporting unit ranged from \$512 million to approximately \$24.9 billion. No goodwill impairment charges were recorded for the years ended December 31, 2020, 2019 and 2018 and no “triggering” events have occurred subsequent to the performance of the 2020 annual impairment test. The factors used by management in its impairment analysis are inherently subject to uncertainty. If actual results are not consistent with management’s estimates and assumptions, goodwill and other intangible assets may be overstated and a charge would need to be taken against net earnings.

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The following is a rollforward of the Company's goodwill by segment (\$ in millions):

	Life Sciences	Diagnostics	Environmental & Applied Solutions	Total
Balance, January 1, 2019	\$ 13,311	\$ 6,926	\$ 2,344	\$ 22,581
Attributable to 2019 acquisitions	213	3	1	217
Adjustments due to finalization of purchase price allocations	(7)	—	—	(7)
Foreign currency translation and other	(45)	(28)	(5)	(78)
Balance, December 31, 2019	13,472	6,901	2,340	22,713
Attributable to 2020 acquisitions	10,291	—	111	10,402
Attributable to 2020 divestitures	(181)	—	—	(181)
Adjustments due to finalization of purchase price allocations	(3)	—	—	(3)
Foreign currency translation and other	2,233	181	75	2,489
Balance, December 31, 2020	<u>\$ 25,812</u>	<u>\$ 7,082</u>	<u>\$ 2,526</u>	<u>\$ 35,420</u>

The increase in the goodwill balance of the Life Sciences segment in the year ended December 31, 2020 is primarily a result of the Cytiva Acquisition. Measurement period adjustments between the acquisition date and December 31, 2020 decreased the goodwill recognized for the Cytiva Acquisition by approximately \$1.3 billion, as the initial allocation of the purchase price was adjusted to allocate additional purchase price to technology, customer relationships and trade names partially offset by related deferred tax liabilities. Refer to Note 3 for more detail.

Finite-lived intangible assets are amortized over their legal or estimated useful life. The following summarizes the gross carrying value and accumulated amortization for each major category of intangible assets as of December 31 (\$ in millions):

	2020		2019	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Finite-lived intangibles:				
Patents and technology	\$ 12,526	\$ (1,539)	\$ 2,713	\$ (934)
Customer relationships, trade names and other intangibles	9,355	(3,235)	6,367	(2,612)
Total finite-lived intangibles	<u>21,881</u>	<u>(4,774)</u>	<u>9,080</u>	<u>(3,546)</u>
Indefinite-lived intangibles:				
Trademarks and trade names	4,175	—	4,216	—
Total intangibles	<u>\$ 26,056</u>	<u>\$ (4,774)</u>	<u>\$ 13,296</u>	<u>\$ (3,546)</u>

During 2020, the Company acquired finite-lived intangible assets, consisting primarily of developed technology, customer relationships and trade names, with a weighted average life of 17 years primarily as a result of the Cytiva Acquisition. During 2019, the Company acquired finite-lived intangible assets, consisting primarily of customer relationships, with a weighted average life of 13 years. Refer to Note 3 for additional information on the intangible assets acquired.

The Company reviews identified intangible assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Indefinite-lived intangibles are subject to impairment testing at least annually or more frequently if events or changes in circumstances indicate that potential impairment exists. The Company identified impairment triggers during the first and third quarters of 2020 which

resulted in the impairment of certain long-lived assets, including trade names and other intangible assets. The Company recorded impairment charges totaling \$22 million related to these long-lived assets.

Total intangible amortization expense in 2020, 2019 and 2018 was \$1,138 million, \$625 million and \$616 million, respectively. The increase in intangible amortization expense in 2020 was primarily as a result of the Cytiva Acquisition and the amortization of the associated finite-lived intangible assets. Based on the intangible assets recorded as of December 31, 2020, amortization expense is estimated to be \$1,380 million during 2021, \$1,362 million during 2022, \$1,357 million during 2023, \$1,316 million during 2024 and \$1,291 million during 2025.

NOTE 9. FAIR VALUE MEASUREMENTS

Accounting standards define fair value based on an exit price model, establish a framework for measuring fair value where the Company's assets and liabilities are required to be carried at fair value and provide for certain disclosures related to the valuation methods used within a valuation hierarchy as established within the accounting standards. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets in markets that are not active, or other observable characteristics for the asset or liability, including interest rates, yield curves and credit risks, or inputs that are derived principally from, or corroborated by, observable market data through correlation. Level 3 inputs are unobservable inputs based on the Company's assumptions. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

A summary of financial assets and liabilities that are measured at fair value on a recurring basis were as follows (\$ in millions):

	Year Ended December 31	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2020:				
Assets:				
Available-for-sale debt securities	\$ 27	\$ —	\$ 27	\$ —
Investment in equity securities	176	6	—	—
Liabilities:				
Cross-currency swap derivative contracts	622	—	622	—
Deferred compensation plans	111	—	111	—
2019:				
Assets:				
Available-for-sale debt securities	\$ 34	\$ —	\$ 34	\$ —
Investment in equity securities	111	—	—	—
Cross-currency swap derivative contracts	26	—	26	—
Liabilities:				
Cross-currency swap derivative contracts	112	—	112	—
Deferred compensation plans	70	—	70	—

Available-for-sale debt securities, which are included in other long-term assets in the accompanying Consolidated Balance Sheets, are measured at fair value using quoted prices reported by investment brokers and dealers based on the underlying terms of the security and comparison to similar securities traded on an active market. As of December 31, 2020 and 2019, available-for-sale debt securities primarily include U.S. Treasury Notes and corporate debt securities, which are valued based on the terms of the instruments in comparison with similar terms on the active market.

The Company's investments in equity securities consist of investments in publicly traded equity securities and investments in non-marketable equity securities. The publicly traded securities are classified as Level 1 in the fair value hierarchy as they are measured based on quotes in active markets. For the non-marketable equity securities, the Company estimates the fair value of the investments in equity securities based on the measurement alternative and adjusts for impairments and observable price changes with a same or similar security from the same issuer within net earnings (the Fair Value Alternative). The Company's investments in these equity securities are not classified in the fair value hierarchy due to the use of these measurement methods. Additionally, the Company is a limited partner in a partnership that invests in early-stage companies. While the partnership records these investments at fair value, the Company's investment in the partnership is accounted for under the equity method of accounting and is not subject to fair value measurement disclosures. During the year ended December 31, 2020, the Company recorded net realized and unrealized gains of \$18 million related to changes in the fair value of these investments which is reflected in

other income (expense), net in the Consolidated Statement of Earnings. No significant realized or unrealized gains or losses were recorded in either 2019 or 2018 with respect to these investments.

The cross-currency swap derivative contracts are used to partially hedge the Company's net investments in foreign operations against adverse movements in exchange rates between the U.S. dollar and the Danish kroner, Japanese yen, euro and Swiss franc. The Company also uses cross-currency swap derivative contracts to hedge the exchange rate exposure from long-term debt issuances in a foreign currency other than the functional currency of the borrower. The cross-currency swap derivative contracts are classified as Level 2 in the fair value hierarchy as they are measured using the income approach with the relevant

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interest rates and current foreign currency exchange rates and forward curves as inputs. Refer to Note 12 for additional information.

The Company has established nonqualified contribution and deferred compensation programs that permit the Company to make tax-deferred contributions to officers and certain other employees, and also permit directors, officers and certain other employees to voluntarily defer taxation on a portion of their compensation. All amounts contributed or deferred under such plans are unfunded, unsecured obligations of the Company and are presented as a component of the Company's compensation and benefits accrual included in other long-term liabilities in the accompanying Consolidated Balance Sheets (refer to Note 10). Non-director participants may choose among alternative earning rates for the amounts they defer, which are primarily based on investment options within the Company's 401(k) program. Changes in the deferred compensation liability under these programs are recognized based on changes in the fair value of the participants' accounts, which are based on the applicable earnings rates. Amounts voluntarily deferred by directors and amounts unilaterally contributed to participant accounts by the Company are deemed invested in the Company's common stock and future distributions of such contributions (as well as future distributions of any voluntary deferrals allocated at any time to the Danaher common stock investment option) will be made solely in shares of Company common stock, and therefore are not reflected in the above amounts.

Fair Value of Financial Instruments

The carrying amounts and fair values of the Company's financial instruments as of December 31 were as follows (\$ in millions):

	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Available-for-sale debt securities	\$ 27	\$ 27	\$ 34	\$ 34
Investment in equity securities	176	176	111	111
Cross-currency swap derivative contracts	—	—	26	26
Liabilities:				
Cross-currency swap derivative contracts	622	622	112	112
Notes payable and current portion of long-term debt	11	11	212	212
Long-term debt	21,193	23,004	21,517	21,897

As of December 31, 2020 and 2019 available-for-sale debt securities and cross-currency swap derivative contracts were categorized as Level 2 and short and long-term borrowings were categorized as Level 1.

The fair value of long-term borrowings was based on quoted market prices. The difference between the fair value and the carrying amounts of long-term borrowings (other than the Company's Liquid Yield Option Notes due 2021 (the "LYONs")) is attributable to changes in market interest rates and/or the Company's credit ratings subsequent to the incurrence of the borrowing. In the case of the LYONs, differences in the fair value from the carrying value are attributable to changes in the price of the Company's common stock due to the LYONs' conversion features. The fair values of borrowings with original maturities of one year or less, as well as cash and cash equivalents, trade accounts receivable, net and trade accounts payable approximate their carrying amounts due to the short-term maturities of these instruments.

Refer to Note 13 for information related to the fair value of the Company sponsored defined benefit pension plan assets.

NOTE 10. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities as of December 31 were as follows (\$ in millions):

	2020		2019	
	Current	Noncurrent	Current	Noncurrent
Compensation and benefits	\$ 1,393	\$ 178	\$ 931	\$ 223
Pension and postretirement benefits	69	1,502	151	898
Taxes, income and other	552	4,951	356	3,309
Deferred revenue	1,212	205	688	118
Sales and product allowances	200	2	115	2
Operating lease liabilities	189	785	158	639
Cross-currency swap derivative liabilities	622	—	112	—
Other	1,105	166	694	162
Total	<u>\$ 5,342</u>	<u>\$ 7,789</u>	<u>\$ 3,205</u>	<u>\$ 5,351</u>

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NOTE 11. FINANCING

The components of the Company's debt as of December 31 were as follows (\$ in millions):

	2020	2019
Euro-denominated commercial paper (€500 million and €4.6 billion, respectively)	\$ 611	\$ 5,146
Zero-coupon LYONs due 2021	24	34
0.352% senior unsecured notes due 2021 (¥30.0 billion aggregate principal amount) (the “2021 Yen Notes”)	290	276
1.7% senior unsecured notes due 2022 (€800 million aggregate principal amount) (the “2022 Euronotes”)	—	895
Floating rate senior unsecured notes due 2022 (€250 million aggregate principal amount) (the “Floating Rate 2022 Euronotes”)	305	280
2.05% senior unsecured notes due 2022 (the “2022 Biopharma Notes”)	698	697
0.5% senior unsecured bonds due 2023 (CHF 540 million aggregate principal amount) (the “2023 CHF Bonds”)	611	559
1.7% senior unsecured notes due 2024 (€900 million aggregate principal amount) (the “2024 Euronotes”)	1,096	—
2.2% senior unsecured notes due 2024 (the “2024 Biopharma Notes”)	697	696
2.5% senior unsecured notes due 2025 (€800 million aggregate principal amount) (the “2025 Euronotes”)	975	894
3.35% senior unsecured notes due 2025 (the “2025 U.S. Notes”)	498	497
0.2% senior unsecured notes due 2026 (€1.3 billion aggregate principal amount) (the “2026 Biopharma Euronotes”)	1,520	1,392
2.1% senior unsecured notes due 2026 (€800 million aggregate principal amount) (the “2026 Euronotes”)	975	—
0.3% senior unsecured notes due 2027 (¥30.8 billion aggregate principal amount) (the “2027 Yen Notes”)	297	283
1.2% senior unsecured notes due 2027 (€600 million aggregate principal amount) (the “2027 Euronotes”)	729	668
0.45% senior unsecured notes due 2028 (€1.3 billion aggregate principal amount) (the “2028 Biopharma Euronotes”)	1,518	1,390
1.125% senior unsecured bonds due 2028 (CHF 210 million aggregate principal amount) (the “2028 CHF Bonds”)	241	221
2.6% senior unsecured notes due 2029 (the “2029 Biopharma Notes”)	795	795
2.5% senior unsecured notes due 2030 (€800 million aggregate principal amount) (the “2030 Euronotes”)	978	—
0.75% senior unsecured notes due 2031 (€1.8 billion aggregate principal amount) (the “2031 Biopharma Euronotes”)	2,127	1,949
0.65% senior unsecured notes due 2032 (¥53.2 billion aggregate principal amount) (the “2032 Yen Notes”)	514	488
1.35% senior unsecured notes due 2039 (€1.3 billion aggregate principal amount) (the “2039 Biopharma Euronotes”)	1,511	1,384
3.25% senior unsecured notes due 2039 (the “2039 Biopharma Notes”)	889	890
4.375% senior unsecured notes due 2045 (the “2045 U.S. Notes”)	499	499
1.8% senior unsecured notes due 2049 (€750 million aggregate principal amount) (the “2049 Biopharma Euronotes”)	907	831
3.4% senior unsecured notes due 2049 (the “2049 Biopharma Notes”)	889	890
2.6% senior unsecured notes due 2050 (the “2050 U.S. Notes”)	979	—
Other	31	75
Total debt	21,204	21,729
Less: currently payable	11	212
Long-term debt	\$ 21,193	\$ 21,517

Debt discounts, premiums and debt issuance and other related costs totaled \$132 million and \$112 million as of December 31, 2020 and 2019, respectively, and have been netted against the aggregate principal amounts of the related debt in the components of debt table above.

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Commercial Paper Programs and Credit Facilities

In 2015, the Company entered into a \$4.0 billion unsecured multi-year revolving credit facility with a syndicate of banks that was scheduled to expire on July 10, 2020 (the “Superseded Credit Facility”). In 2019, the Company replaced the Superseded Credit Facility with a \$5.0 billion unsecured revolving credit facility with a syndicate of banks that expires on August 27, 2024, subject to a one-year extension option at the request of the Company with the consent of the lenders (the “Five-Year Facility”). The Five-Year Facility also contains an expansion option permitting Danaher to request up to five increases of up to an aggregate additional \$2.5 billion from lenders that elect to make such increase available, upon the satisfaction of certain conditions. At the same time, the Company entered into a \$5.0 billion 364-day unsecured revolving credit facility with a syndicate of banks that was scheduled to expire on August 26, 2020 (the “Superseded 364-Day Facility”). In 2020, the Company replaced the Superseded 364-Day Facility with a \$2.5 billion 364-day unsecured revolving credit facility with a syndicate of banks that was scheduled to expire on June 4, 2021 and then terminated such credit facility on December 31, 2020 (the “Terminated 364-Day Credit Facility”).

The Company expects to limit borrowings under the Five-Year Facility to amounts that would leave sufficient borrowing capacity under the facilities so that it could borrow, if needed, to repay all of the outstanding commercial paper as it matures.

Borrowings under the Five-Year Facility bear interest as follows: (1) Eurocurrency Rate Committed Loans (as defined in the Five-Year Facility) bear interest at a variable rate equal to the London inter-bank offered rate plus a margin of between 58.5 and 100 basis points, depending on Danaher’s long-term debt credit rating; (2) Base Rate Committed Loans and Swing Line Loans (each as defined in the Five-Year Facility) bear interest at a variable rate equal to the highest of (a) the Federal funds rate (as published by the Federal Reserve Bank of New York from time to time) plus 50 basis points; (b) Bank of America’s “prime rate” as publicly announced from time to time and (c) the Eurocurrency Rate (as defined in the Five-Year Facility) plus 100 basis points; and (3) Bid Loans (as defined in the Five-Year Facility) bear interest at the rate bid by the particular lender providing such loan. In addition, Danaher is required to pay a per annum facility fee of between 4 and 12.5 basis points (depending on Danaher’s long-term debt credit rating) based on the aggregate commitments under the Five-Year Facility, regardless of usage.

Borrowings under the Superseded and Terminated 364-Day Facility bore interest as follows: (1) Eurodollar Rate Loans (as defined in the 364-Day Facility) bore interest at a variable rate per annum equal to the London inter-bank offered rate plus a margin of between 59.5 and 100.5 basis points for the Superseded 364-Day Facility and 90 and 127.5 basis points for the Terminated 364-Day Facility, depending on Danaher’s long-term debt credit rating; and (2) Base Rate Loans (as defined in the 364-Day Facility) bore interest at a variable rate per annum equal to the highest of (a) the Federal funds rate (as published by the Federal Reserve Bank of New York from time to time) plus 50 basis points, (b) Bank of America’s “prime rate” as publicly announced from time to time and (c) the Eurodollar Rate (as defined in the 364-Day Facility) plus 100 basis points, plus in each case a margin of up to 0.5 basis points for the Superseded 364-Day Facility and between 0 and 27.5 basis points for the Terminated 364-Day Facility, depending on Danaher’s long-term debt credit rating. In addition, Danaher was required to pay a per annum facility fee of between 3 and 5 basis points for the Superseded 364-Day Facility and 10 and 22.5 basis points for the Terminated 364-Day Facility (depending on Danaher’s long-term debt credit rating), based on the aggregate commitments under the Superseded and Terminated 364-Day Facility, regardless of usage.

The Five-Year Facility requires the Company to maintain a consolidated leverage ratio (as defined in the facility) of 0.65 to 1.00 or less. Borrowings under the Five-Year Facility are prepayable at the Company’s option at any time in whole or in part without premium or penalty. As of December 31, 2020, no borrowings were outstanding under the Five-Year Facility and the Company was in compliance with all covenants under the facilities. The nonperformance by any member of the Five-Year Facility syndicates would reduce the maximum capacity of the Five-Year Facility by such member’s commitment amount.

The Company’s obligations under the Five-Year Facility are unsecured. The Company has unconditionally and irrevocably guaranteed the obligations of each of its subsidiaries in the event a subsidiary is named a borrower under the Five-Year Facility. The Five-Year Facility contains customary representations, warranties, conditions precedent, events of default, indemnities and affirmative and negative covenants. The Five-Year Facility is available for liquidity support for Danaher’s expanded U.S. dollar and euro commercial paper programs, as discussed below, and for general corporate purposes.

Under the Company's U.S. and euro-denominated commercial paper programs, the Company or a subsidiary of the Company, as applicable, may issue and sell unsecured, short-term promissory notes. The notes are typically issued at a discount from par, generally based on the ratings assigned to the Company by credit rating agencies at the time of the issuance and prevailing market rates measured by reference to LIBOR or EURIBOR. The Five-Year Facility provides liquidity support for issuances under the Company's commercial paper programs, and can also be used for working capital and other general corporate purposes. The availability of the Five-Year Facility as a standby liquidity facility to repay maturing commercial paper is an important factor in maintaining the existing credit ratings of the Company's commercial paper programs. As commercial paper

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obligations mature, the Company may issue additional short-term commercial paper obligations to refinance all or part of these borrowings. As of December 31, 2020, borrowings outstanding under the Company's euro commercial paper programs had a weighted average annual interest rate of negative 0.05% and a weighted average remaining maturity of approximately 25 days. As of December 31, 2020, the Company has classified approximately \$611 million of its borrowings outstanding under the euro-denominated commercial paper programs and \$290 million of borrowings outstanding under the 2021 Yen Notes as long-term debt in the accompanying Consolidated Balance Sheet as the Company had the intent and ability, as supported by availability under the Five-Year Facility, to refinance these borrowings for at least one year from the balance sheet date.

The Company's ability to access the commercial paper market, and the related costs of these borrowings, is affected by the strength of the Company's credit rating and market conditions. Any downgrade in the Company's credit rating would increase the cost of borrowings under the Company's commercial paper program and the Five-Year Facility, and could limit or preclude the Company's ability to issue commercial paper. If the Company's access to the commercial paper market is adversely affected due to a credit downgrade, change in market conditions or otherwise, the Company expects it would rely on a combination of available cash, operating cash flow and the Five-Year Facility to provide short-term funding. In such event, the cost of borrowings under the Five-Year Facility could be higher than the cost of commercial paper borrowings.

2020 Financing Activity

The Company continues to monitor the impact of the COVID-19 pandemic on the Company's liquidity and capital resources and take actions intended to mitigate adverse impacts. Historically, the Company has generally relied on borrowings under its commercial paper program to address liquidity requirements that exceed the capacity provided by its operating cash flows and cash on hand, while also accessing the capital markets from time to time to secure financing for more significant acquisitions. The COVID-19 pandemic adversely affected the availability of new borrowings in the commercial paper markets at times during 2020. Therefore, in the first half of 2020, the Company engaged in the following financing transactions:

- The Company borrowed \$2.5 billion under the Five-Year Facility and \$2.5 billion under the Superseded 364-Day Facility for general corporate purposes (including payment of a portion of the purchase price for the Cytiva Acquisition and repayment of certain commercial paper obligations as they matured). The Company replaced the Superseded 364-Day Facility with a new \$2.5 billion 364-Day Facility, which was terminated on December 31, 2020. All amounts borrowed under the credit facilities referenced above were repaid in 2020.
- The Company issued approximately €2.5 billion (approximately \$2.7 billion based on currency exchange rates as of the respective dates of the pricing of the notes) aggregate principal amount of euro-denominated senior unsecured notes, the proceeds of which have been and are being used for general corporate purposes (including repayment of the borrowings under the Superseded 364-Day Facility and the Five-Year Facility, and repayment of certain commercial paper obligations as they matured).
- The Company completed the 2020 Common Stock Offering and 2020 MCPS Offering and received net proceeds of approximately \$1.73 billion and \$1.67 billion, respectively, which have been and will be used for general corporate purposes.

In addition, during the fourth quarter of 2020, the Company issued \$1.0 billion aggregate principal amount of senior unsecured notes, the proceeds of which have been and will be used for general corporate purposes, including the redemption of the €800 million aggregate principal amount of 1.7% senior unsecured notes due 2022. These borrowings were redeemed in the fourth quarter of 2020 at a redemption price equal to the outstanding principal amount and a make-whole premium as specified in the applicable indenture, plus accrued and unpaid interest. The Company recorded a loss on early extinguishment of these borrowings, net of certain deferred gains, related to the payment of the make-whole premiums in connection with the redemption of \$26 million (\$20 million after-tax or \$0.03 per diluted common share).

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2020 Debt Issuances

As discussed above, in 2020, Danaher Corporation completed underwritten public offerings of senior unsecured Euronotes due 2024, 2026 and 2030 (collectively the “Euronotes”) and U.S. dollar-denominated senior unsecured notes due 2050. The following summarizes the key terms of the offerings in aggregate (€ and \$ in millions):

	Issue Date	Aggregate Principal Amount	Stated Annual Interest Rate	Issue Price (as % of Principal Amount)	Maturity Date	Interest Payment Dates (in arrears)
2024 Euronotes	March 30, 2020	€ 750	1.7 %	99.931 %	March 30, 2024	March 30
2024 Euronotes	April 8, 2020	€ 150	1.7 %	100.298 %	March 30, 2024	March 30
2026 Euronotes	March 30, 2020	€ 500	2.1 %	99.717 %	September 30, 2026	September 30
2026 Euronotes	April 8, 2020	€ 300	2.1 %	100.842 %	September 30, 2026	September 30
2030 Euronotes	March 30, 2020	€ 500	2.5 %	99.642 %	March 30, 2030	March 30
2030 Euronotes	April 8, 2020	€ 300	2.5 %	102.166 %	March 30, 2030	March 30
2050 U.S. Notes	October 6, 2020	\$ 1,000	2.6 %	98.970 %	October 1, 2050	April 1 and October 1

The Company received net proceeds from the notes issued on March 30, 2020, after underwriting discounts and commissions and offering expenses, of approximately €1.7 billion (approximately \$1.9 billion based on currency exchange rates as of the date of the pricing of the notes). The Company received net proceeds from the notes issued on April 8, 2020, after underwriting discounts and commissions and offering expenses, of €754 million (\$816 million based on currency exchange rates as of the date of the pricing of the notes). The Company received net proceeds from the notes issued on October 6, 2020, after underwriting discounts and commissions and offering expenses, of \$980 million.

Covenants and Redemption Provisions Applicable to Notes

With respect to the 2027 and 2032 Yen Notes; the 2024, 2025, 2026, 2027 and 2030 Euronotes; the 2025, 2045 and 2050 U.S. Notes; the 2022, 2024, 2029, 2039 and 2049 Biopharma Notes; and the 2026, 2028, 2031, 2039 and 2049 Biopharma Euronotes, at any time prior to the applicable maturity date, the Company may redeem the applicable series of notes in whole or in part, by paying the principal amount accrued and unpaid interest and, until the par call date specified in the applicable indenture or comparable governing document, the “make-whole” premium specified therein (and in the case of the Yen Notes, net of certain swap-related gains or losses as applicable). With respect to each of the 2023 and 2028 CHF Bonds, at any time after 85% or more of the applicable bonds have been redeemed or purchased and canceled, the Company may redeem some or all of the remaining bonds for their principal amount plus accrued and unpaid interest. With respect to the 2021, 2027 and 2032 Yen Notes; Floating Rate 2022, 2024, 2025, 2026, 2027 and 2030 Euronotes; the 2023 and 2028 CHF Bonds; and the 2026, 2028, 2031, 2039 and 2049 Biopharma Euronotes, the Company may redeem such notes and bonds upon the occurrence of specified, adverse changes in tax laws, or interpretations under such laws, at a redemption price equal to the principal amount of the bonds to be redeemed.

If a change of control triggering event occurs with respect to any of the 2021, 2027 and 2032 Yen Notes; the 2022, Floating Rate 2022, 2024, 2025, 2026, 2027 and 2030 Euronotes; the 2025, 2045 and 2050 U.S. Notes; the 2023 and 2028 CHF Bonds; the 2022, 2024, 2029, 2039 and 2049 Biopharma Notes; or the 2026, 2028, 2031, 2039 and 2049 Biopharma Euronotes, each holder of such notes may require the Company to repurchase some or all of such notes and bonds at a purchase price equal to 101% (100% in the case of the 2027 and 2032 Yen Notes) of the principal amount of the notes and bonds, plus accrued and unpaid interest (and in the case of the Yen Notes, certain swap-related losses as applicable). A change of control triggering event means the occurrence of both a change of control and a rating event, each as defined in the applicable indenture or comparable governing document. Except in connection with a change of control triggering event, the Company does not have any credit rating downgrade triggers that would accelerate the maturity of a material amount of outstanding debt. Each holder of the 2027 and 2032 Yen Notes may also require the Company to repurchase some or all of its notes at a purchase price equal to

100% of the principal amount of the notes, plus accrued and unpaid interest and certain swap-related losses as applicable, in certain circumstances whereby such holder comes into violation of economic sanctions laws as a result of holding such notes.

The respective indentures or comparable governing documents under which the above-described notes and bonds were issued contain customary covenants including, for example, limits on the incurrence of secured debt and sale-leaseback transactions. None of these covenants are considered restrictive to the Company's operations and as of December 31, 2020, the Company was in compliance with all of its debt covenants.

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Long-Term Indebtedness

The following summarizes the key terms for the Company's long-term debt as of December 31, 2020:

	Outstanding Balance as of December 31, 2020	Stated Annual Interest Rate	Issue Price (as % of Principal Amount)	Issue Date	Maturity Date	Interest Payment Dates (in arrears)
2021 LYONs	\$ 24	see below	N/A	January 22, 2001	January 22, 2021	January 22 and July 22
2021 Yen Notes ⁽⁴⁾	290	0.352 %	100 %	February 28, 2016	March 16, 2021	March 16 and September 16
Floating Rate 2022 Euronotes ⁽⁵⁾	305	three-month EURIBOR + 0.3%	100.147 %	June 30, 2017	June 30, 2022	March 30, June 30, September 30 and December 31
2022 Biopharma Notes ⁽⁸⁾	698	2.05 %	99.994 %	November 7, 2019	November 15, 2022	May 15 and November 15
2023 CHF Bonds ⁽²⁾	611	0.5 %	100.924 %	December 8, 2015	December 8, 2023	December 8
2024 Euronotes	913	1.7 %	99.931 %	March 30, 2020	March 30, 2024	March 30
2024 Euronotes	183	1.7 %	100.298 %	April 8, 2020	March 30, 2024	March 30
2024 Biopharma Notes ⁽⁸⁾	697	2.2 %	99.952 %	November 7, 2019	November 15, 2024	May 15 and November 15
2025 Euronotes ⁽¹⁾	975	2.5 %	99.878 %	July 8, 2015	July 8, 2025	July 8
2025 U.S. Notes ⁽³⁾	498	3.35 %	99.857 %	September 15, 2015	September 15, 2025	March 15 and September 15
2026 Biopharma Euronotes ⁽⁷⁾	1,520	0.2 %	99.833 %	September 18, 2019	March 18, 2026	March 18
2026 Euronotes	607	2.1 %	99.717 %	March 30, 2020	September 30, 2026	September 30
2026 Euronotes	368	2.1 %	100.842 %	April 8, 2020	September 30, 2026	September 30
2027 Yen Notes ⁽⁶⁾	297	0.3 %	100 %	May 11, 2017	May 11, 2027	May 11 and November 11
2027 Euronotes ⁽⁵⁾	729	1.2 %	99.682 %	June 30, 2017	June 30, 2027	June 30
2028 Biopharma Euronotes ⁽⁷⁾	1,518	0.45 %	99.751 %	September 18, 2019	March 18, 2028	March 18
2028 CHF Bonds ⁽²⁾	241	1.125 %	102.870 %	December 8, 2015 and December 8, 2017	December 8, 2028	December 8
2029 Biopharma Notes ⁽⁸⁾	795	2.6 %	99.903 %	November 7, 2019	November 15, 2029	May 15 and November 15
2030 Euronotes	606	2.5 %	99.642 %	March 30, 2020	March 30, 2030	March 30
2030 Euronotes	372	2.5 %	102.166 %	April 8, 2020	March 30, 2030	March 30
2031 Biopharma Euronotes ⁽⁷⁾	2,127	0.75 %	99.920 %	September 18, 2019	September 18, 2031	September 18
2032 Yen Notes ⁽⁶⁾	514	0.65 %	100 %	May 11, 2017	May 11, 2032	May 11 and November 11
2039 Biopharma Euronotes ⁽⁷⁾	1,511	1.35 %	99.461 %	September 18, 2019	September 18, 2039	September 18
2039 Biopharma Notes ⁽⁸⁾	889	3.25 %	99.809 %	November 7, 2019	November 15, 2039	May 15 and November 15
2045 U.S. Notes ⁽³⁾	499	4.375 %	99.784 %	September 15, 2015	September 15, 2045	March 15 and September 15
2049 Biopharma Euronotes ⁽⁷⁾	907	1.8 %	99.564 %	September 18, 2019	September 18, 2049	September 18
2049 Biopharma Notes ⁽⁸⁾	889	3.4 %	99.756 %	November 7, 2019	November 15, 2049	May 15 and November 15
2050 U.S. Notes	979	2.6 %	98.970 %	October 6, 2020	October 1, 2050	April 1 and October 1
Euro-denominated commercial paper	611	various	various	various	various	various
Other	31	various	various	various	various	various
Total debt	<u>\$ 21,204</u>					

- ⁽¹⁾ The net proceeds, after underwriting discounts and commissions and offering expenses, of approximately €2.2 billion (approximately \$2.4 billion based on currency exchange rates as of the date of issuance) from these notes and the 2019 Euronotes were used to pay a portion of the purchase price for the acquisition of Pall Corporation in 2015 (the “Pall Acquisition”).
- ⁽²⁾ The net proceeds, including the related premium, and after underwriting discounts and commissions and offering expenses, of CHF 758 million (\$739 million based on currency exchange rates as of date of pricing) from these bonds were used to repay a portion of the commercial paper issued to finance the Pall Acquisition and the CHF 100 million aggregate principal amount of the 0.0% senior unsecured bonds that matured in December 2017.

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- (3) The net proceeds, after underwriting discounts and commissions and offering expenses, of approximately \$2.0 billion from these notes were used to repay a portion of the commercial paper issued to finance the Pall Acquisition.
- (4) The net proceeds, after offering expenses, of approximately ¥29.9 billion (\$262 million based on currency exchange rates as of the date of issuance) from these notes were used to repay a portion of the commercial paper borrowings issued to finance the Pall Acquisition.
- (5) The net proceeds at issuance, after offering expenses, of €843 million (\$940 million based on currency exchange rates as of the date of pricing) from these notes were used to partially repay commercial paper borrowings.
- (6) The net proceeds at issuance, after offering expenses, of approximately ¥83.6 billion (\$744 million based on currency exchange rates as of the date of pricing) from these notes were used to partially repay commercial paper borrowings.
- (7) The net proceeds at issuance, after offering expenses, of approximately €6.2 billion (\$6.8 billion based on currency exchange rates as of the date of pricing) from these notes were used to finance the Cytiva Acquisition.
- (8) The net proceeds at issuance, after offering expenses, of approximately \$4.0 billion from these notes were used to finance the Cytiva Acquisition.

LYONs

In 2001, the Company issued \$830 million (value at maturity) in LYONs. The net proceeds to the Company were \$505 million, of which approximately \$100 million was used to pay down debt and the balance was used for general corporate purposes, including acquisitions. The LYONs originally carry a yield to maturity of 2.375% (with contingent interest payable as described below). Pursuant to the terms of the indenture that governs the Company's LYONs, each \$1,000 of principal amount at maturity could be converted into 38.1998 shares of Danaher common stock at any time on or before the maturity date of January 22, 2021.

During the year ended December 31, 2020, holders of certain of the Company's LYONs converted such LYONs into an aggregate of approximately 367 thousand shares of the Company's common stock, par value \$0.01 per share. The Company's deferred tax liability of \$43 million associated with the book and tax basis difference in the converted LYONs was transferred to additional paid-in capital.

As of December 31, 2020, an aggregate of approximately 24 million shares of the Company's common stock had been issued upon conversion of LYONs. As of December 31, 2020, the accreted value of the outstanding LYONs was lower than the traded market value of the underlying common stock issuable upon conversion.

Under the terms of the LYONs, the Company paid contingent interest to the holders of LYONs during any six-month period from January 23 to July 22 and from July 23 to January 22 if the average market price of a LYON for a specified measurement period equaled 120% or more of the sum of the issue price and accrued original issue discount for such LYON. The amount of contingent interest to be paid with respect to any quarterly period equaled the higher of either 0.0315% of the bonds' average market price during the specified measurement period or the amount of the cash dividend paid on Danaher's common stock during such quarterly period multiplied by the number of shares issuable upon conversion of a LYON. The Company paid \$1 million, \$1 million and \$2 million of contingent interest on the LYONs for each of the years ended December 31, 2020, 2019 and 2018, respectively. Except for the contingent interest described above, the Company did not pay interest on the LYONs prior to maturity. In 2021, prior to the redemption of the outstanding LYONs on January 22, 2021, holders of \$24 million of outstanding LYONs converted such LYONs into approximately 912 thousand shares of the Company's common stock. As a result of the conversion in the first quarter of 2021, the Company will transfer to additional paid-in capital the deferred tax liability of \$10 million associated with the book and tax basis difference in the converted LYONs. The residual LYONs not converted into shares of the Company's common stock were redeemed at face value.

2019 Long-Term Debt Repayments

On October 24, 2019, the Company redeemed the \$500 million aggregate principal amount of 2.4% Senior Notes due 2020 and the \$375 million aggregate principal amount of 5.0% 2020 Assumed Pall Notes, in each case at a redemption price equal to the outstanding principal amount and a make-whole premium as specified in the applicable indenture, plus accrued and unpaid interest. The aggregate make-whole premiums required in connection with the redemption were \$7 million (\$5 million after-tax or \$0.01 per diluted common share). The payment of the make-whole premiums is reflected as a loss on early extinguishment of borrowings. The Company funded the redemption using a portion of the cash distribution it received in connection with the Envista Disposition.

The €600 million aggregate principal amount of the 2019 Euronotes were repaid with accrued interest upon their maturity on July 8, 2019 using proceeds from the issuance of euro-denominated commercial paper.

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Guarantors of Debt

The Company has guaranteed long-term debt and commercial paper issued by certain of its wholly-owned subsidiaries. The Floating Rate 2022 Euronotes, 2025 Euronotes, 2027 Euronotes and euro-denominated commercial paper were issued by DH Europe Finance S.A. (“Danaher International”). The 2022 Biopharma Notes, 2024 Biopharma Notes, 2026 Biopharma Euronotes, 2028 Biopharma Euronotes, 2029 Biopharma Notes, 2031 Biopharma Euronotes, 2039 Biopharma Euronotes, 2039 Biopharma Notes, 2049 Biopharma Euronotes, 2049 Biopharma Notes and euro-denominated commercial paper were issued by DH Europe Finance II S.a.r.l. (“Danaher International II”). The 2023 CHF Bonds and 2028 CHF Bonds were issued by DH Switzerland Finance S.A. (“Danaher Switzerland”). The 2021 Yen Notes, 2027 Yen Notes and 2032 Yen Notes were issued by DH Japan Finance S.A. (“Danaher Japan”). Each of Danaher International, Danaher International II, Danaher Switzerland and Danaher Japan are wholly-owned finance subsidiaries of Danaher Corporation. All of the outstanding and future securities issued by each of these entities are or will be fully and unconditionally guaranteed by the Company and these guarantees rank on parity with the Company’s unsecured and unsubordinated indebtedness.

Other

The Company’s minimum principal payments for the next five years are as follows (\$ in millions):

2021	\$	11
2022		1,014
2023		597
2024		2,688
2025		1,468
Thereafter		15,426

The Company made interest payments of \$331 million, \$129 million and \$140 million in 2020, 2019 and 2018, respectively. Interest payments increased in 2020 due primarily to the impact of higher average debt balances as a result of the issuances of debt in 2019 and 2020 (primarily to fund the Cytiva Acquisition) and 2020 borrowings under the Five-Year Facility and the Superseded 364-Day Facility, prior to the subsequent repayment of such credit facility borrowings. Proceeds from these borrowings as well as available cash balances were used to fund the acquisition of Cytiva and for general corporate purposes.

NOTE 12. HEDGING TRANSACTIONS AND DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses cross-currency swap derivative contracts to partially hedge its net investments in foreign operations against adverse movements in exchange rates between the U.S. dollar and the Danish kroner, Japanese yen, euro and Swiss franc. The cross-currency swap derivative contracts are agreements to exchange fixed-rate payments in one currency for fixed-rate payments in another currency. As of December 31, 2020, the Company had \$2.0 billion, including \$1.0 billion entered into during 2020, of cross-currency swap derivative contracts outstanding as hedges of its net investment in foreign operations. These contracts effectively convert these U.S. dollar-denominated bonds to obligations denominated in Danish kroner, Japanese yen, euro and Swiss franc, and partially offset the impact of changes in currency rates on foreign currency denominated net investments. These contracts also reduce the interest rate from the stated interest rates on the U.S. dollar-denominated debt to the interest rates of the swaps. The changes in the spot rate of these instruments are recorded in accumulated other comprehensive income (loss) in stockholders’ equity, partially offsetting the foreign currency translation adjustment of the Company’s related net investment that is also recorded in accumulated other comprehensive income (loss) in the accompanying Consolidated Statements of Stockholders’ Equity. Any ineffective portions of net investment hedges are reclassified from accumulated other comprehensive income (loss) into earnings during the period of change. The interest income or expense from these swaps are recorded in interest expense in the accompanying Consolidated Statements of Earnings consistent with the classification of interest expense attributable to the underlying debt. These instruments mature on dates ranging from September 2025 to October 2030.

The Company also uses cross-currency swap derivative contracts to hedge U.S. dollar-denominated long-term debt issuances in a foreign subsidiary whose functional currency is the euro against adverse movements in exchange rates between the U.S. dollar and the euro. These contracts effectively convert these U.S. dollar-denominated bonds to

obligations denominated in euro. The changes in the fair value of these instruments are recorded in accumulated other comprehensive income (loss) in stockholders' equity, with a reclassification from accumulated other comprehensive income (loss) to net earnings to offset the remeasurement of the hedged debt that is also recorded in net earnings. Any ineffective portions of net investment hedges are reclassified from accumulated other comprehensive income (loss) into earnings during the period of change. The interest income or expense from these swaps are recorded in interest expense in the accompanying Consolidated Statements of Earnings consistent with the classification of interest expense attributable to the underlying debt. These instruments mature on dates ranging from November 2022 to November 2049.

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The Company has also issued foreign currency denominated long-term debt as partial hedges of its net investments in foreign operations against adverse movements in exchange rates between the U.S. dollar and the euro, Japanese yen and Swiss franc. These foreign currency denominated long-term debt issuances are designated and qualify as nonderivative hedging instruments. Accordingly, the foreign currency translation of these debt instruments is recorded in accumulated other comprehensive income (loss) in stockholders' equity in the accompanying Consolidated Balance Sheets, offsetting the foreign currency translation adjustment of the Company's related net investment that is also recorded in accumulated other comprehensive income (loss). Any ineffective portions of net investment hedges are reclassified from accumulated other comprehensive income (loss) into earnings during the period of change. These instruments mature on dates ranging from March 2021 to May 2032.

The Company used interest rate swap agreements to hedge the variability in cash flows due to changes in benchmark interest rates related to a portion of the U.S. debt the Company issued to fund the Cytiva Acquisition. These contracts effectively fixed the interest rate for a portion of the Company's U.S. dollar-denominated debt equal to the notional amount of the swaps to the rate specified in the interest rate swap agreements and were settled in November 2019. The changes in the fair value of these instruments were recorded in accumulated other comprehensive income (loss) in stockholders' equity prior to the issuance of the debt and are subsequently being reclassified to interest expense over the life of the related debt.

The following table summarizes the notional values as of December 31, 2020 and 2019 and pretax impact of changes in the fair values of instruments designated as net investment hedges and cash flow hedges in accumulated other comprehensive income ("OCI") for the year then ended (\$ in millions):

	Original Notional Amount	Notional Amount Outstanding	Gain (Loss) Recognized in OCI
Year ended December 31, 2020:			
Net investment hedges:			
Foreign currency contracts	\$ 2,875	\$ 2,000	\$ (104)
Foreign currency denominated debt	4,573	4,573	(418)
Cash flow hedges:			
Foreign currency contracts	4,000	4,000	(432)
Total	<u>\$ 11,448</u>	<u>\$ 10,573</u>	<u>\$ (954)</u>
Year ended December 31, 2019:			
Net investment hedges:			
Foreign currency contracts	\$ 1,875	\$ 1,000	\$ 24
Foreign currency denominated debt	6,276	6,276	130
Cash flow hedges:			
Foreign currency contracts	4,000	4,000	(112)
Interest rate swaps	850	—	(37)
Total	<u>\$ 13,001</u>	<u>\$ 11,276</u>	<u>\$ 5</u>

Gains or losses related to the net investment hedges are classified as foreign currency translation adjustments in the schedule of changes in OCI in Note 1, as these items are attributable to the Company's hedges of its net investment in foreign operations. Gains or losses related to the cash flow hedges are classified as cash flow hedge adjustments in the schedule of changes in OCI in Note 1. The amount reclassified to earnings for the interest rate swaps was \$2 million and less than \$1 million in 2020 and 2019, respectively. In 2020 and 2019, the Company reclassified \$359 million and \$27 million, respectively, of deferred losses from accumulated other comprehensive income (loss) to net earnings related to the cross-currency swap derivative contracts that are cash flow hedges of the Company's U.S. dollar-denominated debt. This reclassification was equal to the remeasurement gain recorded on the hedged debt. The Company did not reclassify any other deferred gains or losses related to net investment hedges or cash flow hedges from accumulated other comprehensive income (loss) to earnings during the years ended December 31, 2020 and 2019. In addition, the Company did not have any ineffectiveness related to net investment hedges or interest rate

swaps during the years ended December 31, 2020 and 2019. The cash inflows and outflows associated with the Company's derivative contracts designated as net investment hedges are classified in all other investing activities in the accompanying Consolidated Statements of Cash Flows. The cash inflows and outflows associated with the Company's derivative contracts designated as cash flow hedges are classified in cash flows from operating activities in the accompanying Consolidated Statements of Cash Flows.

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The Company's derivative instruments, as well as its nonderivative debt instruments designated and qualifying as net investment hedges, were classified as of December 31 in the Company's Consolidated Balance Sheets as follows (\$ in millions):

	2020	2019
Derivative assets:		
Prepaid expenses and other current assets	\$ —	\$ 26
Derivative liabilities:		
Accrued expenses and other liabilities	622	112
Nonderivative hedging instruments:		
Long-term debt	4,573	6,276

Amounts related to the Company's derivatives expected to be reclassified from accumulated other comprehensive income (loss) to net earnings during the next 12 months if interest rates and foreign exchange rates remain the same are not significant.

NOTE 13. PENSION BENEFIT PLANS

The Company has noncontributory defined benefit pension plans which cover certain of its U.S. employees. During 2012, all remaining benefit accruals under the U.S. plans ceased. Defined benefit plans from acquisitions subsequent to 2012 are ceased as soon as practical. The Company also has noncontributory defined benefit pension plans which cover certain of its non-U.S. employees, and under certain of these plans, benefit accruals continue. In general, the Company's policy is to fund these plans based on considerations relating to legal requirements, underlying asset returns, the plan's funded status, the anticipated tax deductibility of the contribution, local practices, market conditions, interest rates and other factors.

The following sets forth the funded status of the U.S. and non-U.S. plans as of the most recent actuarial valuations using measurement dates of December 31 (\$ in millions):

	U.S. Pension Benefits		Non-U.S. Pension Benefits	
	2020	2019	2020	2019
Change in pension benefit obligation:				
Benefit obligation at beginning of year	\$ (2,468)	\$ (2,340)	\$ (1,446)	\$ (1,315)
Service cost	—	(6)	(40)	(25)
Interest cost	(69)	(89)	(22)	(24)
Employee contributions	—	—	(6)	(5)
Benefits and other expenses paid	165	164	59	48
Acquisitions and other	(96)	—	(436)	—
Actuarial loss	(273)	(237)	(106)	(152)
Amendments, settlements and curtailments	23	40	4	47
Foreign exchange rate impact	—	—	(168)	(20)
Benefit obligation at end of year	(2,718)	(2,468)	(2,161)	(1,446)
Change in plan assets:				
Fair value of plan assets at beginning of year	1,866	1,778	1,138	1,032
Actual return on plan assets	227	283	104	115
Employer contributions	140	10	51	44
Employee contributions	—	—	6	5
Amendments and settlements	(22)	(41)	(7)	(37)
Benefits and other expenses paid	(165)	(164)	(59)	(48)
Acquisitions and other	79	—	30	—
Foreign exchange rate impact	—	—	68	27
Fair value of plan assets at end of year	2,125	1,866	1,331	1,138
Funded status	<u>\$ (593)</u>	<u>\$ (602)</u>	<u>\$ (830)</u>	<u>\$ (308)</u>

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The largest contributor to the net actuarial losses affecting the benefit obligation in both 2020 and 2019 for the U.S. plans and the non-U.S. plans is decreases in the discount rates, partially offset by return on plan assets exceeding expectations.

Projected benefit obligation (“PBO”) and fair value of plan assets for pension plans with PBO’s in excess of plan assets (\$ in millions):

	U.S. Pension Benefits		Non-U.S. Pension Benefits	
	2020	2019	2020	2019
Projected benefit obligation	\$ 2,718	\$ 2,468	\$ 1,366	\$ 778
Fair value of plan assets	2,125	1,866	441	370

Accumulated benefit obligation (“ABO”) and fair value of plan assets for pension plans with ABO’s in excess of plan assets (\$ in millions):

	U.S. Pension Benefits		Non-U.S. Pension Benefits	
	2020	2019	2020	2019
Accumulated benefit obligation	\$ 2,718	\$ 2,468	\$ 1,257	\$ 730
Fair value of plan assets	2,125	1,866	434	370

Weighted average assumptions used to determine benefit obligations at date of measurement:

	U.S. Plans		Non-U.S. Plans	
	2020	2019	2020	2019
Discount rate	2.3 %	3.2 %	1.1 %	1.4 %
Rate of compensation increase	N/A	4.0 %	2.5 %	2.4 %

Components of net periodic pension benefit (cost) (\$ in millions):

	U.S. Pension Benefits		Non-U.S. Pension Benefits	
	2020	2019	2020	2019
Service cost	\$ —	\$ (6)	\$ (40)	\$ (25)
Interest cost	(69)	(89)	(22)	(24)
Expected return on plan assets	121	126	37	40
Amortization of prior service (cost) credit	(1)	(1)	1	—
Amortization of net loss	(37)	(26)	(10)	(4)
Curtailment and settlement gains (losses) recognized	—	—	(1)	(7)
Net periodic pension benefit (cost)	\$ 14	\$ 4	\$ (35)	\$ (20)

The net periodic benefit (cost) of the noncontributory defined benefit pension plans incurred during the years ended December 31, 2020, 2019 and 2018 are reflected in the following captions in the accompanying Consolidated Statements of Earnings (\$ in millions):

	Year Ended December 31		
	2020	2019	2018
Service cost:			
Cost of sales	\$ (7)	\$ (6)	\$ (11)
Selling, general and administrative expenses	(33)	(25)	(21)
Total service cost expense	(40)	(31)	(32)
Other net periodic pension costs:			
Other income (expense), net	19	15	37
Total (expense) income	<u>\$ (21)</u>	<u>\$ (16)</u>	<u>\$ 5</u>

Weighted average assumptions used to determine net periodic pension benefit (cost) at date of measurement:

	U.S. Plans		Non-U.S. Plans	
	2020	2019	2020	2019
Discount rate	3.2 %	4.3 %	1.4 %	2.1 %
Expected long-term return on plan assets	7.0 %	7.0 %	3.4 %	3.9 %
Rate of compensation increase	4.0 %	4.0 %	2.4 %	2.4 %

The discount rate reflects the market rate on December 31 of the prior year for high-quality fixed-income investments with maturities corresponding to the Company's benefit obligations and is subject to change each year. For non-U.S. plans, rates appropriate for each plan are determined based on investment-grade instruments with maturities approximately equal to the average expected benefit payout under the plan. During 2019, the Company updated the mortality assumptions used to estimate the projected benefit obligation to reflect updated mortality tables.

Included in accumulated other comprehensive income (loss) as of December 31, 2020 are the following amounts that have not yet been recognized in net periodic pension cost: unrecognized prior service credit of \$1 million (\$1 million, net of tax) and unrecognized actuarial losses of approximately \$1.2 billion (\$919 million, net of tax). The unrecognized losses and prior service cost, net, is calculated as the difference between the actuarially determined projected benefit obligation and the value of the plan assets less accrued pension costs as of December 31, 2020.

Selection of Expected Rate of Return on Assets

For the years ended December 31, 2020, 2019 and 2018, the Company used an expected long-term rate of return assumption of 7.0% for its U.S. defined benefit pension plan. The Company intends to use an expected long-term rate of return assumption of 6.75% for 2021 for its U.S. plan. This expected rate of return reflects the asset allocation of the plan, and is based primarily on broad, publicly-traded equity and fixed-income indices and forward-looking estimates of active portfolio and investment management. Long-term rate of return on asset assumptions for the non-U.S. plans were determined on a plan-by-plan basis based on the composition of assets and ranged from 0.5% to 5.0% in 2020 and 0.8% to 5.0% in 2019, with a weighted average rate of return assumption of 3.4% in 2020 and 3.9% in 2019.

Plan Assets

The U.S. plan's goal is to maintain between 60% and 70% of its assets in equity portfolios, which are invested in individual equity securities or funds that are expected to mirror broad market returns for equity securities or in assets with characteristics similar to equity investments, such as venture capital funds and partnerships. Asset holdings are periodically rebalanced when equity holdings are outside this range. The balance of the U.S. plan asset portfolio is invested in bond funds, real estate funds, various absolute and real return funds and private equity funds. Non-U.S. plan assets are invested in various insurance contracts, equity and debt securities as determined by the administrator of each plan. The value of the plan assets directly affects the funded status of the Company's pension plans recorded in the Consolidated Financial Statements.

The Company has some investments that are valued using Net Asset Value ("NAV") as the practical expedient. In addition, some of the investments valued using NAV as the practical expedient have limits on their redemption to monthly, quarterly, semiannually or annually and require up to 90 days prior written notice. These investments valued using NAV consist of mutual funds, venture capital funds, partnerships, and other private investments, which allow the Company to allocate investments across a broad array of types of funds and diversify the portfolio.

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The fair values of the Company's pension plan assets for both the U.S. and non-U.S. plans as of December 31, 2020, by asset category were as follows (\$ in millions):

	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and equivalents	\$ 175	\$ —	\$ —	\$ 175
Equity securities:				
Common stock	503	—	—	503
Preferred stock	6	—	—	6
Fixed income securities:				
Corporate bonds	—	42	—	42
Government issued	—	58	—	58
Mutual funds	244	51	—	295
Insurance contracts	—	354	—	354
Total	\$ 928	\$ 505	\$ —	1,433
Investments measured at NAV ^(a) :				
Common/collective trusts				1,198
Venture capital, partnerships and other private investments				825
Total assets at fair value				<u>\$ 3,456</u>

^(a) The fair value amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the total plan assets.

The fair values of the Company's pension plan assets for both the U.S. and non-U.S. plans as of December 31, 2019, by asset category were as follows (\$ in millions):

	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and equivalents	\$ 68	\$ —	\$ —	\$ 68
Equity securities:				
Common stock	390	—	—	390
Preferred stock	6	—	—	6
Fixed income securities:				
Corporate bonds	—	35	—	35
Government issued	—	22	—	22
Mutual funds	287	132	—	419
Insurance contracts	—	299	—	299
Total	\$ 751	\$ 488	\$ —	1,239
Investments measured at NAV ^(a) :				
Common/collective trusts				1,071
Venture capital, partnerships and other private investments				694
Total assets at fair value				<u>\$ 3,004</u>

^(a) The fair value amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the total plan assets.

Preferred stock and common stock traded on an active market, as well as mutual funds are valued at the quoted closing price reported on the active market on which the individual securities are traded. Preferred stock, common stock, corporate bonds, U.S. government securities and mutual funds that are not traded on an active market are valued at quoted prices reported by investment brokers and dealers based on the underlying terms of the security and comparison to similar securities traded on an active market. Insurance contracts are valued based upon the quoted prices of the underlying investments with the insurance company.

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Common/collective trusts are valued based on the plan's interest, represented by investment units, in the underlying investments held within the trust that are traded in an active market by the trustee.

Venture capital, partnerships and other private investments are valued using the NAV based on the information provided by the asset fund managers, which reflects the plan's share of the fair value of the net assets of the investment. Depending on the nature of the assets, the underlying investments are valued using a combination of either discounted cash flows, earnings and market multiples, third-party appraisals or through reference to the quoted market prices of the underlying investments held by the venture, partnership or private entity where available. Valuation adjustments reflect changes in operating results, financial condition, or prospects of the applicable portfolio company.

The methods described above may produce a fair value estimate that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes the valuation methods are appropriate and consistent with the methods used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Expected Contributions

During 2020, the Company contributed \$140 million to its U.S. defined benefit pension plan and \$51 million to its non-U.S. defined benefit pension plans. During 2021, the Company's cash contribution requirements for its U.S. and its non-U.S. defined benefit pension plans are expected to be approximately \$10 million and \$44 million, respectively.

The following sets forth benefit payments, which reflect expected future service, as appropriate, expected to be paid by the plans in the periods indicated (\$ in millions):

	U.S. Pension Plans	Non-U.S. Pension Plans	All Pension Plans
2021	\$ 188	\$ 61	\$ 249
2022	187	68	255
2023	187	66	253
2024	182	68	250
2025	173	68	241
2026 - 2030	789	379	1,168

Other Matters

Substantially all employees not covered by defined benefit plans are covered by defined contribution plans, which generally provide for Company funding based on a percentage of compensation.

A limited number of the Company's subsidiaries participate in multiemployer defined benefit and contribution plans, primarily outside of the United States, that require the Company to periodically contribute funds to the plan. The risks of participating in a multiemployer plan differ from the risks of participating in a single-employer plan in the following respects: (1) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (2) if a participating employer ceases contributing to the plan, the unfunded obligations of the plan may be required to be borne by the remaining participating employers and (3) if the Company elects to stop participating in the plan, the Company may be required to pay the plan an amount based on the unfunded status of the plan. None of the multiemployer plans in which the Company's subsidiaries participate are considered to be quantitatively or qualitatively significant, either individually or in the aggregate. In addition, contributions made to these plans during 2020, 2019 and 2018 were not considered significant, either individually or in the aggregate.

The Company's net periodic pension cost for the year ended December 31, 2019 includes a settlement loss of \$7 million (\$6 million after tax or \$0.01 per diluted common share) as a result of the transfer of a portion of its non-U.S. pension liabilities related to one defined benefit plan to a third party. Expense for all defined benefit and defined

contribution pension plans amounted to \$224 million, \$203 million and \$167 million for the years ended December 31, 2020, 2019 and 2018, respectively.

NOTE 14. OTHER POSTRETIREMENT EMPLOYEE BENEFIT PLANS

In addition to providing pension benefits, the Company provides certain health care and life insurance benefits for some of its retired employees in the United States. Certain employees may become eligible for these benefits as they reach normal retirement age while working for the Company.

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The following sets forth the funded status of the domestic plans as of the most recent actuarial valuations using measurement dates as of December 31 (\$ in millions):

	2020	2019
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ (139)	\$ (142)
Service cost	—	—
Interest cost	(4)	(5)
Actuarial gain (loss)	(15)	(4)
Retiree contributions	(2)	(2)
Benefits paid	12	14
Benefit obligation at end of year	(148)	(139)
Change in plan assets:		
Fair value of plan assets	—	—
Funded status	<u>\$ (148)</u>	<u>\$ (139)</u>

As of December 31, 2020 and 2019, \$133 million and \$123 million, respectively, of the total underfunded status of the plan was recognized as long-term accrued postretirement liability since it was not expected to be funded within one year. The largest contributor to the net actuarial losses affecting the benefit obligation in both 2020 and 2019 for the plan is due to decreases in the discount rates.

As of December 31, 2020 and 2019, the projected benefit obligation of the plan exceeded the fair value of the plan assets, as the plan had no plan assets, and the accumulated and projected benefit obligation was \$148 million and \$139 million, respectively.

Weighted average assumptions used to determine benefit obligations at date of measurement:

	2020	2019
Discount rate	2.1 %	3.1 %
Medical trend rate – initial	5.5 %	5.7 %
Medical trend rate – grading period	17 years	18 years
Medical trend rate – ultimate	4.5 %	4.5 %

The medical trend rate used to determine the postretirement benefit obligation was 5.5% for 2020. The rate decreases gradually to an ultimate rate of 4.5% in 2037 and remains at that level thereafter. The trend rate is a significant factor in determining the amounts reported.

Components of net periodic benefit (cost) (\$ in millions):

	2020	2019
Service cost	\$ —	\$ —
Interest cost	(4)	(5)
Amortization of prior service credit	2	2
Amortization of net loss	(1)	—
Net periodic benefit (cost)	<u>\$ (3)</u>	<u>\$ (3)</u>

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The net periodic cost of the other postretirement employee benefit plans incurred during the years ended December 31, 2020, 2019 and 2018 are reflected in the following captions in the accompanying Consolidated Statements of Earnings (\$ in millions):

	Year Ended December 31		
	2020	2019	2018
Service cost:			
Cost of sales	\$ —	\$ —	\$ —
Selling, general and administrative expenses	—	—	(1)
Total service cost	—	—	(1)
Other net periodic pension costs:			
Other income (expense), net	(3)	(3)	(2)
Total	<u>\$ (3)</u>	<u>\$ (3)</u>	<u>\$ (3)</u>

Included in accumulated other comprehensive income (loss) as of December 31, 2020 are the following amounts that have not yet been recognized in net periodic benefit cost: unrecognized prior service credits of \$14 million (\$11 million, net of tax) and unrecognized actuarial losses of \$27 million (\$21 million, net of tax). The unrecognized losses and prior service credits, net, is calculated as the difference between the actuarially determined projected benefit obligation and the value of the plan assets less accrued benefit costs as of December 31, 2020.

The following sets forth benefit payments, which reflect expected future service, as appropriate, expected to be paid in the periods indicated (\$ in millions):

2021	\$ 15
2022	14
2023	13
2024	12
2025	11
2026 - 2030	47

NOTE 15. INCOME TAXES

Earnings from continuing operations before income taxes for the years ended December 31 were as follows (\$ in millions):

	2020	2019	2018
United States	\$ 1,655	\$ 854	\$ 801
International	2,840	2,451	2,161
Total	<u>\$ 4,495</u>	<u>\$ 3,305</u>	<u>\$ 2,962</u>

The provision for income taxes from continuing operations for the years ended December 31 were as follows (\$ in millions):

	2020	2019	2018
Current:			
Federal U.S.	\$ (321)	\$ 453	\$ 283
Non-U.S.	580	800	461
State and local	72	35	64
Deferred:			
Federal U.S.	530	(297)	(201)
Non-U.S.	(16)	(128)	(12)
State and local	4	10	(39)
Income tax provision	<u>\$ 849</u>	<u>\$ 873</u>	<u>\$ 556</u>

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Noncurrent deferred tax assets and noncurrent deferred tax liabilities are included in other assets and other long-term liabilities, respectively, in the accompanying Consolidated Balance Sheets. Deferred income tax assets and liabilities as of December 31 were as follows (\$ in millions):

	2020	2019
Deferred tax assets:		
Allowance for doubtful accounts	\$ 24	\$ 19
Inventories	99	73
Pension and postretirement benefits	259	231
Environmental and regulatory compliance	27	22
Other accruals and prepayments	341	195
Stock-based compensation expense	68	69
Operating lease liabilities	215	194
Tax credit and loss carryforwards	569	703
Valuation allowances	(264)	(261)
Total deferred tax asset	1,338	1,245
Deferred tax liabilities:		
Property, plant and equipment	(50)	(113)
Insurance, including self-insurance	(713)	(272)
Basis difference in LYONs	(11)	(14)
Operating lease ROU assets	(204)	(186)
Goodwill and other intangibles	(3,814)	(2,312)
Total deferred tax liability	(4,792)	(2,897)
Net deferred tax liability	\$ (3,454)	\$ (1,652)

The Company evaluates the future realizability of tax credits and loss carryforwards considering the anticipated future earnings of the Company's subsidiaries as well as tax planning strategies in the associated jurisdictions. Deferred taxes associated with U.S. entities consist of net deferred tax liabilities of approximately \$1.9 billion and \$1.6 billion as of December 31, 2020 and 2019, respectively. Deferred taxes associated with non-U.S. entities consist of net deferred tax liabilities of \$1.6 billion and \$90 million as of December 31, 2020 and 2019, respectively. The significant increase to net deferred tax liabilities in 2020 is primarily due to the Cytiva Acquisition. During 2020, the Company's valuation allowance increased by \$3 million primarily due to certain tax benefits recognized in 2020 that are not expected to be realized, partially offset by release of a valuation allowance in a certain foreign jurisdiction. As of December 31, 2020, the total amount of the basis difference in investments indefinitely reinvested outside the United States for which deferred taxes have not been provided is approximately \$10.3 billion. The income taxes applicable to repatriating such earnings are not readily determinable. As of December 31, 2020, the Company had no plans which would subject these basis differences to income taxes in the United States or elsewhere.

On December 22, 2017, the TCJA was enacted, substantially changing the U.S. tax system. Under the SEC Staff Accounting Bulletin No. 118 ("SAB No. 118") guidance, for the year ended December 31, 2017, the Company recorded provisional amounts in earnings for the effects of the enactment of the TCJA and during 2018, the Company completed its accounting for the TCJA based on the Company's interpretation of the new tax regulations and related guidance issued by the U.S. Department of the Treasury and the Internal Revenue Service ("IRS").

The TCJA imposes tax on U.S. shareholders for global intangible low-taxed income ("GILTI") earned by certain foreign subsidiaries. The Company has elected the period cost method for its accounting for GILTI.

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The effective income tax rate from continuing operations for the years ended December 31 varies from the U.S. statutory federal income tax rate as follows:

	Percentage of Pretax Earnings		
	2020	2019	2018
Statutory federal income tax rate	21.0 %	21.0 %	21.0 %
Increase (decrease) in tax rate resulting from:			
State income taxes (net of federal income tax benefit)	1.1 %	0.8 %	0.9 %
Foreign rate differential	(1.6)%	(1.4)%	(0.9)%
Resolution and expiration of statutes of limitation of uncertain tax positions	(0.7)%	(2.1)%	(1.7)%
Research credits, uncertain tax positions and other	0.7 %	9.3 %	0.3 %
Excess tax benefits from stock-based compensation	(1.6)%	(1.2)%	(1.0)%
TCJA - revaluation of U.S. deferred income taxes	— %	— %	(1.6)%
TCJA - Transition Tax	— %	— %	1.8 %
Effective income tax rate	18.9 %	26.4 %	18.8 %

The Company's effective tax rate for 2020, 2019 and 2018 differs from the U.S. federal statutory rate of 21.0%, due to the Company's earnings outside the United States that are indefinitely reinvested and taxed at rates different than the U.S. federal statutory rate as well as the impact of the following:

- The effective tax rate of 18.9% in 2020 includes net tax benefits primarily related to the release of reserves for uncertain tax positions from audit settlements and expiration of statutes of limitation and excess tax benefits from stock-based compensation, partially offset by a higher tax rate associated with the gain on the divestiture of certain product lines in the Life Sciences segment and changes in estimates associated with prior period uncertain tax positions. These items decreased the reported rate on a net basis by 0.7%.
- The effective tax rate of 26.4% in 2019 includes 650 basis points of net tax charges related primarily to changes in estimates associated with prior period uncertain tax positions, audit settlements, and Envista Disposition costs, net of the release of reserves for uncertain tax positions due to the expiration of statutes of limitation, release of valuation allowances associated with certain foreign tax credits, tax benefits resulting from changes in tax law and excess tax benefits from stock-based compensation.
- The effective tax rate of 18.8% in 2018 includes 120 basis points of tax benefits primarily related to the release of reserves upon the expiration of statutes of limitation, audit settlements and release of a valuation allowance in a certain foreign tax jurisdiction. These tax benefits were partially offset by additional provisions related to completing the accounting for the enactment of the TCJA and tax costs directly related to reorganization activities associated with the Envista Disposition.

The Company made income tax payments related to both continuing and discontinued operations of approximately \$1.1 billion, \$847 million and \$673 million in 2020, 2019 and 2018, respectively. Current income taxes payable related to both continuing and discontinued operations has been reduced by \$110 million, \$79 million and \$57 million in 2020, 2019 and 2018, respectively, for tax deductions attributable to stock-based compensation, of which, the excess tax benefit over the amount recorded for financial reporting purposes for both continuing and discontinued operations was \$85 million, \$55 million and \$38 million, respectively. The excess tax benefits have been recorded as reductions to the current income tax provision and are reflected as operating cash inflows in the accompanying Consolidated Statements of Cash Flows. Taxes receivable for income and other taxes are classified as prepaid expenses and other current assets in the Consolidated Balance Sheets. As of December 31, 2020 and 2019 these balances were \$700 million and \$196 million, respectively.

Included in deferred income taxes as of December 31, 2020 are tax benefits for U.S. and non-U.S. net operating loss carryforwards totaling \$452 million (\$174 million of which the Company does not expect to realize and have corresponding valuation allowances). Certain of the losses can be carried forward indefinitely and others can be carried forward to various dates from 2021 through 2040. In addition, the Company had general business and foreign

tax credit carryforwards of \$117 million (\$66 million of which the Company does not expect to realize and have corresponding valuation allowances) as of December 31, 2020, which can be carried forward to various dates from 2021 to 2030. In addition, as of December 31, 2020, the Company had \$24 million of valuation allowances related to other deferred tax asset balances that are not more likely than not of being realized.

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As of December 31, 2020, gross unrecognized tax benefits totaled approximately \$1.2 billion (approximately \$1.4 billion, net of the impact of \$148 million of indirect tax benefits offset by \$354 million associated with potential interest and penalties). As of December 31, 2019, gross unrecognized tax benefits totaled approximately \$1.2 billion (approximately \$1.4 billion, net of the impact of \$131 million of indirect tax benefits offset by \$320 million associated with potential interest and penalties). The Company recognized approximately \$41 million, \$227 million and \$41 million in potential interest and penalties related to both continuing and discontinued operations associated with uncertain tax positions during 2020, 2019 and 2018, respectively. To the extent unrecognized tax benefits (including interest and penalties) are recognized with respect to uncertain tax positions, approximately \$1.4 billion and \$1.3 billion as of December 31, 2020 and 2019, respectively, would reduce the tax expense and effective tax rate in future periods. The Company recognized interest and penalties related to unrecognized tax benefits within income taxes in the accompanying Consolidated Statements of Earnings. Unrecognized tax benefits and associated accrued interest and penalties are included in taxes, income and other accrued expenses as detailed in Note 10.

A reconciliation of the beginning and ending amount of unrecognized tax benefits, excluding amounts accrued for potential interest and penalties related to both continuing and discontinued operations, is as follows (\$ in millions):

	2020	2019	2018
Unrecognized tax benefits, beginning of year	\$ 1,181	\$ 986	\$ 737
Additions based on tax positions related to the current year	47	71	43
Additions for tax positions of prior years	24	197	325
Reductions for tax positions of prior years	(20)	(16)	(22)
Acquisitions, divestitures and other	(30)	7	9
Lapse of statute of limitations	(13)	(51)	(53)
Settlements	(38)	(12)	(42)
Effect of foreign currency translation	24	(1)	(11)
Unrecognized tax benefits, end of year	<u>\$ 1,175</u>	<u>\$ 1,181</u>	<u>\$ 986</u>

The Company conducts business globally, and files numerous consolidated and separate income tax returns in the U.S. federal, state and foreign jurisdictions. The non-U.S. countries in which the Company has a significant presence include China, Denmark, Germany, Singapore, Sweden, Switzerland and the United Kingdom. Excluding these jurisdictions, the Company believes that a change in the statutory tax rate of any individual foreign country would not have a material effect on the Company's Consolidated Financial Statements given the geographic dispersion of the Company's taxable income.

The Company and its subsidiaries are routinely examined by various domestic and international taxing authorities. The IRS has completed substantially all of the examinations of the Company's federal income tax returns through 2015 and is currently examining certain of the Company's federal income tax returns for 2016 through 2018. In addition, the Company has subsidiaries in Austria, Belgium, Canada, China, Denmark, France, Germany, India, Japan, Korea, Switzerland, the United Kingdom and various other countries, states and provinces that are currently under audit for years ranging from 2004 through 2018.

In the fourth quarter of 2018 and the first quarter of 2019, the IRS proposed significant adjustments to the Company's taxable income for the years 2012 through 2015 with respect to the deferral of tax on certain premium income related to the Company's self-insurance programs. For income tax purposes, the recognition of premium income has been deferred in accordance with U.S. tax laws related to insurance. The IRS challenged the deferral of premiums for certain types of the Company's self-insurance policies. These proposed adjustments would have increased the Company's taxable income over the 2012 through 2015 period by approximately \$2.7 billion. In the third quarter of 2020, the Company settled the 2012 through 2015 audit period with the IRS, including the resolution of these proposed adjustments. The settlement was not material to the Company's financial statements, including its cash flows and effective tax rate. As the settlement with the IRS was specific to the audit period, the settlement does not preclude the IRS from proposing similar adjustments to the Company's self-insurance programs in current or future audits. In connection with its examination of the Company's federal income tax returns for 2016, 2017 and 2018, the IRS has requested additional information on the Company's self-insurance programs. Due to the enactment of the TCJA in 2017 and the resulting reduction in the U.S. corporate tax rate for years after 2017, the Company

revalued its deferred tax liabilities related to the temporary differences associated with this deferred premium income from 35.0% to 21.0%. If the IRS proposes adjustments related to the Company's self-insurance premiums with respect to years subsequent to 2015 and prior to adoption of the TCJA and the Company is unsuccessful in defending its position, any taxes owed to the IRS may be computed under the previous 35.0% statutory tax rate and the Company may be required to revalue the related deferred tax liabilities from 21.0% to 35.0%, which in addition to any interest due on the amounts assessed, would require a charge to future earnings. Management believes the positions the Company has taken in its U.S. tax returns are in accordance with the relevant tax laws.

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Tax authorities in Denmark have raised significant issues related to interest accrued by certain of the Company's subsidiaries. On December 10, 2013, the Company received assessments from the Danish tax authority ("SKAT") of approximately DKK 1.9 billion including interest through December 31, 2020 (approximately \$309 million based on exchange rates as of December 31, 2020) imposing withholding tax relating to interest accrued in Denmark on borrowings from certain of the Company's subsidiaries for the years 2004 through 2009. The Company appealed these assessments to the Danish National Tax Tribunal in 2014. The appeal is pending, awaiting the final outcome of other, preceding withholding tax cases that were appealed to the Danish courts and subsequently to the Court of Justice of the European Union ("CJEU"). In February 2019, the CJEU decided several of these cases and ruled that the exemption of interest payments from withholding taxes provided in the applicable European Union ("EU") directive should be denied where taxpayers use the directive for abusive or fraudulent purposes, and that it is up to the national courts to make this determination. This decision of the CJEU now awaits application by the Danish High Court in the other, preceding withholding tax cases. SKAT has maintained a similar position related to withholding tax on interest accrued in Denmark on borrowings from certain of the Company's subsidiaries with respect to tax years 2010 through 2015. In 2019, the Company received aggregate assessments for these matters of approximately DKK 1.8 billion including interest through December 31, 2020 (approximately \$302 million based on the exchange rate as of December 31, 2020). The Company is appealing these assessments as well.

Management believes the positions the Company has taken in Denmark are in accordance with the relevant tax laws and is vigorously defending its positions. The Company intends on pursuing this matter through the Danish High Court should the appeal to the Danish National Tax Tribunal be unsuccessful. The Company will continue to monitor decisions of both the Danish courts and the CJEU and evaluate the impact of these court rulings on the Company's tax positions in Denmark. The ultimate resolution of this matter is uncertain, could take many years, and could result in a further material adverse impact to the Company's financial statements, including its cash flow and effective tax rate.

On June 24, 2020, SKAT issued a press release to announce that it has misapplied Denmark's interest rules in some assessments concerning withholding tax and overcharged interest. Subsequent to year end, the Company received a notice from SKAT dated January 15, 2021 that includes a significant reduction in the interest amounts due related to the assessments discussed above. The Company is reviewing the notice and the revised interest calculations received from SKAT.

Management estimates that it is reasonably possible that the amount of unrecognized tax benefits related to continuing operations may be reduced by approximately \$199 million within 12 months as a result of resolution of worldwide tax matters, payments of tax audit settlements and/or statute of limitations expirations. Future resolution of uncertain tax positions related to discontinued operations may result in additional charges or credits to earnings from discontinued operations in the Consolidated Statements of Earnings (refer to Note 4).

The Company operates in various non-U.S. jurisdictions where income tax incentives and rulings have been granted for specific periods of time. In Switzerland, the Company has various tax rulings and tax holiday arrangements which reduce the overall effective tax rate of the Company. The tax holidays expire between 2021 and 2027. In Singapore, the Company operates under various tax incentive agreements that provide for reduced tax rates. Subject to the Company satisfying certain requirements, the agreements expire in 2022. As of December 31, 2020, the Company had satisfied the conditions enumerated in these agreements. Included in the accompanying Consolidated Financial Statements are tax benefits of \$43 million, \$71 million and \$69 million (or \$0.06, \$0.10 and \$0.10 per diluted common share) for 2020, 2019 and 2018, respectively, from these rulings and tax holidays.

NOTE 16. NONOPERATING INCOME (EXPENSE)

The Company disaggregates the service cost component of net periodic benefit costs of noncontributory defined benefit pension plans and other postretirement employee benefit plans and presents the other components of net periodic benefit cost in other income (expense), net. These other components include the assumed rate of return on plan assets, partially offset by amortization of actuarial losses and interest and aggregated to a gain of \$16 million, \$12 million and \$35 million as of December 31, 2020, 2019 and 2018, respectively. The Company's net periodic pension cost for the year ended December 31, 2019 includes a settlement loss of \$7 million (\$6 million after tax or \$0.01 per diluted common share) as a result of the transfer of a portion of its non-U.S. pension liabilities related to one defined benefit plan to a third party.

The Company estimates the fair value of investments in equity securities using the Fair Value Alternative and records adjustments to fair value within net earnings. Additionally, the Company is a limited partner in a partnership that invests in early stage companies. While the partnership records these investments at fair value, the Company's investment in the partnership is accounted for under the equity method of accounting. During the year ended December 31, 2020, the Company recorded net realized and unrealized gains of \$18 million related to changes in the fair value of these investments. In addition, the Company recorded other income of \$5 million related to certain other transactions during 2020. These items are reflected in

other income (expense), net in the Company's Consolidated Statement of Earnings. No significant realized or unrealized gains or losses were recorded in either 2019 or 2018 with respect to these investments.

As a condition to obtaining certain regulatory approvals for the closing of the Cytiva Acquisition, the Company was required to divest certain of its existing product lines in the Life Sciences segment that in the aggregate generated revenues of approximately \$170 million in 2019. On April 30, 2020, the Company completed the sale of these product lines for a cash purchase price, net of cash transferred and transaction costs, of \$826 million and recognized a pretax gain on sale of \$455 million (\$305 million after-tax or \$0.42 per diluted common share) in the second quarter of 2020. The divestiture of these product lines did not represent a strategic shift with a major effect on the Company's operations and financial results and therefore is not reported as a discontinued operation.

In the fourth quarter of 2020, the Company redeemed the €800 million aggregate principal amount of 1.7% senior unsecured notes due 2022 at a redemption price equal to the outstanding principal amount and a make-whole premium as specified in the applicable indenture, plus accrued and unpaid interest. The Company recorded a loss on early extinguishment of these borrowings, including deferred costs, related to the payment of the make-whole premiums in connection with the redemption of \$26 million (\$20 million after-tax or \$0.03 per diluted common share) which is reflected as a loss on early extinguishment of borrowings in the Consolidated Statement of Earnings.

In the fourth quarter of 2019, Danaher used a portion of the consideration received from Envista to redeem \$882 million in aggregate principal amount of outstanding indebtedness (consisting of the Company's 2.4% senior unsecured notes due 2020 and 5.0% senior unsecured notes due 2020). The Company incurred make-whole premiums in connection with the redemption of \$7 million (\$5 million after-tax or \$0.01 per diluted common share) which is reflected as a loss on early extinguishment of borrowings in the Consolidated Statement of Earnings.

NOTE 17. COMMITMENTS

Warranties

The Company generally accrues estimated warranty costs at the time of sale. In general, manufactured products are warranted against defects in material and workmanship when properly used for their intended purpose, installed correctly and appropriately maintained. Warranty periods depend on the nature of the product and range from the date of such sale up to ten years. The amount of the accrued warranty liability is determined based on historical information such as past experience, product failure rates or number of units repaired, estimated cost of material and labor and in certain instances estimated property damage. The accrued warranty liability is reviewed on a quarterly basis and may be adjusted as additional information regarding expected warranty costs becomes known.

The following is a rollforward of the Company's accrued warranty liability (\$ in millions):

	2020	2019
Balance, January 1	\$ 73	\$ 68
Accruals for warranties issued during the year	45	48
Settlements made	(36)	(43)
Adjustments due to acquisitions/divestitures	2	—
Effect of foreign currency translation	2	—
Balance, December 31	<u>\$ 86</u>	<u>\$ 73</u>

Purchase Obligations

The Company has entered into agreements to purchase goods or services that are enforceable and legally binding on the Company and that specify all significant terms, including fixed or minimum quantities to be purchased, fixed, minimum or variable price provisions and the approximate timing of the transaction. Purchase obligations exclude agreements that are cancellable at any time without penalty. As of December 31, 2020, the aggregate amount of the Company's purchase obligations totaled approximately \$1.1 billion and the majority of these obligations are expected to be settled during 2021.

NOTE 18. LITIGATION AND CONTINGENCIES

The Company is subject to or otherwise responsible for a variety of litigation and other legal and regulatory proceedings in the course of its business (or related to the business operations of previously owned entities), including claims or counterclaims for damages arising out of the use of products or services and claims relating to intellectual property matters, employment matters, tax matters, commercial disputes, breach of contract claims, competition and sales and trading practices, environmental matters,

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personal injury, insurance coverage, securities matters, fiduciary duties and acquisition or divestiture-related matters, as well as regulatory subpoenas, requests for information, investigations and enforcement. The Company also from time to time becomes subject to lawsuits as a result of acquisitions or as a result of liabilities retained from, or representations, warranties or indemnities provided in connection with, businesses divested by the Company or its predecessors. The types of claims made in lawsuits include claims for compensatory damages, punitive and consequential damages (and in some cases, treble damages) and/or injunctive relief.

While the Company maintains general, products, property, workers' compensation, automobile, cargo, aviation, crime, fiduciary and directors' and officers' liability insurance (and has acquired rights under similar policies in connection with certain acquisitions) up to certain limits that cover certain of these claims, this insurance may be insufficient or unavailable to cover such losses. For general, products and property liability and most other insured risks, the Company purchases outside insurance coverage only for severe losses and must establish and maintain reserves with respect to amounts within the self-insured retention. In addition, while the Company believes it is entitled to indemnification from third-parties for some of these claims, these rights may also be insufficient or unavailable to cover such losses.

The Company records a liability in the Consolidated Financial Statements for loss contingencies when a loss is known or considered probable and the amount can be reasonably estimated. If the reasonable estimate of a known or probable loss is a range, and no amount within the range is a better estimate than any other, the minimum amount of the range is accrued. If a loss does not meet the known or probable level but is reasonably possible it is disclosed and if the loss or range of loss can be reasonably estimated, the estimated loss or range of loss is disclosed. The Company's reserves consist of specific reserves for individual claims and additional amounts for anticipated developments of these claims as well as for incurred but not yet reported claims. The specific reserves for individual known claims are quantified with the assistance of legal counsel and outside risk professionals where appropriate. In addition, outside risk professionals assist in the determination of reserves for incurred but not yet reported claims through evaluation of the Company's specific loss history, actual claims reported and industry trends together with statistical and other factors. Reserve estimates may be adjusted as additional information regarding a claim becomes known. Because most contingencies are resolved over long periods of time, new developments (including litigation developments, the discovery of new facts, changes in legislation and outcomes of similar cases), changes in assumptions or changes in the Company's strategy in any given period can require the Company to adjust the loss contingency estimates that have been recorded in the financial statements, record estimates for liabilities or assets previously not susceptible of reasonable estimates or pay cash settlements or judgments. While the Company actively pursues financial recoveries from insurance providers and indemnifying parties, it does not recognize any recoveries until realized or until such time as a sustained pattern of collections is established related to historical matters of a similar nature and magnitude. If the Company's self-insurance and litigation reserves prove inadequate, it would be required to incur an expense equal to the amount of the loss incurred in excess of the reserves, which would adversely affect the Company's Consolidated Financial Statements.

In addition, the Company's operations, products and services are subject to numerous U.S. federal, state, local and non-U.S. environmental, health and safety laws and regulations concerning, among other things, the health and safety of our employees, the generation, storage, use and transportation of hazardous materials, emissions or discharges of substances into the environment, investigation and remediation of hazardous substances or materials at various sites, chemical constituents in products and end-of-life disposal and take-back programs for products sold. A number of the Company's operations involve the handling, manufacturing, use or sale of substances that are or could be classified as hazardous materials within the meaning of applicable laws. Compliance with these laws and regulations has not had and, based on current information and the applicable laws and regulations currently in effect, is not expected to have a material effect on the Company's capital expenditures, earnings or competitive position, and the Company does not anticipate material capital expenditures for environmental control facilities.

In addition to environmental compliance costs, the Company from time to time incurs costs related to remedial efforts or alleged environmental damage associated with past or current waste disposal practices or other hazardous materials handling practices. For example, generators of hazardous substances found in disposal sites at which environmental problems are alleged to exist, as well as the current and former owners of those sites and certain other classes of persons, are subject to claims brought by state and federal regulatory agencies pursuant to statutory authority. The Company has received notification from the U.S. Environmental Protection Agency, and from state and non-U.S. environmental agencies, that conditions at certain sites where the Company and others previously disposed of hazardous wastes and/or are or were property owners require clean-up and other possible remedial

action, including sites where the Company has been identified as a potentially responsible party under U.S. federal and state environmental laws. The Company has projects underway at a number of current and former facilities, in both the United States and abroad, to investigate and remediate environmental contamination resulting from past operations. Remediation activities generally relate to soil and/or groundwater contamination and may include pre-remedial activities such as fact-finding and investigation, risk assessment, feasibility study and/or design, as well as remediation actions such as contaminant removal, monitoring and/or installation, operation and maintenance of longer-term remediation systems. The Company is also from time to time party to personal injury, property damage or other claims brought by private parties

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alleging injury or damage due to the presence of, or exposure to, hazardous substances. The Company can also become subject to additional remedial, compliance or personal injury costs due to future events such as changes in existing laws or regulations, changes in agency direction or enforcement policies, developments in remediation technologies, changes in the conduct of the Company's operations and changes in accounting rules.

The Company has recorded a provision for environmental investigation and remediation and environmental-related claims with respect to sites owned or formerly owned by the Company and its subsidiaries and third-party sites where the Company has been determined to be a potentially responsible party. The Company generally makes an assessment of the costs involved for its remediation efforts based on environmental studies, as well as its prior experience with similar sites. The ultimate cost of site cleanup is difficult to predict given the uncertainties of the Company's involvement in certain sites, uncertainties regarding the extent of the required cleanup, the availability of alternative cleanup methods, variations in the interpretation of applicable laws and regulations, the possibility of insurance recoveries with respect to certain sites and the fact that imposition of joint and several liability with right of contribution is possible under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 and other environmental laws and regulations. If the Company determines that potential liability for a particular site or with respect to a personal injury claim is known or considered probable and reasonably estimable, the Company accrues the total estimated loss, including investigation and remediation costs, associated with the site or claim. As of December 31, 2020, the Company had a reserve of \$194 million for environmental matters which are known or considered probable and reasonably estimable (of which \$124 million are noncurrent), which reflects the Company's best estimate of the costs to be incurred with respect to such matters.

While the Company actively pursues insurance recoveries, as well as recoveries from other potentially responsible parties, it does not recognize any insurance recoveries for environmental liability claims until realized or until such time as a sustained pattern of collections is established related to historical matters of a similar nature and magnitude.

The Company's Restated Certificate of Incorporation requires it to indemnify to the full extent authorized or permitted by law any person made, or threatened to be made a party to any action or proceeding by reason of his or her service as a director or officer of the Company, or by reason of serving at the request of the Company as a director or officer of any other entity, subject to limited exceptions. Danaher's Amended and Restated By-laws provide for similar indemnification rights. In addition, Danaher has executed with each director and executive officer of Danaher Corporation an indemnification agreement which provides for substantially similar indemnification rights and under which Danaher has agreed to pay expenses in advance of the final disposition of any such indemnifiable proceeding. While the Company maintains insurance for this type of liability, a significant deductible applies to this coverage and any such liability could exceed the amount of the insurance coverage.

As of December 31, 2020, the Company had approximately \$724 million of guarantees consisting primarily of outstanding standby letters of credit, bank guarantees and performance and bid bonds. These guarantees have been provided in connection with certain arrangements with vendors, customers, insurance providers, financing counterparties and governmental entities to secure the Company's obligations and/or performance requirements related to specific transactions. The Company believes that if the obligations under these instruments were triggered, it would not have a material effect on its Consolidated Financial Statements.

NOTE 19. STOCK TRANSACTIONS AND STOCK-BASED COMPENSATION

On July 16, 2013, the Company's Board of Directors approved a repurchase program (the "Repurchase Program") authorizing the repurchase of up to 20 million shares of the Company's common stock from time to time on the open market or in privately negotiated transactions. There is no expiration date for the Repurchase Program, and the timing and amount of any shares repurchased under the program will be determined by the Company's management based on its evaluation of market conditions and other factors. The Repurchase Program may be suspended or discontinued at any time. Any repurchased shares will be available for use in connection with the Company's equity compensation plans (or any successor plan) and for other corporate purposes. As of December 31, 2020, 20 million shares remained available for repurchase pursuant to the Repurchase Program. The Company expects to fund any future stock repurchases using the Company's available cash balances or proceeds from the issuance of debt.

Except in connection with the Envista Split-Off in 2019, neither the Company nor any "affiliated purchaser" repurchased any shares of Company common stock during 2020, 2019 or 2018. Refer to Note 4 for discussion of

the 22.9 million shares of Danaher common stock tendered to and repurchased by the Company in connection with the Envista Split-Off.

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The following table summarizes the Company's share activity for the years ended December 31 (shares in millions):

	2020	2019	2018
Preferred stock - shares issued:			
Balance, beginning of period	1.7	—	—
Issuance of MCPS	1.7	1.7	—
Balance, end of period	3.4	1.7	—
Common stock - shares issued:			
Balance, beginning of period	835.5	817.9	812.5
Common stock-based award activity	4.5	4.6	4.6
Common stock issued in connection with acquisitions	—	—	0.2
Common stock issued in connection with LYONs' conversions	0.4	0.9	0.6
Issuance of common stock	10.9	12.1	—
Balance, end of period	851.3	835.5	817.9

In May 2020, the Company completed the underwritten public offering of 10.9 million shares of Danaher common stock at a price to the public of \$163.00 per share (the "2020 Common Stock Offering"), resulting in net proceeds of approximately \$1.73 billion, after deducting expenses and the underwriters' discount of \$54 million. Simultaneously, the Company completed the underwritten public offering of 1.72 million shares of its 5.0% Series B Mandatory Convertible Preferred Stock ("MCPS Series B"), without par value and with a liquidation preference of \$1,000 per share (the "2020 MCPS Offering"), resulting in net proceeds of approximately \$1.67 billion, after deducting expenses and the underwriters' discount of \$49 million. The Company has used and intends to use the net proceeds from the 2020 Common Stock Offering and the 2020 MCPS Offering for general corporate purposes and pending such use has invested the net proceeds in short-term bank deposits and/or interest-bearing, investment-grade securities.

On March 1, 2019, the Company completed the underwritten public offering of 12.1 million shares of Danaher common stock at a price to the public of \$123.00 per share (the "2019 Common Stock Offering"), resulting in net proceeds of approximately \$1.4 billion, after deducting expenses and the underwriters' discount of \$45 million. Simultaneously, the Company completed the underwritten public offering of 1.65 million shares of its 4.75% MCPS Series A, without par value and with a liquidation preference of \$1,000 per share (the "2019 MCPS Offering"), resulting in net proceeds of approximately \$1.6 billion, after deducting expenses and the underwriters' discount of \$50 million. The Company used the net proceeds from the 2019 Common Stock Offering and the 2019 MCPS Offering to fund a portion of the cash consideration payable for, and certain costs associated with, the Cytiva Acquisition. Prior to the completion of the Cytiva Acquisition, the Company invested the net proceeds in short-term bank deposits and/or interest-bearing, investment-grade securities.

Unless converted earlier in accordance with the terms of the applicable certificate of designations, each share of MCPS Series A and MCPS Series B (together, the "MCPS Shares") will mandatorily convert on their respective Mandatory Conversion Date, set forth below, into a number of shares of the Company's common stock between the applicable Minimum Conversion Rate and the applicable Maximum Conversion Rate, set forth below, subject to further anti-dilution adjustments. The number of shares of the Company's common stock issuable upon conversion will be determined based on the average volume-weighted average price per share of the Company's common stock over the 20 consecutive trading day period beginning on, and including, the 21st scheduled trading day immediately before the applicable Mandatory Conversion Date. Subject to certain exceptions, at any time prior to the Mandatory Conversion Date, holders may elect to convert the MCPS Shares into common stock based on the applicable Minimum Conversion Rate, subject to further anti-dilution adjustments. In the event of a fundamental change, the MCPS Shares will convert at the fundamental change rates specified in the applicable certificate of designations, and the holders of MCPS Shares would be entitled to a fundamental change make-whole dividend. In 2020, holders converted 20 shares of MCPS Series A into 132 shares of Danaher common stock.

Holders of MCPS Shares will be entitled to receive, when and if declared by the Company's Board of Directors, cumulative dividends at the applicable Annual Cumulative Dividend Rate of the Liquidation Preference per share, payable in cash or, subject to certain limitations, by delivery of shares of the Company's common stock or any combination of cash and shares of the Company's common stock, at the Company's election. If declared, dividends on the MCPS Shares are payable quarterly on January 15, April 15, July 15 and October 15 of each year (to, and including, the Mandatory Conversion Date), to the holders of record of the MCPS Shares as they appear on the Company's stock register at the close of business on the immediately preceding December 31, March 31, June 30 and September 30, respectively.

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The following summarizes the key terms of the MCPS Shares as of December 31, 2020:

	Annual Cumulative Dividend Rate	Liquidation Preference per Share	Minimum Conversion Rate	Maximum Conversion Rate	Mandatory Conversion Date
Series A	4.75 %\$	1,000	6.6563 shares	8.1538 shares	April 15, 2022
Series B	5.00 %\$	1,000	5.0081 shares	6.1349 shares	April 15, 2023

Stock options, RSUs and PSUs have been issued to directors, officers and other employees under the Company's 2007 Omnibus Incentive Plan. In addition, in connection with the 2015 acquisition of Pall Corporation and the 2016 acquisition of Cepheid, the Company assumed certain outstanding stock options and RSUs, as applicable, that had been awarded under the stock compensation plans of the respective acquiree (the "Assumed Plans"). The Assumed Plans operate in a similar manner to the Company's 2007 Omnibus Incentive Plan, and no further equity awards will be issued under the Assumed Plans. The 2007 Omnibus Incentive Plan provides for the grant of stock options, stock appreciation rights, RSUs, restricted stock, PSUs or any other stock-based award and cash-based awards. A total of approximately 127 million shares of Danaher common stock have been authorized for issuance under the 2007 Omnibus Incentive Plan. As of December 31, 2020, approximately 54 million shares of the Company's common stock remain available for issuance under the 2007 Omnibus Incentive Plan.

Stock options granted under the 2007 Omnibus Incentive Plan generally vest pro rata over a five-year period and terminate ten years from the grant date, though the specific terms of each grant are determined by the Compensation Committee of the Company's Board (the "Compensation Committee"). The Company's executive officers and certain other employees have been awarded options with different vesting criteria, and options granted to outside directors are fully vested as of the grant date. Option exercise prices for options granted by the Company equal the closing price of the Company's common stock on the NYSE on the date of grant. In connection with the Company's assumption of options issued pursuant to the Assumed Plans, the number of shares underlying each option and exercise price of each option were adjusted to reflect the substitution of the Company's stock for the stock of the applicable acquired company.

RSUs issued under the 2007 Omnibus Incentive Plan provide for the issuance of a share of the Company's common stock at no cost to the holder. The RSUs that have been granted to employees under the 2007 Omnibus Incentive Plan generally provide for time-based vesting over a five-year period, although executive officers and certain other employees have been awarded RSUs with different time-based vesting criteria, and RSUs previously granted to members of the Company's senior management have also been subject to performance-based vesting criteria. The RSUs that have been granted to directors under the 2007 Omnibus Incentive Plan vest on the earlier of the first anniversary of the grant date or the date of, and immediately prior to, the next annual meeting of the Company's shareholders following the grant date, but the underlying shares are not issued until the earlier of the director's death or the first day of the seventh month following the director's retirement from the Board. Prior to vesting, RSUs granted under the 2007 Omnibus Incentive Plan do not have dividend equivalent rights, do not have voting rights and the shares underlying the RSUs are not considered issued and outstanding. With respect to RSUs granted under the Assumed Plan, in connection with the Company's assumption of these RSUs the number of shares underlying each RSU were adjusted to reflect the substitution of the Company's stock for the stock of the applicable acquired company, and certain of these RSUs have dividend equivalent rights.

PSUs issued under the 2007 Omnibus Incentive Plan provide for the issuance of a share of the Company's common stock at no cost to the holder, vest based on specified performance criteria, are subject to an additional holding period and are entitled to dividend equivalent rights. The PSU dividend equivalent rights are subject to the same vesting and payment restrictions as the related shares, and the shares underlying the PSU's are not considered issued and outstanding.

In connection with the Envista Disposition, Envista adopted a stock-based compensation plan, which provided for stock-based awards denominated in shares of Envista common stock. Envista employees who participated in the Danaher stock compensation program prior to the Separation continued to participate in such program solely with respect to outstanding compensation awards received prior to the Separation, until the Split-Off (at which time such awards were terminated and replaced with awards denominated in Envista common stock under the Envista stock compensation plan). Stock-based compensation expense for Envista is included in results from discontinued operations.

The equity compensation awards granted by the Company generally vest only if the employee is employed by the Company (or in the case of directors, the director continues to serve on the Company Board) on the vesting date or in other limited circumstances. To cover the exercise of options and vesting of RSUs and PSUs, the Company generally issues new shares from its authorized but unissued share pool, although it may instead issue treasury shares in certain circumstances.

The Company accounts for stock-based compensation by measuring the cost of employee services received in exchange for all equity awards granted based on the fair value of the award as of the grant date. The Company recognizes the compensation expense over the requisite service period (which is generally the vesting period but may be shorter than the vesting period if the

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employee becomes retirement eligible before the end of the vesting period). The fair value for RSU awards was calculated using the closing price of the Company's common stock on the date of grant, adjusted for the fact that RSUs (other than certain RSUs granted under the Assumed Plans) do not accrue dividends. The fair value of the PSU awards was calculated using a Monte Carlo pricing model. The fair value of the options granted was calculated using a Black-Scholes Merton option pricing model ("Black-Scholes").

The following summarizes the assumptions used in the Black-Scholes model to value options granted during the years ended December 31:

	2020	2019	2018
Risk-free interest rate	0.3 – 1.3%	1.7 – 2.6%	2.6 – 3.1%
Weighted average volatility	24.3 %	20.4 %	21.4 %
Dividend yield	0.4 %	0.5 %	0.6 %
Expected years until exercise	5.0 – 8.0	5.0 – 8.0	5.0 – 8.0

The Black-Scholes model incorporates assumptions to value stock-based awards. The risk-free rate of interest for periods within the contractual life of the option is based on a zero-coupon U.S. government instrument whose maturity period equals or approximates the option's expected term. Expected volatility is based on implied volatility from traded options on the Company's stock and historical volatility of the Company's stock. The dividend yield is calculated by dividing the Company's annual common stock dividend, based on the most recent quarterly dividend rate, by the closing stock price on the grant date. To estimate the option exercise timing used in the valuation model (which impacts the risk-free interest rate and the expected years until exercise), in addition to considering the vesting period and contractual term of the option, the Company analyzes and considers actual historical exercise experience for previously granted options. The Company stratifies its employee population into multiple groups for option valuation and attribution purposes based upon distinctive patterns of forfeiture rates and option holding periods, as indicated by the ranges set forth in the table above for the risk-free interest rate and the expected years until exercise.

The amount of stock-based compensation expense recognized during a period is also based on the portion of the awards that are ultimately expected to vest. The Company estimates pre-vesting forfeitures at the time of grant by analyzing historical data and revises those estimates in subsequent periods if actual forfeitures differ from those estimates. Ultimately, the total expense recognized over the vesting period will equal the fair value of awards that actually vest.

The following summarizes the components of the Company's continuing operations stock-based compensation expense for the years ended December 31 (\$ in millions):

	2020	2019	2018
RSUs/PSUs:			
Pretax compensation expense	\$ 114	\$ 97	\$ 86
Income tax benefit	(24)	(20)	(17)
RSU/PSU expense, net of income taxes	90	77	69
Stock options:			
Pretax compensation expense	73	62	52
Income tax benefit	(15)	(13)	(11)
Stock option expense, net of income taxes	58	49	41
Total stock-based compensation:			
Pretax compensation expense	187	159	138
Income tax benefit	(39)	(33)	(28)
Total stock-based compensation expense, net of income taxes	\$ 148	\$ 126	\$ 110

Stock-based compensation has been recognized as a component of selling, general and administrative expenses in the accompanying Consolidated Statements of Earnings. As of December 31, 2020, \$168 million of total unrecognized compensation cost related to RSUs/PSUs is expected to be recognized over a weighted average period of

approximately two years. As of December 31, 2020, \$167 million of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted average period of approximately three years. Future compensation amounts will be adjusted for any changes in estimated forfeitures.

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The following summarizes option activity under the Company's stock plans (in millions, except weighted exercise price and number of years):

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding as of January 1, 2018	18.8	\$ 59.84		
Granted	4.1	99.51		
Exercised	(3.4)	41.88		
Cancelled/forfeited	(0.9)	80.14		
Outstanding as of December 31, 2018	18.6	70.86		
Granted	4.3	117.32		
Exercised	(3.5)	53.02		
Cancelled/forfeited	(0.9)	98.98		
Adjustment due to Envista Split-Off ^(a)	(1.5)	91.65		
Outstanding as of December 31, 2019	17.0	82.95		
Granted	2.9	160.71		
Exercised	(3.5)	62.54		
Cancelled/forfeited	(0.5)	113.94		
Outstanding as of December 31, 2020	15.9	100.65	7	\$ 1,931
Vested and expected to vest as of December 31, 2020 ^(b)	15.4	\$ 99.61	7	\$ 1,887
Vested as of December 31, 2020	6.3	\$ 74.00	5	\$ 940

^(a) The "Adjustment due to Envista Split-Off" reflects the cancellation of options which were outstanding as of December 18, 2019 and held by Envista employees, which have been terminated and replaced by Envista equity awards as part of the Envista Split-Off.

^(b) The "expected to vest" options are the net unvested options that remain after applying the forfeiture rate assumption to total unvested options.

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (the difference between the Company's closing stock price on the last trading day of 2020 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on December 31, 2020. The amount of aggregate intrinsic value will change based on the price of the Company's common stock.

Options outstanding as of December 31, 2020 are summarized below (in millions, except price per share and number of years):

Exercise Price	Outstanding			Exercisable	
	Shares	Average Exercise Price	Average Remaining Life (in years)	Shares	Average Exercise Price
\$36.87 to \$52.96	1.0	\$ 43.97	2	1.0	\$ 43.96
\$52.97 to \$66.70	2.7	63.94	4	2.1	63.41
\$66.71 to \$99.32	3.7	82.40	6	2.0	78.94
\$99.33 to \$131.04	5.2	106.64	8	1.1	104.20
\$131.05 to \$234.68	3.3	156.93	9	0.1	139.44

The aggregate intrinsic value of options exercised during the years ended December 31, 2020, 2019 and 2018 was \$415 million, \$266 million and \$202 million, respectively. Exercise of options during the years ended December 31,

2020, 2019 and 2018 resulted in cash receipts of \$211 million, \$179 million and \$133 million, respectively. Upon exercise of the award by the employee, the Company derives a tax deduction measured by the excess of the market value over the grant price at the date of exercise. The Company realized a tax benefit of \$82 million, \$51 million and \$40 million in 2020, 2019 and 2018, respectively, related to the exercise of employee stock options.

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The following summarizes information on unvested RSU and PSU activity (in millions, except weighted average grant-date fair value):

	Number of RSUs/ PSUs	Weighted Average Grant-Date Fair Value
Unvested as of January 1, 2018	3.9	\$ 71.27
Granted	1.5	99.15
Vested	(1.2)	68.37
Forfeited	(0.3)	78.41
Unvested as of December 31, 2018	3.9	82.21
Granted	1.4	115.38
Vested	(1.1)	75.51
Forfeited	(0.3)	92.82
Adjustment due to Envista Split-Off ^(a)	(0.4)	98.18
Unvested as of December 31, 2019	3.5	94.85
Granted	1.1	159.93
Vested	(1.0)	91.08
Forfeited	(0.2)	111.59
Unvested as of December 31, 2020	3.4	116.03

^(a) The “Adjustment due to Envista Split-Off” reflects the cancellation of RSUs and PSUs which were outstanding as of December 18, 2019 and held by Envista employees which have been terminated and replaced by Envista equity awards as part of the Envista Split-Off.

The Company realized a tax benefit of \$18 million, \$25 million and \$17 million in the years ended December 31, 2020, 2019 and 2018, respectively, related to the vesting of RSUs.

The excess tax benefit of \$85 million, \$55 million and \$38 million related to the exercise of employee stock options and vesting of RSUs for the years ended December 31, 2020, 2019 and 2018, respectively, has been recorded as a reduction to the current income tax provision and is reflected as an operating cash inflow in the accompanying Consolidated Statements of Cash Flows.

In connection with the exercise of certain stock options and the vesting of RSUs previously issued by the Company, a number of shares sufficient to fund statutory minimum tax withholding requirements has been withheld from the total shares issued or released to the award holder (though under the terms of the applicable plan, the shares are considered to have been issued and are not added back to the pool of shares available for grant). During the year ended December 31, 2020, 352 thousand shares with an aggregate value of \$58 million were withheld to satisfy the requirement. During the year ended December 31, 2019, 402 thousand shares with an aggregate value of \$49 million were withheld to satisfy the requirement. The withholding is treated as a reduction in additional paid-in capital in the accompanying Consolidated Statements of Stockholders’ Equity and a reduction in proceeds from the issuance of common stock in connection with stock-based compensation in the Consolidated Statements of Cash Flows.

NOTE 20. NET EARNINGS PER COMMON SHARE FROM CONTINUING OPERATIONS

Basic net earnings per share (“EPS”) from continuing operations is calculated by taking net earnings from continuing operations less the MCPS dividends divided by the weighted average number of common shares outstanding for the applicable period. Diluted net EPS from continuing operations is computed by taking net earnings from continuing operations plus the interest on the Company’s LYONs less the MCPS dividends divided by the weighted average number of common shares outstanding increased by the number of additional shares that would have been outstanding had the potentially dilutive common shares been issued and reduced by the number of shares the Company could have repurchased with the proceeds from the issuance of the potentially dilutive shares. For the years

ended December 31, 2020 and 2018, 1 million options to purchase shares were not included in the diluted earnings per share calculation as the impact of their inclusion would have been anti-dilutive. For the year ended December 31, 2019, no options to purchase shares were excluded from the diluted earnings per share calculation. Basic and diluted EPS are computed independently for each quarter and annual period, which involves the use of different weighted-average share count figures relating to quarterly and annual periods. As a result, and after factoring the effect of rounding to the nearest cent per share, the sum of prior quarter-to-date EPS figures may not equal annual EPS.

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The impact of the MCPS calculated under the if-converted method was anti-dilutive, and as such 17 million and 10 million shares underlying the MCPS (assuming a conversion ratio based on the December 31, 2020 and 2019 share prices, respectively) were excluded from the diluted EPS calculation for the years ended December 31, 2020 and 2019, respectively.

Information related to the calculation of net earnings from continuing operations per share of common stock for the years ended December 31 is summarized as follows (\$ and shares in millions, except per share amounts):

	2020	2019	2018
Numerator:			
Net earnings from continuing operations	\$ 3,646	\$ 2,432	\$ 2,406
MCPS dividends	(136)	(68)	—
Net earnings from continuing operations attributable to common stockholders for Basic EPS	3,510	2,364	2,406
Adjustment for interest on convertible debentures	1	2	2
Net earnings from continuing operations attributable to common stockholders after assumed conversions for Diluted EPS	<u>\$ 3,511</u>	<u>\$ 2,366</u>	<u>\$ 2,408</u>
Denominator:			
Weighted average common shares outstanding used in Basic EPS	706.2	715.0	700.6
Incremental common shares from:			
Assumed exercise of dilutive options and vesting of dilutive RSUs and PSUs	11.4	8.9	7.2
Assumed conversion of the convertible debentures	1.1	1.6	2.4
Weighted average common shares outstanding used in Diluted EPS	<u>718.7</u>	<u>725.5</u>	<u>710.2</u>
Basic EPS from continuing operations	\$ 4.97	\$ 3.31	\$ 3.43
Diluted EPS from continuing operations	\$ 4.89	\$ 3.26	\$ 3.39

NOTE 21. SEGMENT INFORMATION

The Company operates and reports its results in three separate business segments consisting of the Life Sciences, Diagnostics and Environmental & Applied Solutions segments. When determining the reportable segments, the Company aggregated operating segments based on their similar economic and operating characteristics. Operating profit represents total revenues less operating expenses, excluding nonoperating income and expense, interest and income taxes. Operating profit amounts in the Other segment consist of unallocated corporate costs and other costs not considered part of management's evaluation of reportable segment operating performance. The identifiable assets by segment are those used in each segment's operations. Intersegment amounts are not significant and are eliminated to arrive at consolidated totals.

Detailed segment data for the years ended December 31 is as follows (\$ in millions):

	2020	2019	2018
Sales:			
Life Sciences	\$ 10,576	\$ 6,951	\$ 6,471
Diagnostics	7,403	6,561	6,258
Environmental & Applied Solutions	4,305	4,399	4,320
Total	\$ 22,284	\$ 17,911	\$ 17,049
Operating profit:			
Life Sciences	\$ 2,054	\$ 1,401	\$ 1,229
Diagnostics	1,538	1,134	1,074
Environmental & Applied Solutions	979	1,052	988
Other	(340)	(318)	(236)
Total	\$ 4,231	\$ 3,269	\$ 3,055
Identifiable assets:			
Life Sciences	\$ 48,919	\$ 22,381	\$ 22,122
Diagnostics	15,042	14,442	14,031
Environmental & Applied Solutions	5,083	4,882	4,637
Other	7,117	20,377	1,201
Discontinued operations	—	—	5,842
Total	\$ 76,161	\$ 62,082	\$ 47,833
Depreciation and amortization:			
Life Sciences	\$ 1,053	\$ 487	\$ 471
Diagnostics	602	582	589
Environmental & Applied Solutions	110	111	109
Other	10	9	9
Total	\$ 1,775	\$ 1,189	\$ 1,178
Capital expenditures, gross:			
Life Sciences	\$ 306	\$ 143	\$ 140
Diagnostics	447	435	380
Environmental & Applied Solutions	36	54	57
Other	2	4	7
Total	\$ 791	\$ 636	\$ 584

Operations in Geographical Areas:

(\$ in millions)	Year Ended December 31		
	2020	2019	2018
Sales:			
United States	\$ 8,616	\$ 6,660	\$ 6,134
China	2,688	2,308	2,170
Germany	1,238	1,013	1,082
All other (each country individually less than 5% of total sales)	9,742	7,930	7,663
Total	\$ 22,284	\$ 17,911	\$ 17,049
Property, plant and equipment, net:			
United States	\$ 1,317	\$ 1,077	\$ 1,081
Sweden	553	32	32
United Kingdom	214	163	157
Germany	207	163	169
All other (each country individually less than 5% of total property, plant and equipment, net)	971	867	811
Total	\$ 3,262	\$ 2,302	\$ 2,250

Sales by Major Product Group:

(\$ in millions)	Year Ended December 31		
	2020	2019	2018
Analytical and physical instrumentation	\$ 2,443	\$ 2,464	\$ 2,437
Research and medical products	17,979	13,512	12,686
Product identification	1,862	1,935	1,926
Total	\$ 22,284	\$ 17,911	\$ 17,049

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

The Company's management, with the participation of the Company's President and Chief Executive Officer, and Executive Vice President and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the Company's President and Chief Executive Officer, and Executive Vice President and Chief Financial Officer, have concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective.

Management's annual report on its internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) and the independent registered public accounting firm's audit report on the effectiveness of Danaher's internal control over financial reporting are included in the Company's financial statements for the year ended December 31, 2020 included in Item 8 of this Annual Report on Form 10-K, under the headings "Report of Management on Danaher Corporation's Internal Control Over Financial Reporting" and "Report of Independent Registered Public Accounting Firm," respectively, and are incorporated herein by reference.

There have been no changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the Company's most recent completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Other than the information below, the information required by this Item is incorporated by reference from the sections entitled *Proposal 1—Election of Directors of Danaher, Corporate Governance* and *Other Information* in the Proxy Statement for the Company's 2021 annual meeting of shareholders and from the information under the caption "Information About Our Executive Officers" in Part I hereof. No nominee for director was selected pursuant to any arrangement or understanding between the nominee and any person other than the Company pursuant to which such person is or was to be selected as a director or nominee.

Code of Ethics

Danaher has adopted a code of business conduct and ethics for directors, officers (including Danaher's principal executive officer, principal financial officer and principal accounting officer) and employees, known as the Code of Conduct. The Code of Conduct is available in the "Investors—Corporate Governance" section of Danaher's website at www.danaher.com.

Danaher intends to disclose any amendment to the Code of Conduct that relates to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K, and any waiver from a provision of the Code of Conduct granted to any director, principal executive officer, principal financial officer, principal accounting officer, or any of its other executive officers, in the "Investors—Corporate Governance" section of its website, at www.danaher.com, within four business days following the date of such amendment or waiver.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference from the sections entitled ***Director Compensation, Compensation Discussion and Analysis, Compensation Committee Report, Compensation Tables and Information*** and ***Summary of Employment Agreements and Plans*** in the Proxy Statement for the Company's 2021 annual meeting of shareholders (provided that the Compensation Committee Report shall not be deemed to be "filed").

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated by reference from the sections entitled *Beneficial Ownership of Danaher Common Stock by Directors, Officers and Principal Shareholders*, *Summary of Employment Agreements and Plans* and *Compensation Tables and Information* in the Proxy Statement for the Company's 2021 annual meeting of shareholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated by reference from the section entitled *Director Independence and Related Person Transactions* in the Proxy Statement for the Company's 2021 annual meeting of shareholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated by reference from the section entitled *Proposal 2—Ratification of Independent Registered Public Accounting Firm* in the Proxy Statement for the Company's 2021 annual meeting of shareholders.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- a) The following documents are filed as part of this report.
- (1) Financial Statements. The financial statements are set forth under “Item 8. Financial Statements and Supplementary Data” of this Annual Report on Form 10-K.
 - (2) Schedules. An index of Exhibits and Schedules is on page 121 of this report. Schedules other than those listed below have been omitted from this Annual Report on Form 10-K because they are not required, are not applicable or the required information is included in the financial statements or the notes thereto.
 - (3) Exhibits. The exhibits listed in the accompanying Exhibit Index are filed or incorporated by reference as part of this Annual Report on Form 10-K.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

DANAHER CORPORATION
INDEX TO FINANCIAL STATEMENTS, SUPPLEMENTARY DATA AND FINANCIAL STATEMENT
SCHEDULE

	Page Number in Form 10-K
Schedule:	
<u>Valuation and Qualifying Accounts</u>	128

EXHIBIT INDEX

Exhibit Number	Description
2.1	<u>Equity and Asset Purchase Agreement dated as of February 25, 2019, by and between General Electric Company and Danaher Corporation+</u> Incorporated by reference from Exhibit 2.1 to Danaher Corporation's Current Report on Form 8-K filed February 25, 2019
2.2	<u>First Amended and Restated Equity and Asset Purchase Agreement dated as of March 31, 2020, by and between General Electric Company and Danaher Corporation+</u> Incorporated by reference from Exhibit 2.1 to Danaher Corporation's Current Report on Form 8-K filed on April 1, 2020
3.1	<u>Restated Certificate of Incorporation of Danaher Corporation</u> Incorporated by reference from Exhibit 3.1 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended June 29, 2012
3.2	<u>Certificate of Designations of the 4.75% Mandatory Convertible Preferred Stock, Series A</u> Incorporated by reference from Exhibit 3.1 to Danaher Corporation's Current Report on Form 8-K filed March 1, 2019
3.3	<u>Certificate of Designations of the 5.00% Mandatory Convertible Preferred Stock, Series B</u> Incorporated by reference from Exhibit 3.1 to Danaher Corporation's Current Report on Form 8-K filed May 12, 2020
3.4	<u>Amended and Restated By-laws of Danaher Corporation</u> Incorporated by reference from Exhibit 3.2 to Danaher Corporation's Current Report on Form 8-K filed December 6, 2016
4.1	<u>Senior Indenture dated as of December 11, 2007 by and between Danaher Corporation and The Bank of New York Mellon Trust Company, N.A. as trustee ("Senior Indenture")</u> Incorporated by reference from Exhibit 1.2 to Danaher Corporation's Current Report on Form 8-K filed on December 11, 2007
4.2	<u>First Supplemental Indenture to Senior Indenture, dated as of September 15, 2015, by and between Danaher Corporation and The Bank of New York Mellon Trust Company, N.A. as trustee</u> Incorporated by reference from Exhibit 4.1 to Danaher Corporation's Current Report on Form 8-K filed September 15, 2015
4.3	<u>Indenture dated as of July 8, 2015, by and between Danaher Corporation, as guarantor, DH Europe Finance S.a.r.l., as issuer, and The Bank of New York Mellon Trust Company, N.A. as trustee ("Danaher International Indenture")</u> Incorporated by reference from Exhibit 4.1 to Danaher Corporation's Current Report on Form 8-K filed on July 8, 2015
4.4	<u>First Supplemental Indenture to Danaher International Indenture, dated as of July 8, 2015, by and between Danaher Corporation, as guarantor, DH Europe Finance S.A., as issuer, and The Bank of New York Mellon Trust Company, N.A. as trustee</u> Incorporated by reference from Exhibit 4.2 to Danaher Corporation's Current Report on Form 8-K filed on July 8, 2015
4.5	<u>Paying and Calculation Agency Agreement, dated as of July 8, 2015, by and among Danaher International, Danaher Corporation, and The Bank of New York Mellon, London Branch, as paying and calculation agent</u> Incorporated by reference from Exhibit 4.3 to Danaher Corporation's Current Report on Form 8-K filed on July 8, 2015
4.6	<u>Second Supplemental Indenture to Danaher International Indenture, dated as of June 30, 2017, by and between Danaher Corporation, as guarantor, DH Europe Finance S.a.r.l., as issuer, and The Bank of New York Mellon Trust Company, N.A. as trustee</u> Incorporated by reference from Exhibit 4.2 to Danaher Corporation's Current Report on Form 8-K filed on June 30, 2017

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4.7	<u>Paying and Calculation Agency Agreement, dated as of June 30, 2017, by and among Danaher International, Danaher Corporation, The Bank of New York Mellon Trust Company, N.A. as trustee and The Bank of New York Mellon, London Branch, as paying and calculation agent</u>	Incorporated by reference from Exhibit 4.3 to Danaher Corporation's Current Report on Form 8-K filed on June 30, 2017
4.8	<u>Second Supplemental Indenture to Senior Indenture, dated as of July 1, 2019 between Danaher Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee</u>	Incorporated by reference from Exhibit 4.2 to Danaher Corporation's Post-Effective Amendment No. 1 to Registration Statement on Form S-3 filed July 10, 2019
4.9	<u>Third Supplemental Indenture to Senior Indenture, dated as of March 30, 2020 between Danaher Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee</u>	Incorporated by reference from Exhibit 4.3 to Danaher Corporation's Current Report on Form 8-K filed on March 30, 2020
4.10	<u>Fourth Supplemental Indenture to Senior Indenture, dated as of October 6, 2020 between Danaher Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee</u>	Incorporated by reference from Exhibit 4.4 to Danaher Corporation's Current Report on Form 8-K filed on October 6, 2020
4.11	<u>Third Supplemental Indenture to Danaher International Indenture, dated as of July 1, 2019 among DH Europe Finance S.à r.l., as issuer, Danaher Corporation, as guarantor and The Bank of New York Mellon Trust Company, N.A., as trustee</u>	Incorporated by reference from Exhibit 4.5 to Danaher Corporation's Post-Effective Amendment No. 1 to Registration Statement on Form S-3 filed July 10, 2019
4.12	<u>Base Indenture, dated as of September 18, 2019, among DH Europe Finance II S.à r.l., as issuer, Danaher Corporation, as guarantor and The Bank of New York Mellon Trust Company, N.A., as trustee ("Danaher International II Indenture")</u>	Incorporated by reference from Exhibit 4.1 to Danaher Corporation's Current Report on Form 8-K filed September 18, 2019
4.13	<u>First Supplemental Indenture to Danaher International II Indenture, dated as of September 18, 2019, among DH Europe Finance II S.à r.l., as issuer, Danaher Corporation, as guarantor and The Bank of New York Mellon Trust Company, N.A., as trustee</u>	Incorporated by reference from Exhibit 4.2 to Danaher Corporation's Current Report on Form 8-K filed September 18, 2019
4.14	<u>Specimen Certificate of the 4.75% Mandatory Convertible Preferred Stock, Series A</u>	Included in Exhibit 3.2 above
4.15	<u>Specimen Certificate of the 5.00% Mandatory Convertible Preferred Stock, Series B</u>	Included in Exhibit 3.3 above
4.16	<u>Description of Securities Registered Under Section 12 of the Exchange Act</u>	
10.1	<u>Danaher Corporation 2007 Omnibus Incentive Plan, as amended and restated*</u>	Incorporated by reference from Exhibit 10.1 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017
10.2	<u>Danaher Corporation Non-Employee Directors' Deferred Compensation Plan, as amended, a sub-plan under the 2007 Omnibus Incentive Plan*</u>	Incorporated by reference from Exhibit 10.2 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2008
10.3	<u>Amended Form of Election to Defer under the Danaher Corporation Non-Employee Directors' Deferred Compensation Plan*</u>	Incorporated by reference from Exhibit 10.3 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2008
10.4	<u>Form of Danaher Corporation 2007 Omnibus Incentive Plan Stock Option Agreement for Non-Employee Directors*</u>	
10.5	<u>Form of Danaher Corporation 2007 Omnibus Incentive Plan RSU Agreement for Non-Employee Directors*</u>	
10.6	<u>Form of Danaher Corporation 2007 Omnibus Incentive Plan Stock Option Agreement*</u>	

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10.7	<u>Form of Danaher Corporation 2007 Omnibus Incentive Plan RSU Agreement*</u>	
10.8	<u>Form of Danaher Corporation 2007 Omnibus Incentive Plan PSU Agreement*</u>	
10.9	<u>Danaher Corporation & Subsidiaries Amended and Restated Executive Deferred Incentive Program*</u>	Incorporated by reference from Exhibit 10.8 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2018
10.10	<u>Amendment to Danaher Corporation & Subsidiaries Amended and Restated Executive Deferred Incentive Program*</u>	Incorporated by reference from Exhibit 10.14 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended September 27, 2019
10.11	<u>Danaher Corporation Excess Contribution Program, a sub-plan under the 2007 Omnibus Incentive Plan, as amended and restated*</u>	Incorporated by reference from Exhibit 10.9 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2018
10.12	<u>Amendment to Danaher Excess Contribution Program*</u>	Incorporated by reference from Exhibit 10.15 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended September 27, 2019
10.13	<u>Amended and Restated Danaher Corporation Deferred Compensation Plan*</u>	Incorporated by reference from Exhibit 10.12 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended September 27, 2019
10.14	<u>Amendment to Amended and Restated Danaher Corporation Deferred Compensation Plan*</u>	Incorporated by reference from Exhibit 10.13 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended September 27, 2019
10.15	<u>Danaher Corporation Senior Leader Severance Pay Plan*</u>	Incorporated by reference from Exhibit 10.1 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended March 29, 2013
10.16	<u>Agreement Regarding Competition and Protection of Proprietary Interests by and between Danaher Corporation and Thomas P. Joyce, Jr., dated March 16, 2009*</u>	Incorporated by reference from Exhibit 10.16 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2014
10.17	<u>Amendment to Agreement Regarding Competition and Protection of Proprietary Interests by and between Danaher Corporation and Thomas P. Joyce, Jr., dated September 11, 2014*</u>	Incorporated by reference from Exhibit 10.1 to Danaher Corporation's Current Report on Form 8-K filed on September 15, 2014
10.18	<u>Agreement by and between Danaher Corporation and Thomas P. Joyce, Jr., dated May 6, 2020*</u>	Incorporated by reference from Exhibit 10.1 to Danaher Corporation's Current Report on Form 8-K filed May 6, 2020
10.19	<u>Amended and Restated Agreement Regarding Competition and Protection of Proprietary Interests by and between Danaher Corporation and Rainer M. Blair, dated May 6, 2020*</u>	Incorporated by reference from Exhibit 10.2 to Danaher Corporation's Current Report on Form 8-K filed May 6, 2020
10.20	<u>Agreement Regarding Competition and Protection of Proprietary Interests by and between Danaher Corporation and Joakim Weidemanis, dated as of May 15, 2020*</u>	Incorporated by reference from Exhibit 10.3 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended July, 3, 2020
10.21	<u>Agreement Regarding Competition and Protection of Proprietary Interests by and between Danaher Corporation and Matthew McGrew dated November 7, 2018*</u>	Incorporated by reference from Exhibit 10.2 to Danaher Corporation's Current Report on Form 8-K filed on November 8, 2018
10.22	<u>Agreement Regarding Competition and Protection of Proprietary Interests by and between Danaher Corporation and Angela S. Lalor dated March 23, 2012*</u>	Incorporated by reference from Exhibit 10.16 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2016

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10.23	<u>Agreement Regarding Competition and Protection of Proprietary Interests by and between Danaher Corporation and Brian W. Ellis dated December 7, 2015*</u>	Incorporated by reference from Exhibit 10.18 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2016
10.24	<u>Letter Agreement by and between Danaher Corporation and Angela S. Lalor, dated March 19, 2012*</u>	Incorporated by reference from Exhibit 10.14 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2012
10.25	<u>Letter Agreement by and between Danaher Corporation and Brian W. Ellis, dated November 18, 2015*</u>	Incorporated by reference from Exhibit 10.19 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2016
10.26	<u>Description of compensation arrangements for non-management directors*</u>	Incorporated by reference from Exhibit 10.22 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2019
10.27	<u>Management Agreement dated February 23, 2012 by and between FJ900, Inc. and Joust Capital III, LLC⁽¹⁾</u>	Incorporated by reference from Exhibit 10.25 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2011
10.28	<u>Interchange Agreement dated July 22, 2011 by and between Danaher Corporation and Joust Capital III, LLC⁽²⁾</u>	Incorporated by reference from Exhibit 10.10 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended July 1, 2011
10.29	<u>Aircraft Time Sharing Agreement by and between Danaher Corporation and Rainer M. Blair, dated as of August 3, 2020*</u> ⁽³⁾	Incorporated by reference from Exhibit 10.1 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended October 2, 2020
10.30	<u>Amendment No. 1 to Aircraft Time Sharing Agreement by and between Danaher Corporation and Thomas P. Joyce, Jr., dated July 1, 2016*</u>	Incorporated by reference from Exhibit 10.7 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended July 1, 2016
10.31	<u>Form of Director and Officer Indemnification Agreement</u>	Incorporated by reference from Exhibit 10.35 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2008
10.32	<u>Second Amended and Restated Credit Agreement, dated as of August 27, 2019, among Danaher Corporation, certain of its subsidiaries party thereto, Bank of America, N.A., as Administrative Agent and a Swing Line Lender, and the lenders referred to therein</u>	Incorporated by reference from Exhibit 10.1 to Danaher Corporation's Current Report on Form 8-K filed August 29, 2019
10.33	<u>Amendment No. 1 to Second Amended and Restated Credit Agreement, dated as of September 20, 2019, among Danaher Corporation, Bank of America, N.A., Bank of America, N.A. London Branch and Citibank, N.A., each in their respective roles as a Swing Line Lender, Bank of America, N.A. as Administrative Agent and the lenders referred to therein</u>	Incorporated by reference from Exhibit 10.8 to Danaher Corporation's Report on Form 10-Q for the quarter ended September 27, 2019
10.34	<u>Amendment No. 2 to Second Amended and Restated Credit Agreement, dated as of October 7, 2019, among Danaher Corporation, Bank of America, N.A., Bank of America, N.A. London Branch and Citibank, N.A., each in their respective roles as a Swing Line Lender, Bank of America, N.A. as Administrative Agent and the lenders referred to therein</u>	Incorporated by reference from Exhibit 10.9 to Danaher Corporation's Report on Form 10-Q for the quarter ended September 27, 2019
21.1	<u>Subsidiaries of Registrant</u>	
22.1	<u>Subsidiary guarantors and issuers of guaranteed securities and affiliates whose securities collateralize securities of the Registrant</u>	
23.1	<u>Consent of Independent Registered Public Accounting Firm</u>	

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31.1	Certification of Chief Executive Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer, Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. ⁽⁴⁾
101.SCH	Inline XBRL Taxonomy Extension Schema Document ⁽⁴⁾
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document ⁽⁴⁾
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document ⁽⁴⁾
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document ⁽⁴⁾
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document ⁽⁴⁾
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

Danaher is a party to additional long-term debt instruments under which, in each case, the total amount of debt authorized does not exceed 10% of the total assets of Danaher and its subsidiaries on a consolidated basis. Pursuant to paragraph 4(iii)(A) of Item 601(b) of Regulation S-K, Danaher agrees to furnish a copy of such instruments to the Securities and Exchange Commission upon request.

- + The schedules have been omitted from this filing pursuant to Item 601 of Regulation S-K because they do not contain information material to an investment or voting decision and that information is not otherwise disclosed in the exhibit or this filing. Danaher will furnish copies of such schedules to the Securities and Exchange Commission upon request.
- * Indicates management contract or compensatory plan, contract or arrangement.
- (1) In accordance with Instruction 2 to Item 601(a)(4) of Regulation S-K, FJ900, Inc. (a subsidiary of Danaher) has entered into a management agreement with Joust Capital II, LLC that is substantially identical in all material respects to the form of agreement referenced as Exhibit 10.27, except as to the referenced aircraft and the name of the counterparty.
- (2) In accordance with Instruction 2 to Item 601(a)(4) of Regulation S-K, Danaher Corporation or a subsidiary thereof has entered into additional interchange agreements with each of Joust Capital II, LLC and Joust Capital III, LLC that are substantially identical in all material respects to the form of agreement attached as Exhibit 10.28, except as to the referenced aircraft and, in certain cases, the name of the counterparty.
- (3) In accordance with Instruction 2 to Item 601(a)(4) of Regulation S-K, Danaher Corporation has entered into an aircraft time sharing agreement with Thomas P. Joyce, Jr. and Matthew R. McGrew that is substantially identical in all material respects to the form of agreement referenced as Exhibit 10.29.
- (4) Attached as Exhibit 101 to this report are the following documents formatted in Inline XBRL (Inline Extensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2020 and 2019, (ii) Consolidated Statements of Earnings for the years ended December 31, 2020, 2019 and 2018, (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2020, 2019 and 2018, (iv) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2020, 2019 and 2018, (v) Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019 and 2018 and (vi) Notes to Consolidated Financial Statements.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

DANAHER CORPORATION

Date: February 24, 2021

By: /s/ RAINER M. BLAIR
Rainer M. Blair
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this annual report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated:

Name, Title and Signature**Date**

/s/ STEVEN M. RALES

Steven M. Rales
Chairman of the Board

February 24, 2021

/s/ MITCHELL P. RALES

Mitchell P. Rales
Chairman of the Executive Committee

February 24, 2021

/s/ LINDA HEFNER FILLER

Linda Hefner Filler
Director

February 24, 2021

/s/ RAINER M. BLAIR

Rainer M. Blair
President, Chief Executive Officer and Director

February 24, 2021

/s/ TERI LIST

Teri List
Director

February 24, 2021

/s/ WALTER G. LOHR, JR.

Walter G. Lohr, Jr.
Director

February 24, 2021

/s/ JESSICA L. MEGA, M.D., MPH

Jessica L. Mega, M.D, MPH
Director

February 24, 2021

/s/ PARDIS C. SABETI, M.D., D.Phil

Pardis C. Sabeti, M.D., D.Phil
Director

February 24, 2021

/s/ JOHN T. SCHWIETERS

John T. Schwieters

February 24, 2021

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Director

/s/ ALAN G. SPOON

February 24, 2021

Alan G. Spoon

Director

/s/ RAYMOND C. STEVENS, Ph.D.

February 24, 2021

Raymond C. Stevens, Ph.D.

Director

/s/ ELIAS A. ZERHOUNI, M.D.

February 24, 2021

Elias A. Zerhouni, M.D.

Director

/s/ MATTHEW R. MCGREW

February 24, 2021

Matthew R. McGrew

Executive Vice President and Chief Financial
Officer

/s/ ROBERT S. LUTZ

February 24, 2021

Robert S. Lutz

Senior Vice President and Chief Accounting Officer

DANAHER CORPORATION AND SUBSIDIARIES
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
(\$ in millions)

Classification	Balance at Beginning of Period ^(a)	Charged to Costs & Expenses	Impact of Currency	Charged to Other Accounts ^(b)	Write-Offs, Write- Downs & Deductions	Balance at End of Period ^(a)
Year ended December 31, 2020:						
Allowances deducted from asset account						
Allowance for doubtful accounts	\$ 105	31	4	14	(20)	\$ 134
Year ended December 31, 2019:						
Allowances deducted from asset account						
Allowance for doubtful accounts	\$ 103	30	(1)	—	(27)	\$ 105
Year ended December 31, 2018:						
Allowances deducted from asset account						
Allowance for doubtful accounts	\$ 100	31	(4)	1	(25)	\$ 103

^(a) Amounts include allowance for doubtful accounts classified as current and noncurrent.

^(b) Amounts related to businesses acquired, net of amounts related to businesses disposed not included in discontinued operations, and amounts related to the adoption impact from ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)



**ANNUAL REPORT PURSUANT TO SECTION 13
OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the fiscal year ended December 31, 2019

OR



**TRANSITION REPORT PURSUANT TO
SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-08089

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DANAHER CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

59-1995548
(I.R.S. Employer Identification Number)

2200 Pennsylvania Avenue, N.W., Suite 800W
Washington, DC
(Address of Principal Executive Offices)

20037-1701
(Zip Code)

Registrant's telephone number, including area code: 202-828-0850

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, \$0.01 par value	DHR	New York Stock Exchange
4.75% Mandatory Convertible Preferred Stock, Series A, without par value	DHR.PRA	New York Stock Exchange
Floating Rate Senior Notes due 2022	DHR F 06/30/22	New York Stock Exchange
1.700% Senior Notes due 2022	DHR 1.7 01/04/22	New York Stock Exchange
2.500% Senior Notes due 2025	DHR 2.5 07/08/25	New York Stock Exchange
0.200% Senior Notes due 2026	DHR 0.2 03/18/26	New York Stock Exchange
1.200% Senior Notes due 2027	DHR 1.2 06/30/27	New York Stock Exchange
	DHR 0.45	
0.450% Senior Notes due 2028	03/18/28	New York Stock Exchange
	DHR 0.75	
0.750% Senior Notes due 2031	09/18/31	New York Stock Exchange
	DHR 1.35	
1.350% Senior Notes due 2039	09/18/39	New York Stock Exchange
1.800% Senior Notes due 2049	DHR 1.8 09/18/49	New York Stock Exchange

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

NONE
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☒

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 (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes

☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer ☒

Accelerated Filer ☐

Non-accelerated Filer ☐

Smaller Reporting company ☐

Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of February 6, 2020, the number of shares of Registrant’s common stock outstanding was 696,237,113. The aggregate market value of common stock held by non-affiliates of the Registrant on June 28, 2019 was \$91.1 billion, based upon the closing price of the Registrant’s common stock as quoted on the New York Stock Exchange on such date.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates certain information by reference from the Registrant’s proxy statement for its 2020 annual meeting of shareholders to be filed pursuant to Regulation 14A within 120 days after Registrant’s fiscal year-end. With the exception of the sections of the 2020 Proxy Statement specifically incorporated herein by reference, the 2020 Proxy Statement is not deemed to be filed as part of this Form 10-K.

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INFORMATION RELATING TO FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Annual Report, in other documents we file with or furnish to the Securities and Exchange Commission (“SEC”), in our press releases, webcasts, conference calls, materials delivered to shareholders and other communications, are “forward-looking statements” within the meaning of the U.S. federal securities laws. All statements other than historical factual information are forward-looking statements, including without limitation statements regarding: projections of revenue, expenses, profit, profit margins, tax rates, tax provisions, cash flows, pension and benefit obligations and funding requirements, our liquidity position or other projected financial measures; management’s plans and strategies for future operations, including statements relating to anticipated operating performance, cost reductions, restructuring activities, new product and service developments, competitive strengths or market position, acquisitions and the integration thereof, divestitures, spin-offs, split-offs or other distributions, strategic opportunities, securities offerings, stock repurchases, dividends and executive compensation; growth, declines and other trends in markets we sell into; new or modified laws, regulations and accounting pronouncements; future regulatory approvals and the timing and conditionality thereof; outstanding claims, legal proceedings, tax audits and assessments and other contingent liabilities; future foreign currency exchange rates and fluctuations in those rates; general economic and capital markets conditions; the anticipated timing of any of the foregoing; assumptions underlying any of the foregoing; and any other statements that address events or developments that Danaher intends or believes will or may occur in the future. Terminology such as “believe,” “anticipate,” “should,” “could,” “intend,” “will,” “plan,” “expect,” “estimate,” “project,” “target,” “may,” “possible,” “potential,” “forecast” and “positioned” and similar references to future periods are intended to identify forward-looking statements, although not all forward-looking statements are accompanied by such words. Forward-looking statements are based on assumptions and assessments made by our management in light of their experience and perceptions of historical trends, current conditions, expected future developments and other factors they believe to be appropriate. These forward-looking statements are subject to a number of risks and uncertainties, including but not limited to the risks and uncertainties set forth under “Item 1A. Risk Factors” in this Annual Report.

Forward-looking statements are not guarantees of future performance and actual results may differ materially from the results, developments and business decisions contemplated by our forward-looking statements. Accordingly, you should not place undue reliance on any such forward-looking statements. Forward-looking statements speak only as of the date of the report, document, press release, webcast, call, materials or other communication in which they are made. Except to the extent required by applicable law, we do not assume any obligation to update or revise any forward-looking statement, whether as a result of new information, future events and developments or otherwise.

In this Annual Report, the terms “Danaher” or the “Company” refer to Danaher Corporation, Danaher Corporation and its consolidated subsidiaries or the consolidated subsidiaries of Danaher Corporation, as the context requires. Unless otherwise indicated, all financial data in this Annual Report refer to continuing operations only.

PART I

ITEM 1. BUSINESS

General

Danaher Corporation designs, manufactures and markets professional, medical, industrial and commercial products and services, which are typically characterized by strong brand names, innovative technology and major market positions. We are committed to innovating and developing forward-looking technologies that solve our customers’ most complex challenges. Danaher’s research and development, manufacturing, sales, distribution, service and administrative facilities are located in more than 60 countries. Our business consists of three segments: Life Sciences; Diagnostics; and Environmental & Applied Solutions. Danaher strives to create shareholder value primarily through three strategic priorities:

- enhancing its portfolio in attractive science and technology markets through strategic capital allocation;
- strengthening its competitive advantage through consistent application of the DANAHER BUSINESS SYSTEM (“DBS”) tools; and
- consistently attracting and retaining exceptional talent.

Danaher measures its progress against these strategic priorities over the long-term based primarily on financial metrics relating to revenue growth, profitability, cash flow and capital returns.

The Company's businesses use a set of growth, lean and leadership tools and processes, known as the DANAHER BUSINESS SYSTEM, which are designed to continuously improve business performance in the critical areas of quality, delivery, cost,

growth and innovation. Within the DBS framework, the Company pursues a number of ongoing strategic initiatives relating to customer insight generation, product development and commercialization, global sourcing of materials and services, manufacturing improvement and sales and marketing impact.

To further these objectives, the Company also acquires businesses and makes investments that either strategically fit within its existing business portfolio or expand its portfolio into a new and attractive business area. Given the rapid pace of technological development and the specialized expertise typical of Danaher's served markets, acquisitions, strategic alliances and investments provide the Company access to important new technologies and domain expertise. Danaher believes there are many acquisition and investment opportunities available within its targeted markets. The extent to which Danaher consummates and effectively integrates appropriate acquisitions and investments will affect its overall growth and operating results. Danaher also continually assesses the strategic fit of its existing businesses and may dispose of businesses that are deemed not to fit with its strategic plan or are not achieving the desired return on investment.

Danaher Corporation, originally DMG, Inc., was organized in 1969 as a Massachusetts real estate investment trust. In 1978 it was reorganized as a Florida corporation under the name Diversified Mortgage Investors, Inc. which in a second reorganization in 1980 became a subsidiary of a newly created holding company named DMG, Inc. DMG, Inc. adopted the name Danaher in 1984 and was reincorporated as a Delaware corporation in 1986.

In the third quarter of 2019, Danaher transferred its Dental businesses to Envista Holdings Corporation ("Envista") and divested a portion of its interest in Envista through an initial public offering of a portion of Envista's common stock. In the fourth quarter of 2019, Danaher divested its remaining ownership of Envista's common stock through a split-off exchange offer (the "Split-Off").

Sales in 2019 by geographic destination (geographic destination refers to the geographic area where the final sale to the Company's unaffiliated customer is made) as a percentage of total 2019 sales were: North America, 39% (including 37% in the United States); Western Europe, 23%; other developed markets, 6% and high-growth markets, 32%. The Company defines high-growth markets as developing markets of the world experiencing extended periods of accelerated growth in gross domestic product and infrastructure which include Eastern Europe, the Middle East, Africa, Latin America and Asia (with the exception of Japan, Australia and New Zealand). The Company defines developed markets as all markets of the world that are not high-growth markets.

LIFE SCIENCES

The Company's Life Sciences segment offers a broad range of research tools that scientists use to study the basic building blocks of life, including genes, proteins, metabolites and cells, in order to understand the causes of disease, identify new therapies and test new drugs and vaccines. The segment is also a leading provider of filtration, separation and purification technologies to the biopharmaceutical, food and beverage, medical, aerospace, microelectronics and general industrial sectors. Sales in 2019 for this segment by geographic destination (as a percentage of total 2019 sales) were: North America, 38%; Western Europe, 27%; other developed markets, 8% and high-growth markets, 27%.

Danaher established the life sciences business in 2005 through the acquisition of Leica Microsystems and has expanded the business through numerous subsequent acquisitions, including the acquisitions of AB Sciex and Molecular Devices in 2010, Beckman Coulter in 2011, Pall in 2015, Phenomenex in 2016, and IDT in 2018. The Life Sciences segment consists of the following businesses:

Filtration—The filtration, separation and purification technologies business is a leading provider of products used to remove solid, liquid and gaseous contaminants from a variety of liquids and gases, primarily through the sale of filtration consumables and to a lesser extent systems that incorporate filtration consumables and associated hardware. The business' core materials and technologies can be applied in many ways to solve complex fluid separation challenges, and are sold across a wide array of applications in two primary business groups:

- **Life Sciences.** The business' life sciences technologies facilitate the process of drug discovery, development, regulatory validation and production and are sold to biopharmaceutical, food and beverage and medical customers. In the biopharmaceutical area, the business sells a broad line of filtration and purification technologies, single use bioreactors and associated accessories, hardware and engineered systems primarily to pharmaceutical and biopharmaceutical companies for use in the development and commercialization of chemically synthesized and biologically derived drugs, plasma and vaccines. Biotechnology drugs, plasma and biologically derived vaccines in particular are filtration and purification intensive and represent a significant opportunity for growth for the business in the biopharmaceutical area.

The business also serves the filtration needs of the food and beverage markets, helping customers ensure the quality and safety of their products while lowering operating costs and minimizing waste. In the medical area, hospitals use the Company's breathing circuit and intravenous filters and water filters to help control the

spread of infections.

- **Industrial.** Virtually all of the raw materials, process fluids and waste streams that flow through industry are candidates for multiple stages of filtration, separation and purification. In addition, most of the machines used in complex production processes require filtration to protect sensitive parts from degradation due to contamination. The business' industrial technologies enhance the quality and efficiency of manufacturing processes and prolong equipment life in applications such as semiconductor equipment, airplanes, oil refineries, power generation turbines, petrochemical plants, municipal water plants and mobile mining equipment. Within these end-markets, demand is driven by end-users and original equipment manufacturers ("OEM") seeking to improve product performance, increase production and efficiency, reduce operating costs, extend the life of their equipment, conserve water and meet environmental regulations.

Mass Spectrometry—The mass spectrometry business is a leading global provider of high-end mass spectrometers as well as related consumable chromatography columns and sample preparation extraction products. Mass spectrometry is a technique for identifying, analyzing and quantifying elements, chemical compounds and biological molecules, individually or in complex mixtures. The mass spectrometers utilize various combinations of quadrupole, time-of-flight and ion trap technologies. The business' mass spectrometer systems and related products are used in numerous applications such as drug discovery and clinical development of therapeutics as well as in basic research, clinical testing, food and beverage quality testing and environmental testing. The business' global services network provides implementation, validation, training and maintenance to support customer installations around the world. Typical users of these mass spectrometry and related products include molecular biologists, bioanalytical chemists, toxicologists and forensic scientists as well as quality assurance and quality control technicians. The business also provides high-performance bioanalytical measurement systems, including microplate readers, automated cellular screening products and associated reagents and imaging software. Typical users of these products include biologists and chemists engaged in research and drug discovery, who use these products to determine electrical or chemical activity in cell samples.

Cellular Analysis, Lab Automation and Centrifugation—The business offers workflow instruments and consumables that help researchers analyze genomic, protein and cellular information. Key product areas include sample preparation equipment such as centrifugation and capillary electrophoresis instrumentation and consumables; liquid handling automation instruments and associated consumables; flow cytometry instrumentation and associated antibodies and reagents; and particle characterization instrumentation. Researchers use these products to study biological function in the pursuit of basic research, as well as therapeutic and diagnostic development. Typical users include pharmaceutical and biotechnology companies, universities, medical schools and research institutions and in some cases industrial manufacturers.

Microscopy—The microscopy business is a leading global provider of professional microscopes designed to capture, manipulate and preserve images and enhance the user's visualization and analysis of microscopic structures. The Company's microscopy products include laser scanning (confocal) microscopes, compound microscopes and related equipment, surgical and other stereo microscopes and specimen preparation products for electron microscopy. Typical users of these products include research, medical and surgical professionals operating in research and pathology laboratories, academic settings and surgical theaters.

Genomics Consumables—The genomics consumables business is a leading provider of custom nucleic acid products for the life sciences industry, primarily through the manufacture of custom DNA and RNA oligonucleotides and gene fragments utilizing a proprietary manufacturing ecosystem. The business has developed proprietary technologies for genomics applications such as next generation sequencing, CRISPR genome editing, qPCR, and RNA interference. The business also manufactures products used in diagnostic tests for many forms of cancer, as well as inherited and infectious diseases. Typical users of these products include professionals in the areas of academic and commercial research, agriculture, medical diagnostics, and pharmaceutical development.

Customers served by the Life Sciences segment select products based on a number of factors, including product quality and reliability, the product's capacity to enhance productivity, innovation (particularly productivity and sensitivity improvements), product performance and ergonomics, access to a service and support network and the other factors described under "—Competition." The life sciences business generally markets its products under the BECKMAN COULTER, IDT, LEICA MICROSYSTEMS, MOLECULAR DEVICES, PALL, PHENOMENEX and SCIEX brands. Manufacturing facilities are located in North America, Europe, Asia and Australia. The business sells to customers through direct sales personnel and independent distributors.

On February 25, 2019, the Company entered into an Equity and Asset Purchase Agreement (the “GE Biopharma Purchase Agreement”) with General Electric Company (“GE”) to acquire the Biopharma Business of GE Life Sciences (the “GE Biopharma Business”) for a cash purchase price of approximately \$21.0 billion, subject to certain adjustments, and the

assumption of approximately \$0.4 billion of pension liabilities (the “GE Biopharma Acquisition”). The business is a leading provider of instruments, software and consumables that help pharmaceutical and biopharmaceutical companies, biotechnology companies and academic and hospital-based researchers and clinicians identify and modify genes, cells and proteins to better understand the dynamics of a disease pathway and then design, develop and manufacture therapies intended to target that disease. The business offers products that support its customers across the pharmaceutical and biopharmaceutical value chain, from the earliest stages of drug discovery and research, to product and process development, clinical trials, therapy manufacturing and clinical use. Based on preliminary unaudited financial information provided by GE, the GE Biopharma Business generated revenues of approximately \$3.3 billion in 2019. The Company expects to include the GE Biopharma Business within the Life Sciences segment. The GE Biopharma Acquisition is expected to provide additional sales and earnings growth opportunities for the Company’s Life Sciences segment by expanding the business’ geographic and product line diversity, including new product and service offerings that complement the Company’s current biologics workflow solutions. As a condition to obtaining certain regulatory approvals for the closing of the transaction, the Company expects it will be required to divest certain of its existing product lines that in the aggregate generated revenues of approximately \$170 million in 2019. Though the timing of obtaining the final regulatory approvals necessary to close the GE Biopharma Acquisition is uncertain, the Company continues to make progress with respect thereto and expects to close the transaction in the first quarter of 2020.

DIAGNOSTICS

The Company’s Diagnostics segment offers analytical instruments, reagents, consumables, software and services that hospitals, physicians’ offices, reference laboratories and other critical care settings use to diagnose disease and make treatment decisions. Sales in 2019 for this segment by geographic destination (as a percentage of total 2019 sales) were: North America, 39%; Western Europe, 17%; other developed markets, 6% and high-growth markets, 38%.

Danaher established the diagnostics business in 2004 through the acquisition of Radiometer and expanded the business through numerous subsequent acquisitions, including the acquisitions of Vision Systems in 2006, Genetix in 2009, Beckman Coulter in 2011, Iris International and Aperio Technologies in 2012, HemoCue in 2013, Devicor Medical Products in 2014, the clinical microbiology business of Siemens Healthcare Diagnostics in 2015 and Cepheid in 2016. The Diagnostics segment consists of the following businesses:

Clinical Lab Diagnostics—The clinical lab business is a leading manufacturer and marketer of biomedical testing instruments, systems and related consumables that are used to evaluate and analyze samples made up of body fluids, cells and other substances. The information generated is used to diagnose disease, monitor and guide treatment and therapy, assist in managing chronic disease and assess patient status in hospital, outpatient and physicians’ office settings. The business offers the following products:

- chemistry systems use electrochemical detection and chemical reactions with patient samples to detect and quantify substances of diagnostic interest in blood, urine and other body fluids. Commonly performed tests include glucose, cholesterol, triglycerides, electrolytes, proteins and enzymes, as well as tests to detect urinary tract infections and kidney and bladder disease.
- immunoassay systems also detect and quantify biochemicals of diagnostic interest (such as proteins and hormones) in body fluids, particularly in circumstances where more specialized diagnosis is required. Commonly performed immunoassay tests assess thyroid function, screen and monitor for cancer and cardiac risk and provide important information in fertility and reproductive testing.
- hematology products are used for cellular analysis. The business’ hematology systems use principles of physics, optics, electronics and chemistry to separate cells of diagnostic interest and then quantify and characterize them, allowing clinicians to study formed elements in blood (such as red and white blood cells and platelets).
- microbiology systems are used for the identification of bacteria and antibiotic susceptibility testing (ID/AST) from human clinical samples, to detect and quantify bacteria related to microbial infections in urine, blood, and other body fluids, and to detect infections such as urinary tract infections, pneumonia and wound infections. The business’ technology enables direct testing of clinical isolates to ensure reliable detection of resistance to antibiotics.

- automation systems reduce manual operation and associated cost and errors from the pre-analytical through post-analytical stages including sample barcoding/information tracking, centrifugation, aliquotting, storage and conveyance. These systems along with the analyzers described above are controlled through laboratory level software that enables laboratory managers to monitor samples, results and lab efficiency.

- molecular diagnostics products, including biomedical testing instruments, systems and related consumables, enable DNA-based testing for organisms and genetic-based diseases in both clinical and non-clinical markets. These products integrate and automate the complicated and time-intensive steps associated with DNA-based testing (including sample preparation and DNA amplification and detection) to allow the testing to be performed in both laboratory and non-laboratory environments with minimal training and infrastructure. These products also include systems which commonly test for health care-associated infections, respiratory disease, sexual health and virology.

Typical users of the segment's clinical lab products include hospitals, physician's offices, reference laboratories and pharmaceutical clinical trial laboratories.

Critical Care Diagnostics—The critical care diagnostics business is a leading worldwide provider of instruments, software and related consumables and services that are used in both laboratory and point-of-care environments to rapidly measure critical parameters, including blood gases, electrolytes, metabolites and cardiac markers, as well as for anemia and high-sensitivity glucose testing. Typical users of these products include hospital central laboratories, intensive care units, hospital operating rooms, hospital emergency rooms, physician's office laboratories and blood banks.

Anatomical Pathology Diagnostics—The anatomical pathology diagnostics business is a leader in the anatomical pathology industry, offering a comprehensive suite of instrumentation and related consumables used across the entire workflow of a pathology laboratory. The anatomical pathology diagnostics products include chemical and immuno-staining instruments, reagents, antibodies and consumables; tissue embedding, processing and slicing (microtomes) instruments and related reagents and consumables; slide coverslipping and slide/cassette marking instruments; imaging instrumentation including slide scanners, microscopes and cameras; software solutions to store, share and analyze pathology images digitally and minimally invasive, vacuum-assisted breast biopsy collection instruments. Typical users of these products include pathologists, lab managers and researchers.

Customers in the diagnostics industry select products based on a number of factors, including product quality and reliability, the scope of tests that can be performed, the accuracy and speed of the product, the product's ability to enhance productivity, ease of use, total cost of ownership and access to a highly qualified service and support network as well as the other factors described under "—Competition." The diagnostics business generally markets its products under the APERIO, BECKMAN COULTER, CEPHEID, HEMOCUE, IRIS, LEICA BIOSYSTEMS, MAMMATOME, RADIOMETER and SURGIPATH brands. Manufacturing facilities are located in North America, Europe, Asia and Australia. The business sells to customers primarily through direct sales personnel and, to a lesser extent, through independent distributors.

ENVIRONMENTAL & APPLIED SOLUTIONS

The Company's Environmental & Applied Solutions segment offers products and services that help protect important resources and keep global food and water supplies safe. Sales in 2019 for this segment by geographic destination (as a percentage of total 2019 sales) were: North America, 43%; Western Europe, 24%; other developed markets, 3% and high-growth markets, 30%. The Company's Environmental & Applied Solutions segment consists of the following businesses:

Water Quality—The Company's water quality business provides instrumentation, consumables, software, services and disinfection systems to help analyze, treat and manage the quality of ultra-pure, potable, industrial, waste, ground, source and ocean water in residential, commercial, municipal, industrial and natural resource applications. Danaher entered the water quality sector in the late 1990's through the acquisitions of Dr. Lange and Hach Company, and has enhanced the geographic coverage and capabilities of its products and services through subsequent acquisitions, including the acquisition of Trojan Technologies Inc. in 2004 and ChemTreat, Inc. in 2007. The water quality business designs, manufactures and markets:

- a wide range of analytical instruments, related consumables, software and services that detect and measure chemical, physical and microbiological parameters in ultra-pure, potable, industrial, waste, ground, source and ocean water;
- ultraviolet disinfection systems, consumables and services, which disinfect billions of gallons of municipal, industrial and consumer water every day; and

- industrial water treatment solutions, including chemical treatment solutions intended to address corrosion, scaling and biological growth problems in boiler, cooling water and industrial wastewater applications as well as associated analytical services.

Typical users of these products and services include professionals in municipal drinking water and wastewater treatment plants, industrial process and discharge water facilities, wastewater treatment facilities, third-party testing laboratories and environmental operations. Customers in these industries choose suppliers based on a number of factors including the customer's existing supplier relationships, application expertise, product performance and ease of use, the comprehensiveness of the supplier's solutions offering, after-sales service and support and the other factors described under "—Competition." The

water quality business provides products under a variety of brands, including AGUASIN, AQUAFINE, CHEMTREAT, HACH, LIPESA, MCCROMETER, OTT HYDROMET, PALL WATER, SEA-BIRD, TROJAN TECHNOLOGIES and VIQUA. Manufacturing facilities are primarily located in North America, Europe and Asia. Sales are made through the business' direct sales personnel, e-commerce, independent representatives and independent distributors.

Product Identification—The Company's product identification business provides equipment, software, services and consumables for various color and appearance management, packaging design and quality management, packaging converting, printing, marking, coding and traceability applications for consumer, pharmaceutical and industrial products. Danaher entered the product identification market through the acquisition of Videojet in 2002, and has expanded the product and geographic coverage through various subsequent acquisitions, including the acquisitions of Willett International Limited in 2003, Linx Printing Technologies PLC in 2005, EskoArtwork in 2011, X-Rite in 2012, Laetus in 2015, Advanced Vision Technology Limited ("AVT") in 2017 and Blue Software in 2018. The product identification businesses design, manufacture, and market the following products and services:

- the business provides innovative color and appearance solutions through standards, software, measurement devices and related services. The business' expertise in inspiring, virtualizing, selecting, specifying, formulating and measuring color and appearance helps users improve the quality and relevance of their products and reduces costs.
- the business is a leading global provider of software for online collaboration, three-dimensional virtualization, workflow automation, quality approvals and prepress processes to manage structural design, artwork creation, color and product information for branded packaging and marketing materials. Its packaging solutions help consumer goods manufacturers improve their business processes, shorten time to market and reduce costs across internal departments and external suppliers.
- the business provides flexographic computer-to-plate imaging equipment, solutions for print process control, press control, quality assurance and digital finishing systems for the packaging, labels and commercial print industries. Its automation, print process and press control solutions help packaging manufacturers reduce lead time and satisfy their customers' demands for smaller, more frequent print jobs.
- the business provides a variety of equipment and solutions used to give products unique identities by printing date, lot and bar codes and other information on primary and secondary packaging, applying high-quality alphanumeric codes, logos and graphics to a wide range of surfaces at a variety of production line speeds, angles and locations on a product or package. Its vision inspection and track-and-trace solutions also help pharmaceutical and consumer goods manufacturers safeguard the authenticity of their products through supply chains.

Typical users of these products include manufacturers of consumer goods, pharmaceuticals, paints, plastics and textiles, retailers, graphic design firms and packaging printers and converters. Customers in these industries choose suppliers based on a number of factors, including domain experience, speed and accuracy, ease of connection to the internet and other software systems, equipment uptime and reliable operation without interruption, ease of maintenance, service coverage and the other factors described under "—Competition." The product identification products are primarily marketed under the AVT, BLUE, ESKO, LAETUS, LINX, MEDIABEACON, PANTONE, VIDEOJET and X-RITE brands. Manufacturing and software development facilities are located in North America, Europe, Latin America and Asia. Sales are generally made through the business' direct sales personnel, independent distributors and e-commerce.

The following discussion includes information common to all of Danaher's segments.

Materials

The Company's manufacturing operations employ a wide variety of raw materials, including metallic-based components, electronic components, chemicals, plastics and other petroleum-based products. Prices of oil and gas also affect the Company's costs for freight and utilities. The Company purchases raw materials from a large number of independent sources around the world. No single supplier is material, although for some components that require

particular specifications or regulatory or other qualifications there may be a single supplier or a limited number of suppliers that can readily provide such components. The Company utilizes a number of techniques to address potential disruption in and other risks relating to its supply chain, including in certain cases the use of safety stock, alternative materials and qualification of multiple supply sources. During 2019, the Company had no raw material shortages that had a material effect on the business. For a further discussion of risks related to the materials and components required for the Company's operations, refer to "Item 1A. Risk Factors."

Intellectual Property

The Company owns numerous patents, trademarks, copyrights, trade secrets and licenses to intellectual property owned by others. Although in aggregate the Company's intellectual property is important to its operations, the Company does not consider any single patent, trademark, copyright, trade secret or license (or any related group of any such items) to be of material importance to any segment or to the business as a whole. From time to time the Company engages in litigation to protect its intellectual property rights. For a discussion of risks related to the Company's intellectual property, refer to "Item 1A. Risk Factors." All capitalized brands and product names throughout this document are trademarks owned by, or licensed to, Danaher.

Competition

Although the Company's businesses generally operate in highly competitive markets, the Company's competitive position cannot be determined accurately in the aggregate or by segment since none of its competitors offer all of the same product and service lines or serve all of the same markets as the Company, or any of its segments, does. Because of the range of the products and services the Company sells and the variety of markets it serves, the Company encounters a wide variety of competitors, including well-established regional competitors, competitors who are more specialized than it is in particular markets, as well as larger companies or divisions of larger companies with substantial sales, marketing, research and financial capabilities. The Company is facing increased competition in a number of its served markets as a result of the entry of new, large companies into certain markets, the entry of competitors based in low-cost manufacturing locations, and increasing consolidation in particular markets. The number of competitors varies by product and service line. Management believes that the Company has a market leadership position in many of the markets it serves. Key competitive factors vary among the Company's businesses and product and service lines, but include the specific factors noted above with respect to each particular business and typically also include price, quality, performance, delivery speed, application expertise, service and support, technology and innovation, distribution network, breadth of product, service and software offerings and brand name recognition. For a discussion of risks related to competition, refer to "Item 1A. Risk Factors."

Working Capital

The Company maintains an adequate level of working capital to support its business needs. There are no unusual industry practices or requirements relating to working capital items in any of our operating segments. In addition, the Company's sales and payment terms are generally similar to those of its competitors.

Backlog

The Company defines backlog as firm orders from customers for products and services where the order will be fulfilled in the next 12 months. Backlog as of December 31, 2019 and 2018 was approximately \$3.1 billion and \$2.8 billion, respectively. The Company expects that a large majority of the backlog as of December 31, 2019 will be delivered to customers within three to four months of such date. Given the relatively short delivery periods and rapid inventory turnover that are characteristic of most of the Company's products and the shortening of product life cycles, the Company believes that backlog is indicative of short-term revenue performance but not necessarily a reliable indicator of medium or long-term revenue performance.

Employee Relations

As of December 31, 2019, the Company employed approximately 60,000 persons, of whom approximately 21,000 were employed in the United States and approximately 39,000 were employed outside of the United States. Of the United States employees, approximately 300 were hourly-rated, unionized employees. Outside the United States, the Company has government-mandated collective bargaining arrangements and union contracts in certain countries, particularly in Europe where many of the Company's employees are represented by unions and/or works councils. For a discussion of risks related to employee relations, refer to "Item 1A. Risk Factors."

Research and Development ("R&D")

The Company conducts R&D activities for the purpose of developing new products, enhancing the functionality, effectiveness, ease of use and reliability of its existing products and expanding the applications for which uses of its products are appropriate. The Company's R&D efforts include internal initiatives and those that use licensed or acquired technology, and we work with a number of leading research institutions, universities and clinicians around the world to develop, evaluate and clinically test our products. The Company conducts R&D activities primarily in North America, Europe, and Asia and generally on a business-by-business basis, although it does conduct certain

R&D activities on a centralized basis. The Company anticipates that it will continue to make significant expenditures for R&D as it seeks to provide a continuing flow of innovative products and services

to maintain and improve its competitive position. For a discussion of the risks related to the need to develop and commercialize new products and product enhancements, refer to “Item 1A. Risk Factors.”

Government Contracts

Although the substantial majority of the Company’s revenue in 2019 was from customers other than governmental entities, each of Danaher’s segments has agreements relating to the sale of products to government entities. As a result, the Company is subject to various statutes and regulations that apply to companies doing business with governments. For a discussion of risks related to government contracting requirements, refer to “Item 1A. Risk Factors.” No material portion of Danaher’s business is subject to renegotiation of profits or termination of contracts at the election of a government entity.

Regulatory Matters

The Company faces extensive government regulation both within and outside the United States relating to the development, manufacture, marketing, sale and distribution of its products and services. The following sections describe certain significant regulations that the Company is subject to. These are not the only regulations that the Company’s businesses must comply with. For a description of the risks related to the regulations that the Company’s businesses are subject to, refer to “Item 1A. Risk Factors.”

Medical Device Regulations

Many of our products are classified as medical devices and are subject to restrictions under domestic and foreign laws, rules, regulations, self-regulatory codes, circulars and orders, including, but not limited to, the U.S. Food, Drug, and Cosmetic Act (the “FDCA”). The FDCA requires these products, when sold in the United States, to be safe and effective for their intended uses and to comply with the regulations administered by the U.S. Food and Drug Administration (“FDA”). The FDA regulates the design, development, research, preclinical and clinical testing, introduction, manufacture, advertising, labeling, packaging, marketing, distribution, import and export and record keeping for such products. Many medical device products are also regulated by comparable agencies in non-U.S. countries in which they are produced or sold.

Unless an exemption applies, the FDA requires that a manufacturer introducing a new medical device or a new indication for use of an existing medical device obtain either a Section 510(k) premarket notification clearance or a premarket approval (“PMA”) before introducing it into the U.S. market. The type of marketing authorization is generally linked to the classification of the device. The FDA classifies medical devices into one of three classes (Class I, II or III) based on the degree of risk the FDA determines to be associated with a device and the level of regulatory control deemed necessary to ensure the device’s safety and effectiveness.

The process of obtaining a Section 510(k) clearance generally requires the submission of performance data and clinical data, which in some cases can be extensive, to demonstrate that the device is “substantially equivalent” to a device that was on the market before 1976 or to a device that has been found by the FDA to be “substantially equivalent” to such a pre-1976 device. A predecessor device is referred to as “predicate device.” As a result, FDA clearance requirements may extend the development process for a considerable length of time.

Medical devices can be marketed only for the indications for which they are cleared or approved. After a device has received 510(k) clearance for a specific intended use, any change or modification that significantly affects its safety or effectiveness, such as a significant change in the design, materials, method of manufacture or intended use, may require a new 510(k) clearance or PMA approval and payment of an FDA user fee. The determination as to whether or not a modification could significantly affect the device’s safety or effectiveness is initially left to the manufacturer using available FDA guidance; however, the FDA may review this determination to evaluate the regulatory status of the modified product at any time and may require the manufacturer to cease marketing and recall the modified device until 510(k) clearance or PMA approval is obtained.

Any medical devices we manufacture and distribute are subject to pervasive and continuing regulation by the FDA and certain state and non-U.S. agencies. These include product listing and establishment registration requirements, which help facilitate inspections and other regulatory actions. As a medical device manufacturer, our manufacturing facilities are subject to inspection on a routine basis by the FDA. We are required to adhere to the Current Good Manufacturing Practices (“CGMP”) requirements, as set forth in the Quality Systems Regulation (“QSR”), which require manufacturers, including third-party manufacturers, to follow stringent design, testing, control, documentation and other quality assurance procedures during all phases of the design and manufacturing process.

We must also comply with post-market surveillance regulations, including medical device reporting, or MDR, requirements which require that we review and report to the FDA any incident in which our products may have caused or contributed to a

death or serious injury. We must also report any incident in which our product has malfunctioned if that malfunction would likely cause or contribute to a death or serious injury if it were to recur.

Labeling and promotional activities are subject to scrutiny by the FDA and, in certain circumstances, by the Federal Trade Commission. Medical devices approved or cleared by the FDA may not be promoted for unapproved or uncleared uses, otherwise known as “off-label” promotion. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses.

In the European Union (“EU”), our products are subject to the medical device laws of the various member states, which are currently based on a Directive of the European Commission. However, the EU has adopted the EU Medical Device Regulation (the “EU MDR”) and the In Vitro Diagnostic Regulation (the “EU IVDR”), each of which impose stricter requirements for the marketing and sale of medical devices, including in the area of clinical evaluation requirements, quality systems and post-market surveillance. Manufacturers of currently approved medical devices will have until May 2020 to meet the requirements of the EU MDR and until May 2022 to meet the EU IVDR. Complying with the EU MDR and EU IVDR requires modifications to our quality management systems, additional resources in certain functions and updates to technical files, among other changes, which cost less than \$15 million in 2019 and we anticipate will cost approximately \$30 million in 2020.

Other Healthcare Laws

We are also subject to the U.S. Foreign Corrupt Practices Act and various health care related laws regulating fraud and abuse, research and development, pricing and sales and marketing practices, and the privacy and security of health information, including the U.S. federal regulations described below. Many states, foreign countries and supranational bodies have also adopted laws and regulations similar to, and in some cases more stringent than, the U.S. federal regulations discussed above and below, including the UK Bribery Act and similar anti-bribery laws.

- The U.S. Federal Anti-Kickback Statute prohibits persons from knowingly and willfully soliciting, offering, receiving or providing remuneration (including any kickback or bribe), directly or indirectly, in exchange for or to induce either the referral of an individual, or the furnishing or arranging for a good or service, for which payment may be made in whole or in part under a federal health care program, such as Medicare or Medicaid. A person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation.
- The Health Insurance Portability and Accountability Act of 1996 (“HIPAA”) prohibits knowingly and willfully (1) executing, or attempting to execute, a scheme to defraud any health care benefit program, including private payors, or (2) falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for health care benefits, items or services. In addition, HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, also restricts the use and disclosure of patient identifiable health information, mandates the adoption of standards relating to the privacy and security of patient identifiable health information and requires the reporting of certain security breaches with respect to such information. Similar to the U.S. Federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the healthcare fraud statute implemented under HIPAA or specific intent to violate it in order to have committed a violation.
- The False Claims Act imposes liability on any person or entity that, among other things, knowingly presents, or causes to be presented, a false or fraudulent claim for payment by a federal health care program, knowingly makes, uses or causes to be made or used, a false record or statement material to a false or fraudulent claim, or knowingly makes a false statement to avoid, decrease or conceal an obligation to pay money to the U.S. federal government. The qui tam provisions of the False Claims Act allow a private individual to bring actions on behalf of the federal government alleging that the defendant has submitted a false claim to the federal government, and to share in any monetary recovery. In addition, the government may assert that a claim including items and services resulting from a violation of the U.S. Federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the civil False Claims Act.
- The federal Civil Monetary Penalties Law prohibits, among other things, the offering or transferring of remuneration to a Medicare or Medicaid beneficiary that the person knows or should know is likely to

influence the beneficiary's selection of a particular supplier of Medicare or Medicaid payable items or services.

- The Open Payments Act requires manufacturers of medical devices covered under Medicare, Medicaid or the Children's Health Insurance Program with specific exceptions to record payments and other transfers of value to a broad range of healthcare providers and teaching hospitals and to report this data as well as ownership and investment interests held by the physicians described above and their immediate family members to the Department of Health and Human Services ("HHS") for subsequent public disclosure. Similar reporting requirements have also been enacted on

the state level, and an increasing number of countries either have adopted or are considering similar laws requiring transparency of interactions with health care professionals.

In addition, some of the in vitro diagnostic drugs-of-abuse assays and reagents sold by the Company's subsidiaries contain small amounts of controlled substances, and as a result some of the Company's facilities are inspected periodically by the United States Drug Enforcement Administration to ensure that the Company properly handles, stores and disposes of controlled substances in the manufacture of those products.

Federal consumer protection and unfair competition laws broadly regulate marketplace activities and activities that potentially harm consumers. Analogous U.S. state laws and regulations, such as state anti-kickback and false claims laws, also may apply to our business practices, including but not limited to, research, distribution, sales and marketing arrangements and claims involving healthcare items or services reimbursed by any third-party payor, including private insurers. Further, there are state laws that require medical device manufacturers to comply with the voluntary compliance guidelines and the relevant compliance guidance promulgated by the U.S. federal government, or otherwise restrict payments that may be made to healthcare providers and other potential referral sources; state laws and regulations that require manufacturers to file reports relating to pricing and marketing information, which requires tracking gifts and other remuneration and items of value provided to healthcare professionals and entities; state and local laws requiring the registration of sales representatives; and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA.

For a discussion of risks related to regulation by the FDA and comparable agencies of other countries, and the other regulatory regimes referenced above, please refer to section entitled "Item 1A. Risk Factors."

Healthcare Reform

In the United States and certain foreign jurisdictions, there have been, and we expect there will continue to be, a number of legislative and regulatory changes to the healthcare system. There is significant interest in promoting changes in healthcare systems with the stated goals of containing healthcare costs, improving quality or expanding access. For example, in the United States, in March 2010, the U.S. Patient Protection and Affordable Care Act (as amended by the Health Care and Education Affordability Reconciliation Act) (collectively, the "PPACA") was signed into law, which substantially changed the way healthcare is financed by both governmental and private insurers and significantly affected the healthcare industry. Since its enactment, there have been judicial, Congressional and executive challenges to certain aspects of the PPACA, and there may be additional challenges and amendments to the PPACA in the future.

Moreover, there has recently been heightened governmental scrutiny over the manner in which manufacturers set prices for their marketed products, which has resulted in several Congressional inquiries and proposed and enacted legislation designed, among other things, to bring more transparency to product pricing, review the relationship between pricing and manufacturer patient programs and reform government program reimbursement methodologies for medical products. Individual states in the United States have also become increasingly active in implementing regulations designed to control product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures and, in some cases, mechanisms to encourage importation from other countries and bulk purchasing.

Coverage and Reimbursement

For products where third-party coverage and reimbursement is available, sales will depend, in part, on the extent to which such product will be covered by third-party payors, such as federal, state and foreign government healthcare programs, commercial insurance and managed healthcare organizations, and the level of reimbursement for such product by third-party payors. Decisions regarding the extent of coverage and amount of reimbursement to be provided are made on a plan-by-plan basis. These third-party payors are increasingly reducing reimbursements for medical products and services and, in international markets, many countries have instituted price ceilings on specific products and therapies. Price ceilings, decreases in third-party reimbursement for any product or a decision by a third-party payor not to cover a product could reduce usage and patient demand for the product.

Data Privacy and Security Laws

As a global organization, we are subject to data privacy and security laws, regulations, and customer-imposed controls in numerous jurisdictions as a result of having access to and processing confidential, personal and/or sensitive data in the course of our business. For example, in the United States, HIPAA privacy and security rules require certain of our operations to maintain controls to protect the availability and confidentiality of patient health information, individual states regulate data breach and security requirements and multiple governmental bodies assert authority over aspects of the protection of personal privacy. In particular, there is a new, broad privacy law in California, the California Consumer Privacy Act (“CCPA”), which came into effect in January 2020. The CCPA has some of the same features as the GDPR (discussed below), and has already prompted several other states to follow with similar laws. The EU General Data Protection Regulation that became effective in May 2018 (“GDPR”) has imposed significantly stricter requirements in how we collect, transmit, process and retain personal data, including, among other things, in certain circumstances a requirement for almost immediate notice of data breaches to supervisory authorities and prompt notice to data subjects with significant fines for non-compliance. Several other countries such as China and Russia have passed, and other countries are considering passing, laws that require personal data relating to their citizens to be maintained on local servers and impose additional data transfer restrictions.

Environmental Laws and Regulations

For a discussion of the environmental laws and regulations that the Company’s operations, products and services are subject to and other environmental contingencies, refer to Note 18 to the Consolidated Financial Statements included in this Annual Report. For a discussion of risks related to compliance with environmental and health and safety laws and risks related to past or future releases of, or exposures to, hazardous substances, refer to “Item 1A. Risk Factors.”

Antitrust Laws

The U.S. federal government, most U.S. states and many other countries have laws that prohibit certain types of conduct deemed to be anti-competitive. Violations of these laws can result in various sanctions, including criminal and civil penalties. Private plaintiffs also could bring civil lawsuits against us in the United States for alleged antitrust law violations, including claims for treble damages.

Export/Import Compliance

The Company is required to comply with various U.S. export/import control and economic sanctions laws, including:

- the International Traffic in Arms Regulations administered by the U.S. Department of State, Directorate of Defense Trade Controls, which, among other things, imposes license requirements on the export from the United States of defense articles and defense services listed on the U.S. Munitions List;
- the Export Administration Regulations administered by the U.S. Department of Commerce, Bureau of Industry and Security, which, among other things, impose licensing requirements on the export, in-country transfer and re-export of certain dual-use goods, technology and software (which are items that have both commercial and military, or proliferation applications);
- the regulations administered by the U.S. Department of Treasury, Office of Foreign Assets Control, which implement economic sanctions imposed against designated countries, governments and persons based on United States foreign policy and national security considerations; and
- the import regulatory activities of the U.S. Customs and Border Protection and other U.S. government agencies.

Other nations’ governments have implemented similar export/import control and economic sanction regulations, which may affect the Company’s operations or transactions subject to their jurisdictions. For a discussion of risks related to export/import control and economic sanctions laws, refer to “Item 1A. Risk Factors.”

International Operations

The Company's products and services are available worldwide, and its principal markets outside the United States are in Europe and Asia. The Company also has operations around the world, and this geographic diversity allows the Company to draw on the skills of a worldwide workforce, provides greater stability to its operations, allows the Company to drive economies of scale, provides revenue streams that may help offset economic trends that are specific to individual economies and offers the Company an opportunity to access new markets for products. In addition, the Company believes that future growth depends in part on its ability to continue developing products and sales models that successfully target high-growth markets.

The manner in which the Company's products and services are sold outside the United States differs by business and by region. Most of the Company's sales in non-U.S. markets are made by its subsidiaries located outside the United States, though the Company also sells directly from the United States into non-U.S. markets through various representatives and distributors and, in some cases, directly. In countries with low sales volumes, the Company generally sells through representatives and distributors.

In a referendum on June 23, 2016, voters approved for the United Kingdom ("UK") to exit the EU ("Brexit"). The UK formally withdrew from the EU on January 31, 2020 with a transition period through December 31, 2020. During the transition period, the UK will continue to follow EU law and will negotiate with the EU on the terms of its relationship post-2020. With the terms and the nature of the UK's future relationship with the EU still being decided, the Company continues to monitor the status of the negotiations and plan for potential impacts. To mitigate the potential impact of Brexit on the import and export of goods to and from the UK, the Company has increased its warehouse capacity and the level of inventory within the UK. For goods the Company manufactures within the UK and exports to other countries, the Company has manufactured and shipped additional goods for storage in countries outside the UK in an effort to maintain inventory required to meet customer demand in the event of disruption in shipments from the UK. The ultimate impact of Brexit on the Company's financial results is uncertain. The Company has seven manufacturing facilities in the UK, and for the year ended December 31, 2019, less than 5% of our sales were derived from customers located in the UK; however, the impact of Brexit could also impact our sales outside the UK.

Information about the effects of foreign currency fluctuations on the Company's business is set forth in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A") included in this Annual Report. For a discussion of risks related to the Company's non-U.S. operations and foreign currency exchange, refer to "Item 1A. Risk Factors."

Major Customers

No customer accounted for more than 10% of consolidated sales in 2019, 2018 or 2017.

Available Information

The Company maintains an internet website at www.danaher.com. The Company makes available free of charge on the website its annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after filing such material with, or furnishing such material to, the SEC. Danaher's internet site and the information contained on or connected to that site are not incorporated by reference into this Form 10-K.

ITEM 1A. RISK FACTORS

You should carefully consider the risks and uncertainties described below, together with the information included elsewhere in this Annual Report on Form 10-K and other documents we file with the SEC. The risks and uncertainties described below are those that we have identified as material, but are not the only risks and uncertainties facing us. Our business is also subject to general risks and uncertainties that affect many other companies, such as market conditions, economic conditions, geopolitical events, changes in laws, regulations or accounting rules, fluctuations in interest rates, terrorism, wars or conflicts, major health concerns including epidemics, natural disasters or other disruptions of expected business conditions. Additional risks and uncertainties not currently known to us or that we currently believe are immaterial also may impair our business, including our results of operations, liquidity, financial condition and stock price.

We may not complete the GE Biopharma Acquisition within the time frame we anticipate or at all; regulatory approval of the GE Biopharma Acquisition is subject to conditions; and the GE Biopharma Acquisition could negatively impact our business, financial statements and stock price.

- If the GE Biopharma Acquisition is not completed on the anticipated timetable or at all, or if regulatory approval of the acquisition is subject to additional conditions, we may fail to realize the anticipated benefits of the GE Biopharma Acquisition on the anticipated timetable or at all.
- The GE Biopharma Business could under-perform relative to our expectations and the price that we pay or not perform in accordance with our anticipated timetable, or we could fail to operate such business profitably.

- The GE Biopharma Acquisition could cause our financial results to differ from our own or the investment community's expectations in any given period, or over the long-term.

- Pre-closing and post-closing earnings charges related to the GE Biopharma Acquisition could adversely impact operating results in any given period, and the impact may be substantially different from period-to-period.
- The GE Biopharma Acquisition could create demands on our management, operational resources and financial and internal control systems that we are unable to effectively address.
- The GE Biopharma Acquisition will divert management's attention and other resources, which could have a negative impact on our ability to manage existing operations or pursue other strategic transactions.
- We could experience difficulty or greater-than-anticipated costs in integrating the personnel, operations and financial and other controls and systems of GE Biopharma, and could experience difficulty attracting and retaining key employees and customers.
- We may be unable to achieve anticipated cost savings or other synergies on the timetable we expect or at all.
- We may assume unknown liabilities, known contingent liabilities that become realized, known liabilities that prove greater than anticipated, internal control deficiencies or exposure to regulatory sanctions resulting from GE Biopharma's activities and the realization of any of these liabilities or deficiencies may increase our expenses, adversely affect our financial position or cause us to fail to meet our public financial reporting obligations.
- The GE Biopharma Purchase Agreement includes provisions relating to purchase price adjustments, which may have unpredictable financial results.
- As a result of the GE Biopharma Acquisition, we expect to record significant goodwill and other assets on our balance sheet and if we are not able to realize the value of these assets, we may be required to incur impairment charges.

The GE Biopharma Acquisition discussed above would constitute Danaher's largest acquisition to date based on purchase price, would expand Danaher's business into new fields and involves a number of financial, accounting, managerial, operational, legal, compliance and other risks and challenges. Any of these risks or challenges could adversely affect our business, financial statements and stock price.

Our outstanding debt has increased significantly in anticipation of the GE Biopharma Acquisition, and we expect to incur additional debt in the future. Our existing and future indebtedness may limit our operations and our use of our cash flow and negatively impact our credit ratings; and any failure to comply with the covenants that apply to our indebtedness could adversely affect our liquidity and financial statements.

As of December 31, 2019, we had approximately \$21.7 billion in outstanding indebtedness, including approximately \$10.8 billion of long-term debt we issued in 2019 to fund a portion of the purchase price of the GE Biopharma Acquisition. In addition, we had the ability to incur approximately \$4.9 billion of additional indebtedness in direct borrowings or under our outstanding commercial paper facility based on the amounts available under the Company's 2020 Credit Facilities which were not being used to backstop outstanding commercial paper balances. We expect to incur approximately \$2.0 billion of additional indebtedness (additional to indebtedness incurred as of December 31, 2019) to fund a portion of the purchase price of the GE Biopharma Acquisition.

Our debt level and related debt service obligations can have negative consequences, including (1) requiring us to dedicate significant cash flow from operations to the payment of principal and interest on our debt, which reduces the funds we have available for other purposes such as acquisitions and other investments; (2) reducing our flexibility in planning for or reacting to changes in our business and market conditions; and (3) exposing us to interest rate risk since a portion of our debt obligations are at variable rates.

We anticipate that the indebtedness we have incurred and expect to incur in connection with the GE Biopharma Acquisition will result in a negative change to our credit ratings compared to our credit rating prior to the public announcement of the GE Biopharma Acquisition. The recent bonds issued by DH Europe Finance II S.a.r.l.

(“Danaher International II”) and guaranteed by Danaher Corporation were rated BBB+ by Standard & Poors and Baa1 by Moody’s, each two notches below Danaher’s current long-term unsecured debt credit rating. Upon closing the GE Biopharma Acquisition we expect Danaher’s long-term unsecured debt credit rating to be downgraded to mirror that of the bonds issued by Danaher International II. This anticipated reduction in our credit ratings may limit our ability to borrow at interest rates consistent with the interest rates that have been available to us prior to the GE Biopharma Acquisition. If our credit ratings are further downgraded or put on watch for a further potential downgrade, we may not be able to sell additional debt securities or borrow money in the amounts, at the times or interest rates or upon the more favorable terms and conditions that might be available if our current credit ratings were maintained.

Our 2020 Credit Facilities and long-term debt obligations also impose certain restrictions on us, including certain restrictions on our ability to incur liens on our assets, and a requirement under the 2020 Credit Facilities to maintain a consolidated leverage ratio (the ratio of consolidated indebtedness to consolidated indebtedness plus shareholders' equity) of 0.65 to 1.0 or less. If we breach any of these restrictions and cannot obtain a waiver from the lenders on favorable terms, subject to applicable cure periods, the outstanding indebtedness (and any other indebtedness with cross-default provisions) could be declared immediately due and payable, which would adversely affect our liquidity and financial statements.

If we incur additional debt in the future, the risks described above would increase.

Conditions in the global economy, the particular markets we serve and the financial markets may adversely affect our business and financial statements.

Our business is sensitive to general economic conditions. Slower global economic growth, actual or anticipated default on sovereign debt, volatility in the currency and credit markets, high levels of unemployment or underemployment, reduced levels of capital expenditures, changes or anticipation of potential changes in government trade, fiscal, tax and monetary policies, changes in capital requirements for financial institutions, government deficit reduction and budget negotiation dynamics, sequestration, austerity measures and other challenges that affect the global economy have in the past adversely affected, and may in the future adversely affect, the Company and its distributors, customers and suppliers, including having the effect of:

- reducing demand for our products and services (in this Annual Report, references to products and services also includes software), limiting the financing available to our customers and suppliers, increasing order cancellations and resulting in longer sales cycles and slower adoption of new technologies;
- increasing the difficulty in collecting accounts receivable and the risk of excess and obsolete inventories;
- increasing price competition in our served markets;
- supply interruptions, which could disrupt our ability to produce our products;
- increasing the risk of impairment of goodwill and other long-lived assets, and the risk that we may not be able to fully recover the value of other assets such as real estate and tax assets;
- increasing the risk that counterparties to our contractual arrangements will become insolvent or otherwise unable to fulfill their contractual obligations which, in addition to increasing the risks identified above, could result in preference actions against us; and
- adversely impacting market sizes and growth rates.

Although we have been able to access the commercial paper and other capital markets through the date of this report, there can be no assurances that such markets will remain available to us or that the lenders participating in our revolving credit facility will be able to provide financing in accordance with their contractual obligations.

If growth in the global economy or in any of the markets we serve slows for a significant period, if there is significant deterioration in the global economy or such markets or if improvements in the global economy do not benefit the markets we serve, our business and financial statements could be adversely affected.

Significant developments or uncertainties stemming from the U.S. administration, including changes in U.S. trade policies, tariffs and the reaction of other countries thereto, particularly China, can have an adverse effect on our business.

Changes, potential changes or uncertainties in U.S. social, political, regulatory and economic conditions or laws and policies governing foreign trade, manufacturing, and development and investment in the territories and countries where we or our customers operate, or governing the health care system and drug prices, can adversely affect our business and financial statements. For example, the U.S. administration has increased tariffs on certain goods imported into the United States, raised the possibility of imposing significant, additional tariff increases and called for substantial changes to trade agreements. In particular, trade tensions between the United States and China have

escalated and each country has imposed significant, additional tariffs on a wide range of goods imported from the other country. China accounted for approximately 13% of our sales in 2019. These factors have adversely affected, and in the future could further adversely affect, our business and financial statements.

Our growth could suffer if the markets into which we sell our products and services decline, do not grow as anticipated or experience cyclical.

Our growth depends in part on the growth of the markets which we serve, and visibility into our markets is limited (particularly for markets into which we sell through distribution). Our quarterly sales and profits depend substantially on the volume and timing of orders received during the fiscal quarter, which are difficult to forecast. Any decline or lower than expected growth in our served markets could diminish demand for our products and services, which would adversely affect our financial statements. Certain of our businesses operate in industries that may experience periodic, cyclical downturns. In addition, in certain of our businesses demand depends on customers' capital spending budgets as well as government funding policies, and matters of public policy and government budget dynamics as well as product and economic cycles can affect the spending decisions of these entities. Demand for our products and services is also sensitive to changes in customer order patterns, which may be affected by announced price changes, marketing or promotional programs, new product introductions, the timing of industry trade shows and changes in distributor or customer inventory levels due to distributor or customer management thereof or other factors. Any of these factors could adversely affect our growth and results of operations in any given period.

We face intense competition and if we are unable to compete effectively, we may experience decreased demand and decreased market share. Even if we compete effectively, we may be required to reduce prices for our products and services.

Our businesses operate in industries that are intensely competitive and have been subject to increasing consolidation. Because of the range of the products and services we sell and the variety of markets we serve, we encounter a wide variety of competitors; refer to "Item 1. Business—Competition" for additional details. In order to compete effectively, we must retain longstanding relationships with major customers and continue to grow our business by establishing relationships with new customers, continually developing new products and services to maintain and expand our brand recognition and leadership position in various product and service categories and penetrating new markets, including high-growth markets. In addition, significant shifts in industry market share have occurred and may in the future occur in connection with product problems, safety alerts and publications about products, reflecting the competitive significance of product quality, product efficacy and quality systems in our industry. Our failure to compete effectively and/or pricing pressures resulting from competition may adversely impact our financial statements, and our expansion into new markets may result in greater-than-expected risks, liabilities and expenses. In addition, the Company's competitors and customers have from time to time introduced, and may in the future introduce, private label, generic or low-cost products that compete with the Company's products at lower price points. Competitors' products can capture significant market share or lead to a decrease in market prices overall, resulting in an adverse effect on the Company's financial statements.

Our growth depends in part on the timely development and commercialization, and customer acceptance, of new and enhanced products and services based on technological innovation.

We generally sell our products and services in industries that are characterized by rapid technological changes, frequent new product introductions and changing industry standards. If we do not develop innovative new and enhanced products and services on a timely basis, our offerings will become obsolete over time and our competitive position and financial statements will suffer. Our success will depend on several factors, including our ability to:

- correctly identify customer needs and preferences and predict future needs and preferences;
- allocate our R&D funding to products and services with higher growth prospects;
- anticipate and respond to our competitors' development of new products and services and technological innovations;
- differentiate our offerings from our competitors' offerings and avoid commoditization;
- innovate and develop new technologies and applications, and acquire or obtain rights to third-party technologies that may have valuable applications in our served markets;
- obtain adequate intellectual property rights with respect to key technologies before our competitors do;

- successfully commercialize new technologies in a timely manner, price them competitively and cost-effectively manufacture and deliver sufficient volumes of new products of appropriate quality on time;
- obtain necessary regulatory approvals of appropriate scope (including with respect to medical device products by demonstrating satisfactory clinical results where applicable, as well as achieving third-party reimbursement); and
- stimulate customer demand for and convince customers to adopt new technologies.

If we fail to accurately predict future customer needs and preferences or fail to produce viable technologies, we may invest heavily in R&D of products and services that do not lead to significant revenue, which would adversely affect our profitability. Even when we successfully innovate and develop new and enhanced products and services, we often incur substantial costs in doing so, and our profitability may suffer. In addition, promising new offerings may fail to reach the market or realize only limited commercial success because of real or perceived efficacy or safety concerns, failure to achieve positive clinical outcomes, uncertainty over third-party reimbursement or entrenched patterns of clinical practice. Competitors may also develop after-market services and parts for our products which attract customers and adversely affect our return on investment for new products.

Our reputation, ability to do business and financial statements can be impaired by improper conduct by any of our employees, agents or business partners.

We cannot provide assurance that our internal controls and compliance systems, including our Code of Conduct, always protect us from acts committed by employees, agents or business partners of ours (or of businesses we acquire or partner with) that violate U.S. and/or non-U.S. laws, including the laws governing payments to government officials, bribery, fraud, kickbacks and false claims, pricing, sales and marketing practices, conflicts of interest, competition, employment practices and workplace behavior, export and import compliance, economic and trade sanctions, money laundering and data privacy. In particular, the U.S. Foreign Corrupt Practices Act, the UK Bribery Act and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business, and we operate in many parts of the world that have experienced governmental corruption to some degree. Any such improper actions or allegations of such acts could damage our reputation and subject us to civil or criminal investigations in the United States and in other jurisdictions and related shareholder lawsuits, could lead to substantial civil and criminal, monetary and nonmonetary penalties and could cause us to incur significant legal and investigatory fees. In addition, the government may seek to hold us liable for violations committed by companies in which we invest or that we acquire. We also rely on our suppliers to adhere to our supplier code of conduct, and material violations of such code of conduct could occur that could have a material effect on our business, reputation and financial statements.

Certain of our businesses are subject to extensive regulation by the U.S. FDA and by comparable agencies of other countries, as well as laws regulating fraud and abuse in the health care industry and the privacy and security of health information. Failure to comply with those regulations could adversely affect our reputation, ability to do business and financial statements.

Certain of our products are medical devices and other products that are subject to regulation by the U.S. FDA, by other federal and state governmental agencies, by comparable agencies of other countries and regions, by certain accrediting bodies and by regulations governing hazardous materials and drugs-of abuse (or the manufacture and sale of products containing any such materials). The global regulatory environment has become increasingly stringent and unpredictable. Several countries that did not have regulatory requirements for medical devices have established such requirements in recent years, and other countries have expanded, or plan to expand, their existing regulations. Please see “Regulatory Matters—Medical Device Regulations” for more information. Failure to meet these requirements adversely impacts our business in the applicable geographies.

To varying degrees, these regulators require us to comply with laws and regulations governing the development, testing, manufacturing, labeling, marketing, distribution and post-marketing surveillance of our products. We cannot guarantee that we will be able to obtain regulatory clearance (such as 510(k) clearance) or approvals for our new products or modifications to (or additional indications or uses of) existing products within our anticipated timeframe or at all, and if we do obtain such clearance or approval it may be time-consuming, costly and subject to restrictions. Our ability to obtain such regulatory clearances or approvals will depend on many factors, for example our ability to obtain the necessary clinical trial results, and the process for obtaining such clearances or approvals could change over time and may require the withdrawal of products from the market until such clearances are obtained. Even after initial regulatory clearance or approval, we are subject to periodic inspection by these regulatory authorities, and if safety issues arise we can be required to amend conditions for use of a product, such as providing additional warnings on the product’s label or narrowing its approved intended use, which could reduce the product’s market acceptance. Failure to obtain required regulatory clearances or approvals before marketing our products (or before implementing modifications to or promoting additional indications or uses of our products), other violations of these regulations, failure to remediate inspectional observations to the satisfaction of these regulatory authorities, real or perceived efficacy or safety concerns or trends of adverse events with respect to our products (even after obtaining clearance for distribution) and unfavorable or inconsistent clinical data from existing or future clinical trials can lead to FDA Form 483 Inspectional Observations, warning letters, notices to customers, declining sales, loss of customers,

loss of market share, remediation and increased compliance costs, recalls, seizures of adulterated or misbranded products, injunctions, administrative detentions, refusals to permit importations, partial or total shutdown of production facilities or the implementation of operating restrictions, narrowing of permitted uses for a product, suspension or withdrawal of approvals and pre-market notification rescissions. We are also subject to various laws regulating fraud and abuse, research and development, pricing and sales and

marketing practices, the privacy and security of health information as well as manufacturing and quality standards, including the federal regulations described in “Item 1. Business—Regulatory Matters.”

Ensuring that our internal operations and business arrangements with third parties comply with applicable laws and regulations involves substantial costs. It is also possible that government authorities will conclude that our business practices do not comply with current or future statutes, regulations, agency guidance or case law.

Noncompliance with the laws and regulations referenced above can result in, among other things, fines, expenses, injunctions, civil penalties, recalls or seizures of products, total or partial suspension of production, refusal of the government to grant 510(k) clearance of devices, withdrawal of marketing approvals, criminal prosecutions and other adverse effects referenced below under “Our businesses are subject to extensive regulation; failure to comply with those regulations could adversely affect our financial statements and our business, including our reputation.” Further, defending against any such actions can be costly and time-consuming and may require significant personnel resources. Therefore, even if we are successful in defending against any such actions brought against us, our business may be impaired.

Our products are subject to clinical trials, the results of which may be unexpected, or perceived as unfavorable by the market, and could have a material adverse effect on our business, financial condition or results of operations.

As a part of the regulatory process of obtaining marketing clearance for certain new products and new indications for certain existing products, we conduct and participate in numerous clinical trials with a variety of study designs, patient populations and trial endpoints. Unexpected or inconsistent clinical data from existing or future clinical trials, or a regulator’s or the market’s perception of this clinical data, can adversely impact our ability to obtain product approvals, our position in, and share of, the markets in which we participate and our business and financial statements.

Off-label marketing of our products could result in substantial penalties.

The FDA strictly regulates the promotional claims that may be made about approved or cleared products. In particular, any clearances we may receive only permit us to market our products for the uses indicated on the labeling cleared by the FDA. We may request additional label indications for our current products, and the FDA may deny those requests outright, require additional expensive performance or clinical data to support any additional indications or impose limitations on the intended use of any cleared products as a condition of clearance. If the FDA determines that we have marketed our products for off-label use, we can be subject to fines, injunctions or other penalties. It is also possible that other federal, state or foreign enforcement authorities might take action if they consider our business activities to constitute promotion of an off-label use, which could result in significant penalties, including, but not limited to, criminal, civil and administrative penalties, substantial monetary penalties, damages, fines, disgorgement, exclusion from participation in government healthcare programs, and/or the curtailment of our operations. Any of these events could significantly harm our business and financial statements.

Certain modifications to our products may require new 510(k) clearances or other marketing authorizations and may require us to recall or cease marketing our products.

Once a medical device is permitted to be legally marketed in the United States pursuant to a 510(k) clearance, a manufacturer may be required to notify the FDA of certain modifications to the device. Manufacturers determine in the first instance whether a change to a product requires a new 510(k) clearance or premarket submission, but the FDA may review any manufacturer’s decision. The FDA may not agree with our decisions regarding whether new clearances are necessary. We have made modifications to our products in the past and have determined based on our review of the applicable FDA regulations and guidance that in certain instances new 510(k) clearances or other premarket submissions were not required. We may make similar modifications or add additional features in the future that we believe do not require a new 510(k) clearance. If the FDA disagrees with our determinations and requires us to submit new 510(k) notifications, we may be required to cease marketing or to recall the modified product until we obtain clearance, and we may be subject to significant regulatory fines or penalties.

The health care industry and related industries that we serve have undergone, and are in the process of undergoing, significant changes in an effort to reduce costs, which could adversely affect our financial statements.

The health care industry and related industries that we serve have undergone, and are in the process of undergoing, significant changes in an effort to reduce costs, including the following:

- many of our customers, and the end-users to whom our customers supply products, rely on government funding of and reimbursement for health care products and services and research activities. The PPACA, health care austerity measures in other countries and other potential health care reform changes and government austerity measures have reduced and may further reduce the amount of government funding or reimbursement available to customers or end-users of our products and services and/or the volume of medical procedures using our products and services. For

example, the Protecting Access to Medicare Act of 2014, or PAMA, introduced a multi-year pricing program for services payable under the Clinical Laboratory Fee Schedule (“CLFS”) that is designed to bring Medicare allowable amounts in line with the amounts paid by private payers. It is still unclear whether and to what extent these new rates will affect overall pricing and reimbursement for clinical laboratory testing services, but to the extent our customers conclude that Medicare reimbursement for these services is inadequate, it can in turn adversely impact the prices at which we sell our products. Other countries, as well as some private payors, also control the price of health care products, directly or indirectly, through reimbursement, payment, pricing or coverage limitations, tying reimbursement to outcomes or (in the case of governmental entities) through compulsory licensing. Global economic uncertainty or deterioration can also adversely impact government funding and reimbursement.

- governmental and private health care providers and payors around the world are increasingly utilizing managed care for the delivery of health care services, centralizing purchasing, limiting the number of vendors that may participate in purchasing programs, forming group purchasing organizations and integrated health delivery networks and pursuing consolidation to improve their purchasing leverage and using competitive bid processes to procure health care products and services.

These changes as well as other impacts from market demand, government regulations, third-party coverage and reimbursement policies and societal pressures are changing the way healthcare is delivered, reimbursed and funded and have in the past and could in the future cause participants in the health care industry and related industries that we serve to purchase fewer of our products and services, reduce the prices they are willing to pay for our products or services, reduce the amounts of reimbursement and funding available for our products and services from governmental agencies or third-party payors, heighten clinical data requirements, reduce the volume of medical procedures that use our products and services, affect the acceptance rate of new technologies and products and increase our compliance and other costs. In addition, we may be excluded from important market segments or unable to enter into contracts with group purchasing organizations and integrated health networks on terms acceptable to us, and even if we do enter into such contracts they may be on terms that negatively affect our current or future profitability. All of the factors described above can adversely affect our business and financial statements.

Any inability to consummate acquisitions at our historical rate and at appropriate prices, and to make appropriate investments that support our long-term strategy, could negatively impact our growth rate and stock price.

Our ability to grow revenues, earnings and cash flow at or above our historic rates depends in part upon our ability to identify and successfully acquire and integrate businesses at appropriate prices and realize anticipated synergies, and to make appropriate investments that support our long-term strategy. We may not be able to consummate acquisitions at rates similar to the past, which could adversely impact our growth rate and our stock price. Promising acquisitions and investments are difficult to identify and complete for a number of reasons, including high valuations, competition among prospective buyers, the availability of affordable funding in the capital markets and the need to satisfy applicable closing conditions and obtain applicable antitrust and other regulatory approvals on acceptable terms. In addition, competition for acquisitions and investments has resulted and may result in higher purchase prices. Changes in accounting or regulatory requirements or instability in the credit markets could also adversely impact our ability to consummate acquisitions and investments.

Our acquisition of businesses, investments, joint ventures and other strategic relationships could negatively impact our financial statements.

As part of our business strategy we acquire businesses, make investments and enter into joint ventures and other strategic relationships in the ordinary course, and we also from time to time complete more significant transactions; refer to MD&A for additional details. Acquisitions, investments, joint ventures and strategic relationships involve a number of financial, accounting, managerial, operational, legal, compliance and other risks and challenges, including the following, any of which could adversely affect our business and our financial statements:

- businesses, technologies, services and products that we acquire or invest in sometimes under-perform relative to our expectations and the price that we paid or fail to perform in accordance with our anticipated timetable, resulting in a failure to operate any such business profitably.
- we from time to time incur or assume significant debt in connection with our acquisitions, investments, joint ventures or strategic relationships, which can also cause a deterioration of Danaher’s credit ratings,

result in increased borrowing costs and interest expense and diminish our future access to the capital markets.

- acquisitions, investments, joint ventures or strategic relationships can cause our financial results to differ from our own or the investment community's expectations in any given period, or over the long-term.

- pre-closing and post-closing earnings charges can adversely impact operating results in any given period, and the impact may be substantially different from period-to-period.
- acquisitions, investments, joint ventures or strategic relationships can create demands on our management, operational resources and financial and internal control systems that we are unable to effectively address.
- we can experience difficulty in integrating personnel, operations and financial and other controls and systems and retaining key employees and customers.
- we may be unable to achieve cost savings or other synergies anticipated in connection with an acquisition, investment, joint venture or strategic relationship.
- we have assumed and may assume unknown liabilities, known contingent liabilities that become realized, known liabilities that prove greater than anticipated, internal control deficiencies or exposure to regulatory sanctions resulting from the acquired company's or investee's activities and the realization of any of these liabilities or deficiencies can increase our expenses, adversely affect our financial position or cause us to fail to meet our public financial reporting obligations.
- in connection with acquisitions and joint ventures, we often enter into post-closing financial arrangements such as purchase price adjustments, earn-out obligations and indemnification obligations, which can have unpredictable financial results.
- as a result of our acquisitions and investments, we have recorded significant goodwill and other assets on our balance sheet and if we are not able to realize the value of these assets, or if the fair value of our investments declines, we are required to incur impairment charges.
- we may have interests that diverge from those of our joint venture partners or other strategic partners and we may not be able to direct the management and operations of the joint venture or other strategic relationship in the manner we believe is most appropriate, exposing us to additional risk.
- investing in or making loans to early-stage companies often entails a high degree of risk, and we do not always achieve the strategic, technological, financial or commercial benefits we anticipate; we may lose our investment or fail to recoup our loan; or our investment may be illiquid for a greater-than-expected period of time.

The indemnification provisions of acquisition agreements by which we have acquired companies may not fully protect us and as a result we may face unexpected liabilities.

Certain of the acquisition agreements by which we have acquired companies require the former owners to indemnify us against certain liabilities related to the operation of the acquired company before we acquired it. In most of these agreements, however, the liability of the former owners is limited and certain former owners may be unable to meet their indemnification responsibilities. We cannot assure you that these indemnification provisions will protect us fully or at all, and as a result we may face unexpected liabilities that adversely affect our financial statements.

Divestitures or other dispositions could negatively impact our business, and contingent liabilities from businesses that we or our predecessors have sold could adversely affect our financial statements.

We continually assess the strategic fit of our existing businesses and may divest, spin-off, split-off or otherwise dispose of businesses that are deemed not to fit with our strategic plan or are not achieving the desired return on investment. For example, in 2015, Danaher separated and split-off to Danaher shareholders the majority of its former communications business in a Reverse Morris Trust transaction with NetScout Systems, Inc. (the "Communications Disposition"), in 2016 Danaher separated and spun-off to Danaher shareholders its former Test & Measurement segment, Industrial Technologies segment (excluding the product identification businesses) and retail/commercial petroleum business (collectively known as Fortive Corporation) (the "Fortive Disposition"), and in 2019 Danaher consummated the separation and initial public offering ("IPO") and subsequent split-off of its Dental segment, known as Envista Holdings Corporation (the "Envista Disposition"). Transactions such as these pose risks and

challenges that could negatively impact our business and financial statements. For example, when we decide to sell or otherwise dispose of a business or assets, we may be unable to do so on satisfactory terms within our anticipated timeframe or at all, and even after reaching a definitive agreement to sell or dispose a business the sale is typically subject to satisfaction of pre-closing conditions which may not become satisfied. In addition, divestitures or other dispositions can dilute the Company's earnings per share, have other adverse financial, tax and accounting impacts and distract management, and disputes can arise with buyers. In addition, we have retained responsibility for and/or have agreed to indemnify buyers against some known and unknown contingent liabilities related to a number of businesses we or our predecessors have sold or

disposed. The resolution of these contingencies has not had a material effect on our financial statements but we cannot be certain that this favorable pattern will continue.

We could incur significant liability if any of the 2015 separation and split-off of our communications business, the 2016 separation and spin-off of Fortive or the 2019 separation, IPO and split-off of Envista is determined to be a taxable transaction.

We have received opinions from outside tax counsel to the effect that each of the Communications Disposition, the Fortive Disposition and the Envista Disposition qualifies as a transaction that is described in Sections 355(a) and 368(a)(1)(D) of the Internal Revenue Code. These opinions rely on certain facts, assumptions, representations and undertakings regarding the past and future conduct of the companies' respective businesses and other matters. If any of these facts, assumptions, representations or undertakings are incorrect or not satisfied, our stockholders and we may not be able to rely on the respective opinion of tax counsel and could be subject to significant tax liabilities. Notwithstanding the opinion of tax counsel, the Internal Revenue Service ("IRS") could determine on audit that any such transactions are taxable if it determines that any of these facts, assumptions, representations or undertakings are not correct or have been violated or if it disagrees with the conclusions in the respective opinion. If any such transaction is determined to be taxable for U.S. federal income tax purposes, our stockholders that are subject to U.S. federal income tax and we could incur significant U.S. federal income tax liabilities.

Potential indemnification liabilities pursuant to the 2015 separation and split-off of our communications business, the 2016 separation and spin-off of Fortive or the 2019 separation, IPO and split-off of Envista could materially and adversely affect our business and financial statements.

With respect to each of the Communications Disposition, the Fortive Disposition and the Envista Disposition, we entered into a separation agreement and related agreements to govern the separation and related transactions and the relationship between the respective companies going forward. These agreements provide for specific indemnity and liability obligations of each party that can lead to disputes between us and the respective counterparty. If we are required to indemnify any of the other parties under the circumstances set forth in these agreements, we may be subject to substantial liabilities. In addition, with respect to the liabilities for which the other parties have agreed to indemnify us under these agreements, there can be no assurance that the indemnity rights we have against such other parties will be sufficient to protect us against the full amount of the liabilities, or that such other parties will be able to fully satisfy its indemnification obligations. It is also possible that a court could disregard the allocation of assets and liabilities agreed to between Danaher and such other parties and require Danaher to assume responsibility for obligations allocated to such other parties. Each of these risks could negatively affect our business and financial statements.

A significant disruption in, or breach in security of, our information technology systems or data or violation of data privacy laws could adversely affect our business, reputation and financial statements.

We rely on information technology systems, some of which are provided and/or managed by third-parties, to process, transmit and store electronic information (including sensitive data such as confidential business information and personally identifiable data relating to employees, customers, other business partners and patients), and to manage or support a variety of critical business processes and activities (such as receiving and fulfilling orders, billing, collecting and making payments, shipping products, providing services and support to customers and fulfilling contractual obligations). In addition, some of our remote monitoring products and services incorporate software and information technology that house personal data and some products or software we sell to customers connect to our systems for maintenance or other purposes. These systems, products and services (including those we acquire through business acquisitions) may be damaged, disrupted or shut down due to attacks by computer hackers, computer viruses, ransomware, human error or malfeasance, power outages, hardware failures, telecommunication or utility failures, catastrophes or other unforeseen events, and in any such circumstances our system redundancy and other disaster recovery planning may be ineffective or inadequate. Attacks may also target hardware, software and information installed, stored or transmitted in our products after such products have been purchased and incorporated into third-party products, facilities or infrastructure. Security breaches of systems provided or enabled by us, regardless of whether the breach is attributable to a vulnerability in our products or services, or security breaches of third party systems we rely on to process, store or transmit electronic information, could result in the misappropriation, destruction or unauthorized disclosure of confidential information or personal data belonging to us or to our employees, partners, customers, patients or suppliers. Like most multinational corporations, our information technology systems have been subject to computer viruses, malicious codes, unauthorized access and other cyber-attacks and we expect the sophistication and frequency of such attacks to continue to increase. Unauthorized tampering, adulteration or interference with our products may also adversely affect product functionality and result in

loss of data, risk to patient safety and product recalls or field actions. Any of the attacks, breaches or other disruptions or damage described above could interrupt our operations or the operations of our customers and partners, delay production and shipments, result in theft of our and our customers' intellectual property and trade secrets, damage customer, patient, business partner and employee relationships and our reputation or result in defective products or services,

legal claims and proceedings, liability and penalties under privacy laws and increased costs for security and remediation, in each case resulting in an adverse effect on our business, reputation and financial statements.

If we are unable to maintain reliable information technology systems and appropriate controls with respect to global data privacy and security requirements and prevent data breaches, we may suffer adverse regulatory consequences, business consequences and litigation. As a global organization, we are subject to data privacy and security laws, regulations, and customer-imposed controls in numerous jurisdictions as a result of having access to and processing confidential, personal and/or sensitive data in the course of our business. Please see “Regulatory Matters - Data Privacy and Security Laws” for additional information. Entities that are found to be in violation of HIPAA as the result of a breach of unsecured patient health information, a complaint about privacy practices or an audit by the HHS, may be subject to significant civil, criminal and administrative fines and penalties and/or additional reporting and oversight obligations if required to enter into a resolution agreement and corrective action plan with HHS to settle allegations of HIPAA non-compliance. Failure to comply with the requirements of GDPR and the applicable national data protection laws of the EU member states may result in fines of up to €20 million or up to 4% of the total worldwide annual turnover of the preceding financial year, whichever is higher, and other administrative penalties. Several other countries such as China and Russia have passed, and other countries are considering passing, laws that require personal data relating to their citizens to be maintained on local servers and impose additional data transfer restrictions. There is also a new, broad privacy law in California, the CCPA, which came into effect in January 2020. The CCPA has some of the same features as the GDPR, and has already prompted several other states to follow with similar laws. Government enforcement actions can be costly and interrupt the regular operation of our business, and data breaches or violations of data privacy laws can result in fines, reputational damage and civil lawsuits, any of which may adversely affect our business, reputation and financial statements. In addition, compliance with the varying data privacy regulations across the United States and around the world has required significant expenditures and may require additional expenditures, and may require further changes in our products or business models that increase competition or reduce revenue.

Our operations, products and services expose us to the risk of environmental, health and safety liabilities, costs and violations that could adversely affect our business, reputation and financial statements.

Our operations, products and services are subject to environmental laws and regulations, which impose limitations on the discharge of pollutants into the environment, establish standards for the use, generation, treatment, storage and disposal of hazardous and nonhazardous wastes and impose end-of-life disposal and take-back programs. We must also comply with various health and safety regulations in the United States and abroad in connection with our operations. We cannot assure you that our environmental, health and safety compliance program (or the compliance programs of businesses we acquire) have been or will at all times be effective. Failure to comply with any of these laws can result in civil and criminal, monetary and nonmonetary penalties and damage to our reputation. In addition, we cannot provide assurance that our costs of complying with current or future environmental protection and health and safety laws will not exceed our estimates or adversely affect our financial statements.

In addition, we from time to time incur costs related to remedial efforts or alleged environmental damage associated with past or current waste disposal practices or other hazardous materials handling practices. We are also from time to time party to personal injury, property damage or other claims brought by private parties alleging injury or damage due to the presence of or exposure to hazardous substances. We can also become subject to additional remedial, compliance or personal injury costs due to future events such as changes in existing laws or regulations, changes in agency direction or enforcement policies, developments in remediation technologies, changes in the conduct of our operations and changes in accounting rules. For additional information regarding these risks, refer to Note 18 to the Consolidated Financial Statements included in this Annual Report. We cannot assure you that our liabilities arising from past or future releases of, or exposures to, hazardous substances will not exceed our estimates or adversely affect our reputation and financial statements or that we will not be subject to additional claims for personal injury or remediation in the future based on our past, present or future business activities. However, based on the information we currently have we do not believe that it is reasonably possible that any amounts we may be required to pay in connection with environmental matters in excess of our reserves as of December 31, 2019 will have a material effect on our financial statements.

Our businesses are subject to extensive regulation; failure to comply with those regulations could adversely affect our financial statements and our business, including our reputation.

In addition to the environmental, health, safety, health care, medical device, anticorruption, data privacy and other regulations noted elsewhere in this Annual Report, our businesses are subject to extensive regulation by U.S. and

non-U.S. governmental and self-regulatory entities at the supranational, federal, state, local and other jurisdictional levels, including the following:

- we are required to comply with various import laws and export control and economic sanctions laws, which may affect our transactions with certain customers, business partners and other persons and dealings between our

employees and between our subsidiaries. In certain circumstances, export control and economic sanctions regulations may prohibit the export of certain products, services and technologies. In other circumstances, we may be required to obtain an export license before exporting the controlled item. Compliance with the various import laws that apply to our businesses can restrict our access to, and increase the cost of obtaining, certain products and at times can interrupt our supply of imported inventory. In addition, from time to time, certain of our subsidiaries have limited business dealings in countries subject to comprehensive sanctions. These business dealings represent an insignificant amount of our consolidated revenues and income, but expose us to a heightened risk of violating applicable sanctions regulations. We have established policies and procedures designed to assist with our compliance with such laws and regulations. However, there can be no assurance that our policies and procedures have prevented and will prevent violations of these regulations and any violation can adversely affect our reputation, business and financial statements.

- we also have agreements to sell products and services to government entities and are subject to various statutes and regulations that apply to companies doing business with government entities (less than 5% of our 2019 sales were made to the U.S. federal government). The laws governing government contracts differ from the laws governing private contracts. For example, many government contracts contain pricing and other terms and conditions that are not applicable to private contracts. Our agreements with government entities are in some cases subject to termination, reduction or modification at the convenience of the government or in the event of changes in government requirements, reductions in federal spending and other factors, and we may underestimate our costs of performing under the contract. In certain cases, a governmental entity may require us to pay back amounts it has paid to us. Government contracts that have been awarded to us following a bid process can become the subject of a bid protest by a losing bidder, which could result in loss of the contract. We are also subject to investigation and audit for compliance with the requirements governing government contracts.

These are not the only regulations that our businesses must comply with. The regulations we are subject to have tended to become more stringent over time and can be inconsistent across jurisdictions. We, our representatives and the industries in which we operate are at times under review and/or investigation by regulatory authorities. Failure to comply (or any alleged or perceived failure to comply) with the regulations referenced above or any other regulations can result in import detentions, fines, damages, civil and administrative penalties, injunctions, suspensions or losses of regulatory approvals, recall or seizure of products, operating restrictions, refusal of the government to approve product export applications or allow us to enter into supply contracts, disbarment from selling to certain governmental agencies or exclusion from government funded healthcare programs, such as Medicare and Medicaid or similar programs in other countries or jurisdictions, integrity oversight and reporting obligations to resolve allegations of non-compliance, disruption of our business, limitation on our ability to manufacture, import, export and sell products and services, loss of customers, significant legal and investigatory fees, disgorgement, individual imprisonment, reputational harm, contractual damages, diminished profits, curtailment or restricting of business operations, criminal prosecution and other monetary and non-monetary penalties. Compliance with these and other regulations can also affect our returns on investment, require us to incur significant expenses or modify our business model or impair our flexibility in modifying product, marketing, pricing or other strategies for growing our business. Our products and operations are also often subject to the rules of industrial standards bodies such as the International Standards Organization, and failure to comply with these rules can result in withdrawal of certifications needed to sell our products and services and otherwise adversely impact our business and financial statements. For additional information regarding these risks, refer to “Item 1. Business—Regulatory Matters.”

Our restructuring actions can have long-term adverse effects on our business.

In recent years, we have implemented significant restructuring activities across our businesses to adjust our cost structure, and we may engage in similar restructuring activities in the future. These restructuring activities and our regular ongoing cost reduction activities (including in connection with the integration of acquired businesses) reduce our available talent, assets and other resources and can slow improvements in our products and services, adversely affect our ability to respond to customers, limit our ability to increase production quickly if demand for our products increases and trigger adverse public attention. In addition, delays in implementing planned restructuring activities or other productivity improvements, unexpected costs or failure to meet targeted improvements may diminish the operational or financial benefits we expect to realize from such actions. Moreover, we may not succeed in implementing present or future restructuring activities or cost reduction activities. Realizing the anticipated benefits from these initiatives, if any benefits are achieved at all, can take several years, and we may be unable to achieve our targeted cost efficiencies and profit margin improvements. Additionally, we may have insufficient access to capital to

fund investments in these strategic initiatives, or our business strategy may change from time to time, which could delay our ability to implement initiatives that we believe are important to our business. Any of the circumstances described above could adversely impact our business and financial statements.

We may be required to recognize impairment charges for our goodwill and other intangible assets.

As of December 31, 2019, the net carrying value of our goodwill and other intangible assets totaled approximately \$32.5 billion. In accordance with generally accepted accounting principles, we periodically assess these assets to determine if they are impaired. Significant negative industry or economic trends, disruptions to our business, inability to effectively integrate acquired businesses, unexpected significant changes or planned changes in use of our assets, changes in the structure of our business, divestitures, market capitalization declines, or increases in associated discount rates can impair our goodwill and other intangible assets. Any charges relating to such impairments adversely affect our results of operations in the periods recognized.

Foreign currency exchange rates can adversely affect our financial statements.

Sales and purchases in currencies other than the U.S. dollar expose us to fluctuations in foreign currencies relative to the U.S. dollar and may adversely affect our financial statements. Increased strength of the U.S. dollar increases the effective price of our products sold in U.S. dollars into other countries, which can from time to time require us to lower our prices or adversely affect sales to the extent we do not increase local currency prices. Decreased strength of the U.S. dollar adversely affects the cost of materials, products and services we purchase overseas. Sales and expenses of our non-U.S. businesses are also translated into U.S. dollars for reporting purposes and the strengthening of the U.S. dollar generally results in unfavorable translation effects. In addition, certain of our businesses invoice customers in a currency other than the business' functional currency, and movements in the invoiced currency relative to the functional currency can also result in unfavorable translation effects. The Company also faces exchange rate risk from its investments in subsidiaries owned and operated in foreign countries.

Changes in our tax rates or exposure to additional income tax liabilities or assessments can affect our profitability. In addition, audits by tax authorities can result in additional tax payments for prior periods.

We are subject to income taxes in the United States and in numerous non-U.S. jurisdictions. On December 22, 2017, the Tax Cuts and Jobs Act ("TCJA") was enacted. The TCJA significantly revised the U.S. federal corporate income tax law by, among other things, lowering the corporate income tax rate to 21.0%, implementing a quasi-territorial tax system, and imposing a one-time tax on unremitted cumulative non-U.S. earnings of foreign subsidiaries ("Transition Tax").

Due to the potential for changes to tax laws and regulations or changes to the interpretation thereof (including regulations and interpretations pertaining to the TCJA), the ambiguity of tax laws and regulations, the subjectivity of factual interpretations, the complexity of our intercompany arrangements, uncertainties regarding the geographic mix of earnings in any particular period, and other factors, our estimates of effective tax rate and income tax assets and liabilities can be incorrect and our financial statements could be adversely affected; please refer to MD&A for a discussion of additional factors that may adversely affect our effective tax rate and decrease our profitability in any period. The impact of these factors referenced in the first sentence of this paragraph may be substantially different from period-to-period.

In addition, the amount of income taxes we pay is subject to ongoing audits by U.S. federal, state and local tax authorities and by non-U.S. tax authorities, such as the audits described in MD&A and the Company's Consolidated Financial Statements. If audits result in payments or assessments different from our reserves, our results can include unfavorable adjustments to our tax liabilities and our financial statements can be adversely affected. In particular, the IRS' proposed adjustments to certain of the Company's historical taxable income with respect to the deferral of tax on certain premium income related to the Company's self-insurance programs, and the Danish tax authority's assessments purporting to impose withholding tax relating to interest accrued in Denmark on historical borrowings from certain of the Company's subsidiaries (each as further discussed in MD&A and the Company's Consolidated Financial Statements), each could take many years to resolve and could ultimately result in a material, adverse impact to the Company's financial statements, including its cash flows and effective tax rates. Any further significant changes to the tax system in the United States or in other jurisdictions (including changes in the taxation of international income as further described below) could also adversely affect our financial statements.

Changes in tax law relating to multinational corporations could adversely affect our tax position.

The U.S. Congress, government agencies in non-U.S. jurisdictions where we and our affiliates do business, and the Organisation for Economic Co-operation and Development ("OECD") have recently focused on issues related to the taxation of multinational corporations. One example is in the area of "base erosion and profit shifting," where profits are claimed to be earned for tax purposes in low-tax jurisdictions, or payments are made between affiliates from a jurisdiction with high tax rates to a jurisdiction with lower tax rates. The OECD has released several components of

its comprehensive plan to create an agreed set of international rules to address base erosion and profit shifting. As a result, the tax laws in the United States and other countries in which we do business could change on a prospective or retroactive basis, and any such changes could adversely affect our business and financial statements.

We are subject to a variety of litigation and other legal and regulatory proceedings in the course of our business that can adversely affect our business and financial statements.

We are subject to a variety of litigation and other legal and regulatory proceedings incidental to our business (or the business operations of previously owned entities), including claims or counterclaims for damages arising out of the use of products or services and claims relating to intellectual property matters, employment matters, tax matters, commercial disputes, breach of contract claims, competition and sales and trading practices, environmental matters, personal injury, insurance coverage and acquisition or divestiture-related matters, as well as regulatory subpoenas, requests for information, investigations and enforcement. We also from time to time become subject to lawsuits as a result of past or future acquisitions or as a result of liabilities retained from, or representations, warranties or indemnities provided in connection with, businesses divested by us or our predecessors. The types of claims made in lawsuits include claims for compensatory damages, punitive and consequential damages (and in some cases, treble damages) and/or injunctive relief. The defense of these lawsuits can divert our management's attention, we from time to time incur significant expenses in defending these lawsuits, and we can be required to pay damage awards or settlements or become subject to equitable remedies that adversely affect our operations and financial statements. Moreover, any insurance or indemnification rights that we may have may be insufficient or unavailable to protect us against such losses. In addition, developments in proceedings in any given period can require us to adjust the loss contingency estimates that we have recorded in our financial statements, record estimates for liabilities or assets previously not susceptible of reasonable estimates or pay cash settlements or judgments. Any of these developments can adversely affect our financial statements in any particular period. We cannot assure you that our liabilities in connection with current and future litigation and other legal and regulatory proceedings will not exceed our estimates or adversely affect our financial statements and business. However, based on our experience, current information and applicable law, we do not believe that it is reasonably possible that any amounts we may be required to pay in connection with litigation and other legal and regulatory proceedings in excess of our reserves as of December 31, 2019 will have a material effect on our financial statements.

From time to time, we become aware through our internal audits and other internal control procedures, employees or other parties of possible compliance matters, such as complaints or concerns relating to accounting, internal controls, financial reporting, auditing or ethical matters or relating to compliance with laws. When we become aware of such possible compliance matters, we investigate internally and take appropriate corrective action. Internal investigations can lead to the assertion of claims or the commencement of legal or regulatory proceedings against us and adversely affect our financial statements.

If we are unable to adequately protect our intellectual property, or if third-parties infringe our intellectual property rights, we may suffer competitive injury or expend significant resources enforcing our rights. These risks are particularly pronounced in countries in which we do business that do not have levels of protection of intellectual property comparable to the United States.

Many of the markets we serve are technology-driven, and as a result intellectual property rights play a significant role in product development and differentiation. We own numerous patents, trademarks, copyrights, trade secrets and other intellectual property and licenses to intellectual property owned by others, which in aggregate are important to our business. The intellectual property rights that we obtain, however, are not always sufficiently broad and do not always provide us a significant competitive advantage, and patents may not be issued for pending or future patent applications owned by or licensed to us. In addition, the steps that we and our licensors have taken to maintain and protect our intellectual property do not always prevent it from being challenged, invalidated, circumvented, designed-around or becoming subject to compulsory licensing. In some circumstances, enforcement is not available to us because an infringer has a dominant intellectual property position or for other business reasons. We also rely on nondisclosure and noncompetition agreements with employees, consultants and other parties to protect, in part, trade secrets and other proprietary rights. There can be no assurance that these agreements adequately protect our trade secrets and other proprietary rights and will not be breached, that we will have adequate remedies for any breach, that others will not independently develop substantially equivalent proprietary information or that third-parties will not otherwise gain access to our trade secrets or other proprietary rights. Our failure to obtain or maintain intellectual property rights that convey competitive advantage, adequately protect our intellectual property or detect or prevent circumvention or unauthorized use of such property and the cost of enforcing our intellectual property rights can adversely impact our business, including our competitive position, and financial statements.

These risks are particularly pronounced in countries in which we do business that do not have levels of protection of corporate proprietary information, intellectual property, technology and other assets comparable to the United States. The risks we encounter in such countries include the following:

- Joint ventures that we participate in can include restrictions that could compromise our control over the intellectual property, technology and proprietary information of the joint venture;

- As we expand our operations globally, increasing amounts of our data, intellectual property and technology is used and stored in countries outside the United States, and regulations in certain countries require data to be stored locally. These factors increase the risk that such data, intellectual property and technology could be stolen or otherwise compromised;
- Certain of our products have been counterfeited and we may encounter additional and/or increased levels of counterfeiting in the future;
- Governmental entities may adopt regulations or other requirements that give them rights to certain of our intellectual property, technology and/or proprietary information, such as through compulsory licensing or foreign ownership restrictions or requirements;
- In certain countries, we do not have the same ability to enforce intellectual property rights as we do in the United States;
- Governmental regulations relating to state secrecy or other topics limit our ability to transfer data or technology out of certain jurisdictions;
- Risks, costs and challenges of operating in a particular jurisdiction can result in a decision to relocate or divert operations to a different jurisdiction, potentially at higher cost.

Any of these risks can adversely impact our business, including our competitive position, and financial statements. Refer to “—International economic, political, legal, compliance and business factors could negatively affect our financial statements” for a discussion of additional risks relating to our international operations.

Third-parties from time to time claim that we are infringing or misappropriating their intellectual property rights and we could suffer significant litigation expenses, losses or licensing expenses or be prevented from selling products or services.

From time to time, we receive notices from third parties alleging intellectual property infringement or misappropriation of third parties’ intellectual property and cannot be certain that the conduct of our business does not and will not infringe or misappropriate the intellectual property rights of others. Disputes or litigations regarding intellectual property can be costly and time-consuming to defend due to the complexity of many of our technologies and the uncertainty of intellectual property litigation. Our intellectual property portfolio may not be useful in asserting a counterclaim, or negotiating a license, in response to a claim of infringement or misappropriation. In addition, as a result of such claims of infringement or misappropriation, we could lose our rights to critical technology, be unable to license critical technology or sell critical products and services, be required to pay substantial damages or license fees with respect to the infringed rights, be required to license technology or other intellectual property rights from others, be required to cease marketing, manufacturing or using certain products or be required to redesign, re-engineer or re-brand our products at substantial cost, any of which could adversely impact our business, including our competitive position, and financial statements. Third-party intellectual property rights may also make it more difficult or expensive for us to meet market demand for particular product or design innovations. When we are required to seek licenses under patents or other intellectual property rights of others, we are not always able to acquire these licenses on acceptable terms, if at all. Even if we successfully defend against claims of infringement or misappropriation, we may incur significant costs and diversion of management attention and resources, which could adversely affect our business and financial statements.

The U.S. government has certain rights to use and disclose some of the intellectual property that we license and could exclusively license it to a third-party if we fail to achieve practical application of the intellectual property.

Certain technology licensed by us under agreements with third-party licensors is subject to government rights. Government rights in inventions conceived or reduced to practice under a government-funded program can include a nonexclusive, royalty-free worldwide license to practice or have practiced such inventions for any governmental purpose. In addition, the U.S. government has the right to require us or our licensors (as applicable) to grant licenses which would be exclusive under any of such inventions to a third-party if they determine that: (1) adequate steps have not been taken to commercialize such inventions in a particular field of use; (2) such action is necessary to meet public health or safety needs; or (3) such action is necessary to meet requirements for public use under federal

regulations. Further, the government rights include the right to use and disclose, without limitation, technical data relating to licensed technology that was developed in whole or in part at government expense.

Defects and unanticipated use or inadequate disclosure with respect to our products or services, or allegations thereof, can adversely affect our business, reputation and financial statements.

Manufacturing or design defects or “bugs” in, unanticipated use of, safety or quality issues (or the perception of such issues) with respect to, “off label” use of, or inadequate disclosure of risks relating to the use of products and services that we make or

sell (including items that we source from third-parties) can lead to personal injury, death, property damage, loss of profits or other liability. These events can lead to recalls or safety alerts, result in the removal of a product or service from the market and result in product liability or similar claims being brought against us. Recalls, removals and product liability and similar claims (regardless of their validity or ultimate outcome) result in significant costs, as well as negative publicity and damage to our reputation that could reduce demand for our products and services. Our business can also be affected by studies of the utilization, safety and efficacy of medical device products and components that are conducted by industry participants, government agencies and others. Any of the above can result in the discontinuation of marketing of such products in one or more countries and give rise to claims for damages from persons who believe they have been injured as a result of product issues, including claims by individuals or groups seeking to represent a class.

The manufacture of many of our products is a highly exacting and complex process, and if we directly or indirectly encounter problems manufacturing products, our reputation, business and financial statements could suffer.

The manufacture of many of our products is a highly exacting and complex process, due in part to strict regulatory requirements. Problems can arise during manufacturing for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials, natural disasters and environmental factors, and if not discovered before the product is released to market can result in recalls and product liability exposure. Because of the time required to approve and license certain regulated manufacturing facilities and other stringent regulations of the FDA and similar agencies regarding the manufacture of certain of our products, an alternative manufacturer is not always available on a timely basis to replace such production capacity. Any of these manufacturing problems could result in significant costs, liability and lost revenue, loss of market share as well as negative publicity and damage to our reputation that could reduce demand for our products.

Adverse changes in our relationships with, or the financial condition, performance, purchasing patterns or inventory levels of, key distributors and other channel partners can adversely affect our financial statements.

Certain of our businesses sell a significant amount of their products to or through key distributors and other channel partners that have valuable relationships with customers and end-users. Some of these distributors and other partners also sell our competitors' products or compete with us directly, and if they favor competing products for any reason they may fail to market our products effectively. Adverse changes in our relationships with these distributors and other partners, reduction or discontinuation of their purchases from us or adverse developments in their financial condition, performance or purchasing patterns, can adversely affect our business and financial statements. The levels of inventory maintained by our distributors and other channel partners, and changes in those levels, also impacts our results of operations in any given period. In addition, the consolidation of distributors and customers in certain of our served industries can adversely impact our business and financial statements.

Certain of our businesses rely on relationships with collaborative partners and other third-parties for development, supply and marketing of certain products and potential products, and such collaborative partners or other third-parties could fail to perform sufficiently.

We believe that for certain of our businesses, success in penetrating target markets depends in part on their ability to develop and maintain collaborative relationships with other companies. Relying on collaborative relationships is risky because, among other things, our collaborative partners may (1) not devote sufficient resources to the success of our collaborations; (2) fail to obtain regulatory approvals necessary to continue the collaborations in a timely manner; (3) be acquired by other companies and terminate our collaborative partnership or become insolvent; (4) compete with us; (5) disagree with us on key details of the collaborative relationship; (6) have insufficient capital resources; and (7) decline to renew existing collaborations on acceptable terms. Because these and other factors may be beyond our control, the development or commercialization of our products involved in collaborative partnerships may be delayed or otherwise adversely affected. If we or any of our collaborative partners terminate a collaborative arrangement, we may be required to devote additional resources to product development and commercialization or we may need to cancel some development programs, which could adversely affect our business and financial statements.

Our financial results are subject to fluctuations in the cost and availability of commodities that we use in our operations.

As discussed in "Item 1. Business—Materials," our manufacturing and other operations employ a wide variety of components, raw materials and other commodities, including metallic-based components, electronic components, chemicals, plastics and other petroleum-based products. Prices for and availability of these components, raw

materials and other commodities have fluctuated significantly in the past. Any sustained interruption in the supply of these items could adversely affect our business. In addition, due to the highly competitive nature of the industries that we serve, the cost-containment efforts of our customers and the terms of certain contracts we are party to, when commodity prices rise we are not always able to pass along cost increases through higher prices. If we are unable to fully recover higher commodity costs through price increases or offset

these increases through cost reductions, or if there is a time delay between the increase in costs and our ability to recover or offset these costs, our margins and profitability could decline and our financial statements could be adversely affected.

If we cannot adjust our manufacturing capacity or the purchases required for our manufacturing activities to reflect changes in market conditions and customer demand, our profitability may suffer. In addition, our reliance upon sole or limited sources of supply for certain materials, components and services can cause production interruptions, delays and inefficiencies.

We purchase materials, components and equipment from third-parties for use in our manufacturing operations, including metallic-based components, electronic components, chemicals, plastics and other petroleum-based products. Our profitability could be adversely impacted if we are unable to adjust our purchases to reflect changes in customer demand and market fluctuations, including those caused by seasonality or cyclicalities. During a market upturn, suppliers from time to time extend lead times, limit supplies or increase prices. If we cannot purchase sufficient products at competitive prices and quality and on a timely enough basis to meet increasing demand, we may not be able to satisfy market demand, product shipments may be delayed, our costs may increase or we may breach our contractual commitments and incur liabilities. Conversely, in order to secure supplies for the production of products, we sometimes enter into noncancelable purchase commitments with vendors, which can impact our ability to adjust our inventory to reflect declining market demands. If demand for our products is less than we expect, we may experience additional excess and obsolete inventories and be forced to incur additional charges and our profitability may suffer.

In addition, some of our businesses purchase certain requirements from sole or limited source suppliers for reasons of quality assurance, regulatory requirements, cost effectiveness, availability or uniqueness of design. If these or other suppliers encounter financial, operating or other difficulties or if our relationship with them changes, we might not be able to quickly establish or qualify replacement sources of supply. The supply chains for our businesses can also be disrupted by supplier capacity constraints, bankruptcy or exiting of the business for other reasons, decreased availability of key raw materials or commodities and external events such as natural disasters, pandemic health issues, war, terrorist actions, governmental actions and legislative or regulatory changes. Any of these factors can result in production interruptions, delays, extended lead times and inefficiencies.

Because we cannot always immediately adapt our production capacity and related cost structures to changing market conditions, at times our manufacturing capacity exceeds or falls short of our production requirements. Any or all of these problems can result in the loss of customers, provide an opportunity for competing products to gain market acceptance and otherwise adversely affect our financial statements.

Changes in governmental regulations can reduce demand for our products or services or increase our expenses.

We compete in markets in which we and our customers must comply with supranational, federal, state, local and other jurisdictional regulations, such as regulations governing health and safety, the environment, food and drugs, privacy and electronic communications. We develop, configure and market our products and services to meet customer needs created by these regulations. These regulations are complex, change frequently, have tended to become more stringent over time and may be inconsistent across jurisdictions. Any significant change in any of these regulations (or in the interpretation or application thereof) can reduce demand for, increase our costs of producing or delay the introduction of new or modified products and services, or restrict our existing activities, products and services. For example, a number of our products and services are marketed to the pharmaceutical and related industries for use in discovering and developing drugs and therapies. Changes in the U.S. FDA's regulation of the drug discovery and development process can have an adverse effect on the demand for these products and services. In addition, in certain of our markets our growth depends in part upon the introduction of new regulations. In these markets, the delay or failure of governmental and other entities to adopt or enforce new regulations, the adoption of new regulations which our products and services are not positioned to address or the repeal of existing regulations, can adversely affect demand. In addition, regulatory deadlines can result in substantially different levels of demand for our products and services from period-to-period.

Work stoppages, union and works council campaigns and other labor disputes could adversely impact our productivity and results of operations.

Certain of our U.S. and non-U.S. employees are subject to collective labor arrangements. We are subject to potential work stoppages, union and works council campaigns and other labor disputes, any of which could adversely impact our financial statements and business, including our productivity and reputation.

International economic, political, legal, compliance and business factors could negatively affect our financial statements.

In 2019, approximately 63% of our sales were derived from customers outside the United States. In addition, many of our manufacturing operations, suppliers and employees are located outside the United States. Since our growth strategy depends in part on our ability to further penetrate markets outside the United States and increase the localization of our products and services, we expect to continue to increase our sales and presence outside the United States, particularly in the high-growth markets. Our international business (and particularly our business in high-growth markets) is subject to risks that are customarily encountered in non-U.S. operations, including:

- interruption in the transportation of materials to us and finished goods to our customers;
- differences in terms of sale, including payment terms;
- local product preferences and product requirements;
- changes in a country's or region's political or economic conditions, such as the devaluation of particular currencies;
- trade protection measures, embargoes and import or export restrictions and requirements;
- unexpected changes in laws or regulatory requirements, including changes in tax laws;
- capital controls and limitations on ownership and on repatriation of earnings and cash;
- the potential for nationalization of enterprises;
- changes in medical reimbursement policies and programs;
- limitations on legal rights and our ability to enforce such rights;
- difficulty in staffing and managing widespread operations;
- differing labor regulations;
- difficulties in implementing restructuring actions on a timely or comprehensive basis;
- differing protection of intellectual property; and
- greater uncertainty, risk, expense and delay in commercializing products in certain foreign jurisdictions, including with respect to product and other regulatory approvals.

International business risks have in the past and may in the future negatively affect our financial statements, business, growth rate, competitive position, and financial condition.

For example, in 2019 we generated approximately 13% of our sales from China. Accordingly, our business, financial condition and results of operations can be adversely influenced by political, economic and social conditions in China generally. Additionally, China's government continues to play a significant role in regulating industry development by imposing industrial policies, and it maintains control over China's economic growth through setting monetary policy and determining treatment of particular industries or companies. Further, considerable uncertainty exists regarding the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China. Uncertainty or adverse changes to economic conditions in China or the policies of China's government or its laws and regulations can have a material adverse effect on the overall economic growth of China and can impact our business and

operating results, reducing demand for our products and adversely affecting our financial statements, business, growth rate and competitive position and financial condition.

In addition, our global operations expose us to risks associated with public health crises and epidemics, such as the novel strain of coronavirus that recently originated in China (COVID-19), which could adversely impact our operations, supply chains and distribution systems and reduce demand for our products and services. While we believe the coronavirus may have a negative impact on our financial results, the impact is difficult to assess at this time.

Significant developments stemming from the UK's referendum decision to exit the EU could have an adverse effect on us.

In a referendum on June 23, 2016, voters in the UK voted for the UK to exit the EU. The UK formally withdrew from the EU on January 31, 2020 with a transition period through December 31, 2020. During the transition period, the UK will continue to follow EU law and will negotiate with the EU on the terms of its relationship. As it stands, the terms and the nature of the

UK's future relationship with the EU post-2020 are still being decided. This referendum and withdrawal has caused and may continue to cause political and economic uncertainty, including significant volatility in global stock markets and currency exchange rate fluctuations. If no agreement is reached by December 31, 2020, the UK's membership in the EU could terminate under a so-called "hard Brexit". The effects of Brexit will depend on many factors, including any agreements that the UK makes to retain access to EU markets either during a transitional period or more permanently. Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the UK determines which EU laws to replace or replicate. In a "hard Brexit" scenario, there could be increased costs from re-imposition of tariffs on trade between the UK and EU, shipping delays because of the need for customs inspections and procedures, and temporary shortages of certain goods. In addition, trade and investment between the UK, the EU, the United States and other countries will be impacted by the fact that the UK currently operates under the EU's tax treaties. The UK will need to negotiate its own tax and trade treaties with countries all over the world, which could take years to complete. We have manufacturing facilities in the UK, and, depending on the terms of Brexit, we could become subject to export tariffs and regulatory restrictions that could increase the costs and time related to doing business in Europe. Additionally, Brexit could result in the UK or the EU significantly altering its regulations affecting the clearance or approval of our products that are developed or manufactured in the UK. Any new regulations could add time and expense to the conduct of our business, as well as the process by which our products receive regulatory approval in the UK, the EU and elsewhere. Any of these factors could adversely affect customer demand, our relationships with customers and suppliers and our business and financial statements. As of December 31, 2019, the Company had seven manufacturing facilities in the UK and the Company's net investment in plant, property and equipment in the UK was \$163 million. For the year ended December 31, 2019, less than 5% of our sales were derived from customers located in the UK, however, the impact of Brexit could also impact our sales and operations outside the UK.

If we suffer loss to our facilities, supply chains, distribution systems or information technology systems due to catastrophe or other events, our operations could be seriously harmed.

Our facilities, supply chains, distribution systems and information technology systems are subject to catastrophic loss due to fire, flood, earthquake, hurricane, public health crisis (including epidemics), war, terrorism or other natural or man-made disasters, such as the damage caused to our facilities by Hurricane Maria in Puerto Rico in September 2017. If any of these facilities, supply chains or systems were to experience a catastrophic loss, it could disrupt our operations, delay production and shipments, result in defective products or services, damage customer relationships and our reputation and result in legal exposure and large repair or replacement expenses. The third-party insurance coverage that we maintain will vary from time to time in both type and amount depending on cost, availability and our decisions regarding risk retention, and may be unavailable or insufficient to protect us against such losses.

Our defined benefit pension plans are subject to financial market risks that could adversely affect our financial statements.

The performance of the financial markets and interest rates impact our defined benefit pension plan expenses and funding obligations. Significant changes in market interest rates, decreases in the fair value of plan assets, investment losses on plan assets and changes in discount rates can increase our funding obligations and adversely impact our financial statements. In addition, upward pressure on the cost of providing health care coverage to current employees and retirees can increase our future funding obligations and adversely affect our financial statements.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

As of December 31, 2019, the Company had facilities in over 60 countries, including approximately 212 significant administrative, sales, research and development, manufacturing and distribution facilities. 93 of these facilities are located in the United States in over 20 states and 119 are located outside the United States in over 30 other countries, primarily in Europe and to a lesser extent in Asia, South America, the rest of North America and Australia. These facilities cover approximately 18 million square feet, of which approximately 8 million square feet are owned and approximately 10 million square feet are leased. Particularly outside the United States, facilities often serve more than one business segment and may be used for multiple purposes. In addition to three significant corporate locations, the number of significant facilities by business segment is:

- Life Sciences, 72;

- Diagnostics, 80; and
- Environmental & Applied Solutions, 57.

The Company considers its facilities suitable and adequate for the purposes for which they are used and does not anticipate difficulty in renewing existing leases as they expire or in finding alternative facilities. The Company believes its properties and equipment have been well-maintained. Refer to Note 5 to the Consolidated Financial Statements included in this Annual Report for additional information with respect to the Company's lease commitments.

ITEM 3. LEGAL PROCEEDINGS

For information regarding legal proceedings, refer to the section titled "Legal Proceedings" in MD&A.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

Set forth below are the names, ages, positions and experience of Danaher's executive officers as of February 6, 2020. All of Danaher's executive officers hold office at the pleasure of Danaher's Board of Directors. Unless otherwise stated, the positions indicated are Danaher positions.

Name	Age	Position	Officer Since
Steven M. Rales	68	Chairman of the Board	1984
Mitchell P. Rales	63	Chairman of the Executive Committee	1984
Thomas P. Joyce, Jr.	59	Chief Executive Officer and President	2002
Matthew R. McGrew	48	Executive Vice President and Chief Financial Officer	2019
Rainer M. Blair	55	Executive Vice President	2014
Daniel L. Comas	56	Executive Vice President	1996
William K. Daniel II	55	Executive Vice President	2006
Joakim Weidemanis	50	Executive Vice President	2017
Brian W. Ellis	53	Senior Vice President – General Counsel and Chief Compliance Officer	2016
William H. King	52	Senior Vice President – Strategic Development	2005
Angela S. Lalar	54	Senior Vice President – Human Resources	2012
Robert S. Lutz	62	Senior Vice President – Chief Accounting Officer	2002
Daniel A. Raskas	53	Senior Vice President – Corporate Development	2004

Steven M. Rales is a co-founder of Danaher and has served on Danaher's Board of Directors since 1983, serving as Danaher's Chairman of the Board since 1984. He was also CEO of the Company from 1984 to 1990. Mr. Rales is also a member of the board of directors of Fortive Corporation, and is a brother of Mitchell P. Rales.

Mitchell P. Rales is a co-founder of Danaher and has served on Danaher's Board of Directors since 1983, serving as Chairman of the Executive Committee of Danaher since 1984. He was also President of the Company from 1984 to 1990. Mr. Rales is also a member of the board of directors of Colfax Corporation and of Fortive Corporation, and is a brother of Steven M. Rales.

Thomas P. Joyce, Jr. has served on Danaher's Board of Directors and as Danaher's President and Chief Executive Officer since September 2014.

Matthew R. McGrew has served as Executive Vice President and Chief Financial Officer since January 2019, after serving as Group CFO of Danaher from 2012 until December 2018.

Rainer M. Blair has served as Executive Vice President since January 2017 after serving as Vice President – Group Executive from March 2014 until January 2017 and as President of Danaher's Sciex business from January 2011 to March 2014.

Daniel L. Comas has served as Executive Vice President since January 2019, after serving as Executive Vice President and Chief Financial Officer from 2005 until December 2018.

William K. Daniel II has served as Executive Vice President since 2008.

Joakim Weidemanis has served as Executive Vice President since December 2017 after serving as Vice President – Group Executive from March 2014 until December 2017 and as Group President – Marking and Coding from January 2013 to March 2014.

Brian W. Ellis has served as Senior Vice President – General Counsel and Chief Compliance Officer since joining Danaher in January 2016. Prior to joining Danaher, Mr. Ellis served for over five years in progressively more responsible positions in the legal department of Medtronic, Inc., a medical device company, including most recently as Vice President and General Counsel of Medtronic’s Restorative Therapies Group.

William H. King has served as Senior Vice President – Strategic Development since May 2014.

Angela S. Lalor has served as Senior Vice President – Human Resources since joining Danaher in April 2012.

Robert S. Lutz has served as Senior Vice President – Chief Accounting Officer since February 2010.

Daniel A. Raskas has served as Senior Vice President – Corporate Development since February 2010.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the New York Stock Exchange under the symbol DHR. As of February 6, 2020, there were approximately 2,431 holders of record of Danaher's common stock.

Any future payments of dividends on the Company's common stock will be determined by Danaher's Board of Directors and will depend on business conditions, Danaher's earnings and other factors Danaher's Board deems relevant.

Issuer Purchases of Equity Securities

The Company's repurchases of its equity securities during the fourth quarter of 2019 are listed below in the following table:

Period	Total Number of Shares Purchased ⁽¹⁾	Average Share Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾⁽²⁾	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs ⁽²⁾
September 28, 2019 - October 27, 2019	—	—	—	20,000,000
October 28, 2019 - November 26, 2019	—	—	—	20,000,000
November 27, 2019 - December 31, 2019	22,921,984	⁽¹⁾)	22,921,984	20,000,000
Total	22,921,984	⁽¹⁾)	22,921,984	20,000,000

⁽¹⁾ On December 18, 2019, Danaher completed the disposition of the remaining 80.6% ownership of Envista Holdings Corporation common stock through a split-off exchange offer, which resulted in Danaher's repurchase of 22.9 million shares of the Company's common stock in exchange for the remaining shares of Envista held by Danaher. Danaher common shareholders who participated in the exchange offer received in aggregate approximately 127.9 million shares of Envista common stock in exchange for all of the Danaher common shares exchanged.

⁽²⁾ On July 16, 2013, the Company's Board of Directors approved a repurchase program (the "Repurchase Program") authorizing the repurchase of up to 20 million shares of the Company's common stock from time to time on the open market or in privately negotiated transactions. There is no expiration date for the Repurchase Program, and the timing and amount of any shares repurchased under the program will be determined by the Company's management based on its evaluation of market conditions and other factors. The Repurchase Program may be suspended or discontinued at any time. Any repurchased shares will be available for use in connection with the Company's equity compensation plans (or any successor plan) and for other corporate purposes. As of December 31, 2019, 20 million shares remained available for repurchase pursuant to the Repurchase Program. The Company expects to fund any future stock repurchases using the Company's available cash balances or proceeds from the issuance of debt.

Except in connection with the Envista Split-Off in 2019, neither the Company nor any "affiliated purchaser" repurchased any shares of Company common stock during 2019, 2018 or 2017.

Recent Issuances of Unregistered Securities

During the fourth quarter of 2019, holders of certain of the Company's Liquid Yield Option Notes due 2021 ("LYONs") converted such LYONs into an aggregate of 44 thousand shares of Danaher common stock, par value \$0.01 per share. In each case, the shares of common stock were issued solely to existing security holders upon conversion of the LYONs pursuant to the exemption from registration provided under Section 3(a)(9) of the Securities Act of 1933, as amended.

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ITEM 6. SELECTED FINANCIAL DATA
(\$ in millions, except per share information)

	2019	2018	2017	2016	2015
Sales	\$ 17,911.1	\$ 17,048.5	\$ 15,518.8	\$ 14,097.0	\$ 11,697.4
Operating profit	3,269.4	3,055.1	2,572.3	2,300.9	1,771.9
Net earnings from continuing operations	2,432.3	2,406.3	2,172.2 (a) (b)	1,863.5 (c) (d)	1,428.7 (e) (f)
Earnings from discontinued operations, net of income taxes	575.9 (n)	244.6	319.9	690.2	1,928.7 (e)
Net earnings	3,008.2	2,650.9	2,492.1 (a) (b)	2,553.7 (c) (d)	3,357.4 (e)(f)
Mandatory convertible preferred stock ("MCPS") dividends	(68.4)	—	—	—	—
Net earnings attributable to common stockholders	\$ 2,939.8	\$ 2,650.9	\$ 2,492.1 (a) (b)	\$ 2,553.7 (c) (d)	\$ 3,357.4 (e)(f)
Net earnings per common share from continuing operations (m):					
Basic	\$ 3.31	\$ 3.43	\$ 3.12 (a) (b)	\$ 2.70 (c) (d)	\$ 2.05 (e) (f)
Diluted	\$ 3.26	\$ 3.39	\$ 3.08 (a) (b)	\$ 2.67 (c) (d)	\$ 2.02 (e) (f)
Net earnings per common share from discontinued operations:					
Basic	\$ 0.81 (n)	\$ 0.35	\$ 0.46	\$ 1.00	\$ 2.76 (e)
Diluted	\$ 0.79 (n)	\$ 0.34	\$ 0.45	\$ 0.99	\$ 2.72 (e)
Net earnings per common share:					
Basic	\$ 4.11 *	\$ 3.78	\$ 3.58 (a) (b)	\$ 3.69 (c) (d) *	\$ 4.81 (e)(f)
Diluted	\$ 4.05	\$ 3.74 *	\$ 3.53 (a) (b)	\$ 3.65 (c) (d) *	\$ 4.74 (e)(f)
Dividends declared per common share	\$ 0.68 (g)	\$ 0.64 (h)	\$ 0.56 (i)	\$ 0.57 (j)	\$ 0.54 (k)
Dividends declared per share of MCPS	\$ 41.43 (l)	\$ —	\$ —	\$ —	\$ —
Total assets	\$ 62,081.6	\$ 47,832.5	\$ 46,648.6	\$ 45,295.3	\$ 48,222.2
Total debt	\$ 21,729.1	\$ 9,740.3	\$ 10,522.1	\$ 12,269.0	\$ 12,870.4

(a) Includes \$73 million (\$46 million after-tax or \$0.06 per diluted share) gain on sale of certain marketable equity securities. Refer to Note 16 to the Consolidated Financial Statements included in this Annual Report for additional information.

(b) Includes \$146 million (\$0.21 per diluted share) of discrete tax benefits associated with the resolution of uncertain tax positions as well as the remeasurement of deferred tax assets and liabilities and the Transition Tax from the TCJA. Refer to Note 15 to the Consolidated Financial Statements included in this Annual Report for additional information.

(c) Includes \$223 million (\$140 million after-tax or \$0.20 per diluted share) gain on sale of certain marketable equity securities. Refer to Note 16 to the Consolidated Financial Statements included in this Annual Report for additional information.

(d) Includes \$179 million (\$112 million after-tax or \$0.16 per diluted share) loss on extinguishment of borrowings, net of certain deferred gains. Refer to Note 16 to the Consolidated Financial Statements included in this Annual Report for additional information.

(e) Includes \$767 million after-tax gain (\$1.08 per diluted share) on disposition of the Company's communications business.

- ^(f) Includes \$12 million (\$8 million after-tax or \$0.01 per diluted share) gain on sale of certain marketable equity securities.
- ^(g) The Company increased its quarterly dividend rate in 2019 to \$0.17 per share.
- ^(h) The Company increased its quarterly dividend rate in 2018 to \$0.16 per share.
- ⁽ⁱ⁾ The Company increased its quarterly dividend rate in 2017 to \$0.14 per share.
- ^(j) The Company increased its quarterly dividend rate in the first quarter of 2016 to \$0.16 per share and subsequently reduced its quarterly dividend rate to \$0.125 per share in the third quarter of 2016 as a result of the Fortive Disposition.
- ^(k) The Company increased its quarterly dividend rate in 2015 to \$0.135 per share.
- ^(l) The company declared dividends of \$17.681 per MCPS in the second quarter of 2019 and \$11.875 per MCPS in both the third and fourth quarters of 2019.
- ^(m) Refer to Note 20 to the Consolidated Financial Statements included in this Annual Report for additional information on the calculation of net earnings per share from continuing operations.
- ⁽ⁿ⁾ Includes \$451 million after-tax gain (\$0.62 per diluted share) on disposition of Envista Holdings Corporation common stock.

* Net earnings per share amount does not add due to rounding.

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ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) is designed to provide a reader of Danaher’s financial statements with a narrative from the perspective of Company management. The Company’s MD&A is divided into five sections:

- Overview
- Results of Operations
- Liquidity and Capital Resources
- Critical Accounting Estimates
- New Accounting Standards

This discussion and analysis should be read along with Danaher’s audited financial statements and related Notes thereto as of December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 included in this Annual Report.

Unless otherwise indicated, all financial results in this report refer to continuing operations.

OVERVIEW

General

Refer to “Item 1. Business—General” for a discussion of Danaher’s strategic objectives and methodologies for delivering long-term shareholder value. Danaher is a multinational business with global operations. During 2019, approximately 63% of Danaher’s sales were derived from customers outside the United States. As a diversified, global business, Danaher’s operations are affected by worldwide, regional and industry-specific economic and political factors. Danaher’s geographic and industry diversity, as well as the range of its products, software and services, help limit the impact of any one industry or the economy of any single country on its consolidated operating results. The Company’s individual businesses monitor key competitors and customers, including to the extent possible their sales, to gauge relative performance and the outlook for the future.

As a result of the Company’s geographic and industry diversity, the Company faces a variety of opportunities and challenges, including rapid technological development (particularly with respect to computing, automation, artificial intelligence, mobile connectivity, communications and digitization) in most of the Company’s served markets, the expansion and evolution of opportunities in high-growth markets, trends and costs associated with a global labor force, consolidation of the Company’s competitors and increasing regulation. The Company operates in a highly competitive business environment in most markets, and the Company’s long-term growth and profitability will depend in particular on its ability to expand its business in high-growth geographies and high-growth market segments, identify, consummate and integrate appropriate acquisitions, develop innovative and differentiated new products and services with higher gross profit margins, expand and improve the effectiveness of the Company’s sales force, continue to reduce costs and improve operating efficiency and quality, and effectively address the demands of an increasingly regulated global environment. The Company is making significant investments, organically and through acquisitions, to address the rapid pace of technological change in its served markets and to globalize its manufacturing, research and development and customer-facing resources (particularly in high-growth markets) in order to be responsive to the Company’s customers throughout the world and improve the efficiency of the Company’s operations.

Business Performance

Consolidated sales for the year ended December 31, 2019 increased 5.0% as compared to 2018. While differences exist among the Company’s businesses, on an overall basis, demand for the Company’s products and services increased on a year-over-year basis in 2019 as compared to 2018. This demand, together with the Company’s continued investments in sales growth initiatives and the other business-specific factors discussed below, contributed

to year-over-year core sales growth of 6.0% (for the definition of “core sales,” refer to “—Results of Operations” below). Geographically, both high-growth and developed markets contributed to year-over-year core sales growth during 2019. Core sales in high-growth markets grew at a high-single digit rate in 2019 as compared to 2018 led by strength in China. High-growth markets represented approximately 32% of the Company’s total sales in 2019. Core sales in developed markets grew at a mid-single digit rate in 2019 as compared to 2018 and were driven by North America and Western Europe.

The Company’s net earnings from continuing operations for the year ended December 31, 2019 totaled approximately \$2.4 billion, or \$3.26 per diluted share, compared to approximately \$2.4 billion, or \$3.39 per diluted share for the year ended

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December 31, 2018. Net earnings attributable to common stockholders for the year ended December 31, 2019 totaled approximately \$2.9 billion or \$4.05 per diluted share compared to approximately \$2.7 billion or \$3.74 per diluted share for the year ended December 31, 2018. The gain on the disposition of Envista, partially offset by the tax-related charges discussed below in “—Results of Operations—Income Taxes” are the primary reasons for the year-over-year increase in net earnings attributable to common stockholders and diluted earnings per share for the year ended December 31, 2019; refer to “—Results of Operations” for further discussion of year-over-year changes in net earnings and diluted earnings per share for the year ended December 31, 2019. Refer to “Results of Operations—Discontinued Operations” for further discussion of the disposition of Envista.

Acquisitions and Dispositions

On February 25, 2019, the Company entered into the GE Biopharma Purchase Agreement with GE to acquire the GE Biopharma Business for a cash purchase price of approximately \$21.0 billion, subject to certain adjustments, and the assumption of approximately \$0.4 billion of pension liabilities. The GE Biopharma Business, to be known as Cytiva following the closing of the acquisition, is a leading provider of instruments, consumables and software that support the research, discovery, process development and manufacturing workflows of biopharmaceutical drugs. Based on preliminary unaudited financial information provided by GE, the GE Biopharma Business generated revenues of approximately \$3.3 billion in 2019. Though the timing of obtaining the final regulatory approvals necessary to close the GE Biopharma Acquisition is uncertain, the Company continues to make progress with respect thereto and expects to close the transaction in the first quarter of 2020. The acquisition is expected to provide additional sales and earnings growth opportunities for the Company’s Life Sciences segment by expanding the business’ geographic and product line diversity, including new product and service offerings that complement the Company’s current biologics workflow solutions. As a condition to obtaining certain regulatory approvals for the closing of the transaction, the Company expects it will be required to divest certain of its existing product lines that in the aggregate generated revenues of approximately \$170 million in 2019.

The Company plans to finance the GE Biopharma Acquisition with approximately \$3.0 billion of proceeds from the March 1, 2019 underwritten public offerings of its Common Stock and MCPS, approximately \$10.8 billion of proceeds from the issuance of euro-denominated and U.S. dollar-denominated long-term debt in the second half of 2019, and approximately \$7.2 billion from the aggregate of cash on hand and proceeds from commercial paper borrowings. Refer to Note 11 in the Consolidated Financial Statements for additional information related to the issuance of debt and to Note 19 for additional information related to the March 1, 2019 public offerings.

During 2019, the Company acquired five businesses for total consideration of \$331 million in cash, net of cash acquired. The businesses acquired complement existing units of each of the Company’s three segments. The aggregate annual sales of these five businesses at the time of their respective acquisitions, in each case based on the company’s revenues for its last completed fiscal year prior to the acquisition, were \$72 million. In addition, in 2019 the Company invested \$241 million in non-marketable equity securities and a partnership.

For a discussion of the Company’s 2018 and 2017 acquisition and disposition activity, refer to “Liquidity and Capital Resources—Investing Activities”.

Envista Disposition

On September 20, 2019, Envista completed an underwritten IPO of 30.8 million shares of its common stock, (the “IPO”), which represented 19.4% of Envista’s outstanding shares at the time of the offering, at a public offering price of \$22.00 per share. Envista realized net proceeds of \$643 million from the IPO, after deducting underwriting discounts and deal expenses.

In connection with the completion of the IPO, through a series of equity and other transactions, the Company transferred its dental businesses to Envista (the “Separation”). In exchange, Envista transferred consideration of approximately \$2.0 billion to the Company, which consisted primarily of the net proceeds from the IPO and approximately \$1.3 billion of proceeds from Envista’s term debt financing. The excess of the net proceeds from the IPO over the net book value of the business transferred to Envista was \$60 million and was recorded in additional paid-in capital.

On December 18, 2019, Danaher completed the disposition of its remaining 80.6% ownership of Envista common stock through a split-off exchange offer, which resulted in Danaher’s repurchase of 22.9 million shares of Danaher common stock in exchange for the remaining shares of Envista common stock held by Danaher (the “Split-Off”). The IPO, Separation and Split-Off are collectively referred to as the “Envista Disposition”. As a result, the Company

recognized a gain on the disposition of \$451 million in the fourth quarter of 2019 equal to the difference between the fair value of the Danaher common stock tendered in the exchange offer and the carrying value of Envista common stock. The accounting requirements for reporting Envista as a discontinued operation were met when the Split-Off was completed. Accordingly, the Consolidated Financial Statements for all periods presented reflect this business as a discontinued operation. For each period presented, the Company allocated a portion of the consolidated interest expense to discontinued operations based on the ratio of the discontinued business' net assets to the

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Company's consolidated net assets. Envista had revenues of approximately \$2.6 billion in 2019 prior to the Envista Disposition and approximately \$2.8 billion in 2018.

To effect the Envista Disposition, the Company incurred \$69 million in costs during the year ended December 31, 2019 which are reflected in earnings from discontinued operations, net of income taxes in the accompanying Consolidated Statements of Earnings. These costs primarily relate to professional fees associated with preparation of regulatory filings and activities within finance, tax, legal and information technology functions as well as certain investment banking fees and tax costs.

Refer to Note 4 to the Consolidated Financial Statements for further discussion.

UK's referendum decision to exit the EU

In a referendum on June 23, 2016, voters approved for the UK to exit the EU. The UK formally withdrew from the EU on January 31, 2020 with a transition period through December 31, 2020. During the transition period, the UK will continue to follow EU law and will negotiate with the EU on the terms of its relationship post-2020. Failure to complete negotiations by the implementation deadline of December 31, 2020 relating to Brexit could result in the UK reverting to undesirable and adverse trade agreements with the EU. The nature of the UK's future relationship with the EU is still uncertain. The Company continues to monitor the status of Brexit and plan for potential impacts. As of December 31, 2019, the Company had seven manufacturing facilities in the UK and the Company's net investment in plant, property and equipment in the UK was \$163 million. For the year ended December 31, 2019, less than 5% of the Company's sales were derived from customers located in the UK, however, the impact of Brexit could also impact the Company's sales and operations outside the UK. To mitigate the potential impact of Brexit on the import of goods to the UK, the Company has increased its level of inventory within the UK. The ultimate impact of Brexit on the Company's financial results is uncertain. For additional information, refer to the "Item 1A—Risk Factors" section of this Annual Report.

Coronavirus

For information on the potential impact of the coronavirus to the Company's operations, refer to the "Item 1A—Risk Factors" section of this Annual Report.

RESULTS OF OPERATIONS

In this report, references to the non-GAAP measure of core sales (also referred to as core revenues or sales/revenues from existing businesses) refer to sales from continuing operations calculated according to generally accepted accounting principles in the United States ("GAAP") but excluding:

- sales from acquired businesses; and
- the impact of currency translation.

References to sales or operating profit attributable to acquisitions or acquired businesses refer to sales or operating profit, as applicable, from acquired businesses recorded prior to the first anniversary of the acquisition less the amount of sales and operating profit, as applicable, attributable to divested product lines not considered discontinued operations. The portion of revenue attributable to currency translation is calculated as the difference between:

- the period-to-period change in revenue (excluding sales from acquired businesses); and
- the period-to-period change in revenue (excluding sales from acquired businesses) after applying current period foreign exchange rates to the prior year period.

Core sales growth should be considered in addition to, and not as a replacement for or superior to, sales, and may not be comparable to similarly titled measures reported by other companies. Management believes that reporting the non-GAAP financial measure of core sales growth provides useful information to investors by helping identify underlying growth trends in Danaher's business and facilitating comparisons of Danaher's revenue performance with its performance in prior and future periods and to Danaher's peers. Management also uses core sales growth to measure the Company's operating and financial performance, and uses it as one of the performance measures in the Company's executive short-term cash incentive program. The Company excludes the effect of currency translation from core sales because currency translation is not under management's control, is subject to volatility and can

obscure underlying business trends, and excludes the effect of acquisitions and divestiture-related items because the nature, size, timing and number of acquisitions and divestitures can vary dramatically from period-to-period and between the Company and its peers and can also obscure underlying business trends and make comparisons of long-term performance difficult.

Throughout this discussion, references to sales volume refer to the impact of both price and unit sales and references to productivity improvements generally refer to improved cost efficiencies resulting from the ongoing application of DBS.

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Core Revenue

	2019 vs. 2018	2018 vs. 2017
Total sales growth (GAAP)	5.0 %	10.0 %
Impact of:		
Acquisitions and other	) (1.0 %	) (2.0 %
Currency exchange rates	2.0 %	) (1.0 %
Core revenue growth (non-GAAP)	6.0 %	7.0 %

Core sales grew on a year-over-year basis in both 2019 and 2018. Sales from acquired businesses increased on a year-over-year basis in both 2019 and 2018, primarily due to the acquisition of IDT in the second quarter of 2018. The impact of currency translation reduced reported sales on a year-over-year basis in 2019 as the U.S. dollar was, on average, stronger against other major currencies. Currency translation increased reported sales on a year-over-year basis in 2018, primarily due to the U.S. dollar weakening against other major currencies in the first half of 2018, partially offset by the U.S. dollar strengthening in the second half of 2018.

Operating profit margins were 18.3% for the year ended December 31, 2019 as compared to 17.9% in 2018. The following factors impacted year-over-year operating profit margin comparisons.

2019 vs. 2018 operating profit margin comparisons were favorably impacted by:

- Higher 2019 core sales volumes and incremental year-over-year cost savings associated with the continued productivity improvement initiatives taken in 2019 and 2018, net of incremental year-over-year costs associated with various new product development and sales, service and marketing growth investments and the impact of foreign exchange rates - 100 basis points
- Acquisition-related transaction costs and fair value adjustments to inventory related to the acquisition of IDT in the second quarter of 2018 - 10 basis points

2019 vs. 2018 operating profit margin comparisons were unfavorably impacted by:

- The incremental net dilutive effect in 2019 of acquired businesses - 15 basis points
- Transaction costs and integration preparation costs related to the anticipated acquisition of the GE Biopharma Business - 50 basis points
- Second quarter 2018 gain on resolution of acquisition-related matters - 5 basis points

Operating profit margins were 17.9% for the year ended December 31, 2018 as compared to 16.6% in 2017. The following factors impacted year-over-year operating profit margin comparisons.

2018 vs. 2017 operating profit margin comparisons were favorably impacted by:

- Higher 2018 core sales volumes and incremental year-over-year cost savings associated with the continued productivity improvement initiatives taken in 2018 and 2017, net of incremental year-over-year costs associated with various product development, sales and marketing growth investments and the impact of foreign exchange rates - 120 basis points
- Restructuring, impairment and other related charges related to discontinuing a product line in the second quarter of 2017 related to the Diagnostic segment - 45 basis points

2018 vs. 2017 operating profit margin comparisons were unfavorably impacted by:

- The incremental net dilutive effect in 2018 of acquired businesses - 25 basis points
- Acquisition-related transaction costs and fair value adjustments to inventory related to the acquisition of IDT in the second quarter of 2018 - 10 basis points

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Business Segments

Sales by business segment for the years ended December 31 are as follows (\$ in millions):

	2019	2018	2017
Life Sciences	\$ 6,951.1	\$ 6,471.4	\$ 5,710.1
Diagnostics	6,561.5	6,257.6	5,839.9
Environmental & Applied Solutions	4,398.5	4,319.5	3,968.8
Total	<u>\$ 17,911.1</u>	<u>\$ 17,048.5</u>	<u>\$ 15,518.8</u>

LIFE SCIENCES

The Company's Life Sciences segment offers a broad range of research tools that scientists use to study the basic building blocks of life, including genes, proteins, metabolites and cells, in order to understand the causes of disease, identify new therapies and test new drugs and vaccines. The segment is also a leading provider of filtration, separation and purification technologies to the biopharmaceutical, food and beverage, medical, aerospace, microelectronics and general industrial sectors.

Life Sciences Selected Financial Data

(\$ in millions)	Year Ended December 31		
	2019	2018	2017
Sales	\$ 6,951.1	\$ 6,471.4	\$ 5,710.1
Operating profit	1,401.4	1,229.3	1,004.3
Depreciation	130.5	127.4	119.0
Amortization	356.6	343.8	308.9
Operating profit as a % of sales	20.2 %	19.0 %	17.6 %
Depreciation as a % of sales	1.9 %	2.0 %	2.1 %
Amortization as a % of sales	5.1 %	5.3 %	5.4 %

Core Revenue

	2019 vs. 2018	2018 vs. 2017
Total sales growth (GAAP)	7.5 %	13.5 %
Impact of:		
Acquisitions and other	(2.5 %)	(5.0 %)
Currency exchange rates	2.0 %	(1.0 %)
Core revenue growth (non-GAAP)	<u>7.0 %</u>	<u>7.5 %</u>

2019 Compared to 2018

Price increases in the segment contributed 1.0% to revenue growth on a year-over-year basis during 2019 as compared with 2018 and are reflected as a component of the change in core revenue growth.

Core sales for filtration, separation and purification technologies increased across most major geographies on a year-over-year basis led by growth in the biopharmaceuticals, aerospace and fluid technology and asset protection end-markets, partially offset by softness in the microelectronics end-market. Core sales of microscopy products grew on a year-over-year basis across most major product lines led by North America and the high-growth markets, particularly China. Year-over-year core sales for flow cytometry and particle counting products grew in 2019 across all major geographies and end-markets. Core sales of the business' broad range of mass spectrometers increased on a year-over-year basis led by strong core sales growth in the high-growth markets, particularly China and the rest of Asia,

partially offset by lower demand in North America. This growth was led by demand in the pharmaceutical and academic end-markets and for service offerings, partially offset by lower core sales in the clinical end-market.

Sales growth from acquisitions was primarily due to the acquisition of IDT in April 2018. IDT provides additional sales and earnings growth opportunities for the segment by expanding the segment's product line diversity, including new product and

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service offerings in the area of genomics consumables. During 2019, IDT's revenues grew on a year-over-year basis across all major product lines and geographies, primarily driven by North America.

Operating profit margins increased 120 basis points during 2019 as compared to 2018. The following factors impacted year-over-year operating profit margin comparisons.

2019 vs. 2018 operating profit margin comparisons were favorably impacted by:

- Higher 2019 core sales volumes and incremental year-over-year cost savings associated with the continued productivity improvement initiatives taken in 2019 and 2018, net of incremental year-over-year costs associated with various new product development and sales and marketing growth investments and the impact of foreign exchange rates - 145 basis points
- Acquisition-related transaction costs and fair value adjustments to inventory related to the acquisition of IDT in the second quarter of 2018 - 25 basis points

2019 vs. 2018 operating profit margin comparisons were unfavorably impacted by:

- The incremental net dilutive effect in 2019 of acquired businesses - 35 basis points
- Second quarter 2018 gain on resolution of acquisition-related matters - 15 basis points

2018 Compared to 2017

Price increases in the segment contributed 0.5% to revenue growth on a year-over-year basis during 2018 as compared with 2017 and are reflected as a component of the change in core revenue growth.

Core sales of the business' broad range of mass spectrometers grew on a year-over-year basis led by strong sales growth in high-growth markets, particularly China and the rest of Asia, and in North America. This growth was led by demand in the clinical, applied and pharmaceutical end-markets and by demand for service offerings. Core sales of microscopy products grew on a year-over-year basis with growth in demand across most major end-markets partially driven by recent new product releases. Geographically, demand for microscopy products increased in North America and high-growth markets, particularly China. Year-over-year core sales for the business' flow cytometry and particle counting products grew in 2018 across most major end-markets, led by increases in sales in North America, China and Western Europe. New product launches in 2018 also contributed to the increased demand in these markets. Core sales for filtration, separation and purification technologies grew on a year-over-year basis led by growth in biopharmaceuticals, microelectronics and fluid technology and asset protection end-markets. Geographically, core sales in filtration, separation and purification technologies were led by growth in Western Europe, North America and high-growth markets.

Sales growth from acquisitions was primarily due to the acquisition of IDT in April 2018. During 2018, IDT's revenues grew on a year-over-year basis across all major geographies and product lines.

Operating profit margins increased 140 basis points during 2018 as compared to 2017. The following factors impacted year-over-year operating profit margin comparisons.

2018 vs. 2017 operating profit margin comparisons were favorably impacted by:

- Higher 2018 sales volumes from existing businesses and incremental year-over-year cost savings associated with the continued productivity improvement initiatives taken in 2018 and 2017, net of incremental year-over-year costs associated with various new product development, sales and marketing growth investments - 180 basis points
- 2018 gain on resolution of acquisition-related matters - 20 basis points

2018 vs. 2017 operating profit margin comparisons were unfavorably impacted by:

- The incremental net dilutive effect in 2018 of acquired businesses - 35 basis points
- Acquisition-related charges consisting of transaction costs and fair value adjustments to inventory for the acquisition of IDT in the second quarter of 2018 - 25 basis points

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DIAGNOSTICS

The Company's Diagnostics segment offers analytical instruments, reagents, consumables, software and services that hospitals, physicians' offices, reference laboratories and other critical care settings use to diagnose disease and make treatment decisions.

Diagnostics Selected Financial Data

(\$ in millions)	Year Ended December 31		
	2019	2018	2017
Sales	\$ 6,561.5	\$ 6,257.6	\$ 5,839.9
Operating profit	1,134.1	1,073.8	871.6
Depreciation	376.0	379.2	368.1
Amortization	206.5	209.8	213.4
Operating profit as a % of sales	17.3 %	17.2 %	14.9 %
Depreciation as a % of sales	5.7 %	6.1 %	6.3 %
Amortization as a % of sales	3.1 %	3.4 %	3.7 %

Core Revenue

	2019 vs. 2018	2018 vs. 2017
Total sales growth (GAAP)	5.0 %	7.0 %
Impact of:		
Currency exchange rates	2.0 %	(0.5 %)
Core revenue growth (non-GAAP)	7.0 %	6.5 %

2019 Compared to 2018

Price increases in the segment did not have a significant impact on sales growth on a year-over-year basis during 2019 as compared with 2018.

Geographically, core sales in the clinical lab business increased on a year-over-year basis due to continued demand in high-growth markets, led by China, and in North America, partially offset by modest declines in Western Europe. The increased demand in the clinical lab business was mainly driven by the immunoassay, chemistry and automation product lines. Core sales in the molecular diagnostics business increased on a year-over-year basis in most major product lines and across all major geographies. Year-over-year core sales growth in the acute care diagnostic business was driven by continued strong sales of blood gas and immunoassay product lines, primarily in China, Western Europe, Japan and North America. Increased demand for advanced staining and core histology product lines drove the majority of the year-over-year core sales growth in the pathology diagnostics business. Geographically, core revenue growth in the pathology diagnostics business was led by North America, Western Europe and China.

Operating profit margins increased 10 basis points during 2019 as compared to 2018, due to higher 2019 core sales volumes and incremental year-over-year cost savings associated with the continued productivity improvement initiatives taken in 2019 and 2018, net of incremental year-over-year costs associated with various new product development and sales, service and marketing growth investments and the impact of foreign exchange rates.

Depreciation and amortization as a percentage of sales decreased during 2019 as compared with 2018 largely due to the impact of increased sales in 2019.

2018 Compared to 2017

Price in the segment negatively impacted sales growth by 0.5% on a year-over-year basis during 2018 as compared with 2017 and is reflected as a component of the change in core revenue growth.

Core sales in the molecular diagnostics business increased on a year-over-year basis, driven by strong growth in both developed and high-growth markets. The molecular diagnostics business experienced particularly strong growth in the infectious disease product line driven in part by the severity of the flu season during the first quarter of 2018. Core sales in the clinical lab business increased on a year-over-year basis due to increased demand in the high-growth markets, led by China, partially offset

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by lower sales in Western Europe. The increased demand in the clinical lab business was driven by the immunoassay product line. Core sales in the acute care diagnostic business increased, driven by continued strong sales of blood gas and immunoassay product lines across most major geographies, led by the high-growth markets. Core sales in the pathology diagnostics business increased across most major geographies, led by North America, Western Europe and China. Demand for new products in the advanced staining and core histology product lines drove the increased core sales in the pathology diagnostics business.

Operating profit margins increased 230 basis points during 2018 as compared to 2017. The following factors impacted year-over-year operating profit margin comparisons.

2018 vs. 2017 operating profit margin comparisons were favorably impacted by:

- Higher 2018 sales volumes from existing businesses and incremental year-over-year cost savings associated with the continued productivity improvement initiatives taken in 2018 and 2017, net of incremental year-over-year costs associated with various new product development, sales and marketing growth investments and the effect of year-over-year changes in foreign exchange rates - 125 basis points
- Restructuring, impairment and other related charges related to discontinuing a product line in 2017 - 130 basis points

2018 vs. 2017 operating profit margin comparisons were unfavorably impacted by:

- 2017 gain on resolution of acquisition-related matters - 25 basis points

ENVIRONMENTAL & APPLIED SOLUTIONS

The Company's Environmental & Applied Solutions segment offers products and services that help protect important resources and keep global food and water supplies safe. The Company's water quality business provides instrumentation, consumables, software, services and disinfection systems to help analyze, treat and manage the quality of ultra-pure, potable, industrial, waste, ground, source and ocean water in residential, commercial, municipal, industrial and natural resource applications. The Company's product identification business provides equipment, software, services and consumables for various color and appearance management, packaging design and quality management, packaging converting, printing, marking, coding and traceability applications for consumer, pharmaceutical and industrial products.

Environmental & Applied Solutions Selected Financial Data

(\$ in millions)	Year Ended December 31		
	2019	2018	2017
Sales	\$ 4,398.5	\$ 4,319.5	\$ 3,968.8
Operating profit	1,051.6	988.0	914.6
Depreciation	48.6	47.0	43.4
Amortization	62.0	62.0	56.5
Operating profit as a % of sales	23.9 %	22.9 %	23.0 %
Depreciation as a % of sales	1.1 %	1.1 %	1.1 %
Amortization as a % of sales	1.4 %	1.4 %	1.4 %

Core Revenue

	2019 vs. 2018	2018 vs. 2017
Total sales growth (GAAP)	2.0 %	9.0 %
Impact of:		
Acquisitions and other	(0.5 %)	(2.0 %)

Currency exchange rates	2.0 %) (1.0 %
Core revenue growth (non-GAAP)	3.5 %	6.0 %

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2019 Compared to 2018

Price increases in the segment contributed 1.5% to sales growth on a year-over-year basis during 2019 as compared with 2018 and are reflected as a component of the change in core revenue growth.

Core sales in the segment's water quality businesses grew at a mid-single digit rate during 2019 as compared with 2018. Year-over-year core sales in the analytical instrumentation product line increased, driven by demand in North America, Western Europe, and high-growth markets, partially offset by lower core sales in China primarily as a result of strong regulatory driven demand in the prior year. Year-over-year core revenue growth in the business' chemical treatment solutions product line was driven by demand in the oil and gas, primary metals, food and beverage, and commercial and industrial end-markets. Geographically, year-over-year core revenue growth in the chemical treatment solutions product line was driven by North America and Latin America. Core sales in the business' ultraviolet water disinfection product line increased across all major end-markets on a year-over-year basis, driven by the completion of several municipal projects. Geographically, year-over year core revenue growth for ultraviolet water disinfection products was led by North America and China.

Core sales in the segment's product identification businesses grew at a low-single digit rate during 2019 as compared with 2018. Year-over-year core revenue growth for marking and coding equipment and related consumables was driven by demand in North America, Western Europe and high-growth markets. Core sales for the business' packaging and color solutions increased year-over-year, driven by increased demand in North America, Western Europe and high-growth markets.

Operating profit margins increased 100 basis points during 2019 as compared to 2018. The following factors impacted year-over-year operating profit margin comparisons:

2019 vs. 2018 operating profit margin comparisons were favorably impacted by:

- Higher 2019 core sales volumes, incremental year-over-year cost savings associated with the continued productivity improvement initiatives taken in 2019 and 2018 and the impact of foreign exchange rates, net of incremental year-over-year costs associated with various new product development and sales, service and marketing growth investments - 115 basis points

2019 vs. 2018 operating profit margin comparisons were unfavorably impacted by:

- The incremental net dilutive effect in 2019 of acquired businesses - 15 basis points

2018 Compared to 2017

Price increases in the segment contributed 1.5% to sales growth on a year-over-year basis during 2018 as compared with 2017 and are reflected as a component of the change in core revenue growth.

Core sales in the segment's water quality businesses grew at a high-single digit rate during 2018 as compared with 2017. Year-over-year core sales in the analytical instrumentation product line increased, led by continued demand in the industrial and municipal end-markets. Geographically, year-over-year core revenue growth in the analytical instrumentation product line was driven by increased demand across all major geographies, led by China, North America and Western Europe. Year-over-year core revenue growth in the business' chemical treatment solutions product line was driven by demand in the commercial and industrial, mining and primary metals end-markets. Geographically, year-over-year core revenue growth in the chemical treatment solutions product line was driven by North America and Latin America. Core sales in the business' ultraviolet water disinfection product line grew on a year-over-year basis due primarily to demand in the municipal and consumer end-markets. Geographically, year-over year core revenue growth in the ultraviolet water disinfection product line was led by North America and China, partially offset by softer demand in Western Europe.

Core sales in the segment's product identification businesses grew at a mid-single digit rate during 2018 as compared with 2017. Year-over-year core revenue growth for marking and coding equipment and related consumables was driven by demand across all major end-markets and in all major geographies, particularly Western Europe, North America and high-growth markets. Demand for the business' packaging and color solutions decreased slightly year-

over-year. Geographically, core sales for packaging and color solutions decreased in North America and high-growth markets, partially offset by increased demand in Western Europe.

Operating profit margins declined 10 basis points during 2018 as compared to 2017. The following factors impacted year-over-year operating profit margin comparisons:

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2018 vs. 2017 operating profit margin comparisons were favorably impacted by:

- Higher 2018 sales volumes, incremental year-over-year cost savings associated with the continued productivity improvement initiatives taken in 2018 and 2017, and improved pricing, net of incremental year-over-year costs associated with various new product development and sales and marketing growth investments - 35 basis points

2018 vs. 2017 operating profit margin comparisons were unfavorably impacted by:

- The incremental net dilutive effect in 2018 of acquired businesses - 45 basis points

COST OF SALES AND GROSS PROFIT

(\$ in millions)	Year Ended December 31		
	2019	2018	2017
Sales	\$ 17,911.1	\$ 17,048.5	\$ 15,518.8
Cost of sales	(7,927.4)	(7,543.2)	(6,947.5)
Gross profit	\$ 9,983.7	\$ 9,505.3	\$ 8,571.3
Gross profit margin	55.7%	55.8%	55.2%

The year-over-year increase in cost of sales during 2019 as compared with 2018 was due primarily to the impact of higher year-over-year sales volumes, including sales from recently acquired businesses, product mix, and higher freight and tariff costs, partially offset by increased leverage of certain manufacturing costs and incremental year-over-year cost savings associated with the continued productivity improvement initiatives taken in 2019 and 2018.

The year-over-year increase in cost of sales during 2018 as compared with 2017, was due primarily to the impact of higher year-over-year sales volumes, including sales from recently acquired businesses, partially offset by incremental year-over-year cost savings associated with the continued productivity improvement initiatives taken in 2018 and 2017 and charges associated with the Company's strategic decision to discontinue a product line in its Diagnostics segment in 2017. Cost of goods sold also increased in 2018 as a result of higher tariffs.

The slight year-over-year decrease in gross profit margins during 2019 as compared with 2018 was due primarily to the impact of product mix and higher freight and tariff costs, partially offset by the impact of higher year-over-year sales volumes, including sales from recently acquired businesses, increased leverage of certain manufacturing costs and incremental year-over-year cost savings associated with the continued productivity improvement initiatives taken in 2019 and 2018.

The year-over-year increase in gross profit margins during 2018 as compared with 2017 was due primarily to the favorable impact of higher year-over-year sales volumes, including sales from recently acquired businesses, increased leverage of certain manufacturing costs and incremental year-over-year cost savings associated with the continued productivity improvement initiatives taken in 2018 and 2017. Gross margin improvements were partially offset by the impact of foreign exchange rates in 2018.

OPERATING EXPENSES

(\$ in millions)	Year Ended December 31		
	2019	2018	2017
Sales	\$ 17,911.1	\$ 17,048.5	\$ 15,518.8
Selling, general and administrative ("SG&A") expenses	(5,588.3)	(5,391.0)	(5,042.6)
Research and development ("R&D") expenses	(1,126.0)	(1,059.2)	(956.4)
SG&A as a % of sales	31.2%	31.6%	32.5%
R&D as a % of sales	6.3%	6.2%	6.2%

SG&A expenses as a percentage of sales declined 40 basis points on a year-over-year basis for 2019 compared with 2018. The decline was driven by increased leverage of the Company's general and administrative cost base resulting from higher 2019 sales volumes and continuing productivity improvements taken in 2019 and 2018, partially offset by continued investments in sales and marketing growth initiatives and transaction costs and integration preparation costs associated with the anticipated GE Biopharma Acquisition, which increased SG&A as a percentage of sales by approximately 50 basis points during 2019.

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SG&A expenses as a percentage of sales declined 90 basis points on a year-over-year basis for 2018 compared with 2017. The decline was driven by increased leverage of the Company's general and administrative cost base resulting from higher 2018 sales volumes, continuing productivity improvements taken in 2018 and 2017, and the impact of the restructuring, impairment and other related charges incurred in 2017 associated with the Company's strategic decision to discontinue a product line in its Diagnostics segment. The decline in SG&A expenses as a percentage of sales was partially offset by higher relative spending levels at recently acquired companies and continued investments in sales and marketing growth initiatives.

R&D expenses (consisting principally of internal and contract engineering personnel costs) as a percentage of sales increased slightly in 2019 as compared with 2018, as year-over-year increases in the Company's investments in new product development initiatives approximated the year-over-year increase in sales. R&D expenses as a percentage of sales were flat in 2018 as compared to 2017.

NONOPERATING INCOME (EXPENSE)

As described in Note 1 and Note 13 to the Consolidated Financial Statements, in the first quarter of 2018, the Company adopted Accounting Standards Update ("ASU") ASU No. 2017-07, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The ASU requires the Company to disaggregate the service cost component from the other components of net periodic benefit costs and requires the Company to present the other components of net periodic benefit cost in other income, net. The ASU required application on a retrospective basis. The other components of net periodic benefit costs included in other income, net for the years ended December 31, 2019, 2018 and 2017 were net gains of \$12 million, \$35 million and \$31 million, respectively. The Company's net periodic pension cost for the year-ended December 31, 2019 includes a settlement loss of \$7 million pre-tax (\$6 million after-tax, or \$0.01 per diluted share) as a result of the transfer of a portion of its non-U.S. pension liabilities related to one defined benefit plan to a third party.

During 2017, the Company received \$138 million of cash proceeds and recorded \$22 million in short-term other receivables from the sale of certain marketable equity securities during 2017. The Company recorded a pretax gain related to this sale of \$73 million (\$46 million after-tax or \$0.06 per diluted share).

LOSS ON EARLY EXTINGUISHMENT OF BORROWINGS

In the fourth quarter of 2019, the Company redeemed the \$500 million aggregate principal amount of 2.4% senior unsecured notes due 2020 and the \$375 million aggregate principal amount of 5.0% senior unsecured notes due 2020. The Company recorded a loss on extinguishment of these borrowings, net of certain deferred gains, of \$7 million (\$5 million after-tax or \$0.01 per diluted share). The Company funded the redemption using a portion of the cash distribution it received in connection with the Envista Disposition.

INTEREST COSTS

Interest expense of \$109 million for 2019 was \$28 million lower than in 2018, due primarily to the impact of the Company's cross-currency swap derivative contracts and the repayment of certain outstanding borrowings in 2019, partially offset by interest expense from 2019 debt issuances. For a further description of the Company's debt as of December 31, 2019 refer to Note 11 to the Consolidated Financial Statements. Interest expense of \$137 million in 2018 was \$3 million lower than the 2017 interest expense of \$140 million due primarily to the decrease in interest costs as a result of the repayment of certain outstanding borrowings in the third quarter of 2018 and the second and fourth quarters of 2017, lower average outstanding U.S. commercial paper borrowings during 2018 compared to 2017, and the impact of foreign exchange rates in 2018 as compared to 2017, partially offset by the cost of additional non-U.S. debt issued during 2017.

In January 2019, the Company entered into approximately \$1.9 billion of cross-currency swap derivative contracts on its U.S. dollar-denominated bonds to effectively convert the Company's U.S. dollar-denominated bonds to obligations denominated in Danish kroner, Japanese yen, euro and Swiss franc and reduce the interest rate from the stated interest rates on the U.S. dollar-denominated debt to the interest rates of the swaps. As of December 31, 2019, approximately \$1.0 billion of the cross-currency swap derivative contracts remained outstanding.

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The Company used interest rate swap agreements to hedge the variability in cash flows due to changes in benchmark interest rates related to a portion of the U.S. debt the Company issued to fund the GE Biopharma Acquisition. The interest rate swap agreements are agreements in which the Company agrees to pay a fixed interest rate based on the rate specified in the agreement in exchange for receiving a floating interest rate from a third-party bank based upon a specified benchmark interest rate. In June 2019, the Company entered into interest rate swap agreements with a notional amount of \$850 million. These contracts, which were settled in November 2019, effectively fixed the interest rate for a portion of the Company's U.S. dollar-denominated debt issued in November 2019 equal to the notional amount of the swaps to the rate specified in the interest rate swap agreements. The changes in the fair value of these instruments resulting from the changes in interest rates were recorded as a loss of \$38 million in accumulated other comprehensive income (loss) in stockholders' equity prior to the issuance of the debt and are subsequently being reclassified to interest expense over the life of the related debt.

INCOME TAXES

General

Income tax expense and deferred tax assets and liabilities reflect management's assessment of future taxes expected to be paid on items reflected in the Company's Consolidated Financial Statements. The Company records the tax effect of discrete items and items that are reported net of their tax effects in the period in which they occur.

The Company's effective tax rate can be affected by changes in the mix of earnings in countries with different statutory tax rates (including as a result of business acquisitions and dispositions), changes in the valuation of deferred tax assets and liabilities, accruals related to contingent tax liabilities and period-to-period changes in such accruals, the results of audits and examinations of previously filed tax returns (as further discussed below), the expiration of statutes of limitations, the implementation of tax planning strategies, tax rulings, court decisions, settlements with tax authorities and changes in tax laws and regulations, such as the TCJA and legislative policy changes that may result from the OECD's initiative on Base Erosion and Profit Shifting. For a description of the tax treatment of earnings that are planned to be reinvested indefinitely outside the United States, refer to "—Liquidity and Capital Resources—Cash and Cash Requirements" below.

The amount of income taxes the Company pays is subject to ongoing audits by federal, state and foreign tax authorities, which often result in proposed assessments. Management performs a comprehensive review of its global tax positions on a quarterly basis. Based on these reviews, the results of discussions and resolutions of matters with certain tax authorities, tax rulings and court decisions and the expiration of statutes of limitations, reserves for contingent tax liabilities are accrued or adjusted as necessary. For a discussion of risks related to these and other tax matters, refer to "Item 1A. Risk Factors".

On December 22, 2017, the TCJA was enacted, substantially changing the U.S. tax system. Under the SEC Staff Accounting Bulletin No. 118 ("SAB No. 118") guidance, for the year ended December 31, 2017, the Company recorded provisional amounts in earnings for the enactment of the TCJA and during 2018, the Company completed its accounting for the TCJA based on the Company's interpretation of the new tax regulations and related guidance issued by the U.S. Department of the Treasury and the IRS.

The TCJA imposes tax on U.S. shareholders for global intangible low-taxed income ("GILTI") earned by certain foreign subsidiaries. The Company has elected the period cost method for its accounting for GILTI.

Due to the complexity and recent issuance of these tax regulations, management's interpretations of the impact of these rules could be subject to challenge by the taxing authorities.

Year-Over-Year Changes in the Tax Provision and Effective Tax Rate

	Year Ended December 31		
	2019	2018	2017
Effective tax rate from continuing operations	26.4%	18.8%	14.6%

The Company's effective tax rate for 2019, 2018 and 2017 differs from the U.S. federal statutory rates of 21.0% in 2019 and 2018 and 35.0% in 2017, due principally to the Company's earnings outside the United States that are indefinitely reinvested and taxed at rates different than the U.S. federal statutory rate. In addition:

- The effective tax rate of 26.4% in 2019 includes 650 basis points of net tax charges related primarily to changes in estimates associated with prior period uncertain tax positions, audit settlements, and Envista Disposition costs, net of the release of reserves for uncertain tax positions due to the expiration of statutes of limitation, release of valuation

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allowances associated with certain foreign tax credits, tax benefits resulting from changes in tax law and excess tax benefits from stock-based compensation.

- The effective tax rate of 18.8% in 2018 includes 120 basis points of tax benefits primarily related to the release of reserves upon the expiration of statutes of limitation, audit settlements and release of a valuation allowance in a certain foreign tax jurisdiction. These tax benefits were partially offset by additional provisions related to completing the accounting for the enactment of the TCJA and tax costs directly related to reorganization activities associated with the Envista Disposition.
- The effective tax rate of 14.6% in 2017 includes 560 basis points of net tax benefits due to the revaluation of deferred tax liabilities from 35.0% to 21.0% due to the TCJA and the release of reserves upon statute of limitation expiration, partially offset by income tax expense related to the Transition Tax on foreign earnings due to the TCJA and changes in estimates associated with prior period uncertain tax positions.

The Company conducts business globally, and files numerous consolidated and separate income tax returns in the U.S. federal, state and foreign jurisdictions. The non-U.S. countries in which the Company has a significant presence include China, Denmark, Germany, Singapore, Switzerland and the United Kingdom. The Company believes that a change in the statutory tax rate of any individual foreign country would not have a material effect on the Company's Consolidated Financial Statements given the geographic dispersion of the Company's taxable income.

The Company and its subsidiaries are routinely examined by various domestic and international taxing authorities. The IRS has completed substantially all of the examinations of the Company's federal income tax returns through 2011 and is currently examining certain of the Company's federal income tax returns for 2012 through 2017. In addition, the Company has subsidiaries in Austria, Belgium, Canada, China, Denmark, France, Germany, Hong Kong, India, Italy, Japan, Korea, Switzerland, the United Kingdom and various other countries, states and provinces that are currently under audit for years ranging from 2004 through 2018.

In the fourth quarter of 2018 and the first quarter of 2019, the IRS proposed significant adjustments to the Company's taxable income for the years 2012 through 2015 with respect to the deferral of tax on certain premium income related to the Company's self-insurance programs. For income tax purposes, the recognition of premium income has been deferred in accordance with U.S. tax laws related to insurance. The IRS is challenging the deferral of premiums for certain types of the Company's self-insurance policies. The proposed adjustments would increase the Company's taxable income over the 2012 through 2015 period by approximately \$2.7 billion. Management believes the positions the Company has taken in its U.S. tax returns are in accordance with the relevant tax laws and intends to vigorously defend these positions. Due to the enactment of the TCJA in 2017 and the resulting reduction in the U.S. corporate tax rate for years after 2017, the Company revalued its deferred tax liabilities related to the temporary differences associated with this deferred premium income from 35.0% to 21.0%. If the Company is not successful in defending these assessments, the taxes owed to the IRS may be computed under the previous 35.0% statutory tax rate and the Company may be required to revalue the related deferred tax liabilities from 21.0% to 35.0%, which in addition to any interest due on the amounts assessed, would require a charge to future earnings. The ultimate resolution of this matter is uncertain, could take many years and could result in a material adverse impact to the Company's financial statements, including its cash flows and effective tax rate.

Tax authorities in Denmark have raised significant issues related to interest accrued by certain of the Company's subsidiaries. On December 10, 2013, the Company received assessments from the Danish tax authority ("SKAT") of approximately DKK 1.8 billion (approximately \$266 million based on exchange rates as of December 31, 2019) including interest through December 31, 2019, imposing withholding tax relating to interest accrued in Denmark on borrowings from certain of the Company's subsidiaries for the years 2004-2009. The Company appealed these assessments to the Danish National Tax Tribunal in 2014. The appeal is pending, awaiting the final outcome of other, preceding withholding tax cases that were appealed to the Danish courts and subsequently to the Court of Justice of the European Union ("CJEU"). In February 2019, the CJEU decided several of these cases and ruled that the exemption of interest payments from withholding taxes provided in the applicable EU directive should be denied where taxpayers use the directive for abusive or fraudulent purposes, and that it is up to the national courts to make this determination. This decision of the CJEU now awaits application by the Danish High Court in the other, preceding withholding tax cases.

SKAT has maintained a similar position related to withholding tax on interest accrued in Denmark on borrowings from certain of the Company's subsidiaries with respect to tax years 2010-2012 and 2013-2015. On August 27, 2019 and December 16, 2019, the Company received assessments for these matters of approximately DKK 1.1 billion including interest through December 31, 2019 (approximately \$159 million based on the exchange rate as of December 31, 2019) for tax years 2010-2012 and DKK 751 million including interest through December 31, 2019 (approximately \$113 million based on the exchange rate as of December 31, 2019) for tax years 2013-2015, respectively. The Company is appealing these assessments as well.

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Management believes the positions the Company has taken in Denmark are in accordance with the relevant tax laws and is vigorously defending its positions. The Company intends on pursuing this matter through the Danish High Court should the appeal to the Danish National Tax Tribunal be unsuccessful. The Company will continue to monitor decisions of both the Danish courts and the CJEU and evaluate the impact of these court rulings on the Company's tax positions in Denmark. The ultimate resolution of this matter is uncertain, could take many years, and could result in a material adverse impact to the Company's financial statements, including its cash flow and effective tax rate.

The Company expects its 2020 effective tax rate to be approximately 19.5%. Any future legislative changes in the United States including potential tax reform in other jurisdictions, could cause the Company's effective tax rate to differ from this estimate. Refer to Note 15 to the Consolidated Financial Statements for additional information related to income taxes.

DISCONTINUED OPERATIONS

As further discussed in Note 4 to the Consolidated Financial Statements, discontinued operations include the results of Envista which was disposed of during the fourth quarter of 2019 as well as an income tax benefit in 2017 related to the Fortive businesses that were disposed of during the third quarter of 2016.

In 2019, earnings from discontinued operations, net of income taxes, were \$576 million and reflect the operating results of Envista prior to the Envista Disposition and a gain on the disposition of Envista of \$451 million, net of certain costs associated with the Envista Disposition including costs related to establishing Envista as a stand-alone entity and legal, accounting and investment banking fees. In 2018 and 2017, earnings from discontinued operations, net of income taxes, were \$245 million and \$320 million, respectively, and reflect the operations of Envista as well as a \$22 million income tax benefit in 2017 related to the release of previously provided reserves associated with uncertain tax positions on certain Danaher tax returns which were jointly filed with Fortive entities. These reserves were released due to the expiration of statutes of limitations for those returns. All Fortive entity-related balances are included in the income tax benefit related to discontinued operations for the year ended December 31, 2017.

COMPREHENSIVE INCOME

Comprehensive income increased by approximately \$726 million in 2019 as compared to 2018, primarily due to a decrease in losses from foreign currency translation adjustments in 2019 compared to 2018 and higher net earnings (including those attributable to discontinued operations) partially offset by an increase in losses from pension and postretirement plan benefit adjustments in 2019 compared to 2018 and losses from cash flow hedge adjustments in 2019. The Company recorded a foreign currency translation loss of \$75 million for 2019 compared to a translation loss of \$632 million for 2018. The Company recorded a pension and postretirement plan benefit loss of \$90 million for 2019 compared to a loss of \$13 million for 2018. The Company recorded losses from cash flow hedge adjustments in 2019 of \$113 million.

Comprehensive income decreased by approximately \$1.5 billion in 2018 as compared to 2017, primarily due to a loss from foreign currency translation adjustments in 2018 compared to a gain in 2017 and a loss from pension and postretirement plan benefit adjustments in 2018 as compared to a gain in 2017, partially offset by higher net earnings (including those attributable to discontinued operations) and a decrease in unrealized losses on available-for-sale securities in 2018 compared to 2017. The Company recorded a foreign currency translation loss of \$632 million for 2018 compared to a translation gain of \$976 million for 2017. The Company recorded a pension and postretirement plan benefit loss of \$13 million in 2018 compared to a gain of \$71 million in 2017.

INFLATION

The effect of inflation on the Company's revenues and net earnings was not significant in any of the years ended December 31, 2019, 2018 or 2017.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to market risk from changes in interest rates, foreign currency exchange rates, equity prices and commodity prices as well as credit risk, each of which could impact its Consolidated Financial Statements. The Company generally addresses its exposure to these risks through its normal operating and financing activities. The Company also periodically uses derivative financial instruments to manage foreign exchange risks and interest rate

risks. In addition, the Company's broad-based business activities help to reduce the impact that volatility in any particular area or related areas may have on its operating profit as a whole.

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Interest Rate Risk

The Company manages interest cost using a mixture of fixed-rate and variable-rate debt. A change in interest rates on fixed rate long-term debt impacts the fair value of the debt but not the Company's earnings or cash flow because the interest on such debt is fixed. Generally, the fair market value of fixed-rate debt will increase as interest rates fall and decrease as interest rates rise. As of December 31, 2019, an increase of 100 basis points in interest rates would have decreased the fair value of the Company's fixed-rate long-term debt (excluding the LYONs, which have not been included in this calculation as the value of this convertible debt is primarily derived from the value of its underlying common stock) by approximately \$1.7 billion.

As of December 31, 2019, the Company's variable-rate debt obligations consisted primarily of euro-based commercial paper borrowings (refer to Note 11 to the Consolidated Financial Statements for information regarding the Company's outstanding commercial paper balances as of December 31, 2019). As a result, the Company's primary interest rate exposure results from changes in short-term interest rates. As these shorter duration obligations mature, the Company may issue additional short-term commercial paper obligations to refinance all or part of these borrowings. In 2019, the average annual interest rate associated with outstanding commercial paper borrowings was approximately negative 19 basis points. A hypothetical increase of this average to negative 12 basis points would have increased the Company's annual interest expense by \$2 million. The hypothetical increase used is the actual amount by which the Company's commercial paper interest rates fluctuated during 2019.

Refer to "Results of Operations—Interest Costs" for discussion of the Company's cross-currency swap derivative contracts and interest rate swap agreements.

Currency Exchange Rate Risk

The Company faces transactional exchange rate risk from transactions with customers in countries outside the United States and from intercompany transactions between affiliates. Transactional exchange rate risk arises from the purchase and sale of goods and services in currencies other than Danaher's functional currency or the functional currency of its applicable subsidiary. The Company also faces translational exchange rate risk related to the translation of financial statements of its foreign operations into U.S. dollars, Danaher's functional currency. Costs incurred and sales recorded by subsidiaries operating outside of the United States are translated into U.S. dollars using exchange rates effective during the respective period. As a result, the Company is exposed to movements in the exchange rates of various currencies against the U.S. dollar. In particular, the Company has more sales in European currencies than it has expenses in those currencies. Therefore, when European currencies strengthen or weaken against the U.S. dollar, operating profits are increased or decreased, respectively. The effect of a change in currency exchange rates on the Company's net investment in international subsidiaries is reflected in the accumulated other comprehensive income (loss) component of stockholders' equity.

Currency exchange rates negatively impacted 2019 reported sales by 2.0% on a year-over-year basis, primarily as a result of the U.S. dollar strengthening against other major currencies. If the exchange rates in effect as of December 31, 2019 were to prevail throughout 2020, currency exchange rates would slightly increase 2020 estimated sales relative to 2019 sales. Strengthening of the U.S. dollar against other major currencies compared to the exchange rates in effect as of December 31, 2019 would adversely impact the Company's sales and results of operations on an overall basis. Any weakening of the U.S. dollar against other major currencies compared to the exchange rates in effect as of December 31, 2019 would positively impact the Company's sales and results of operations.

The Company has generally accepted the exposure to exchange rate movements without using derivative financial instruments to manage this transactional exchange risk, although the Company has used foreign currency-denominated debt and cross-currency swaps to hedge a portion of its net investments in foreign operations against adverse movements in exchange rates. Both positive and negative movements in currency exchange rates against the U.S. dollar will continue to affect the reported amount of sales and net earnings in the Company's Consolidated Financial Statements. In addition, the Company has assets and liabilities held in foreign currencies. A 10% depreciation in major currencies relative to the U.S. dollar as of December 31, 2019 would have reduced foreign currency-denominated net assets and stockholders' equity by approximately \$830 million. In 2019, the Company entered into approximately \$1.9 billion of cross-currency swap derivative contracts on its U.S. dollar-denominated bonds to hedge its net investment in foreign operations against adverse changes in the exchange rates between the U.S. dollar and the Danish kroner, Japanese yen, euro and the Swiss franc. These contracts effectively convert the Company's U.S. dollar-denominated bonds to obligations denominated in Danish kroner, Japanese yen, euro and Swiss franc, and partially offset the impact of changes in currency rates on foreign currency-denominated net assets

during the term of the swap. As of December 31, 2019, approximately \$1.0 billion of the cross-currency swap derivative contracts remained outstanding. The Company also uses cross-currency swap derivative contracts to hedge U.S. dollar-denominated long-term debt issuances in a foreign subsidiary whose functional currency is the euro against adverse movements in exchange rates between the U.S. dollar and the euro. In November 2019, the Company entered into cross-currency swap derivative contracts with respect to

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approximately \$4.0 billion of its U.S. dollar-denominated bonds and all of these derivative contracts remained outstanding as of December 31, 2019.

Equity Price Risk

The Company's investment portfolio from time to time includes publicly-traded equity securities that are sensitive to fluctuations in market price, though as of December 31, 2019, the Company held no available-for-sale marketable equity securities. The Company holds non-marketable equity investments in privately held companies that may be impacted by equity price risks or other factors. These non-marketable equity investments are accounted for under the Fair Value Alternative method with changes in fair value recorded in earnings. Volatility in the equity markets or other fair value considerations could affect the value of these investments and require charges or gains to be recognized in earnings.

Commodity Price Risk

For a discussion of risks relating to commodity prices, refer to "Item 1A. Risk Factors."

Credit Risk

The Company is exposed to potential credit losses in the event of nonperformance by counterparties to its financial instruments. Financial instruments that potentially subject the Company to credit risk consist of cash and temporary investments, receivables from customers and derivatives. The Company places cash and temporary investments with various high-quality financial institutions throughout the world and exposure is limited at any one institution. Although the Company typically does not obtain collateral or other security to secure these obligations, it does regularly monitor the third-party depository institutions that hold its cash and cash equivalents. The Company's emphasis is primarily on safety and liquidity of principal and secondarily on maximizing yield on those funds.

In addition, concentrations of credit risk arising from receivables from customers are limited due to the diversity of the Company's customers. The Company's businesses perform credit evaluations of their customers' financial conditions as deemed appropriate and also obtain collateral or other security when deemed appropriate.

The Company enters into derivative transactions infrequently and typically with high-quality financial institutions, so that exposure at any one institution is limited.

LIQUIDITY AND CAPITAL RESOURCES

Management assesses the Company's liquidity in terms of its ability to generate cash to fund its operating, investing and financing activities. The Company continues to generate substantial cash from operating activities and forecasts that its operating cash flow and other sources of liquidity will be sufficient to allow it to continue investing in existing businesses, consummating strategic acquisitions and investments, paying interest and servicing debt and managing its capital structure on a short and long-term basis. In addition, as discussed in further detail above, the Company received approximately \$2.0 billion of cash from Envista as consideration for the transfer of the Company's dental businesses to Envista, a portion of which consideration the Company used to redeem certain of the Company's outstanding indebtedness in the fourth quarter of 2019.

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Following is an overview of the Company's cash flows and liquidity for the years ended December 31:

Overview of Cash Flows and Liquidity

(\$ in millions)	2019	2018	2017
Total operating cash flows provided by continuing operations	\$ 3,657.4	\$ 3,644.0	\$ 3,122.2
Cash paid for acquisitions	\$ (331.3)	\$ (2,173.3)	\$ (385.8)
Payments for additions to property, plant and equipment	(635.5)	(583.5)	(570.7)
Proceeds from sales of property, plant and equipment	12.8	6.3	32.5
Payments for purchases of investments	(241.0)	(145.9)	—
Proceeds from sales of investments	—	22.2	137.9
All other investing activities	28.9	0.3	(2.4)
Total investing cash used in discontinued operations	(72.0)	(75.5)	(54.9)
Net cash used in investing activities	\$ (1,238.1)	\$ (2,949.4)	\$ (843.4)
Proceeds from the issuance of common stock in connection with stock-based compensation	\$ 130.1	\$ 96.0	\$ 68.8
Proceeds from the public offering of common stock, net of issuance costs	1,443.2	—	—
Proceeds from the public offering of preferred stock, net of issuance costs	1,599.6	—	—
Net proceeds from the sale of Envista Holdings Corporation common stock, net of issuance costs	643.4	—	—
Payment of dividends	(526.7)	(433.4)	(378.3)
Payment for purchase of noncontrolling interest	—	—	(64.4)
Net proceeds from (repayments of) borrowings (maturities of 90 days or less)	2,801.8	65.7	(3,778.5)
Proceeds from borrowings (maturities longer than 90 days)	12,112.8	—	1,782.1
Repayments of borrowings (maturities longer than 90 days)	(1,564.5)	(507.8)	(668.4)
Make-whole premiums to redeem borrowings prior to maturity	(6.5)	—	—
All other financing activities	(43.3)	(17.9)	(59.8)
Cash distributions to Envista Holdings Corporation, net	(224.0)	—	—
Net cash provided by (used in) financing activities	\$ 16,365.9	\$ (797.4)	\$ (3,098.5)

- Operating cash flows from continuing operations increased \$13 million, or less than 1%, during 2019 as compared to 2018, due primarily to higher net earnings, which included higher noncash charges for depreciation, amortization, and stock compensation, and the impact of a noncash discrete income tax charge in 2019, net of higher cash used for funding trade accounts receivable, inventories and trade accounts payable in 2019 compared to 2018. In addition, lower cash used for payments for various employee-related liabilities, customer funding and accrued expenses increased operating cash flows from continuing operations in 2019 compared to 2018.
- On March 1, 2019, the Company completed the underwritten public offering of 12.1 million shares of Danaher common stock at a price to the public of \$123.00 per share resulting in net proceeds of approximately \$1.4 billion, after deducting expenses and the underwriters' discount. Simultaneously, the Company completed the underwritten public offering of 1.65 million shares of its MCPS resulting in net proceeds of approximately \$1.6 billion, after deducting expenses and the underwriters' discount. The Company intends to use the net proceeds from the underwritten public offerings of its Common Stock and MCPS (the "Common Stock Offering" and "MCPS Offering", respectively) to fund a portion of the cash consideration payable for, and certain costs associated with, the GE Biopharma Acquisition.

- In the second half of 2019, the Company issued approximately €6.2 billion of senior unsecured euro notes and approximately \$4.0 billion of senior unsecured notes. The proceeds from these issuances will be used to fund a portion of the cash consideration payable for the GE Biopharma Acquisition.

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- On December 18, 2019, Danaher completed the Envista Disposition. Prior to the IPO, Envista borrowed \$650 million under a senior unsecured term loan and €600 million under a three-year, senior unsecured term loan facility. Envista transferred the net proceeds from these borrowings along with the net proceeds of \$643 million from the Envista IPO to the Company in consideration for the Company's transfer of the dental businesses to Envista.
- Danaher used a portion of the consideration received from Envista to redeem \$882 million in aggregate principal amount of outstanding indebtedness in the fourth quarter of 2019 (consisting of the Company's 2.4% senior unsecured notes due 2020 and 5.0% senior unsecured notes due 2020 (collectively the "Redeemed Notes")), as well as the make-whole premiums and accrued and unpaid interest required to be paid in connection with such redemptions. The Company used the balance of the consideration it received from Envista to redeem commercial paper borrowings as they matured.
- Net cash used in investing activities during 2019 consisted primarily of cash paid for acquisitions, additions to property, plant and equipment and payments for purchases of investments. The Company acquired five businesses during 2019 for total consideration (including assumed debt and net of cash acquired) of \$331 million. Payments for additions to property, plant and equipment increased \$52 million in 2019 compared to 2018 and included investments in operating assets and new facilities. In addition, in 2019, the Company invested \$241 million in non-marketable equity securities and a partnership.
- As of December 31, 2019, the Company held approximately \$19.9 billion of cash and cash equivalents.

Operating Activities

Cash flows from operating activities can fluctuate significantly from period-to-period as working capital needs and the timing of payments for income taxes, restructuring activities and productivity improvement initiatives, pension funding and other items impact reported cash flows.

Operating cash flows from continuing operations were approximately \$3.7 billion for 2019, an increase of \$13 million, or less than 1%, as compared to 2018. The year-over-year change in operating cash flows from 2018 to 2019 was primarily attributable to the following factors:

- 2019 operating cash flows benefited from higher net earnings in 2019 as compared to 2018. Net earnings for 2019 include noncash discrete income tax charges totaling \$215 million, which decreased net earnings without a corresponding impact to operating cash flows.
- Net earnings for 2019 reflected an increase of \$12 million of depreciation and amortization expense as compared to 2018. Amortization expense primarily relates to the amortization of intangible assets acquired in connection with acquisitions and increased due to recently acquired businesses. Depreciation expense relates to both the Company's manufacturing and operating facilities as well as instrumentation leased to customers under operating-type lease arrangements and increased due primarily to the impact of increased capital expenditures. Depreciation and amortization are noncash expenses that decrease earnings without a corresponding impact to operating cash flows.
- The aggregate of trade accounts receivable, inventories and trade accounts payable used \$160 million in operating cash flows during 2019, compared to \$41 million of operating cash flows provided in 2018. The amount of cash flow generated from or used by the aggregate of trade accounts receivable, inventories and trade accounts payable depends upon how effectively the Company manages the cash conversion cycle, which effectively represents the number of days that elapse from the day it pays for the purchase of raw materials and components to the collection of cash from its customers and can be significantly impacted by the timing of collections and payments in a period.
- The aggregate of prepaid expenses and other assets, deferred income taxes and accrued expenses and other liabilities provided \$37 million in operating cash flows during 2019, compared to \$121 million used in

2018. The noncash discrete tax charge, the timing of cash payments for taxes, various employee-related liabilities, customer funding and accrued expenses drove the majority of this change.

Operating cash flows from continuing operations were approximately \$3.6 billion for 2018, an increase of \$522 million, or 17%, as compared to 2017. This increase was primarily attributable to the increase in net earnings from continuing operations in 2018 as compared to 2017. Net earnings in 2017 also included a \$73 million gain on sale of marketable equity securities for which the proceeds were reflected in the investing activities section of the accompanying Consolidated Statement of Cash Flows, and therefore, did not contribute to operating cash flows.

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Investing Activities

Cash flows relating to investing activities consist primarily of cash used for acquisitions and capital expenditures, including instruments leased to customers, cash used for investments and cash proceeds from divestitures of businesses or assets.

Net cash used in investing activities was approximately \$1.2 billion during 2019 compared to approximately \$2.9 billion and \$843 million of net cash used in 2018 and 2017, respectively.

Acquisitions, Divestitures and Sale of Investments

For a discussion of the Company's 2019 acquisitions refer to "—Overview." In addition, in 2019, the Company invested \$241 million in non-marketable equity securities and partnerships.

During 2018, the Company acquired two businesses for total consideration of approximately \$2.2 billion in cash, net of cash acquired. The businesses acquired complement existing units of the Company's Life Sciences and Environmental & Applied Solutions segments. The aggregate annual sales of these two businesses at the time of their respective acquisitions, in each case based on the companies' revenues for its last completed fiscal year prior to the acquisition, were \$313 million.

In addition, in 2018, the Company invested \$146 million in non-marketable equity securities and partnerships. The Company received cash proceeds of \$22 million from the collection of short-term other receivables related to the sale of certain marketable equity securities during 2017.

During 2017, the Company acquired nine businesses for total consideration of \$386 million in cash, net of cash acquired. The businesses acquired complement existing units of the Life Sciences and Environmental & Applied Solutions segments. The aggregate annual sales of these nine businesses at the time of their respective acquisitions, in each case based on the companies' revenues for its last completed fiscal year prior to the acquisition, were \$160 million.

The Company received \$138 million of cash proceeds and recorded \$22 million in short-term other receivables from the sale of certain marketable equity securities during 2017. The Company recorded a pretax gain related to this sale of \$73 million (\$46 million after-tax or \$0.06 per diluted share).

Capital Expenditures

Capital expenditures are made primarily for increasing capacity, replacing equipment, supporting new product development, improving information technology systems and the manufacture of instruments that are used in operating-type lease arrangements that certain of the Company's businesses enter into with customers. Capital expenditures totaled \$636 million in 2019 and \$584 million in 2018. The year-over-year increase in capital spending in 2019 was due to increased investments in operating assets and new facilities across the Company. In 2020, the Company expects capital spending to be approximately \$700 million, though actual expenditures will ultimately depend on business conditions.

Financing Activities

Cash flows from financing activities consist primarily of cash flows associated with the issuance and repayments of commercial paper, issuance and repayment of long-term debt, issuance and repurchases of common stock, issuance of preferred stock, payments of cash dividends to shareholders and proceeds from the Envista IPO. Financing activities provided cash of approximately \$16.4 billion during 2019 compared to \$797 million of cash used during 2018. The year-over-year increase in cash provided by financing activities was due primarily to the public offerings of the Company's common and preferred stock during the first quarter of 2019, the issuance of debt by the Company in the second half of 2019, the proceeds received from the Envista IPO and Envista debt issuances, and net proceeds from commercial paper borrowings in 2019 compared to 2018. These sources of liquidity were partially offset by higher debt redemptions during 2019 compared to 2018 which included the impact of the early extinguishment of \$882 million of borrowings through the use of the proceeds received from Envista as part of the disposition of this business.

Financing activities used cash of \$797 million during 2018 compared to approximately \$3.1 billion of cash used during 2017. The year-over-year decrease in cash used in financing activities was due primarily to lower net repayments of commercial paper borrowings in 2018, as the Company decreased its commercial paper borrowings in

2017 after increasing commercial paper borrowings for the Cepheid acquisition in 2016. The Company issued commercial paper early in 2018 to pay for a portion of the acquisition price of IDT and repaid substantially all of such commercial paper borrowings later in 2018. The cash outflow in 2017 for the net repayment of commercial paper was partially offset by proceeds from the issuance of long-term notes. In both 2018 and 2017, the Company repaid long-term debt, including \$500 million aggregate principal amount of U.S. Notes with accrued interest that matured in September 2018.

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Total debt was approximately \$21.7 billion and \$9.7 billion as of December 31, 2019 and 2018, respectively. The Company had the ability to incur approximately \$4.9 billion of additional indebtedness in direct borrowings or under the outstanding commercial paper facilities based on the amounts available under the Company's \$10.0 billion of credit facilities which were not being used to backstop outstanding commercial paper balances as of December 31, 2019. The Company has classified approximately \$5.0 billion of its borrowings outstanding under the euro-denominated commercial paper program as of December 31, 2019 as long-term debt in the accompanying Consolidated Balance Sheet as the Company has the intent and ability, as supported by availability under the revolving credit facility, to refinance these borrowings for at least one year from the balance sheet date. As commercial paper obligations mature, the Company may issue additional short-term commercial paper obligations to refinance all or part of these borrowings.

Under the Company's U.S. and euro-denominated commercial paper program, the notes are typically issued at a discount from par, generally based on the ratings assigned to the Company by credit rating agencies at the time of the issuance and prevailing market rates measured by reference to LIBOR or EURIBOR. Additionally, the Company's floating rate senior unsecured notes due 2022 pay interest based upon the three-month EURIBOR plus 0.3%. In July 2017, the head of the United Kingdom Financial Conduct Authority announced the intent to phase out the use of LIBOR by the end of 2021. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, is considering replacing U.S. dollar LIBOR with the Secured Overnight Financing Rate, or SOFR, a new index calculated by short-term repurchase agreements, backed by Treasury securities. The Company has evaluated the anticipated impact of the transition from LIBOR and does not expect the transition to be material to the Company's financial position.

Refer to Note 11 to the Consolidated Financial Statements for additional information regarding the Company's financing activities and indebtedness, including the Company's outstanding debt as of December 31, 2019, and the Company's commercial paper program and related credit facilities.

Common Stock Offering and MCPS Offering

For a description of the first quarter 2019 Common Stock and MCPS Offerings, refer to Note 19 to the Consolidated Financial Statements.

Shelf Registration Statement

The Company has filed a "well-known seasoned issuer" shelf registration statement on Form S-3 with the SEC that registers an indeterminate amount of debt securities, common stock, preferred stock, warrants, depositary shares, purchase contracts and units for future issuance. The Company expects to use net proceeds realized by the Company from future securities sales off this shelf registration statement for general corporate purposes, including without limitation repayment or refinancing of debt or other corporate obligations, acquisitions, capital expenditures, share repurchases and dividends and/or working capital.

Stock Repurchase Program

Please see "Issuer Purchases of Equity Securities" in Item 5 of Part II of this Annual Report for a description of the Company's stock repurchase program.

Dividends

The Company declared a regular quarterly dividend of \$0.17 per share of Company common stock that was paid on January 31, 2020 to holders of record on December 27, 2019. In addition, the Company declared a quarterly cash dividend of \$11.875 per MCPS that was paid on January 15, 2020 to holders of record as of December 31, 2019. Aggregate cash payments for dividends on Company common stock during 2019 were \$478 million. The year-over-year increase in dividend payments on common stock in 2019 results from increases in the quarterly dividend rate effective with respect to the dividend paid in the second quarter of 2019. Aggregate cash payments for dividends on the MCPS during 2019 were \$49 million.

Cash and Cash Requirements

As of December 31, 2019, the Company held approximately \$19.9 billion of cash and cash equivalents that were invested in highly liquid investment-grade debt instruments with a maturity of 90 days or less with an approximate weighted average annual interest rate of 1.5%. Of this amount, approximately \$16.3 billion was held within the

United States and approximately \$3.6 billion was held outside of the United States. The Company will continue to have cash requirements to support working capital needs, capital expenditures, acquisitions and investments, pay interest and service debt, pay taxes and any related interest or penalties, fund its restructuring activities and pension plans as required, pay dividends to shareholders, repurchase shares of the Company's common stock and support other business needs. The Company generally intends to use available

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cash and internally generated funds to meet these cash requirements, but in the event that additional liquidity is required, particularly in connection with acquisitions (including the GE Biopharma Acquisition), the Company may also borrow under its commercial paper programs or credit facilities, enter into new credit facilities and either borrow directly thereunder or use such credit facilities to backstop additional borrowing capacity under its commercial paper programs and/or issue debt and/or equity in the capital markets. The Company also may from time to time access the capital markets to take advantage of favorable interest rate environments or other market conditions. For a description of the Company's anticipated financing of the GE Biopharma Acquisition, refer to Note 3 to the Consolidated Financial Statements.

While repatriation of some cash held outside the United States may be restricted by local laws, most of the Company's foreign cash could be repatriated to the United States. Following enactment of the TCJA and the associated Transition Tax, in general, repatriation of cash to the United States can be completed with no incremental U.S. tax; however, repatriation of cash could subject the Company to non-U.S. jurisdictional taxes on distributions. The cash that the Company's non-U.S. subsidiaries hold for indefinite reinvestment is generally used to finance foreign operations, investments and acquisitions. The income taxes applicable to repatriating such earnings are not readily determinable. As of December 31, 2019, the Company continues to assert that principally all of its non-U.S. earnings are indefinitely reinvested and management believes that the Company has sufficient liquidity to satisfy its cash needs, including its cash needs in the United States.

During 2019, the Company contributed \$10 million to its U.S. defined benefit pension plans and \$44 million to its non-U.S. defined benefit pension plans. During 2020, the Company's cash contribution requirements for its U.S. and its non-U.S. defined benefit pension plans are expected to be approximately \$95 million and \$40 million, respectively. The ultimate amounts to be contributed depend upon, among other things, legal requirements, underlying asset returns, the plan's funded status, the anticipated tax deductibility of the contribution, local practices, market conditions, interest rates and other factors.

Contractual Obligations

The following table sets forth, by period due or year of expected expiration, as applicable, a summary of the Company's contractual obligations as of December 31, 2019 under (1) debt obligations, (2) leases, (3) purchase obligations and (4) other long-term liabilities reflected on the Company's Consolidated Balance Sheet. The amounts presented in the "Other long-term liabilities" line in the table below include approximately \$1.3 billion of noncurrent gross unrecognized tax benefits and related interest (and do not include \$58 million of current gross unrecognized tax benefits which are included in accrued expenses and other liabilities on the accompanying Consolidated Balance Sheet). The timing of the long-term portion of these tax liabilities is uncertain, and therefore, they have been included in the "More Than 5 Years" column in the table below. Refer to Note 15 to the Consolidated Financial Statements for additional information on unrecognized tax benefits. Certain of the Company's acquisitions also involve the potential payment of contingent consideration. The table below does not reflect any such obligations, as the timing and amounts of any such payments are uncertain. Refer to "—Off-Balance Sheet Arrangements" for a discussion of other contractual obligations that are not reflected in the table below.

(\$ in millions)	Total	Less Than One Year	1-3 Years	4-5 Years	More Than 5 Years
Debt and leases:					
Debt obligations ^{(a)(b)}	\$ 21,714.9	\$ 211.3	\$ 2,160.4	\$ 6,237.3	\$ 13,105.9
Capital lease obligations ^(b)	14.2	1.1	13.1	—	—
Total debt and leases	21,729.1	212.4	2,173.5	6,237.3	13,105.9
Interest payments on debt and capital lease obligations ^(c)	3,041.1	256.5	488.3	443.1	1,853.2
Operating lease obligations ^(d)	888.2	179.5	267.4	196.4	244.9
Other:					
Purchase obligations ^(e)	594.3	545.1	46.8	2.1	0.3
Other long-term liabilities reflected on the Company's Consolidated Balance Sheet ^(f)	4,711.8	—	625.1	482.6	3,604.1

Total	<u>\$ 30,964.5</u>	<u>\$ 1,193.5</u>	<u>\$ 3,601.1</u>	<u>\$ 7,361.5</u>	<u>\$ 18,808.4</u>
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- (a) As described in Note 11 to the Consolidated Financial Statements.
- (b) Amounts do not include interest payments. Interest on debt and capital lease obligations is reflected in a separate line in the table.
- (c) Interest payments on debt are projected for future periods using the interest rates in effect as of December 31, 2019. Certain of these projected interest payments may differ in the future based on changes in market interest rates.

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- (d) Amounts reflect undiscounted future operating lease payments under Accounting Standards Update No. 2016-02, *Leases (Topic 842)*, while the current and long-term operating lease liabilities in the accompanying Consolidated Balance Sheet reflect the discounted future operating lease payments. Refer to Note 5 to the Consolidated Financial Statements for further information.
- (e) Consist of agreements to purchase goods or services that are enforceable, legally binding on the Company, and that specify all significant terms, including fixed or minimum quantities to be purchased, fixed, minimum or variable price provisions and the approximate timing of the transaction.
- (f) Primarily consist of obligations under product service and warranty policies and allowances, performance and operating cost guarantees, estimated environmental remediation costs, self-insurance and litigation claims, postretirement benefits, pension obligations, deferred tax liabilities and deferred compensation obligations. The timing of cash flows associated with these obligations is based upon management's estimates over the terms of these arrangements and is largely based upon historical experience. Other long-term liabilities reflected in the accompanying Consolidated Balance Sheet include the above amounts as well as the long-term operating lease liabilities, which are reflected on a discounted basis in the Consolidated Balance Sheet.

Off-Balance Sheet Arrangements

Guarantees and Related Instruments

The following table sets forth, by period due or year of expected expiration, as applicable, a summary of guarantees and related instruments of the Company as of December 31, 2019.

(\$ in millions)	Amount of Commitment Expiration per Period				
	Total	Less Than One Year	1-3 Years	4-5 Years	More Than 5 Years
Guarantees and related instruments	\$ 575.7	\$ 498.4	\$ 56.9	\$ 11.1	\$ 9.3

Guarantees and related instruments consist primarily of outstanding standby letters of credit, bank guarantees and performance and bid bonds. These have been provided in connection with certain arrangements with vendors, customers, insurance providers, financing counterparties and governmental entities to secure the Company's obligations and/or performance requirements related to specific transactions.

Other Off-Balance Sheet Arrangements

The Company has from time to time divested certain of its businesses and assets. In connection with these divestitures, the Company often provides representations, warranties and/or indemnities to cover various risks and unknown liabilities, such as claims for damages arising out of the use of products or relating to intellectual property matters, employment matters, commercial disputes, environmental matters or tax matters. In particular, in connection with the 2019 Envista Disposition, the 2016 Fortive Disposition and the 2015 Communications disposition, Danaher entered into separation and related agreements pursuant to which Danaher agreed to indemnify the other parties against certain damages and expenses that might occur in the future. These indemnification obligations cover a variety of liabilities, including, but not limited to, employee, tax and environmental matters. The Company has not included any such items in the contractual obligations table above because they generally relate to unknown conditions and the Company cannot estimate the potential liabilities from such matters, but the Company does not believe it is reasonably possible that any such liability will have a material effect on the Company's financial statements. In addition, as a result of these divestitures, as well as restructuring activities, certain properties leased by the Company have been sublet to third parties. In the event any of these third parties vacate any of these premises, the Company would be legally obligated under master lease arrangements. The Company believes that the financial risk of default by such sub-lessors is individually and in the aggregate not material to the Company's financial statements.

In the normal course of business, the Company periodically enters into agreements that require it to indemnify customers, suppliers or other business partners for specific risks, such as claims for injury or property damage arising out of the Company's products, software or services or claims alleging that Company products or services infringe third-party intellectual property. The Company has not included any such indemnification provisions in the contractual obligations table above. Historically, the Company has not experienced significant losses on these types of indemnification obligations.

The Company's Restated Certificate of Incorporation requires it to indemnify to the full extent authorized or permitted by law any person made, or threatened to be made a party to any action or proceeding by reason of his or her service as a director or officer of the Company, or by reason of serving at the request of the Company as a director or officer of any other entity, subject to limited exceptions. Danaher's Amended and Restated By-laws provide for similar indemnification rights. In addition, Danaher has executed with each director and executive officer of Danaher Corporation an indemnification agreement which provides for substantially similar indemnification rights and under which Danaher has agreed to pay expenses in advance of the final disposition of any such indemnifiable proceeding. While the Company maintains insurance for this type of liability, a significant deductible applies to this coverage and any such liability could exceed the amount of the insurance coverage.

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Legal Proceedings

Refer to “Item 3. Legal Proceedings” and Note 18 to the Consolidated Financial Statements for information regarding legal proceedings and contingencies, and for a discussion of risks related to legal proceedings and contingencies, refer to “Item 1A. Risk Factors.”

CRITICAL ACCOUNTING ESTIMATES

Management’s discussion and analysis of the Company’s financial condition and results of operations is based upon the Company’s Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. The Company bases these estimates and judgments on historical experience, the current economic environment and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ materially from these estimates and judgments.

The Company believes the following accounting estimates are most critical to an understanding of its financial statements. Estimates are considered to be critical if they meet both of the following criteria: (1) the estimate requires assumptions about material matters that are uncertain at the time the estimate is made, and (2) material changes in the estimate are reasonably likely from period-to-period. For a detailed discussion on the application of these and other accounting estimates, refer to Note 1 to the Consolidated Financial Statements.

Acquired Intangibles—The Company’s business acquisitions typically result in the recognition of goodwill, in-process R&D and other intangible assets, which affect the amount of future period amortization expense and possible impairment charges that the Company may incur. Refer to Notes 1, 3 and 8 to the Consolidated Financial Statements for a description of the Company’s policies relating to goodwill, acquired intangibles and acquisitions.

In performing its goodwill impairment testing, the Company estimates the fair value of its reporting units primarily using a market-based approach. In evaluating the estimates derived by the market-based approach, management makes judgments about the relevance and reliability of the multiples by considering factors unique to its reporting units, including operating results, business plans, economic projections, anticipated future cash flows, and transactions and marketplace data as well as judgments about the comparability of the market proxies selected. In certain circumstances the Company also estimates fair value utilizing a discounted cash flow analysis (i.e., an income approach) in order to validate the results of the market approach. The discounted cash flow model requires judgmental assumptions about projected revenue growth, future operating margins, discount rates and terminal values. There are inherent uncertainties related to these assumptions and management’s judgment in applying them to the analysis of goodwill impairment.

As of December 31, 2019, the Company had five reporting units for goodwill impairment testing. Reporting units resulting from recent acquisitions generally present the highest risk of impairment. Management believes the impairment risk associated with these reporting units generally decreases as these businesses are integrated into the Company and better positioned for potential future earnings growth. The Company’s annual goodwill impairment analysis in 2019 indicated that in all instances, the fair values of the Company’s reporting units exceeded their carrying values and consequently did not result in an impairment charge. The excess of the estimated fair value over carrying value (expressed as a percentage of carrying value for the respective reporting unit) for each of the Company’s reporting units as of the annual testing date ranged from approximately 85% to approximately 600%. In order to evaluate the sensitivity of the fair value calculations used in the goodwill impairment test, the Company applied a hypothetical 10% decrease to the fair values of each reporting unit and compared those hypothetical values to the reporting unit carrying values. Based on this hypothetical 10% decrease, the excess of the estimated fair value over carrying value (expressed as a percentage of carrying value for the respective reporting unit) for each of the Company’s reporting units ranged from approximately 65% to approximately 530%.

The Company reviews identified intangible assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. The Company also tests intangible assets with indefinite lives at least annually for impairment. Determining whether an impairment loss occurred requires a comparison of the carrying amount to the sum of undiscounted cash flows expected to be generated by the asset. These analyses require management to make judgments and estimates about future revenues, expenses, market conditions and discount rates related to these assets.

If actual results are not consistent with management's estimates and assumptions, goodwill and other intangible assets may be overstated and a charge would need to be taken against net earnings which would adversely affect the Company's financial statements. Historically, the Company's estimates of goodwill and intangible assets have been materially correct.

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Contingent Liabilities—As discussed in “Item 3. Legal Proceedings” and Note 18 to the Consolidated Financial Statements, the Company is, from time to time, subject to a variety of litigation and similar contingent liabilities incidental to its business (or the business operations of previously owned entities). The Company recognizes a liability for any legal contingency that is known or probable of occurrence and reasonably estimable. These assessments require judgments concerning matters such as litigation developments and outcomes, the anticipated outcome of negotiations, the number of future claims and the cost of both pending and future claims. In addition, because most contingencies are resolved over long periods of time, liabilities may change in the future due to various factors, including those discussed in Note 18 to the Consolidated Financial Statements. If the reserves established by the Company with respect to these contingent liabilities are inadequate, the Company would be required to incur an expense equal to the amount of the loss incurred in excess of the reserves, which would adversely affect the Company’s financial statements.

Revenue Recognition—The Company derives revenues from the sale of products and services. Revenue is recognized when control over the promised products or services is transferred to the customer in an amount that reflects the consideration that the Company expects to receive in exchange for those goods or services. In determining if control has transferred, the Company considers whether certain indicators of the transfer of control are present, such as the transfer of title, present right to payment, significant risks and rewards of ownership and customer acceptance when acceptance is not a formality. To determine the consideration that the customer owes the Company, the Company must make judgments regarding the amount of customer allowances and rebates, as well as an estimate for product returns. The Company also enters into lease arrangements with customers which requires the Company to determine whether the arrangements are operating or sales-type leases. Refer to Note 1 to the Consolidated Financial Statements for a description of the Company’s revenue recognition policies.

If the Company’s judgments regarding revenue recognition prove incorrect, the Company’s reported revenues in particular periods may be incorrect. Historically, the Company’s estimates of revenue have been materially correct.

Pension and Other Postretirement Benefits—For a description of the Company’s pension and other postretirement benefit accounting practices, refer to Notes 13 and 14 to the Consolidated Financial Statements. Calculations of the amount of pension and other postretirement benefit costs and obligations depend on the assumptions used in the actuarial valuations, including assumptions regarding discount rates, expected return on plan assets, rates of salary increases, health care cost trend rates, mortality rates and other factors. If the assumptions used in calculating pension and other postretirement benefits costs and obligations are incorrect or if the factors underlying the assumptions change (as a result of differences in actual experience, changes in key economic indicators or other factors) the Company’s financial statements could be materially affected. A 50 basis point reduction in the discount rates used for the plans would have increased the U.S. net obligation by \$133 million (\$99 million on an after-tax basis) and the non-U.S. net obligation by \$137 million (\$116 million on an after-tax basis) from the amounts recorded in the Consolidated Financial Statements as of December 31, 2019. A 50 basis point increase in the discount rates used for the plans would have decreased the U.S. net obligation by \$122 million (\$91 million on an after-tax basis) and the non-U.S. net obligation by \$124 million (\$105 million on an after-tax basis) from the amounts recorded in the Consolidated Financial Statements as of December 31, 2019.

For 2019, the estimated long-term rate of return for the U.S. plans was 7.0%, and the Company intends to continue to use an assumption of 7.0% for 2020. The estimated long-term rate of return for the non-U.S. plans was determined on a plan-by-plan basis based on the nature of the plan assets and ranged from 0.8% to 5.0%. If the expected long-term rate of return on plan assets for 2019 was reduced by 50 basis points, pension expense for the U.S. and non-U.S. plans for 2019 would have increased \$9 million (\$7 million on an after-tax basis) and \$5 million (\$4 million on an after-tax basis), respectively.

For a discussion of the Company’s 2019 and anticipated 2020 defined benefit pension plan contributions, refer to “—Liquidity and Capital Resources—Cash and Cash Requirements”.

Income Taxes—For a description of the Company’s income tax accounting policies, refer to Notes 1 and 15 to the Consolidated Financial Statements. The Company establishes valuation allowances for its deferred tax assets if it is more likely than not that some or all of the deferred tax asset will not be realized. This requires management to make judgments and estimates regarding: (1) the timing and amount of the reversal of taxable temporary differences, (2) expected future taxable income, and (3) the impact of tax planning strategies. Future changes to tax rates would also impact the amounts of deferred tax assets and liabilities and could have an adverse impact on the Company’s financial statements.

The Company provides for unrecognized tax benefits when, based upon the technical merits, it is “more likely than not” that an uncertain tax position will not be sustained upon examination. Judgment is required in evaluating tax positions and determining income tax provisions. The Company re-evaluates the technical merits of its tax positions and may recognize an uncertain tax benefit in certain circumstances, including when: (1) a tax audit is completed; (2) applicable tax laws change, including a tax case ruling or legislative guidance; or (3) the applicable statute of limitations expires.

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In addition, certain of the Company's tax returns are currently under review by tax authorities including in Denmark and the United States (refer to "—Results of Operations—Income Taxes" and Note 15 to the Consolidated Financial Statements). Management believes the positions taken in these returns are in accordance with the relevant tax laws. However, the outcome of these audits is uncertain and could result in the Company being required to record charges for prior year tax obligations which could have a material adverse impact to the Company's financial statements, including its effective tax rate.

An increase of 1.0% in the Company's 2019 nominal tax rate would have resulted in an additional income tax provision for continuing operations for the year ended December 31, 2019 of \$33 million.

NEW ACCOUNTING STANDARDS

For a discussion of the new accounting standards impacting the Company, refer to Note 1 to the Consolidated Financial Statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this item is included under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Management on Danaher Corporation's Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Securities Exchange Act of 1934.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2019. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in "Internal Control-Integrated Framework" (2013 framework). Based on this assessment, management concluded that, as of December 31, 2019, the Company's internal control over financial reporting is effective.

The Company's independent registered public accounting firm has issued an audit report on the effectiveness of the Company's internal control over financial reporting. This report dated February 21, 2020 appears on page 60 of this Form 10-K.

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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Danaher Corporation

Opinion on Internal Control over Financial Reporting

We have audited Danaher Corporation and subsidiaries' internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Danaher Corporation and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated statements of earnings, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and financial statement schedule listed in the Index at Item 15(a) and our report dated February 21, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Danaher Corporation's Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Tysons, Virginia
February 21, 2020

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Danaher Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Danaher Corporation and subsidiaries (the Company) as of December 31, 2019 and 2018, the related consolidated statements of earnings, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 21, 2020 expressed an unqualified opinion thereon.

Adoption of New Accounting Standard

As discussed in Note 1 to the consolidated financial statements, the Company changed its method for accounting for leases in 2019.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

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Uncertain tax positions

Description of the Matter As discussed in Note 15, the Company operates in the U.S. and multiple international tax jurisdictions and as a result files numerous tax returns in those locations. Uncertainty in a tax position may arise for multiple reasons, including because tax laws are subject to interpretation. For some matters, the Company uses judgment to (1) determine whether, based on the technical merits, a tax position is more-likely-than-not to be sustained and (2) measure the amount of tax benefit that qualifies for recognition. As of December 31, 2019, the Company's unrecognized tax benefits related to uncertain tax positions were approximately \$1.2 billion. As further discussed in Note 15, the IRS has proposed adjustments to the Company's taxable income with respect to the deferral of tax on certain premium income related to the Company's self-insurance programs and the Company has no unrecognized tax benefit related to the premium income from these self-insurance programs.

Due to the inherent uncertainty in predicting the resolution of some tax matters, auditing the Company's uncertain tax positions and the related unrecognized tax benefits is complex and required the use of tax subject matter resources to determine whether the more-likely-than-not criteria was met.

How We Addressed the Matter in Our Audit We tested controls over management's accounting for uncertain tax positions, including assessment of the technical merits of tax positions and, if applicable, measurement of the benefit. To evaluate whether the technical merits of some uncertain tax positions are more-likely-than-not sustainable, our audit procedures included, among others, evaluation of applicable tax law, court cases, tax regulations and other regulatory guidance by our tax subject matter resources. We also involved tax subject matter resources in verifying our understanding of the relevant facts and analysis by reading correspondence with the relevant tax authorities and reading third-party advice obtained by management. Where relevant, we assessed the appropriateness of positions by evaluating methodologies and benchmarks and we evaluated the Company's assumptions and data used to determine the amount of tax benefit to recognize and tested the accuracy of calculations. We also evaluated the adequacy of the Company's disclosures in Note 15 in relation to these matters.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2002.

Tysons, Virginia
February 21, 2020

DANAHER CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(\$ and shares in millions, except per share amount)

	As of December 31	
	2019	2018
ASSETS		
Current assets:		
Cash and equivalents	\$ 19,912.3	\$ 787.8
Trade accounts receivable, less allowance for doubtful accounts of \$103.7 as of December 31, 2019 and \$102.5 as of December 31, 2018	3,191.4	3,029.8
Inventories	1,628.3	1,631.4
Prepaid expenses and other current assets	864.6	858.0
Current assets, discontinued operations	—	786.8
Total current assets	25,596.6	7,093.8
Property, plant and equipment, net	2,302.0	2,249.6
Other long-term assets	1,720.8	571.0
Goodwill	22,712.5	22,580.5
Other intangible assets, net	9,749.7	10,282.8
Other assets, discontinued operations	—	5,054.8
Total assets	\$ 62,081.6	\$ 47,832.5
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and current portion of long-term debt	\$ 212.4	\$ 51.8
Trade accounts payable	1,514.4	1,495.4
Accrued expenses and other liabilities	3,205.3	2,689.3
Current liabilities, discontinued operations	—	605.0
Total current liabilities	4,932.1	4,841.5
Other long-term liabilities	5,350.9	4,701.6
Long-term debt	21,516.7	9,688.5
Long-term liabilities, discontinued operations	—	374.2
Stockholders' equity:		
Preferred stock, without par value, 15.0 million shares authorized; 1.65 million shares of 4.75% Mandatory Convertible Preferred Stock, Series A, issued and outstanding as of December 31, 2019; no shares issued or outstanding as of December 31, 2018	1,599.6	—
Common stock - \$0.01 par value, 2.0 billion shares authorized; 835.5 million issued and 695.5 million outstanding as of December 31, 2019; 817.9 million issued and 701.5 million outstanding as of December 31, 2018	8.4	8.2
Additional paid-in capital	7,564.6	5,834.3
Retained earnings	24,166.3	25,163.0
Accumulated other comprehensive income (loss)	(3,068.3)	(2,791.1)
Total Danaher stockholders' equity	30,270.6	28,214.4
Noncontrolling interests	11.3	12.3
Total stockholders' equity	30,281.9	28,226.7
Total liabilities and stockholders' equity	\$ 62,081.6	\$ 47,832.5

See the accompanying Notes to the Consolidated Financial Statements.

DANAHER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(\$ and shares in millions, except per share amounts)

	Year Ended December 31		
	2019	2018	2017
Sales	\$ 17,911.1	\$ 17,048.5	\$ 15,518.8
Cost of sales	(7,927.4)	(7,543.2)	(6,947.5)
Gross profit	9,983.7	9,505.3	8,571.3
Operating costs:			
Selling, general and administrative expenses	(5,588.3)	(5,391.0)	(5,042.6)
Research and development expenses	(1,126.0)	(1,059.2)	(956.4)
Operating profit	3,269.4	3,055.1	2,572.3
Nonoperating income (expense):			
Other income, net	12.0	34.5	103.5
Loss on early extinguishment of borrowings	(6.5)	—	—
Interest expense	(108.6)	(136.9)	(140.1)
Interest income	139.0	9.2	7.5
Earnings from continuing operations before income taxes	3,305.3	2,961.9	2,543.2
Income taxes	(873.0)	(555.6)	(371.0)
Net earnings from continuing operations	2,432.3	2,406.3	2,172.2
Earnings from discontinued operations, net of income taxes	575.9	244.6	319.9
Net earnings	3,008.2	2,650.9	2,492.1
Mandatory convertible preferred stock dividends	(68.4)	—	—
Net earnings attributable to common stockholders	\$ 2,939.8	\$ 2,650.9	\$ 2,492.1
Net earnings per common share from continuing operations:			
Basic	\$ 3.31	\$ 3.43	\$ 3.12
Diluted	\$ 3.26	\$ 3.39	\$ 3.08
Net earnings per common share from discontinued operations:			
Basic	\$ 0.81	\$ 0.35	\$ 0.46
Diluted	\$ 0.79	\$ 0.34	\$ 0.45
Net earnings per common share:			
Basic	\$ 4.11 *	\$ 3.78	\$ 3.58
Diluted	\$ 4.05	\$ 3.74 *	\$ 3.53
Average common stock and common equivalent shares outstanding:			
Basic	715.0	700.6	695.8
Diluted	725.5	710.2	706.1

* Net earnings per common share amount does not add due to rounding.

See the accompanying Notes to the Consolidated Financial Statements.

DANAHER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(\$ in millions)

	Year Ended December 31		
	2019	2018	2017
Net earnings	\$ 3,008.2	\$ 2,650.9	\$ 2,492.1
Other comprehensive income (loss), net of income taxes:			
Foreign currency translation adjustments	(75.2)	(632.2)	976.1
Pension and postretirement plan benefit adjustments	(90.4)	(12.7)	71.0
Unrealized gain (loss) on available-for-sale securities	1.2	(0.8)	(19.6)
Cash flow hedge adjustments	(112.8)	—	—
Total other comprehensive income (loss), net of income taxes	(277.2)	(645.7)	1,027.5
Comprehensive income	\$ 2,731.0	\$ 2,005.2	\$ 3,519.6

See the accompanying Notes to the Consolidated Financial Statements.

DANAHER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(\$ and shares in millions)

	Year Ended December 31		
	2019	2018	2017
Preferred stock:			
Balance, beginning of period	\$ —	\$ —	\$ —
Issuance of Mandatory Convertible Preferred Stock	1,599.6	—	—
Balance, end of period	\$ 1,599.6	\$ —	\$ —
Common stock:			
Balance, beginning of period	\$ 8.2	\$ 8.1	\$ 8.1
Common stock-based award activity	0.1	0.1	—
Issuance of common stock	0.1	—	—
Balance, end of period	\$ 8.4	\$ 8.2	\$ 8.1
Additional paid-in capital:			
Balance, beginning of period	\$ 5,834.3	\$ 5,538.2	\$ 5,312.9
Common stock-based award activity	314.7	252.8	214.1
Common stock issued in connection with acquisitions	—	23.9	—
Common stock issued in connection with LYONs' conversions	32.5	19.4	12.4
Issuance of common stock	1,443.1	—	—
Change in noncontrolling interests	—	—	(1.2)
Sale of Envista Holdings Corporation common stock	(60.0)	—	—
Balance, end of period	\$ 7,564.6	\$ 5,834.3	\$ 5,538.2
Retained earnings:			
Balance, beginning of period	\$ 25,163.0	\$ 22,806.1	\$ 20,703.5
Adoption of accounting standards	—	154.5	—
Net earnings	3,008.2	2,650.9	2,492.1
Common stock dividends declared	(484.4)	(448.5)	(389.5)
Mandatory Convertible Preferred Stock dividends declared	(68.4)	—	—
Tendered common stock in exchange offer for Envista Holdings Corporation common stock	(3,452.1)	—	—
Balance, end of period	\$ 24,166.3	\$ 25,163.0	\$ 22,806.1
Accumulated other comprehensive income (loss):			
Balance, beginning of period	\$ (2,791.1)	\$ (1,994.2)	\$ (3,021.7)
Adoption of accounting standards	—	(151.2)	—
Other comprehensive income (loss)	(277.2)	(645.7)	1,027.5
Balance, end of period	\$ (3,068.3)	\$ (2,791.1)	\$ (1,994.2)
Noncontrolling interests:			
Balance, beginning of period	\$ 12.3	\$ 9.6	\$ 74.0
Activity related to Envista Holdings Corporation	(3.3)	—	—
Change in noncontrolling interests	2.3	2.7	(64.4)
Balance, end of period	\$ 11.3	\$ 12.3	\$ 9.6
Total stockholders' equity, end of period	\$ 30,281.9	\$ 28,226.7	\$ 26,367.8

See the accompanying Notes to the Consolidated Financial Statements.

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DANAHER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(\$ and shares in millions)

	Year Ended December 31		
	2019	2018	2017
Cash flows from operating activities:			
Net earnings	\$ 3,008.2	\$ 2,650.9	\$ 2,492.1
Less: earnings from discontinued operations, net of income taxes	575.9	244.6	319.9
Net earnings from continuing operations	2,432.3	2,406.3	2,172.2
Noncash items:			
Depreciation	564.4	562.1	538.1
Amortization	625.1	615.6	578.8
Stock-based compensation expense	158.8	138.1	127.1
Restructuring and impairment charges	—	1.7	49.3
Pretax gain on sales of investments	—	—	(72.8)
Change in deferred income taxes	(415.2)	(252.2)	(428.5)
Change in trade accounts receivable, net	(156.4)	(54.5)	(142.5)
Change in inventories	(21.9)	(134.4)	3.1
Change in trade accounts payable	18.1	229.6	(53.9)
Change in prepaid expenses and other assets	47.7	75.9	(12.9)
Change in accrued expenses and other liabilities	404.5	55.8	364.2
Total operating cash provided by continuing operations	3,657.4	3,644.0	3,122.2
Total operating cash provided by discontinued operations	294.2	378.0	355.6
Net cash provided by operating activities	3,951.6	4,022.0	3,477.8
Cash flows from investing activities:			
Cash paid for acquisitions	(331.3)	(2,173.3)	(385.8)
Payments for additions to property, plant and equipment	(635.5)	(583.5)	(570.7)
Proceeds from sales of property, plant and equipment	12.8	6.3	32.5
Payments for purchases of investments	(241.0)	(145.9)	—
Proceeds from sales of investments	—	22.2	137.9
All other investing activities	28.9	0.3	(2.4)
Total investing cash used in continuing operations	(1,166.1)	(2,873.9)	(788.5)
Total investing cash used in discontinued operations	(72.0)	(75.5)	(54.9)
Net cash used in investing activities	(1,238.1)	(2,949.4)	(843.4)
Cash flows from financing activities:			
Proceeds from the issuance of common stock in connection with stock-based compensation	130.1	96.0	68.8
Proceeds from the public offering of common stock, net of issuance costs	1,443.2	—	—
Proceeds from the public offering of preferred stock, net of issuance costs	1,599.6	—	—
Net proceeds from the sale of Envista Holdings Corporation common stock, net of issuance costs	643.4	—	—
Payment of dividends	(526.7)	(433.4)	(378.3)
Payment for purchase of noncontrolling interest	—	—	(64.4)
Net proceeds from (repayments of) borrowings (maturities of 90 days or less)	2,801.8	65.7	(3,778.5)
Proceeds from borrowings (maturities longer than 90 days)	12,112.8	—	1,782.1
Repayments of borrowings (maturities longer than 90 days)	(1,564.5)	(507.8)	(668.4)
Make-whole premiums to redeem borrowings prior to maturity	(6.5)	—	—

All other financing activities	(43.3)	(17.9)	(59.8)
Total financing cash provided by (used in) continuing operations	16,589.9	(797.4)	(3,098.5)
Cash distributions to Envista Holdings Corporation, net	(224.0)	—	—
Net cash provided by (used in) financing activities	16,365.9	(797.4)	(3,098.5)
Effect of exchange rate changes on cash and equivalents	45.1	(117.7)	130.7
Net change in cash and equivalents	19,124.5	157.5	(333.4)
Beginning balance of cash and equivalents	787.8	630.3	963.7
Ending balance of cash and equivalents	\$ 19,912.3	\$ 787.8	\$ 630.3
Supplemental disclosure:			
Shares redeemed through the split-off of Envista Holdings Corporation (22.9 shares held as Treasury shares)	\$ 3,452.1	\$ —	\$ —

See the accompanying Notes to the Consolidated Financial Statements.

DANAHER CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business—Danaher Corporation (“Danaher” or the “Company”) designs, manufactures and markets professional, medical, industrial and commercial products and services, which are typically characterized by strong brand names, innovative technology and major market positions. As of December 31, 2019, the Company operates in three business segments: Life Sciences; Diagnostics; and Environmental & Applied Solutions.

The Company’s Life Sciences segment offers a broad range of research tools that scientists use to study the basic building blocks of life, including genes, proteins, metabolites and cells, in order to understand the causes of disease, identify new therapies and test new drugs and vaccines. The segment is also a leading provider of filtration, separation and purification technologies to the biopharmaceutical, food and beverage, medical, aerospace, microelectronics and general industrial sectors.

The Company’s Diagnostics segment offers analytical instruments, reagents, consumables, software and services that hospitals, physicians’ offices, reference laboratories and other critical care settings use to diagnose disease and make treatment decisions.

The Company’s Environmental & Applied Solutions segment offers products and services that help protect important resources and keep global food and water supplies safe. The Company’s water quality business provides instrumentation, consumables, software, services and disinfection systems to help analyze, treat and manage the quality of ultra-pure, potable, industrial, waste, ground, source and ocean water in residential, commercial, municipal, industrial and natural resource applications. The Company’s product identification business provides equipment, software, services and consumables for various color and appearance management, packaging design and quality management, packaging converting, printing, marking, coding and traceability applications for consumer, pharmaceutical and industrial products.

Refer to Notes 3 and 4 for a discussion of significant acquisitions and discontinued operations, including the disposal of the Company’s former Dental segment through the initial public offering (“IPO”) and split-off of Envista Holdings Corporation during 2019.

Accounting Principles—The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”). The Consolidated Financial Statements include the accounts of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation. The Consolidated Financial Statements also reflect the impact of noncontrolling interests. Noncontrolling interests do not have a significant impact on the Company’s consolidated results of continuing operations, therefore earnings attributable to noncontrolling interests for continuing operations are not presented separately in the Company’s Consolidated Statements of Earnings. Earnings attributable to noncontrolling interests have been reflected in selling, general and administrative expenses and were insignificant in all periods presented. Reclassifications of certain prior year amounts have been made to conform to the current year presentation.

Use of Estimates—The preparation of these financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. The Company bases these estimates on historical experience, the current economic environment and on various other assumptions that are believed to be reasonable under the circumstances. However, uncertainties associated with these estimates exist and actual results may differ materially from these estimates.

Cash and Equivalents—The Company considers all highly liquid investments with a maturity of three months or less at the date of purchase to be cash equivalents.

Accounts Receivable and Allowances for Doubtful Accounts—All trade accounts, contract and finance receivables are reported on the accompanying Consolidated Balance Sheets adjusted for any write-offs and net of allowances for doubtful accounts. The allowances for doubtful accounts represent management’s best estimate of the credit losses expected from the Company’s trade accounts, contract and finance receivable portfolios. Determination of the allowances requires management to exercise judgment about the timing, frequency and severity of credit losses that could materially affect the provision for credit losses and, therefore, net earnings. The Company regularly performs

detailed reviews of its portfolios to determine if an impairment has occurred and evaluates the collectability of receivables based on a combination of various financial and qualitative factors that may affect customers' ability to pay, including customers' financial condition, collateral, debt-servicing ability, past payment experience and credit bureau information. In circumstances where the Company is aware of a specific customer's inability to meet its financial obligations, a specific reserve is recorded against amounts due to reduce the recognized receivable to the amount reasonably expected to be collected. Additions to the allowances for doubtful accounts are charged to current

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period earnings, amounts determined to be uncollectible are charged directly against the allowances, while amounts recovered on previously written-off accounts increase the allowances. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional reserves would be required. The Company does not believe that trade accounts receivable represent significant concentrations of credit risk because of the diversified portfolio of individual customers and geographical areas. The Company recorded \$30 million, \$31 million and \$27 million of expense associated with doubtful accounts for the years ended December 31, 2019, 2018 and 2017, respectively.

Included in the Company's trade accounts receivable and other long-term assets as of December 31, 2019 and 2018 are \$244 million and \$217 million of net aggregate financing receivables, respectively. All financing receivables are evaluated for impairment based on individual customer credit profiles.

Inventory Valuation—Inventories include the costs of material, labor and overhead. Domestic inventories are stated at the lower of cost and net realizable value primarily using the first-in, first-out ("FIFO") method with certain businesses applying the last-in, first-out method ("LIFO") to value inventory. Inventories held outside the United States are stated at the lower of cost or market primarily using the FIFO method.

Property, Plant and Equipment—Property, plant and equipment are carried at cost. The provision for depreciation has been computed principally by the straight-line method based on the estimated useful lives of the depreciable assets as follows:

Category	Useful Life
Buildings	30 years
Leased assets and leasehold improvements	Amortized over the lesser of the economic life of the asset or the term of the lease
Machinery and equipment	3 – 10 years
Customer-leased instruments	5 – 7 years

Estimated useful lives are periodically reviewed and, when appropriate, changes to estimates are made prospectively.

Investments—Investments over which the Company has a significant influence but not a controlling interest, are accounted for using the equity method of accounting which requires the Company to record its initial investment at cost and adjust the balance each period for the Company's share of the investee's income or loss and dividends paid. The Company also invests in start-up companies where the Company has neither control of nor significant influence over the investee. Beginning in 2018 with the adoption of Accounting Standards Update ("ASU") No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, the Company measures these non-marketable equity securities at fair value and recognizes changes in fair value in net earnings. For securities without readily available fair values, the Company has elected the measurement alternative to record these investments at cost and to adjust for impairments and observable price changes with a same or similar security from the same issuer within net earnings (the "Fair Value Alternative"). Additionally, the Company is a limited partner in a partnership that invests in start-up companies. While the partnership records these investments at fair value, the Company's investment in the partnership is accounted for under the equity method of accounting. The Company made minority investments in non-marketable equity securities and equity method investments totaling \$241 million in 2019 and \$146 million in 2018, including investments in a partnership of \$189 million in 2019 and \$86 million in 2018. No significant realized or unrealized gains or losses were recorded in either 2019 or 2018 with respect to these investments.

Other Assets—Other assets principally include noncurrent financing receivables, noncurrent deferred tax assets and other investments.

Fair Value of Financial Instruments—The Company's financial instruments consist primarily of cash and cash equivalents, trade accounts receivable, investments in equity securities, available-for-sale debt securities and cross-currency swaps, nonqualified deferred compensation plans, obligations under trade accounts payable and short and related long-term debt. Due to their short-term nature, the carrying values for cash and cash equivalents, trade accounts receivable and trade accounts payable approximate fair value. Refer to Note 9 for the fair values of the

Company's investments in equity securities, available-for-sale debt securities and cross-currency swaps and other obligations.

Goodwill and Other Intangible Assets—Goodwill and other intangible assets result from the Company's acquisition of existing businesses. In accordance with accounting standards related to business combinations, goodwill is not amortized; however, certain finite-lived identifiable intangible assets, primarily customer relationships and acquired technology, are amortized over their estimated useful lives. Intangible assets with indefinite lives are not amortized. In-process research and development ("IPR&D") is initially capitalized at fair value and when the IPR&D project is complete, the asset is considered a finite-lived

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intangible asset and amortized over its estimated useful life. If an IPR&D project is abandoned, an impairment loss equal to the value of the intangible asset is recorded in the period of abandonment. The Company reviews identified intangible assets and goodwill for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. The Company also tests intangible assets with indefinite lives and goodwill for impairment at least annually. Refer to Notes 3 and 8 for additional information about the Company's goodwill and other intangible assets.

Revenue Recognition—On January 1, 2018, the Company adopted Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers*, using the modified retrospective method for all contracts. Results for reporting periods beginning January 1, 2018 are presented under ASC 606, while prior period amounts were not adjusted and continue to be reported in accordance with the Company's historic accounting under ASC 605, *Revenue Recognition*.

The Company recorded a net increase to beginning retained earnings of \$3 million (including the impact attributable to discontinued operations) as of January 1, 2018 due to the cumulative impact of adopting ASC 606. The impact to beginning retained earnings was primarily driven by the capitalization of certain costs to obtain a contract, primarily sales-related commissions, partially offset by the deferral of revenue for unfulfilled performance obligations. The adoption of ASC 606 did not have a significant impact on the Company's Consolidated Financial Statements as of and for the year ended December 31, 2018 and, as a result, comparisons of revenues and operating profit performance between periods are not affected by the adoption of this standard. Refer to Note 2 for additional disclosures required by ASC 606.

The Company derives revenues primarily from the sale of Life Sciences, Diagnostics and Environmental & Applied Solutions products and services. Revenue is recognized when control of the promised products or services is transferred to the Company's customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products or services (the transaction price). A performance obligation is a promise in a contract to transfer a distinct product or service to a customer and is the unit of account under ASC 606. For equipment, consumables and most software licenses sold by the Company, control transfers to the customer at a point in time. To indicate the transfer of control, the Company must have a present right to payment, legal title must have passed to the customer, the customer must have the significant risks and rewards of ownership, and where acceptance is not a formality, the customer must have accepted the product or service. The Company's principal terms of sale are FOB Shipping Point, or equivalent, and, as such, the Company primarily transfers control and records revenue for product sales upon shipment. Sales arrangements with delivery terms that are not FOB Shipping Point are not recognized upon shipment and the transfer of control for revenue recognition is evaluated based on the associated shipping terms and customer obligations. If a performance obligation to the customer with respect to a sales transaction remains to be fulfilled following shipment (typically installation or acceptance by the customer), revenue recognition for that performance obligation is deferred until such commitments have been fulfilled. Returns for products sold are estimated and recorded as a reduction of revenue at the time of sale. Customer allowances and rebates, consisting primarily of volume discounts and other short-term incentive programs, are recorded as a reduction of revenue at the time of sale because these allowances reflect a reduction in the transaction price. Product returns, customer allowances and rebates are estimated based on historical experience and known trends. For extended warranty, service, post contract support (“PCS”), software-as-a-service (“SaaS”) and other long-term contracts, control transfers to the customer over the term of the arrangement. Revenue for extended warranty, service, PCS, SaaS and certain software licenses is recognized based upon the period of time elapsed under the arrangement. Revenue for other long-term contracts is generally recognized based upon the cost-to-cost measure of progress, provided that the Company meets the criteria associated with transferring control of the good or service over time.

Certain of the Company's revenues relate to operating-type lease (“OTL”) arrangements. Leases are outside the scope of ASC 606 and are therefore accounted for in accordance with ASC 842, *Leases* (or ASC 840, *Leases* (“ASC 840”) prior to January 1, 2019). Equipment lease revenue for OTL agreements is recognized on a straight-line basis over the life of the lease, and the cost of customer-leased equipment is recorded within property, plant and equipment in the accompanying Consolidated Balance Sheets and depreciated over the equipment's estimated useful life. Depreciation expense associated with the leased equipment under OTL arrangements is reflected in cost of sales in the accompanying Consolidated Statements of Earnings. The OTLs are generally not cancellable until after an initial term and may or may not require the customer to purchase a minimum number of consumables or tests throughout the contract term. The Company also enters into sales-type lease (“STL”) arrangements with customers which result in earlier recognition of equipment lease revenue as compared to an OTL.

For a contract with multiple performance obligations, the Company allocates the contract's transaction price to each performance obligation on a relative standalone selling price basis using the Company's best estimate of the standalone selling price of each distinct product or service in the contract. The primary method used to estimate standalone selling price is the price observed in standalone sales to customers; however, when prices in standalone sales are not available the Company may use third-party pricing for similar products or services or estimate the standalone selling price. Allocation of the transaction price is determined at the contracts' inception.

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Shipping and Handling—Shipping and handling costs are included as a component of cost of sales. Revenue derived from shipping and handling costs billed to customers is included in sales.

Advertising—Advertising costs are expensed as incurred.

Research and Development—The Company conducts research and development activities for the purpose of developing new products, enhancing the functionality, effectiveness, ease of use and reliability of the Company's existing products and expanding the applications for which uses of the Company's products are appropriate. Research and development costs are expensed as incurred.

Income Taxes—The Company's income tax expense represents the tax liability for the current year, the tax benefit or expense for the net change in deferred tax liabilities and assets during the year, as well as reserves for unrecognized tax benefits and return to provision adjustments. Deferred tax liabilities and assets are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted rates expected to be in effect during the year in which the differences reverse. Deferred tax assets generally represent items that can be used as a tax deduction or credit in the Company's tax return in future years for which the tax benefit has already been reflected on the Company's Consolidated Statements of Earnings. The Company establishes valuation allowances for its deferred tax assets if it is more likely than not that some or all of the deferred tax asset will not be realized. Deferred tax liabilities generally represent items that have already been taken as a deduction on the Company's tax return but have not yet been recognized as an expense in the Company's Consolidated Statements of Earnings. The effect on deferred tax assets and liabilities due to a change in tax rates is recognized in income tax expense in the period that includes the enactment date. The Company provides for unrecognized tax benefits when, based upon the technical merits, it is "more likely than not" that an uncertain tax position will not be sustained upon examination. Judgment is required in evaluating tax positions and determining income tax provisions. The Company re-evaluates the technical merits of its tax positions and may recognize an uncertain tax benefit in certain circumstances, including when: (1) a tax audit is completed; (2) applicable tax laws change, including a tax case ruling or legislative guidance; or (3) the applicable statute of limitations expires. The Company recognizes potential accrued interest and penalties associated with unrecognized tax positions in income tax expense. Refer to Note 15 for additional information and discussion of the impact of the enactment of the Tax Cuts and Jobs Act ("TCJA") in the United States.

Productivity Improvement and Restructuring—The Company periodically initiates productivity improvement and restructuring activities to appropriately position the Company's cost base relative to prevailing economic conditions and associated customer demand as well as in connection with certain acquisitions. Costs associated with productivity improvement and restructuring actions can include one-time termination benefits and related charges in addition to facility closure, contract termination and other related activities. The Company records the cost of the productivity improvement and restructuring activities when the associated liability is incurred.

Foreign Currency Translation—Exchange rate adjustments resulting from foreign currency transactions are recognized in net earnings, whereas effects resulting from the translation of financial statements are reflected as a component of accumulated other comprehensive income (loss) within stockholders' equity. Assets and liabilities of subsidiaries operating outside the United States with a functional currency other than U.S. dollars are translated into U.S. dollars using year end exchange rates and income statement accounts are translated at weighted average rates. Net foreign currency transaction gains or losses were not material in any of the years presented. The Company uses its foreign currency-denominated debt and cross-currency swap arrangements whereby existing U.S. dollar-denominated borrowings are effectively converted to foreign currency borrowings to partially hedge its net investments in foreign operations against adverse movements in exchange rates.

Derivative Financial Instruments—The Company is neither a dealer nor a trader in derivative instruments. The Company has generally accepted the exposure to transactional exchange rate movements without using derivative instruments to manage this risk, although the Company from time to time partially hedges its net investments in foreign operations against adverse movements in exchange rates through foreign currency-denominated debt and cross-currency swaps. The Company will periodically enter into foreign currency forward contracts to mitigate a portion of its foreign currency exchange risk and forward starting swaps to mitigate interest rate risk related to the Company's debt. The Company also uses cross-currency swap derivative contracts to hedge long-term debt issuances in a foreign currency other than the functional currency of the borrower. When utilized, the derivative instruments are recorded on the Consolidated Balance Sheets as either an asset or liability measured at fair value. To the extent the derivative instrument qualifies as an effective hedge, changes in fair value are recognized in accumulated other

comprehensive income (loss) in stockholders' equity. Changes in the value of the foreign currency denominated debt and cross-currency swaps designated as hedges of the Company's net investment in foreign operations based on spot rates are recognized in accumulated other comprehensive income (loss) in stockholders' equity and offset changes in the value of the Company's foreign currency denominated operations. In January 2019, the Company entered into approximately \$1.9 billion of cross-currency swap derivative contracts on its U.S. dollar-denominated bonds to effectively convert the Company's U.S. dollar-denominated bonds to obligations denominated in Danish kroner, Japanese yen, euro and

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Swiss franc. In June 2019, the Company entered into interest rate swap agreements with a notional amount of \$850 million. These contracts effectively fixed the interest rate for a portion of the Company's U.S. dollar-denominated debt ultimately issued in November 2019 equal to the notional amount of the swaps to the rate specified in the interest rate swap agreements. In November 2019, the Company entered into cross-currency swap derivative contracts to effectively convert the approximately \$4.0 billion of U.S. dollar-denominated bonds into euro-denominated bonds. The Company's use of foreign currency forward contracts and forward starting swaps during 2018 and 2017 and as of the years then ended was not significant. All of these cross-currency swap derivative contracts remain outstanding as of December 31, 2019. Refer to Note 12 for additional information.

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Accumulated Other Comprehensive Income (Loss)—Foreign currency translation adjustments are generally not adjusted for income taxes as they relate to indefinite investments in non-U.S. subsidiaries. The changes in accumulated other comprehensive income (loss) by component are summarized below (\$ in millions). Foreign currency translation adjustments generally relate to indefinite investments in non-U.S. subsidiaries, as well as the impact from the Company's hedges of its net investment in foreign operations, including the Company's cross-currency swap derivatives, net of any tax impacts.

	Foreign Currency Translation Adjustments	Pension & Postretirement Plan Benefit Adjustments	Unrealized Gain (Loss) on Available-For- Sale Securities	Cash Flow Hedge Adjustments	Total
Balance, January 1, 2017	\$ (2,398.2)	\$ (642.2)	\$ 18.7	\$ —	\$ (3,021.7)
Other comprehensive income (loss) before reclassifications:					
Increase	976.1	62.4	41.7	—	1,080.2
Income tax impact	—	(13.4)	(15.7)	—	(29.1)
Other comprehensive income (loss) before reclassifications, net of income taxes	976.1	49.0	26.0	—	1,051.1
Amounts reclassified from accumulated other comprehensive income (loss):					
Increase (decrease)	—	28.7 ^(a)	(72.8) ^(b)	—	(44.1)
Income tax impact	—	(6.7)	27.2	—	20.5
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes	—	22.0	(45.6)	—	(23.6)
Net current period other comprehensive income (loss), net of income taxes	976.1	71.0	(19.6)	—	1,027.5
Balance, December 31, 2017	(1,422.1)	(571.2)	(0.9)	—	(1,994.2)
Adoption of accounting standards	(43.8)	(107.2)	(0.2)	—	(151.2)
Balance, January 1, 2018	(1,465.9)	(678.4)	(1.1)	—	(2,145.4)
Other comprehensive income (loss) before reclassifications:					
Decrease	(632.2)	(44.9)	(1.1)	—	(678.2)
Income tax impact	—	9.2	0.3	—	9.5
Other comprehensive income (loss) before reclassifications, net of income taxes	(632.2)	(35.7)	(0.8)	—	(668.7)
Amounts reclassified from accumulated other comprehensive income (loss):					
Increase	—	30.3 ^(a)	—	—	30.3
Income tax impact	—	(7.3)	—	—	(7.3)
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes	—	23.0	—	—	23.0
Net current period other comprehensive income (loss), net of income taxes	(632.2)	(12.7)	(0.8)	—	(645.7)
Balance, December 31, 2018	(2,098.1)	(691.1)	(1.9)	—	(2,791.1)
Other comprehensive income (loss) before reclassifications:					
(Decrease) increase	(178.4)	(149.6)	1.6	(149.2)	(475.6)
Income tax impact	(5.8)	32.0	(0.4)	9.0	34.8
Other comprehensive income (loss) before reclassifications, net of income taxes	(184.2)	(117.6)	1.2	(140.2)	(440.8)
Amounts reclassified from accumulated other comprehensive income (loss):					
Increase	109.0 ^(d)	35.7 ^(a)	—	27.5 ^(c)	172.2
Income tax impact	—	(8.5)	—	(0.1)	(8.6)
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes	109.0	27.2	—	27.4	163.6

Net current period other comprehensive income (loss), net of income taxes	(75.2)	(90.4)	1.2	(112.8)	(277.2)
Balance, December 31, 2019	\$ (2,173.3)	\$ (781.5)	\$ (0.7)	\$ (112.8)	\$ (3,068.3)

- (a) This accumulated other comprehensive income (loss) component is included in the computation of net periodic pension and postretirement cost (refer to Notes 13 and 14 for additional details).
- (b) Included in other income, net in the accompanying Consolidated Statement of Earnings (refer to Note 16 for additional details).
- (c) Reflects reclassification to earnings related to remeasurement of certain long-term debt (refer to Note 12 for additional details).
- (d) Reflects reclassification to earnings related to the Envista Disposition (refer to Note 4 for additional details).

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Accounting for Stock-Based Compensation—The Company accounts for stock-based compensation by measuring the cost of employee services received in exchange for all equity awards granted, including stock options, restricted stock units (“RSUs”) and performance stock units (“PSUs”), based on the fair value of the award as of the grant date. Equity-based compensation expense is recognized net of an estimated forfeiture rate on a straight-line basis over the requisite service period of the award, except that in the case of RSUs, compensation expense is recognized using an accelerated attribution method. Refer to Note 19 for additional information on the stock-based compensation plans in which certain employees of the Company participate.

Pension and Postretirement Benefit Plans—The Company measures its pension and postretirement plans’ assets and its obligations that determine the respective plan’s funded status as of the end of the Company’s fiscal year, and recognizes an asset for a plan’s overfunded status or a liability for a plan’s underfunded status in its balance sheet. Changes in the funded status of the plans are recognized in the year in which the changes occur and reported in comprehensive income (loss). Refer to Notes 13 and 14 for additional information on the Company’s pension and postretirement plans including a discussion of the actuarial assumptions, the Company’s policy for recognizing the associated gains and losses and the method used to estimate service and interest cost components.

Accounting Standards Recently Adopted—In July 2018, the Financial Accounting Standards Board (“FASB”) issued ASU 2018-09, *Codification Improvements*. ASU 2018-09 amends an illustrative example of a fair value hierarchy disclosure to indicate that a certain type of investment should not always be considered to be eligible to use the net asset value per share practical expedient. Also, it further clarifies that an entity should evaluate whether a readily determinable fair value exists or whether its investments qualify for the net asset value per share practical expedient in accordance with ASC 820, *Fair Value Measurement*. ASU 2018-09 was adopted by the Company on January 1, 2019 and resulted in the reclassification of assets previously identified as common collective trusts in the fair value hierarchy. Refer to Note 13 for further information.

In August 2017, the FASB issued ASU No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*, which expands and refines hedge accounting for both financial and non-financial risk components, aligns the recognition and presentation of the effects of hedging instruments and hedge items in the financial statements and includes certain targeted improvements to ease the application of current guidance related to the assessment of hedge effectiveness. The ASU was effective for public entities for fiscal years beginning after December 15, 2018. In January 2019, the Company entered into approximately \$1.9 billion of cross-currency swap derivative contracts to hedge its net investment in foreign operations against adverse changes in the exchange rates between the U.S. dollar and the Danish kroner, Japanese yen, euro and Swiss franc. In June 2019, the Company entered into interest rate swap agreements with a notional amount of \$850 million which represents a portion of the amount of U.S. dollar-denominated bonds (with terms ranging from 10 to 30 years) the Company ultimately issued to finance a portion of the acquisition of the Biopharma Business of General Electric Company (“GE”) Life Sciences (the “GE Biopharma Business” or “GE Biopharma”). These contracts effectively fixed the interest rate for a portion of the Company’s U.S. dollar-denominated debt ultimately issued in November 2019 equal to the notional amount of the swaps to the rate specified in the interest rate swap agreements. In November 2019, the Company entered into cross-currency swap derivative contracts to effectively convert the approximately \$4.0 billion of U.S. dollar-denominated bonds into euro-denominated bonds. Refer to Note 11 for additional disclosures about the Company’s debt issuances related to the pending GE Biopharma acquisition and Note 12 for additional disclosures about the Company’s hedging activities.

In May 2017, the FASB issued ASU No. 2017-09, *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting*, which provided clarity on which changes to the terms or conditions of share-based payment awards require an entity to apply the modification accounting provisions required in Topic 718. The adoption of this ASU on January 1, 2019 did not have a significant impact on the Company’s Consolidated Financial Statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize a right-of-use (“ROU”) asset and a lease liability for all leases with terms greater than 12 months and also requires disclosures by lessees and lessors about the amount, timing and uncertainty of cash flows arising from leases. The accounting applied by a lessor is largely unchanged from that applied under the prior standard. Subsequent to the issuance of Topic 842, the FASB clarified the guidance through several ASUs; hereinafter the collection of lease guidance is referred to as “ASC 842”.

On January 1, 2019, the Company adopted ASC 842 using the modified retrospective method for all lease arrangements at the beginning of the period of adoption. Results for reporting periods beginning January 1, 2019 are presented under ASC 842, while prior period amounts were not adjusted and continue to be reported in accordance with the Company's historic accounting under ASC 840. The standard had a material impact on the Company's Consolidated Balance Sheet but did not have a significant impact on the Company's consolidated net earnings and cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while the accounting for finance leases remained substantially unchanged. For leases that commenced before the effective date of ASC 842, the Company elected the permitted practical expedients to not reassess the following: (i) whether any expired or existing contracts contain leases; (ii) the lease

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classification for any expired or existing leases; and (iii) initial direct costs for any existing leases. The Company also elected to include leases with a term of 12 months or less in the recognized ROU assets and lease liabilities.

As a result of the cumulative impact of adopting ASC 842, the Company recorded operating lease ROU assets of \$806 million and operating lease liabilities of \$838 million related to continuing operations as of January 1, 2019, primarily related to real estate and automobile leases, based on the present value of the future lease payments on the date of adoption. Refer to Note 5 for the additional disclosures required by ASC 842.

The Company determines if an arrangement is a lease at inception. For leases where the Company is the lessee, ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent an obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit interest rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The ROU asset also consists of any prepaid lease payments, lease incentives received, costs which will be incurred in exiting a lease and the amount of any asset or liability recognized on business combinations relating to favorable or unfavorable lease terms. The lease terms used to calculate the ROU asset and related lease liability include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for operating leases is recognized on a straight-line basis over the lease term as an operating expense while the expense for finance leases is recognized as depreciation expense and interest expense using the accelerated interest method of recognition. The Company has lease agreements which require payments for lease and non-lease components and has elected to account for these as a single lease component.

The Company leases Life Sciences, Diagnostics, and Environmental & Applied Solutions equipment to customers, which requires the Company to determine whether the arrangements are OTL or STL arrangements. Equipment lease revenue for OTL agreements is recognized on a straight-line basis over the life of the lease, and the costs of customer-leased equipment are recorded within property, plant and equipment, net in the accompanying Consolidated Balance Sheets and depreciated over the equipment's estimated useful life. Depreciation expense associated with the leased equipment under OTL arrangements is reflected in cost of sales in the accompanying Consolidated Statements of Earnings. The OTLs are generally not cancellable until after an initial term and may or may not require the customer to purchase a minimum number of consumables or tests throughout the contract term. An STL results in earlier recognition of equipment revenue as compared to an OTL. Some of the Company's leases include a purchase option for the customer to purchase the leased asset at the end of the lease arrangement for a purchase price equal to the asset's fair market value at the time of the purchase. The Company manages its risk on the unguaranteed residual asset for leased equipment through the pricing and term of the leases. In certain geographies, equipment coming off OTL and STL arrangements after the initial lease term may be leased to other customers or used for spare parts.

For lease arrangements with lease and non-lease components where the Company is the lessor, the Company allocates the contract's transaction price to the lease and non-lease components on a relative standalone selling price basis using the Company's best estimate of the standalone selling price of each distinct product or service in the contract. The primary method used to estimate standalone selling price is the price observed in standalone sales to customers; however, when prices in standalone sales are not available the Company may use third-party pricing for similar products or services or estimate the standalone selling price. Allocation of the transaction price is determined at the inception of the lease arrangement. The Company's leases primarily consist of leases with fixed lease payments. For those leases with variable lease payments, the variable lease payment is typically based upon use of the leased equipment or the purchase of consumables used with the leased equipment.

Accounting Standards Not Yet Adopted—In August 2018, the FASB issued ASU No. 2018-14, *Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*, which amends ASC 715, *Compensation—Retirement Benefits*, to add, remove and clarify disclosure requirements related to defined benefit pension and other postretirement plans. The ASU is effective for public entities for fiscal years beginning after December 15, 2020, with early adoption permitted. Management has not yet completed its assessment of the impact of the new standard on the Company's Consolidated Financial Statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820)*, which modifies the disclosures on fair value measurements by removing the requirement to disclose the amount and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy and the policy for timing of such transfers. The ASU expands the disclosure requirements for Level 3 fair value measurements, primarily focused on changes in unrealized gains

and losses included in other comprehensive income (loss). The ASU is effective for public entities for fiscal years beginning after December 15, 2019, with early adoption permitted. Management has not yet completed its assessment of the impact of the new standard on the Company's Consolidated Financial Statements.

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In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which amends the impairment model by requiring entities to use a forward-looking approach based on expected losses rather than incurred losses to estimate credit losses on certain types of financial instruments, including trade receivables. This may result in the earlier recognition of allowances for losses. The ASU is effective for public entities for fiscal years beginning after December 15, 2019, with early adoption permitted. In November 2018, the FASB issued ASU No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, which provided additional implementation guidance on the previously issued ASU. On January 1, 2020, the Company adopted the ASU using the modified retrospective transition method. The Company recorded a net decrease to beginning retained earnings of \$8 million as of January 1, 2020 due to the cumulative impact of adopting ASC 326. The impact to retained earnings was primarily the result of an increase in the Company's allowance for doubtful accounts as a result of ASC 326's requirement to use a forward-looking approach based on expected losses rather than incurred losses to estimate credit losses on certain types of financial instruments, including trade receivables.

NOTE 2. REVENUE

The following table presents the Company's revenues disaggregated by geographical region and revenue type for the years ended December 31, 2019 and 2018 (\$ in millions). Sales taxes and other usage-based taxes collected from customers are excluded from revenues. The Company defines high-growth markets as developing markets of the world experiencing extended periods of accelerated growth in gross domestic product and infrastructure which include Eastern Europe, the Middle East, Africa, Latin America and Asia (with the exception of Japan, Australia and New Zealand). The Company defines developed markets as all markets of the world that are not high-growth markets.

	Life Sciences	Diagnostics	Environmental & Applied Solutions	Total
Year ended December 31, 2019				
Geographical region:				
North America	\$ 2,595.5	\$ 2,531.6	\$ 1,885.3	\$ 7,012.4
Western Europe	1,875.5	1,132.5	1,048.5	4,056.5
Other developed markets	585.7	401.7	124.9	1,112.3
High-growth markets	1,894.4	2,495.7	1,339.8	5,729.9
Total	<u>\$ 6,951.1</u>	<u>\$ 6,561.5</u>	<u>\$ 4,398.5</u>	<u>\$ 17,911.1</u>
Revenue type:				
Recurring	\$ 4,411.2	\$ 5,524.5	\$ 2,371.8	\$ 12,307.5
Nonrecurring	2,539.9	1,037.0	2,026.7	5,603.6
Total	<u>\$ 6,951.1</u>	<u>\$ 6,561.5</u>	<u>\$ 4,398.5</u>	<u>\$ 17,911.1</u>
Year ended December 31, 2018				
Geographical region:				
North America	\$ 2,295.6	\$ 2,403.4	\$ 1,770.7	\$ 6,469.7
Western Europe	1,846.7	1,155.4	1,059.1	4,061.2
Other developed markets	570.0	379.1	125.7	1,074.8
High-growth markets	1,759.1	2,319.7	1,364.0	5,442.8
Total	<u>\$ 6,471.4</u>	<u>\$ 6,257.6</u>	<u>\$ 4,319.5</u>	<u>\$ 17,048.5</u>
Revenue type:				
Recurring	\$ 4,131.8	\$ 5,272.0	\$ 2,280.0	\$ 11,683.8
Nonrecurring	2,339.6	985.6	2,039.5	5,364.7

Total	\$ 6,471.4	\$ 6,257.6	\$ 4,319.5	\$ 17,048.5
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The Company sells equipment to customers as well as consumables, software licenses and services, some of which customers purchase on a recurring basis. Consumables sold for use with the equipment sold by the Company are typically critical to the use of the equipment and are typically used on a one-time or limited basis, requiring frequent replacement in the customer's

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operating cycle. Examples of these consumables include reagents used in diagnostic tests, filters used in filtration, separation and purification processes and cartridges for marking and coding equipment. Additionally, some of the Company's consumables are used on a standalone basis, such as water treatment solutions. The Company separates its goods and services between those typically sold on a recurring basis and those typically sold on a nonrecurring basis. Recurring revenue includes revenue from consumables, services, software licenses recognized over time, SaaS licenses, sales-and-usage based royalties and OTLs. Nonrecurring revenue includes sales from equipment, software licenses recognized at a point in time and STLs. OTLs and STLs are included in the above revenue amounts. For the years ended December 31, 2019 and 2018, lease revenue was \$432 million and \$401 million, respectively.

Remaining Performance Obligations

ASC 606 requires disclosure of remaining performance obligations that represent the aggregate transaction price allocated to performance obligations with an original contract term greater than one year which are fully or partially unsatisfied at the end of the period. Remaining performance obligations include noncancelable purchase orders, the non-lease portion of minimum purchase commitments under long-term consumable supply arrangements, extended warranty, service and PCS contracts, SaaS and other long-term contracts. These remaining performance obligations do not include revenue from contracts with customers with an original term of one year or less, revenue from long-term consumable supply arrangements with no minimum purchase requirements or revenue expected from purchases made in excess of the minimum purchase requirements or revenue from equipment leased to customers. While the remaining performance obligation disclosure is similar in concept to backlog, the definition of remaining performance obligations excludes leases and contracts that provide the customer with the right to cancel or terminate for convenience with no substantial penalty, even if historical experience indicates the likelihood of cancellation or termination is remote. Additionally, the Company has elected to exclude contracts with customers with an original term of one year or less from remaining performance obligations while these contracts are included within backlog.

As of December 31, 2019, the aggregate amount of the transaction price allocated to remaining performance obligations was approximately \$2.0 billion. The Company expects to recognize revenue on approximately 41% of the remaining performance obligations over the next 12 months, 26% over the subsequent 12 months, and the remainder recognized thereafter.

Contract Balances

The timing of revenue recognition, billings and cash collections results in billed trade accounts receivable, unbilled receivables (contract assets) and deferred revenue, customer deposits and billings in excess of revenue recognized (contract liabilities) on the Consolidated Balance Sheets. In addition, the Company defers certain costs incurred to obtain a contract (contract costs).

Contract assets—Most of the Company's long-term contracts are billed as work progresses in accordance with the contract terms and conditions, either at periodic intervals or upon achievement of certain milestones. Often this results in billing occurring subsequent to revenue recognition resulting in contract assets. Contract assets are generally classified as other current assets in the Consolidated Balance Sheets. The balance of contract assets as of December 31, 2019 and 2018 was \$77 million and \$82 million, respectively.

Contract liabilities—The Company often receives cash payments from customers in advance of the Company's performance resulting in contract liabilities. These contract liabilities are classified as either current or long-term in the Consolidated Balance Sheets based on the timing of when the Company expects to recognize revenue. As of December 31, 2019 and 2018, contract liabilities were \$806 million and \$737 million, respectively, and are included within accrued expenses and other liabilities and other long-term liabilities in the accompanying Consolidated Balance Sheets. The increase in the contract liability balance during the year ended December 31, 2019 was primarily a result of cash payments received in advance of satisfying performance obligations and acquisitions, partially offset by revenue recognized during the year that was included in the opening contract liability balance. The increase in the contract liability balance during the year ended December 31, 2018 was primarily a result of cash payments received in advance of satisfying performance obligations and acquisitions, partially offset by revenue recognized during the year that was included in the contract liability balance at the date of adoption and foreign currency exchange. Revenue recognized during the years ended December 31, 2019 and 2018 that was included in the opening contract liability balance was \$603 million and \$597 million, respectively.

Contract costs—The Company capitalizes certain direct incremental costs incurred to obtain a contract, typically sales-related commissions, where the amortization period for the related asset is greater than one year. These costs

are amortized over the contract term or a longer period, generally the expected life of the customer relationship if renewals are expected and the renewal commission is not commensurate with the initial commission. Contract costs are classified as current or long-term other assets in the Consolidated Balance Sheets based on the timing of when the Company expects to recognize the expense and are generally amortized into earnings on a straight-line basis (which is consistent with the transfer of control for the related goods or services). Management assesses these costs for impairment at least quarterly and as “triggering” events occur that indicate it is more likely than not that an impairment exists. The balance of contract costs as of December 31, 2019 and 2018

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were not significant. Amortization expense related to these costs for the years ended December 31, 2019 and 2018 was also not significant. The costs to obtain a contract where the amortization period for the related asset is one year or less are expensed as incurred and recorded within selling, general and administrative expenses in the accompanying Consolidated Statements of Earnings.

Contract assets, liabilities and costs are reported on the accompanying Consolidated Balance Sheets on a contract-by-contract basis.

NOTE 3. ACQUISITIONS

The Company continually evaluates potential acquisitions that either strategically fit with the Company's existing portfolio or expand the Company's portfolio into a new and attractive business area. The Company has completed a number of acquisitions that have been accounted for as purchases and have resulted in the recognition of goodwill in the Company's Consolidated Financial Statements. This goodwill arises because the purchase prices for these businesses reflect a number of factors including the future earnings and cash flow potential of these businesses, the multiple to earnings, cash flow and other factors at which similar businesses have been purchased by other acquirers, the competitive nature of the processes by which the Company acquired the businesses, the avoidance of the time and costs which would be required (and the associated risks that would be encountered) to enhance the Company's existing product offerings to key target markets and enter into new and profitable businesses and the complementary strategic fit and resulting synergies these businesses bring to existing operations.

The Company makes an initial allocation of the purchase price at the date of acquisition based upon its understanding of the fair value of the acquired assets and assumed liabilities. The Company obtains this information during due diligence and through other sources. In the months after closing, as the Company obtains additional information about these assets and liabilities, including through tangible and intangible asset appraisals, and learns more about the newly acquired business, it is able to refine the estimates of fair value and more accurately allocate the purchase price. Only items identified as of the acquisition date are considered for subsequent adjustment. The Company is continuing to evaluate certain pre-acquisition contingencies associated with certain of its 2019 acquisitions and is also in the process of obtaining valuations of certain property, plant and equipment, acquired intangible assets and certain acquisition-related liabilities in connection with these acquisitions. The Company will make appropriate adjustments to the purchase price allocation prior to completion of the measurement period, as required.

The following briefly describes the Company's acquisition activity for the three years ended December 31, 2019.

On February 25, 2019, the Company entered into an Equity and Asset Purchase Agreement (the "GE Biopharma Purchase Agreement") with GE to acquire the GE Biopharma Business for a cash purchase price of approximately \$21.0 billion, subject to certain adjustments, and the assumption of approximately \$0.4 billion of pension liabilities (the "GE Biopharma Acquisition"). The GE Biopharma Business, to be known as Cytiva following the closing of the acquisition, is a leading provider of instruments, consumables and software that support the research, discovery, process development and manufacturing workflows of biopharmaceutical drugs. Though the timing of obtaining the final regulatory approvals necessary to close the GE Biopharma Acquisition is uncertain, the Company continues to make progress with respect thereto and expects to close the transaction in the first quarter of 2020. The acquisition is expected to provide additional sales and earnings growth opportunities for the Company's Life Sciences segment by expanding the business' geographic and product line diversity, including new product and service offerings that complement the Company's current biologics workflow solutions. As a condition to obtaining certain regulatory approvals for the closing of the transaction, the Company expects it will be required to divest certain of its existing product lines that in the aggregate generated revenues of approximately \$170 million in 2019.

The Company plans to finance the GE Biopharma Acquisition with approximately \$3.0 billion of proceeds from the March 1, 2019 underwritten public offerings of its Common Stock and Mandatory Convertible Preferred Stock ("MCPS"), approximately \$10.8 billion of proceeds from the issuance of euro-denominated and U.S. dollar-denominated long-term debt in the second half of 2019, and approximately \$7.2 billion from the aggregate of proceeds from commercial paper borrowings and cash on hand. Refer to Note 11 for additional information related to the issuance of debt and to Note 19 for additional information related to the March 1, 2019 public offerings.

During 2019, the Company acquired five businesses for total consideration of \$331 million in cash, net of cash acquired. The businesses acquired complement existing units of each of the Company's three segments. The aggregate annual sales of these five businesses at the time of their acquisition, in each case based on the companies'

revenues for its last completed fiscal year prior to the acquisition, were \$72 million. The Company preliminarily recorded an aggregate of \$217 million of goodwill related to these acquisitions.

On April 13, 2018, the Company acquired Integrated DNA Technologies, Inc. (“IDT”), a privately-held manufacturer of custom DNA and RNA oligonucleotides serving customers in the academic and biopharmaceutical research, biotechnology, agriculture,

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clinical diagnostics and pharmaceutical development end-markets, for a purchase price of approximately \$2.1 billion, net of cash acquired. IDT had revenues of approximately \$260 million in 2017, and is now part of the Company's Life Sciences segment.

The Company financed the acquisition of IDT with available cash and proceeds from the issuance of commercial paper. The Company recorded approximately \$1.2 billion of goodwill related to the IDT acquisition. The acquisition of IDT provides additional sales and earnings growth opportunities for the Company's Life Sciences segment by expanding the segment's product line diversity, including new product and service offerings in the area of genomics consumables, and through the potential future acquisition of complementary businesses.

In addition to the IDT acquisition, during 2018, the Company acquired one other business for total consideration of \$95 million in cash, net of cash acquired. The business acquired complements an existing unit of the Environmental & Applied Solutions segment. The aggregate annual sales of this business at the time of its acquisition, based on the company's revenues for its last completed fiscal year prior to the acquisition, were \$53 million. The Company recorded an aggregate of \$63 million of goodwill related to this acquisition.

During 2017, the Company acquired nine businesses for total consideration of \$386 million in cash, net of cash acquired. The businesses acquired complement existing units of the Life Sciences and Environmental & Applied Solutions segments. The aggregate annual sales of these nine businesses at the time of their respective acquisitions, in each case based on the companies' revenues for its last completed fiscal year prior to the acquisition, were \$160 million. The Company recorded an aggregate of \$265 million of goodwill related to these acquisitions.

The following summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition (\$ in millions):

	2019	2018	2017
Trade accounts receivable	\$ 9.0	\$ 41.1	\$ 21.6
Inventories	9.3	14.8	20.9
Property, plant and equipment	3.9	88.4	9.0
Goodwill	217.1	1,275.4	264.8
Other intangible assets, primarily customer relationships, trade names and technology	113.6	850.7	154.5
Trade accounts payable	(3.2)	(6.7)	(9.9)
Other assets and liabilities, net	(18.4)	(66.5)	(75.1)
Net assets acquired	331.3	2,197.2	385.8
Less: noncash consideration	—	(23.9)	—
Net cash consideration	\$ 331.3	\$ 2,173.3	\$ 385.8

The following summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition for the individually significant acquisition in 2018 discussed above, and all of the other 2018 acquisitions as a group (\$ in millions):

	IDT	Others	Total
Trade accounts receivable	\$ 36.0	\$ 5.1	\$ 41.1
Inventories	14.8	—	14.8
Property, plant and equipment	88.2	0.2	88.4
Goodwill	1,212.6	62.8	1,275.4
Other intangible assets, primarily customer relationships, trade names and technology	811.0	39.7	850.7
Trade accounts payable	(5.5)	(1.2)	(6.7)
Other assets and liabilities, net	(55.0)	(11.5)	(66.5)
Net assets acquired	2,102.1	95.1	2,197.2

Less: noncash consideration	(23.9)	—	(23.9)
Net cash consideration	<u>\$ 2,078.2</u>	<u>\$ 95.1</u>	<u>\$ 2,173.3</u>

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During 2018, the Company incurred acquisition-related transaction costs and change in control payments of \$15 million associated with the IDT acquisition. In addition, the Company's earnings for 2018 reflect the pretax impact of \$1 million of nonrecurring acquisition date fair value adjustments to inventory related to the IDT acquisition.

Transaction-related costs for the anticipated GE Biopharma Acquisition were \$93 million for the year ended December 31, 2019. Transaction-related costs and acquisition-related fair value adjustments attributable to other acquisitions were not material for the years ended December 31, 2019, 2018 and 2017.

Pro Forma Financial Information (Unaudited)

The unaudited pro forma information for the periods set forth below gives effect to the 2019 and 2018 acquisitions as if they had occurred as of January 1, 2018. The pro forma information is presented for informational purposes only and is not necessarily indicative of the results of operations that actually would have been achieved had the acquisitions been consummated as of that time (\$ in millions except per share amounts):

	2019	2018
Sales	\$ 17,919.9	\$ 17,222.7
Net earnings from continuing operations	2,429.2	2,385.3
Diluted net earnings per share from continuing operations ^(a)	3.26	3.36

^(a) Diluted net earnings per share from continuing operations is calculated by adding the interest on the Company's LYONs to net earnings from continuing operations and deducting the MCPS dividends from net earnings from continuing operations.

The acquisition-related transaction costs of \$15 million in 2018 associated with the IDT acquisition were excluded from pro forma net earnings from continuing operations in 2018.

NOTE 4. DISCONTINUED OPERATIONS

Envista Separation

On September 20, 2019, Envista Holdings Corporation ("Envista"), completed an IPO of 30.8 million shares of its common stock, which represented 19.4% of Envista's outstanding shares at the time of the offering, at a public offering price of \$22.00 per share. Envista realized net proceeds of \$643 million from the IPO, after deducting underwriting discounts and deal expenses.

In connection with the completion of the IPO, through a series of equity and other transactions, the Company transferred its dental businesses to Envista (the "Separation"). In exchange, Envista transferred consideration of approximately \$2.0 billion to the Company, which consists primarily of the net proceeds from the IPO and approximately \$1.3 billion of proceeds from Envista's term debt financing. The excess of the net book value of the business transferred to Envista over the net proceeds from the IPO was \$60 million and was recorded as a reduction to additional paid-in capital in the accompanying Consolidated Balance Sheet.

On December 18, 2019, Danaher completed the disposition of the remaining 80.6% ownership of Envista common stock through a split-off exchange offer, which resulted in Danaher's repurchase of 22.9 million shares of the Company's common stock in exchange for the remaining shares of Envista held by Danaher (the "Split-Off"). The IPO, Separation and Split-Off are collectively referred to as the "Envista Disposition". As a result, the Company recognized a gain on the disposition of \$451 million in the fourth quarter of 2019. At the time of the disposition, the Company reclassified \$109 million of foreign currency translation adjustment losses related to Envista from accumulated other comprehensive income (loss) to the Company's results of discontinued operations as a component of the net gain on the Envista Disposition. As a result of the IPO, Danaher recorded an increase to noncontrolling interest of \$689 million in 2019 for the sale of the Envista common stock and subsequent earnings and other comprehensive income (loss) attributable to the noncontrolling interest. At the time of the Envista Disposition, Danaher decreased the noncontrolling interest by \$692 million to record the deconsolidation of Envista and the elimination of the noncontrolling interest.

The accounting requirements for reporting Envista as a discontinued operation were met when the Split-Off was completed. Accordingly, the Consolidated Financial Statements for all periods presented reflect this business as a discontinued operation. The Company allocated a portion of the consolidated interest expense to discontinued

operations based on the ratio of the discontinued business' net assets to the Company's consolidated net assets. Envista had revenues of approximately \$2.6 billion in 2019 prior to the exchange offer and approximately \$2.8 billion in 2018.

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As a result of the Envista Disposition, the Company incurred \$69 million and \$15 million in IPO and Separation-related costs during the years ended December 31, 2019 and 2018, respectively, which are reflected in earnings from discontinued operations, net of income taxes in the accompanying Consolidated Statements of Earnings. These costs primarily relate to professional fees associated with preparation of regulatory filings and activities within finance, tax, legal and information technology functions as well as certain investment banking fees and tax costs.

Danaher used a portion of the consideration received from Envista to redeem \$882 million in aggregate principal amount of outstanding indebtedness in the fourth quarter of 2019 (consisting of the Company's 2.4% senior unsecured notes due 2020 and 5.0% senior unsecured notes due 2020). The Company incurred make-whole premiums in connection with the redemption of \$7 million (\$5 million after-tax or \$0.01 per diluted share). The Company used the balance of the consideration it received from Envista to redeem commercial paper borrowings as they matured.

In connection with the Envista IPO and Separation, Danaher and Envista entered into various agreements to effect the disposition and provide a framework for their relationship after the Envista Separation, including a separation agreement, transition services agreement, employee matters agreement, tax matters agreement, intellectual property matters agreement and DANAHER BUSINESS SYSTEM ("DBS") license agreement. These agreements provide for the allocation between Danaher and Envista of assets, employees, liabilities and obligations (including investments, property and employee benefits and tax-related assets and liabilities) attributable to periods prior to, at and after Envista's separation from Danaher and govern certain relationships between Danaher and Envista after the Envista Separation. In addition, Danaher is also party to various commercial agreements with Envista entities. The amounts paid and received by Danaher for transition services provided under the above agreements as well as sales and purchases to and from Envista were not material to the Company's results of operations for the year ended December 31, 2019.

Fortive Corporation Separation

On July 2, 2016 (the "Distribution Date"), Danaher completed the separation (the "Fortive Separation") of its former Test & Measurement segment, Industrial Technologies segment (excluding the product identification businesses) and retail/commercial petroleum business by distributing to Danaher stockholders on a pro rata basis all of the issued and outstanding common stock of Fortive Corporation ("Fortive"), the entity Danaher incorporated to hold such businesses. Danaher recorded a \$22 million income tax benefit in 2017 related to the release of previously provided reserves associated with uncertain tax positions on certain Danaher tax returns which were jointly filed with Fortive entities. These reserves were released due to the expiration of statutes of limitations for those returns. All Fortive entity-related balances are included in the income tax benefit related to discontinued operations for the year ended December 31, 2017.

The key components of income from both the Envista and Fortive businesses from discontinued operations for the years ended December 31 were as follows (\$ in millions):

	2019	2018	2017
Sales	\$ 2,610.1	\$ 2,844.5	\$ 2,810.9
Cost of sales	(1,177.2)	(1,242.7)	(1,189.7)
Selling, general and administrative expenses	(1,094.6)	(1,081.1)	(1,030.7)
Research and development expenses	(151.4)	(172.0)	(172.4)
Other income, net	1.7	2.7	0.1
Interest expense	(9.1)	(20.5)	(22.6)
Income from discontinued operations before income taxes	179.5	330.9	395.6
Gain on disposition of Envista before income taxes	451.1	—	—
Earnings from discontinued operations before income taxes	630.6	330.9	395.6
Income taxes	(41.4)	(86.3)	(75.7)
Earnings from discontinued operations, net of income taxes	589.2	244.6	319.9
Net earnings attributable to noncontrolling interest	(13.3)	—	—
Net earnings from discontinued operations attributable to common stockholders	\$ 575.9	\$ 244.6	\$ 319.9

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The following table summarizes the major classes of assets and liabilities of the Envista-related discontinued operations that were included in the Company's accompanying Consolidated Balance Sheet as of December 31, 2018 (\$ in millions):

Assets:	
Trade accounts receivable, net	\$ 459.8
Inventories	278.7
Prepaid expenses and other current assets	48.3
Property, plant and equipment, net	261.6
Goodwill	3,325.5
Other intangible assets, net	1,390.3
Other long-term assets	77.4
Total assets, discontinued operations	<u>\$ 5,841.6</u>
Liabilities:	
Trade accounts payable	\$ 217.4
Accrued expenses and other liabilities	387.6
Other long-term liabilities	374.2
Total liabilities, discontinued operations	<u>\$ 979.2</u>

NOTE 5. LEASES

The Company has operating leases for office space, warehouses, distribution centers, research and development facilities, manufacturing locations and certain equipment, primarily automobiles. Many leases include one or more options to renew, some of which include options to extend the leases for up to 30 years, and some leases include options to terminate the leases within 30 days. In certain of the Company's lease agreements, the rental payments are adjusted periodically to reflect actual charges incurred for common area maintenance, utilities, inflation and/or changes in other indexes. The Company's finance leases were not material as of December 31, 2019. ROU assets arising from finance leases are included in property, plant and equipment, net and the liabilities are included in notes payable and current portion of long-term debt and long-term debt in the accompanying Consolidated Balance Sheet.

The components of operating lease expense for the year ended December 31, 2019 were as follows (\$ in millions):

Fixed operating lease expense ^(a)	\$ 195.9
Variable operating lease expense	45.0
Total operating lease expense	<u>\$ 240.9</u>

^(a) Includes short-term leases and sublease income, both of which were immaterial.

Supplemental cash flow information related to the Company's operating leases for the year ended December 31, 2019 was as follows (\$ in millions):

Cash paid for amounts included in the measurement of operating lease liabilities	\$ 202.0
ROU assets obtained in exchange for operating lease obligations	144.9

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The following table presents the lease balances within the Consolidated Balance Sheet, weighted average remaining lease term, and weighted average discount rates related to the Company's operating leases as of December 31, 2019 (\$ in millions):

Lease Assets and Liabilities	Classification	
Assets:		
Operating lease ROU assets	Other long-term assets	\$ 763.7
Liabilities:		
Current:		
Operating lease liabilities	Accrued expenses and other liabilities	\$ 157.8
Long-term:		
Operating lease liabilities	Other long-term liabilities	639.1
Total operating lease liabilities		\$ 796.9
Weighted average remaining lease term		7 years
Weighted average discount rate		3.1 %

The following table presents the maturity of the Company's operating lease liabilities as of December 31, 2019 (\$ in millions):

2020	\$ 179.5
2021	142.5
2022	124.9
2023	106.3
2024	90.1
Thereafter	244.9
Total operating lease payments	888.2
Less: imputed interest	91.3
Total operating lease liabilities	\$ 796.9

As of December 31, 2019, the Company had no additional significant operating or finance leases that had not yet commenced.

ASC 840 Comparative Disclosures

Total rent expense under ASC 840 for all operating leases was \$234 million and \$207 million for the years ended December 31, 2018 and 2017, respectively.

The following table presents the Company's future minimum rental payments under ASC 840 for all operating leases having initial or remaining noncancelable lease terms in excess of one year as of December 31, 2018 (\$ in millions). Future minimum lease payments differ from the future lease liability recognized under ASC 842, as the lease liability recognized under ASC 842 discounts the lease payments while the minimum lease payments presented below are not discounted. Additionally, under ASC 842 the Company elected to combine any non-lease components in an arrangement with the lease components for the calculation of the lease liability, while the minimum lease payments under ASC 840 excluded any non-lease components.

2019	\$ 173.6
2020	143.4
2021	111.4
2022	97.3

2023	83.2
Thereafter	226.5

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NOTE 6. INVENTORIES

The classes of inventory as of December 31 are summarized as follows (\$ in millions):

	2019	2018
Finished goods	\$ 833.5	\$ 864.4
Work in process	284.9	279.6
Raw materials	509.9	487.4
Total	<u>\$ 1,628.3</u>	<u>\$ 1,631.4</u>

As of December 31, 2019 and 2018, the difference between inventories valued at LIFO and the value of that same inventory if the FIFO method had been used was not significant. The liquidation of LIFO inventory did not have a significant impact on the Company's results of operations in any period presented.

NOTE 7. PROPERTY, PLANT AND EQUIPMENT

The classes of property, plant and equipment as of December 31 are summarized as follows (\$ in millions):

	2019	2018
Land and improvements	\$ 149.6	\$ 151.8
Buildings	953.8	895.4
Machinery and equipment	2,193.9	2,022.6
Customer-leased equipment	1,766.1	1,632.9
Gross property, plant and equipment	5,063.4	4,702.7
Less: accumulated depreciation	(2,761.4)	(2,453.1)
Property, plant and equipment, net	<u>\$ 2,302.0</u>	<u>\$ 2,249.6</u>

NOTE 8. GOODWILL AND OTHER INTANGIBLE ASSETS

As discussed in Note 3, goodwill arises from the purchase price for acquired businesses exceeding the fair value of tangible and intangible assets acquired less assumed liabilities and noncontrolling interests. Management assesses the goodwill of each of its reporting units for impairment at least annually at the beginning of the fourth quarter and as "triggering" events occur that indicate that it is more likely than not that an impairment exists. The Company elected to bypass the optional qualitative goodwill assessment allowed by applicable accounting standards and performed a quantitative impairment test for all reporting units as this was determined to be the most effective method to assess for impairment across a large spectrum of reporting units.

The Company estimates the fair value of its reporting units primarily using a market approach, based on current trading multiples of earnings before interest, taxes, depreciation and amortization ("EBITDA") for companies operating in businesses similar to each of the Company's reporting units, in addition to recent available market sale transactions of comparable businesses. In certain circumstances the Company also estimates fair value utilizing a discounted cash flow analysis (i.e., an income approach) in order to validate the results of the market approach. If the estimated fair value of the reporting unit is less than its carrying value, the Company must perform additional analysis to determine if the reporting unit's goodwill has been impaired.

As of December 31, 2019, the Company had five reporting units for goodwill impairment testing. As of the date of the 2019 annual impairment test, the carrying value of the goodwill included in each individual reporting unit ranged from \$505 million to approximately \$13.3 billion. No goodwill impairment charges were recorded for the years ended December 31, 2019, 2018 and 2017 and no "triggering" events have occurred subsequent to the performance of the 2019 annual impairment test. The factors used by management in its impairment analysis are inherently subject to uncertainty. If actual results are not consistent with management's estimates and assumptions, goodwill and other intangible assets may be overstated and a charge would need to be taken against net earnings.

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The following is a rollforward of the Company's goodwill by segment (\$ in millions):

	Life Sciences	Diagnostics	Environmental & Applied Solutions	Total
Balance, January 1, 2018	\$ 12,335.5	\$ 7,079.5	\$ 2,353.6	\$ 21,768.6
Attributable to 2018 acquisitions	1,212.6	—	62.8	1,275.4
Adjustments due to finalization of purchase price allocations	2.8	—	4.7	7.5
Foreign currency translation and other	(239.9)	(153.9)	(77.2)	(471.0)
Balance, December 31, 2018	13,311.0	6,925.6	2,343.9	22,580.5
Attributable to 2019 acquisitions	213.4	2.6	1.1	217.1
Adjustments due to finalization of purchase price allocations	(6.9)	—	—	(6.9)
Foreign currency translation and other	(45.7)	(27.0)	(5.5)	(78.2)
Balance, December 31, 2019	<u>\$ 13,471.8</u>	<u>\$ 6,901.2</u>	<u>\$ 2,339.5</u>	<u>\$ 22,712.5</u>

Finite-lived intangible assets are amortized over their legal or estimated useful life. The following summarizes the gross carrying value and accumulated amortization for each major category of intangible assets as of December 31 (\$ in millions):

	2019		2018	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Finite-lived intangibles:				
Patents and technology	\$ 2,712.7	\$ (934.1)	\$ 2,679.0	\$ (764.5)
Customer relationships and other intangibles	6,367.4	(2,612.3)	6,327.1	(2,166.1)
Total finite-lived intangibles	9,080.1	(3,546.4)	9,006.1	(2,930.6)
Indefinite-lived intangibles:				
Trademarks and trade names	4,216.0	—	4,207.3	—
Total intangibles	<u>\$ 13,296.1</u>	<u>\$ (3,546.4)</u>	<u>\$ 13,213.4</u>	<u>\$ (2,930.6)</u>

During 2019, the Company acquired finite-lived intangible assets, consisting primarily of customer relationships, with a weighted average life of 13 years. During 2018, the Company acquired finite-lived intangible assets, consisting primarily of patents and technology, with a weighted average life of 18 years. Refer to Note 3 for additional information on the intangible assets acquired.

Total intangible amortization expense in 2019, 2018 and 2017 was \$625 million, \$616 million and \$579 million, respectively. Based on the intangible assets recorded as of December 31, 2019, amortization expense is estimated to be \$623 million during 2020, \$613 million during 2021, \$595 million during 2022, \$589 million during 2023 and \$550 million during 2024.

NOTE 9. FAIR VALUE MEASUREMENTS

Accounting standards define fair value based on an exit price model, establish a framework for measuring fair value where the Company's assets and liabilities are required to be carried at fair value and provide for certain disclosures related to the valuation methods used within a valuation hierarchy as established within the accounting standards. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets in markets that are not active, or other observable characteristics for the asset or liability, including interest rates, yield curves and credit risks, or inputs that are derived

principally from, or corroborated by, observable market data through correlation. Level 3 inputs are unobservable inputs based on the Company's assumptions. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

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A summary of financial assets and liabilities that are measured at fair value on a recurring basis were as follows (\$ in millions):

	Year Ended December 31	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2019				
Assets:				
Available-for-sale debt securities	\$ 33.7	\$ —	\$ 33.7	\$ —
Investment in equity securities	110.8	—	—	—
Cross-currency swap derivative contracts	25.7	—	25.7	—
Liabilities:				
Cross-currency swap derivative contracts	111.7	—	111.7	—
Deferred compensation plans	70.4	—	70.4	—
2018				
Assets:				
Available-for-sale debt securities	\$ 38.3	\$ —	\$ 38.3	\$ —
Investment in equity securities	60.3	—	—	—
Liabilities:				
Deferred compensation plans	49.8	—	49.8	—

Available-for-sale debt securities, which are included in other long-term assets in the accompanying Consolidated Balance Sheets, are measured at fair value using quoted prices reported by investment brokers and dealers based on the underlying terms of the security and comparison to similar securities traded on an active market. As of December 31, 2019, available-for-sale debt securities primarily include U.S. Treasury Notes and corporate debt securities, which are valued based on the terms of the instruments in comparison with similar terms on the active market.

The Company estimates the fair value of the investments in equity securities based on the measurement alternative and adjusts for impairments and observable price changes with a same or similar security from the same issuer within net earnings (the “Fair Value Alternative”). The Company’s investments in equity securities are not classified in the fair value hierarchy due to the use of these measurement methods. No significant realized or unrealized gains or losses were recorded in either 2019 or 2018 with respect to these investments.

The cross-currency swap derivative contracts are used to partially hedge the Company’s net investments in foreign operations against adverse movements in exchange rates between the U.S. dollar and the Danish kroner, Japanese yen, euro and Swiss franc. The Company also uses cross-currency swap derivative contracts to hedge the exchange rate exposure from long-term debt issuances in a foreign currency other than the functional currency of the borrower. The cross-currency swap derivative contracts are classified as Level 2 in the fair value hierarchy as they are measured using the income approach with the relevant interest rates and current foreign currency exchange rates and forward curves as inputs. Refer to Note 12 for additional information.

The Company has established nonqualified contribution and deferred compensation programs that permit the Company to make tax-deferred contributions to officers and certain other employees, and also permit directors, officers and certain other employees to voluntarily defer taxation on a portion of their compensation. All amounts contributed or deferred under such plans are unfunded, unsecured obligations of the Company and are presented as a component of the Company’s compensation and benefits accrual included in other long-term liabilities in the accompanying Consolidated Balance Sheets (refer to Note 10). Non-director participants may choose among alternative earning rates for the amounts they defer, which are primarily based on investment options within the Company’s 401(k) program. Changes in the deferred compensation liability under these programs are recognized based on changes in the fair value of the participants’ accounts, which are based on the applicable earnings rates. Amounts voluntarily deferred by directors and amounts unilaterally contributed to participant accounts by the

Company are deemed invested in the Company's common stock and future distributions of such contributions (as well as future distributions of any voluntary deferrals allocated at any time to the Danaher common stock investment option) will be made solely in shares of Company common stock, and therefore are not reflected in the above amounts.

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Fair Value of Financial Instruments

The carrying amounts and fair values of the Company's financial instruments as of December 31 were as follows (\$ in millions):

	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Available-for-sale debt securities	\$ 33.7	\$ 33.7	\$ 38.3	\$ 38.3
Investment in equity securities	110.8	110.8	60.3	60.3
Cross-currency swap derivative contracts	25.7	25.7	—	—
Liabilities:				
Cross-currency swap derivative contracts	111.7	111.7	—	—
Notes payable and current portion of long-term debt	212.4	212.4	51.8	51.8
Long-term debt	21,516.7	21,896.9	9,688.5	9,990.6

As of December 31, 2019 and 2018 available-for-sale debt securities were categorized as Level 2 and short and long-term borrowings were categorized as Level 1. Cross-currency swap derivative contracts were also categorized as Level 2 as of December 31, 2019.

The fair value of long-term borrowings was based on quoted market prices. The difference between the fair value and the carrying amounts of long-term borrowings (other than the Company's Liquid Yield Option Notes due 2021 (the "LYONs")) is attributable to changes in market interest rates and/or the Company's credit ratings subsequent to the incurrence of the borrowing. In the case of the LYONs, differences in the fair value from the carrying value are attributable to changes in the price of the Company's common stock due to the LYONs' conversion features. The fair values of borrowings with original maturities of one year or less, as well as cash and cash equivalents, trade accounts receivable, net and trade accounts payable approximate their carrying amounts due to the short-term maturities of these instruments.

Refer to Note 13 for information related to the fair value of the Company sponsored defined benefit pension plan assets.

NOTE 10. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities as of December 31 were as follows (\$ in millions):

	2019		2018	
	Current	Noncurrent	Current	Noncurrent
Compensation and benefits	\$ 931.3	\$ 223.0	\$ 904.2	\$ 205.0
Pension and postretirement benefits	150.8	898.4	68.8	917.8
Taxes, income and other	356.5	3,308.8	286.0	3,330.2
Deferred revenue	687.8	118.1	626.8	109.8
Sales and product allowances	115.4	2.0	111.4	2.0
Operating lease liabilities under ASC 842	157.8	639.1	—	—
Other	805.7	161.5	692.1	136.8
Total	\$ 3,205.3	\$ 5,350.9	\$ 2,689.3	\$ 4,701.6

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NOTE 11. FINANCING

The components of the Company's debt as of December 31 were as follows (\$ in millions):

	2019	2018
U.S. dollar-denominated commercial paper	\$ —	\$ 72.8
Euro-denominated commercial paper (€4.6 billion and €2.1 billion, respectively)	5,146.2	2,377.5
1.0% senior unsecured notes due 2019 (€600.0 million aggregate principal amount) (the "2019 Euronotes")	—	687.0
2.4% senior unsecured notes due 2020 (the "2020 U.S. Notes")	—	498.5
5.0% senior unsecured notes due 2020 (the "2020 Assumed Pall Notes")	—	386.7
Zero-coupon LYONs due 2021	33.6	56.2
0.352% senior unsecured notes due 2021 (¥30.0 billion aggregate principal amount) (the "2021 Yen Notes")	275.8	273.2
1.7% senior unsecured notes due 2022 (€800.0 million aggregate principal amount) (the "2022 Euronotes")	894.8	913.2
Floating rate senior unsecured notes due 2022 (€250.0 million aggregate principal amount) (the "Floating Rate 2022 Euronotes")	279.8	285.7
2.05% senior unsecured notes due 2022 (the "2022 Biopharma Notes")	696.9	—
0.5% senior unsecured bonds due 2023 (CHF 540.0 million aggregate principal amount) (the "2023 CHF Bonds")	558.9	550.7
2.2% senior unsecured notes due 2024 (the "2024 Biopharma Notes")	696.2	—
2.5% senior unsecured notes due 2025 (€800.0 million aggregate principal amount) (the "2025 Euronotes")	893.7	912.6
3.35% senior unsecured notes due 2025 (the "2025 U.S. Notes")	497.3	496.8
0.2% senior unsecured notes due 2026 (€1.3 billion aggregate principal amount) (the "2026 Biopharma Euronotes")	1,392.3	—
0.3% senior unsecured notes due 2027 (¥30.8 billion aggregate principal amount) (the "2027 Yen Notes")	282.5	279.9
1.2% senior unsecured notes due 2027 (€600.0 million aggregate principal amount) (the "2027 Euronotes")	668.0	682.0
0.45% senior unsecured notes due 2028 (€1.3 billion aggregate principal amount) (the "2028 Biopharma Euronotes")	1,390.1	—
1.125% senior unsecured bonds due 2028 (CHF 210.0 million aggregate principal amount) (the "2028 CHF Bonds")	221.0	218.1
2.6% senior unsecured notes due 2029 (the "2029 Biopharma Notes")	794.8	—
0.75% senior unsecured notes due 2031 (€1.8 billion aggregate principal amount) (the "2031 Biopharma Euronotes")	1,948.7	—
0.65% senior unsecured notes due 2032 (¥53.2 billion aggregate principal amount) (the "2032 Yen Notes")	487.8	483.4
1.35% senior unsecured notes due 2039 (€1.3 billion aggregate principal amount) (the "2039 Biopharma Euronotes")	1,383.6	—
3.25% senior unsecured notes due 2039 (the "2039 Biopharma Notes")	890.3	—
4.375% senior unsecured notes due 2045 (the "2045 U.S. Notes")	499.4	499.3
1.8% senior unsecured notes due 2049 (€750.0 million aggregate principal amount) (the "2049 Biopharma Euronotes")	830.9	—
3.4% senior unsecured notes due 2049 (the "2049 Biopharma Notes")	890.2	—
Other	76.3	66.7
Total debt	21,729.1	9,740.3
Less: currently payable	212.4	51.8
Long-term debt	\$ 21,516.7	\$ 9,688.5

Debt discounts, premiums and debt issuance and other related costs totaled \$112 million and \$19 million as of December 31, 2019 and 2018, respectively, and have been netted against the aggregate principal amounts of the related debt in the components of debt table above.

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Commercial Paper Programs and Credit Facilities

In 2015, the Company entered into a \$4.0 billion unsecured multi-year revolving credit facility with a syndicate of banks that was scheduled to expire on July 10, 2020 (the “Superseded Credit Facility”). In 2018, the Company also entered into a \$1.0 billion 364-day unsecured revolving credit facility with a syndicate of banks that was scheduled to expire in March 2019 (the “Superseded 364-Day Facility”), to provide additional liquidity support for issuances under the Company’s U.S. and euro-denominated commercial paper programs. The Superseded 364-Day Facility backstopped an increase in the size of the Company’s commercial paper programs and provided necessary capacity for the Company to use proceeds from the issuance of commercial paper to fund the purchase price for the IDT acquisition. The Company terminated the Superseded 364-Day Facility on November 6, 2018. No borrowings were outstanding under the Superseded Credit Facility or the Superseded 364-Day Facility at any time. Total fees incurred by the Company related to the Superseded 364-Day Facility and its termination were not significant.

On August 27, 2019, the Company replaced the Superseded Credit Facility with a \$5.0 billion unsecured revolving credit facility with a syndicate of banks that expires on August 27, 2024, subject to a one-year extension option at the request of the Company with the consent of the lenders (the “Five-Year Facility”). The Five-Year Facility also contains an expansion option permitting Danaher to request up to five increases of up to an aggregate additional \$2.5 billion from lenders that elect to make such increase available, upon the satisfaction of certain conditions. At the same time, the Company entered into a \$5.0 billion 364-day unsecured revolving credit facility with a syndicate of banks that expires on August 26, 2020 (the “Scheduled Termination Date”) (the “364-Day Facility” and together with the Five-Year Facility, the “2020 Credit Facilities”), to provide additional liquidity support for issuances under the Company’s U.S. dollar and euro-denominated commercial paper programs. The Company may elect, upon the payment of a fee equal to 0.75% of the principal amount of the loans then outstanding and, upon the satisfaction of certain conditions, to convert any loans outstanding on the Scheduled Termination Date into term loans that are due and payable one year following the Scheduled Termination Date. The Five-Year Facility and 364-Day Facility backstop the Company’s commercial paper programs and provide capacity for the Company to use proceeds from its commercial paper programs to fund a portion of the pending GE Biopharma Acquisition. In addition, the Company has also entered into reimbursement agreements with various commercial banks to support the issuance of letters of credit.

Borrowings under the Five-Year Facility bear interest as follows: (1) Eurocurrency Rate Committed Loans (as defined in the Five-Year Facility) bear interest at a variable rate equal to the London inter-bank offered rate plus a margin of between 58.5 and 100 basis points, depending on Danaher’s long-term debt credit rating; (2) Base Rate Committed Loans and Swing Line Loans (each as defined in the Five-Year Facility) bear interest at a variable rate equal to the highest of (a) the Federal funds rate (as published by the Federal Reserve Bank of New York from time to time) plus 50 basis points; (b) Bank of America’s “prime rate” as publicly announced from time to time and (c) the Eurocurrency Rate (as defined in the Five-Year Facility) plus 100 basis points; and (3) Bid Loans (as defined in the Five-Year Facility) bear interest at the rate bid by the particular lender providing such loan. In addition, Danaher is required to pay a per annum facility fee of between 4 and 12.5 basis points (depending on Danaher’s long-term debt credit rating) based on the aggregate commitments under the Five-Year Facility, regardless of usage.

Borrowings under the 364-Day Facility bear interest as follows: (1) Eurodollar Rate Loans (as defined in the 364-Day Facility) bear interest at a variable rate per annum equal to the London inter-bank offered rate plus a margin of between 59.5 and 100.5 basis points, depending on Danaher’s long-term debt credit rating; and (2) Base Rate Loans (as defined in the 364-Day Facility) bear interest at a variable rate per annum equal to the highest of (a) the Federal funds rate (as published by the Federal Reserve Bank of New York from time to time) plus 50 basis points, (b) Bank of America’s “prime rate” as publicly announced from time to time and (c) the Eurodollar Rate (as defined in the 364-Day Facility) plus 100 basis points, plus in each case a margin of up to 0.5 basis points depending on Danaher’s long-term debt credit rating. In addition, Danaher is required to pay a per annum facility fee of between 3 and 12 basis points (depending on Danaher’s long-term debt credit rating) based on the aggregate commitments under the 364-Day Facility, regardless of usage.

The 2020 Credit Facilities require the Company to maintain a consolidated leverage ratio (as defined in the facilities) of 0.65 to 1.00 or less. Borrowings under the 2020 Credit Facilities are prepayable at the Company’s option at any time in whole or in part without premium or penalty. As of December 31, 2019, no borrowings were outstanding under the 2020 Credit Facilities and the Company was in compliance with all covenants under the facilities. The nonperformance by any member of the 2020 Credit Facilities syndicates would reduce the maximum capacity of the 2020 Credit Facilities by such member’s commitment amount.

The Company's obligations under the 2020 Credit Facilities are unsecured. The Company has unconditionally and irrevocably guaranteed the obligations of each of its subsidiaries in the event a subsidiary is named a borrower under either of the 2020 Credit Facilities. Both of the 2020 Credit Facilities contain customary representations, warranties, conditions precedent, events of default, indemnities and affirmative and negative covenants. The 2020 Credit Facilities are available for liquidity support

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for Danaher’s expanded U.S. dollar and euro commercial paper programs, as discussed below, and for general corporate purposes.

Under the Company’s U.S. and euro-denominated commercial paper programs, the Company or a subsidiary of the Company, as applicable, may issue and sell unsecured, short-term promissory notes. The notes are typically issued at a discount from par, generally based on the ratings assigned to the Company by credit rating agencies at the time of the issuance and prevailing market rates measured by reference to LIBOR or EURIBOR. The 2020 Credit Facilities provide liquidity support for issuances under the Company’s commercial paper programs, and can also be used for working capital and other general corporate purposes. The availability of the 2020 Credit Facilities as standby liquidity facilities to repay maturing commercial paper is an important factor in maintaining the existing credit ratings of the Company’s commercial paper programs. The Company expects to limit any borrowings under the 2020 Credit Facilities to amounts that would leave sufficient available borrowing capacity under such facilities to allow the Company to borrow, if needed, to repay all of the outstanding commercial paper as it matures. As commercial paper obligations mature, the Company may issue additional short-term commercial paper obligations to refinance all or part of these borrowings. As of December 31, 2019, borrowings outstanding under the Company’s U.S. and euro commercial paper programs had a weighted average annual interest rate of negative 0.2% and a weighted average remaining maturity of approximately 63 days. The Company has classified approximately \$5.0 billion of its borrowings outstanding under the euro-denominated commercial paper programs as of December 31, 2019 as long-term debt in the accompanying Consolidated Balance Sheet as the Company had the intent and ability, as supported by availability under the Five-Year Facility, to refinance these borrowings for at least one year from the balance sheet date.

The Company’s ability to access the commercial paper market, and the related costs of these borrowings, is affected by the strength of the Company’s credit rating and market conditions. Any downgrade in the Company’s credit rating would increase the cost of borrowings under the Company’s commercial paper program and the 2020 Credit Facilities, and could limit or preclude the Company’s ability to issue commercial paper. If the Company’s access to the commercial paper market is adversely affected due to a credit downgrade, change in market conditions or otherwise, the Company expects it would rely on a combination of available cash, operating cash flow and the 2020 Credit Facilities to provide short-term funding. In such event, the cost of borrowings under the 2020 Credit Facilities could be higher than the cost of commercial paper borrowings.

2019 Debt Issuances

Long-Term Indebtedness Related to the Pending GE Biopharma Acquisition

On September 18, 2019, DH Europe Finance II S.a.r.l. (“Danaher International II”), a wholly-owned finance subsidiary of the Company, completed the underwritten public offering of senior unsecured notes due 2026, 2028, 2031, 2039 and 2049 (collectively the “Biopharma Euronotes”). The following summarizes the key terms of the offering (€ in millions):

	Aggregate Principal Amount	Stated Annual Interest Rate	Issue Price (as % of Principal Amount)	Maturity Date	Interest Payment Dates (in arrears)
2026 Biopharma Euronotes	€ 1,250.0	0.200 %	99.833 %	March 18, 2026	March 18
2028 Biopharma Euronotes	€ 1,250.0	0.450 %	99.751 %	March 18, 2028	March 18
2031 Biopharma Euronotes	€ 1,750.0	0.750 %	99.920 %	September 18, 2031	September 18
2039 Biopharma Euronotes	€ 1,250.0	1.350 %	99.461 %	September 18, 2039	September 18
2049 Biopharma Euronotes	€ 750.0	1.800 %	99.564 %	September 18, 2049	September 18

The Biopharma Euronotes are fully and unconditionally guaranteed by the Company. The Company received net proceeds from the Biopharma Euronotes, after underwriting discounts and commissions and offering expenses, of approximately €6.2 billion (approximately \$6.8 billion based on currency exchange rates as of the date of the pricing of the notes). The Company plans to use the proceeds from the Biopharma Euronotes to fund a portion of the pending GE Biopharma Acquisition. Pending completion of the GE Biopharma Acquisition, the Company has invested the net proceeds in short-term bank deposits and/or interest-bearing, investment-grade securities.

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On November 7, 2019, Danaher International II completed the underwritten public offering of senior unsecured notes due 2022, 2024, 2029, 2039 and 2049 (collectively the “Biopharma Notes”). The following summarizes the key terms of the offering (\$ in millions):

	Aggregate Principal Amount	Stated Annual Interest Rate	Issue Price (as % of Principal Amount)	Maturity Date	Interest Payment Dates (in arrears)
2022 Biopharma Notes	\$ 700.0	2.050 %	99.994 %	November 15, 2022	May 15 and November 15
2024 Biopharma Notes	\$ 700.0	2.200 %	99.952 %	November 15, 2024	May 15 and November 15
2029 Biopharma Notes	\$ 800.0	2.600 %	99.903 %	November 15, 2029	May 15 and November 15
2039 Biopharma Notes	\$ 900.0	3.250 %	99.809 %	November 15, 2039	May 15 and November 15
2049 Biopharma Notes	\$ 900.0	3.400 %	99.756 %	November 15, 2049	May 15 and November 15

The Biopharma Notes are fully and unconditionally guaranteed by the Company. The Company received net proceeds from the Biopharma Notes, after underwriting discounts and commissions and offering expenses, of approximately \$4.0 billion. The Company plans to use the proceeds from the Biopharma Notes to fund a portion of the pending GE Biopharma Acquisition. Pending completion of the GE Biopharma Acquisition, the Company has invested the net proceeds in short-term bank deposits and/or interest-bearing, investment-grade securities.

Long-Term Indebtedness Related to the Envista Separation

In September 2019, the Company received net cash distributions of approximately \$2.0 billion from Envista as consideration for the Company’s contribution of assets to Envista in connection with the Envista IPO. Envista financed these cash payments through the issuance of common stock and proceeds from approximately \$1.3 billion of term debt, consisting of \$650 million aggregate principal amount of borrowings under a three-year, senior unsecured term loan facility with variable interest rates (the “Envista Term Loan Facility”) and €600 million aggregate principal amount of borrowings under a three-year, senior unsecured term loan facility with variable interest rates (the “Envista Euro Term Loan Facility” and together with the Term Loan Facility, the “Envista Debt”). In addition, Envista entered into a revolving credit agreement with a syndicate of banks providing for a five-year \$250 million senior unsecured revolving credit facility (the “Envista Credit Facility”). No amounts were outstanding under the Envista Credit Facility at any time prior to the closing of the Split-Off. In connection with the Envista Disposition, the Company was released from all obligations related to the Envista Debt and these borrowings are no longer reflected in the Company’s Consolidated Financial Statements.

Covenants and Redemption Provisions Applicable to Notes

With respect to the 2027 and 2032 Yen Notes; the 2019, 2022, 2025 and 2027 Euronotes; the 2025 and 2045 U.S. Notes and the Biopharma Notes and Biopharma Euronotes, at any time prior to the applicable maturity date, the Company may redeem the applicable series of notes in whole or in part, by paying the principal amount accrued and unpaid interest and, until the par call date specified in the applicable indenture or comparable governing document, the “make-whole” premium specified therein (and in the case of the Yen Notes, net of certain swap-related gains or losses as applicable). With respect to each of the 2023 and 2028 CHF Bonds at any time after 85% or more of the applicable bonds have been redeemed or purchased and canceled, the Company may redeem some or all of the remaining bonds for their principal amount plus accrued and unpaid interest. With respect to the 2021, 2027 and 2032 Yen Notes; the 2022, Floating Rate 2022, 2025 and 2027 Euronotes; the 2023 and 2028 CHF Bonds and the Biopharma Euronotes, the Company may redeem such notes and bonds upon the occurrence of specified, adverse changes in tax laws, or interpretations under such laws, at a redemption price equal to the principal amount of the bonds to be redeemed.

If a change of control triggering event occurs with respect to any of the 2021, 2027 and 2032 Yen Notes; the 2022, Floating Rate 2022, 2025 and 2027 Euronotes; the 2025 and 2045 U.S. Notes; the 2023 and 2028 CHF Bonds; the Biopharma Notes or the Biopharma Euronotes, each holder of such notes may require the Company to repurchase some or all of such notes and bonds at a purchase price equal to 101% (100% in the case of the 2027 and 2032 Yen

Notes) of the principal amount of the notes and bonds, plus accrued and unpaid interest (and in the case of the Yen Notes, certain swap-related losses as applicable). A change of control triggering event means the occurrence of both a change of control and a rating event, each as defined in the applicable indenture or comparable governing document. Except in connection with a change of control triggering event, the Company does not have any credit rating downgrade triggers that would accelerate the maturity of a material amount of outstanding debt. Each holder of the 2027 and 2032 Yen Notes may also require the Company to repurchase some or all of its notes at a purchase price equal to 100% of the principal amount of the notes, plus accrued and unpaid interest and certain swap-

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related losses as applicable, in certain circumstances whereby such holder comes into violation of economic sanctions laws as a result of holding such notes.

The respective indentures or comparable governing documents under which the above-described notes and bonds were issued contain customary covenants including, for example, limits on the incurrence of secured debt and sale/leaseback transactions. None of these covenants are considered restrictive to the Company's operations and as of December 31, 2019, the Company was in compliance with all of its debt covenants.

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Long-Term Indebtedness

The following summarizes the key terms for the Company's long-term debt as of December 31, 2019:

	Outstanding Balance as of December 31, 2019	Stated Annual Interest Rate	Issue Price (as % of Principal Amount)	Issue Date	Maturity Date	Interest Payment Dates (in arrears)
2021 LYONs	\$ 33.6	see below	not applicable	January 22, 2001	January 22, 2021	January 22 and July 22
2021 Yen Notes (4)	275.8	0.352 %	100 %	February 28, 2016	March 16, 2021	March 16 and September 16
2022 Euronotes (1)	894.8	1.7 %	99.651 %	July 8, 2015	January 4, 2022	January 4
Floating Rate 2022 Euronotes (5)	279.8	three-month EURIBOR + 0.3 %	100.147 %	June 30, 2017	June 30, 2022	March 30, June 30, September 30 and December 31
2022 Biopharma Notes (8)	696.9	2.05 %	99.994 %	November 7, 2019	November 15, 2022	May 15 and November 15
2023 CHF Bonds (2)	558.9	0.5 %	100.924 %	December 8, 2015	December 8, 2023	December 8
2024 Biopharma Notes (8)	696.2	2.2 %	99.952 %	November 7, 2019	November 15, 2024	May 15 and November 15
2025 Euronotes (1)	893.7	2.5 %	99.878 %	July 8, 2015	July 8, 2025	July 8
2025 U.S. Notes (3)	497.3	3.35 %	99.857 %	September 15, 2015	September 15, 2025	March 15 and September 15
2026 Biopharma Euronotes (7)	1,392.3	0.2 %	99.833 %	September 18, 2019	March 18, 2026	March 18
2027 Yen Notes (6)	282.5	0.3 %	100 %	May 11, 2017	May 11, 2027	May 11 and November 11
2027 Euronotes (5)	668.0	1.2 %	99.682 %	June 30, 2017	June 30, 2027	June 30
2028 Biopharma Euronotes (7)	1,390.1	0.45 %	99.751 %	September 18, 2019	March 18, 2028	March 18
2028 CHF Bonds (2)	221.0	1.125 %	102.870 %	December 8, 2015 and December 8, 2017	December 8, 2028	December 8
2029 Biopharma Notes (8)	794.8	2.6 %	99.903 %	November 7, 2019	November 15, 2029	May 15 and November 15
2031 Biopharma Euronotes (7)	1,948.7	0.75 %	99.920 %	September 18, 2019	September 18, 2031	September 18
2032 Yen Notes (6)	487.8	0.65 %	100 %	May 11, 2017	May 11, 2032	May 11 and November 11
2039 Biopharma Euronotes (7)	1,383.6	1.35 %	99.461 %	September 18, 2019	September 18, 2031	September 18
2039 Biopharma Notes (8)	890.3	3.25 %	99.809 %	November 7, 2019	November 15, 2039	May 15 and November 15
2045 U.S. Notes (3)	499.4	4.375 %	99.784 %	September 15, 2015	September 15, 2045	March 15 and September 15
2049 Biopharma Euronotes (7)	830.9	1.8 %	99.564 %	September 18, 2019	September 18, 2031	September 18
2049 Biopharma Notes (8)	890.2	3.4 %	99.756 %	November 7, 2019	November 15, 2049	May 15 and November 15
U.S. dollar and euro-denominated commercial paper	5,146.2	various	various	various	various	various
Other	76.3	various	various	various	various	various
Total debt	\$ 21,729.1					

⁽¹⁾ The net proceeds, after underwriting discounts and commissions and offering expenses, of approximately €2.2 billion (approximately \$2.4 billion based on currency exchange rates as of the date of issuance) from these notes and the 2019 Euronotes were used to pay a portion of the purchase price for the acquisition of Pall Corporation in 2015 (the "Pall Acquisition").

- ⁽²⁾ The net proceeds, including the related premium, and after underwriting discounts and commissions and offering expenses, of CHF 758 million (\$739 million based on currency exchange rates as of date of pricing) from these bonds were used to repay a portion of the commercial paper issued to finance the Pall Acquisition and the CHF 100 million aggregate principal amount of the 0.0% senior unsecured bonds that matured in December 2017.

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- (3) The net proceeds, after underwriting discounts and commissions and offering expenses, of approximately \$2.0 billion from these notes were used to repay a portion of the commercial paper issued to finance the Pall Acquisition.
- (4) The net proceeds, after offering expenses, of approximately ¥29.9 billion (\$262 million based on currency exchange rates as of the date of issuance) from these notes were used to repay a portion of the commercial paper borrowings issued to finance the Pall Acquisition.
- (5) The net proceeds at issuance, after offering expenses, of €843 million (\$940 million based on currency exchange rates as of the date of pricing) from these notes were used to partially repay commercial paper borrowings.
- (6) The net proceeds at issuance, after offering expenses, of approximately ¥83.6 billion (\$744 million based on currency exchange rates as of the date of pricing) from these notes were used to partially repay commercial paper borrowings.
- (7) The net proceeds at issuance, after offering expenses, of approximately €6.2 billion (\$6.8 billion based on currency exchange rates as of the date of pricing) from these notes are intended to be used to finance the GE Biopharma Acquisition.
- (8) The net proceeds at issuance, after offering expenses, of approximately \$4.0 billion from these notes are intended to be used to finance the GE Biopharma Acquisition.

LYONs

In 2001, the Company issued \$830 million (value at maturity) in LYONs. The net proceeds to the Company were \$505 million, of which approximately \$100 million was used to pay down debt and the balance was used for general corporate purposes, including acquisitions. The LYONs originally carry a yield to maturity of 2.375% (with contingent interest payable as described below). Pursuant to the terms of the indenture that governs the Company's LYONs, each \$1,000 of principal amount at maturity may be converted into 38.1998 shares of Danaher common stock at any time on or before the maturity date of January 22, 2021.

During the year ended December 31, 2019, holders of certain of the Company's LYONs converted such LYONs into an aggregate of approximately 935 thousand shares of the Company's common stock, par value \$0.01 per share. The Company's deferred tax liability associated with the book and tax basis difference in the converted LYONs of \$9 million was transferred to additional paid-in capital as a result of the conversions.

As of December 31, 2019, an aggregate of approximately 23 million shares of the Company's common stock had been issued upon conversion of LYONs. As of December 31, 2019, the accreted value of the outstanding LYONs was lower than the traded market value of the underlying common stock issuable upon conversion. The Company may redeem all or a portion of the LYONs for cash at any time at scheduled redemption prices.

Under the terms of the LYONs, the Company pays contingent interest to the holders of LYONs during any six-month period from January 23 to July 22 and from July 23 to January 22 if the average market price of a LYON for a specified measurement period equals 120% or more of the sum of the issue price and accrued original issue discount for such LYON. The amount of contingent interest to be paid with respect to any quarterly period is equal to the higher of either 0.0315% of the bonds' average market price during the specified measurement period or the amount of the cash dividend paid on Danaher's common stock during such quarterly period multiplied by the number of shares issuable upon conversion of a LYON. The Company paid \$1 million, \$2 million and \$2 million of contingent interest on the LYONs for each of the years ended December 31, 2019, 2018 and 2017, respectively. Except for the contingent interest described above, the Company will not pay interest on the LYONs prior to maturity.

Long-Term Debt Repayments

On October 24, 2019, the Company redeemed the \$500 million aggregate principal amount of 2.4% Senior Notes due 2020 and the \$375 million aggregate principal amount of 5.0% 2020 Assumed Pall Notes, in each case at a redemption price equal to the outstanding principal amount and a make-whole premium as specified in the applicable indenture, plus accrued and unpaid interest. The aggregate make-whole premiums required in connection with the redemption were \$7 million (\$5 million after-tax or \$0.01 per diluted share). The payment of the make-whole premiums is reflected as a loss on early extinguishment of borrowings. The Company funded the redemption using a portion of the cash distribution it received in connection with the Envista Disposition.

The €600 million aggregate principal amount of the 2019 Euronotes were repaid with accrued interest upon their maturity on July 8, 2019 using proceeds from the issuance of euro-denominated commercial paper.

The \$500 million aggregate principal amount of the 2018 U.S. Notes were repaid with accrued interest upon their maturity in September 2018 using available cash and proceeds from commercial paper borrowings.

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Guarantors of Debt

The Company has guaranteed long-term debt and commercial paper issued by certain of its wholly-owned subsidiaries. The 2022 Euronotes, Floating Rate 2022 Euronotes, 2025 Euronotes and 2027 Euronotes were issued by DH Europe Finance S.a.r.l., formerly known as DH Europe Finance S.A. (“Danaher International”). The Biopharma Euronotes and the Biopharma Notes were issued by Danaher International II. The 2023 CHF Bonds and 2028 CHF Bonds were issued by DH Switzerland Finance S.A. (“Danaher Switzerland”). The 2021 Yen Notes, 2027 Yen Notes and 2032 Yen Notes were issued by DH Japan Finance S.A. (“Danaher Japan”). Each of Danaher International, Danaher International II, Danaher Switzerland and Danaher Japan are wholly-owned finance subsidiaries of Danaher Corporation. All of the outstanding and future securities issued by each of these entities are or will be fully and unconditionally guaranteed by the Company and these guarantees rank on parity with the Company’s unsecured and unsubordinated indebtedness.

Other

The Company’s minimum principal payments for the next five years are as follows (\$ in millions):

2020	\$	212.4
2021		298.2
2022		1,875.3
2023		547.7
2024		5,689.6
Thereafter		13,105.9

The Company made interest payments of \$129 million, \$140 million and \$130 million in 2019, 2018 and 2017, respectively.

NOTE 12. HEDGING TRANSACTIONS AND DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses cross-currency swap derivative contracts to partially hedge its net investments in foreign operations against adverse movements in exchange rates between the U.S. dollar and the Danish kroner, Japanese yen, euro and Swiss franc. The cross-currency swap derivative contracts are agreements to exchange fixed-rate payments in one currency for fixed-rate payments in another currency. In January 2019, the Company entered into cross-currency swap derivative contracts with respect to approximately \$1.9 billion of its U.S. dollar-denominated bonds and approximately \$1.0 billion of these derivative contracts remained outstanding as of December 31, 2019. These contracts effectively convert these U.S. dollar-denominated bonds to obligations denominated in Danish kroner, Japanese yen, euro and Swiss franc, and partially offset the impact of changes in currency rates on foreign currency denominated net investments. These contracts also reduce the interest rate from the stated interest rates on the U.S. dollar-denominated debt to the interest rates of the swaps. The changes in the spot rate of these instruments are recorded in accumulated other comprehensive income (loss) in stockholders’ equity, partially offsetting the foreign currency translation adjustment of the Company’s related net investment that is also recorded in accumulated other comprehensive income (loss) in the accompanying Consolidated Statement of Stockholders’ Equity. Any ineffective portions of net investment hedges are reclassified from accumulated other comprehensive income (loss) into earnings during the period of change. The interest income or expense from these swaps are recorded in interest expense in the accompanying Consolidated Statement of Earnings consistent with the classification of interest expense attributable to the underlying debt. These instruments mature on dates ranging from September 2025 to September 2028.

The Company also uses cross-currency swap derivative contracts to hedge U.S. dollar-denominated long-term debt issuances in a foreign subsidiary whose functional currency is the euro against adverse movements in exchange rates between the U.S. dollar and the euro. In November 2019, the Company entered into cross-currency swap derivative contracts with respect to approximately \$4.0 billion of its U.S. dollar-denominated bonds and all of these derivative contracts remained outstanding as of December 31, 2019. These contracts effectively convert these U.S. dollar-denominated bonds to obligations denominated in euro. The changes in the fair value of these instruments are recorded in accumulated other comprehensive income (loss) in stockholders’ equity, with a reclassification from

accumulated other comprehensive income (loss) to net earnings to offset the remeasurement of the hedged debt that is also recorded in net earnings. Any ineffective portions of net investment hedges are reclassified from accumulated other comprehensive income (loss) into earnings during the period of change. The interest income or expense from these swaps are recorded in interest expense in the accompanying Consolidated Statement of Earnings consistent with the classification of interest expense attributable to the underlying debt. These instruments mature on dates ranging from November 2022 to November 2049.

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The Company has also issued foreign currency denominated long-term debt as partial hedges of its net investments in foreign operations against adverse movements in exchange rates between the U.S. dollar and the euro, Japanese yen and Swiss franc. These foreign currency denominated long-term debt issuances are designated and qualify as nonderivative hedging instruments. Accordingly, the foreign currency translation of these debt instruments is recorded in accumulated other comprehensive income (loss) in stockholders' equity in the accompanying Consolidated Balance Sheets, offsetting the foreign currency translation adjustment of the Company's related net investment that is also recorded in accumulated other comprehensive income (loss). Any ineffective portions of net investment hedges are reclassified from accumulated other comprehensive income (loss) into earnings during the period of change. These instruments mature on dates ranging from March 2021 to May 2032.

The Company used interest rate swap agreements to hedge the variability in cash flows due to changes in benchmark interest rates related to a portion of the U.S. debt the Company issued to fund the GE Biopharma Acquisition. The interest rate swap agreements are agreements in which the Company agrees to pay a fixed interest rate based on the rate specified in the agreement in exchange for receiving a floating interest rate from a third-party bank based upon a specified benchmark interest rate. In June 2019, the Company entered into interest rate swap agreements with a notional amount of \$850 million. These contracts effectively fixed the interest rate for a portion of the Company's U.S. dollar-denominated debt ultimately issued in November 2019 equal to the notional amount of the swaps to the rate specified in the interest rate swap agreements, and were settled in November 2019. The changes in the fair value of these instruments were recorded in accumulated other comprehensive income (loss) in stockholders' equity prior to the issuance of the debt and are subsequently being reclassified to interest expense over the life of the related debt.

The following table summarizes the notional values as of December 31, 2019 and pretax impact of changes in the fair values of instruments designated as net investment hedges and cash flow hedges in accumulated other comprehensive income ("OCI") for the year then ended (\$ in millions):

	Original Notional Amount	Notional Amount Outstanding	Gain (Loss) Recognized in OCI
Net investment hedges:			
Foreign currency contracts	\$ 1,875.0	\$ 1,000.0	\$ 24.1
Foreign currency denominated debt	6,275.9	6,275.9	129.9
Cash flow hedges:			
Foreign currency contracts	4,000.0	4,000.0	(111.7)
Interest rate swaps	850.0	—	(37.5)
Total	\$ 13,000.9	\$ 11,275.9	\$ 4.8

Gains or losses related to the net investment hedges are classified as foreign currency translation adjustments in the schedule of changes in OCI in Note 1, as these items are attributable to the Company's hedges of its net investment in foreign operations. Gains or losses related to the cash flow hedges are classified as cash flow hedge adjustments in the schedule of changes in OCI in Note 1. With the issuance of the Biopharma Notes in November 2019, the Company began reclassifying the deferred gain/loss from accumulated other comprehensive income (loss) to earnings for the interest rate swap contracts to effectively fix the interest rate for a portion of the Company's U.S. dollar-denominated debt issuance in November 2019 equal to the notional amount of the swaps to the rate specified in the interest rate swap agreements. The amount reclassified to earnings for the interest rate swaps in 2019 was less than \$1 million. In 2019, the Company reclassified \$27 million of deferred losses from accumulated other comprehensive income (loss) to net earnings related to the cross-currency swap derivative contracts that are cash flow hedges of the Company's U.S. dollar-denominated debt. This reclassification was equal to the remeasurement gain recorded in 2019 on the hedged debt. The Company did not reclassify any other deferred gains or losses related to net investment hedges or cash flow hedges from accumulated other comprehensive income (loss) to earnings during the year ended December 31, 2019. In addition, the Company did not have any ineffectiveness related to net investment hedges or interest rate swaps during the year ended December 31, 2019. The cash inflows and outflows associated with the Company's derivative contracts designated as net investment hedges are classified in all other investing activities in the accompanying Consolidated Statement of Cash Flows. The cash inflows and outflows

associated with the Company's derivative contracts designated as cash flow hedges are classified in cash flows from operating activities in the accompanying Consolidated Statement of Cash Flows.

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The Company's derivative instruments, as well as its nonderivative debt instruments designated and qualifying as net investment hedges, were classified as of December 31, 2019 in the Company's Consolidated Balance Sheet as follows (\$ in millions):

Derivative assets:	
Prepaid expenses and other current assets	\$ 25.7
Derivative liabilities:	
Accrued expenses and other liabilities	111.7
Nonderivative hedging instruments:	
Long-term debt	6,275.9

Amounts related to the Company's derivatives expected to be reclassified from accumulated other comprehensive income (loss) to net earnings during the next 12 months if interest rates and foreign exchange rates remain the same are not significant.

NOTE 13. PENSION BENEFIT PLANS

The Company has noncontributory defined benefit pension plans which cover certain of its U.S. employees. During 2012, all remaining benefit accruals under the U.S. plans ceased. Defined benefit plans from acquisitions subsequent to 2012 are ceased as soon as practical. The Company also has noncontributory defined benefit pension plans which cover certain of its non-U.S. employees, and under certain of these plans, benefit accruals continue. In general, the Company's policy is to fund these plans based on considerations relating to legal requirements, underlying asset returns, the plan's funded status, the anticipated tax deductibility of the contribution, local practices, market conditions, interest rates and other factors.

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The following sets forth the funded status of the U.S. and non-U.S. plans as of the most recent actuarial valuations using measurement dates of December 31 (\$ in millions):

	U.S. Pension Benefits		Non-U.S. Pension Benefits	
	2019	2018	2019	2018
Change in pension benefit obligation:				
Benefit obligation at beginning of year	\$ (2,340.5)	\$ (2,608.0)	\$ (1,314.5)	\$ (1,428.5)
Service cost	(6.4)	(6.7)	(25.0)	(25.6)
Interest cost	(88.6)	(80.9)	(23.9)	(24.0)
Employee contributions	—	—	(5.2)	(5.3)
Benefits and other expenses paid	164.4	178.6	47.6	44.5
Acquisitions and other	—	—	—	(3.6)
Actuarial (loss) gain	(236.8)	145.1	(152.2)	59.8
Amendments, settlements and curtailments	39.9	31.4	47.4	15.0
Foreign exchange rate impact	—	—	(20.7)	53.2
Benefit obligation at end of year	(2,468.0)	(2,340.5)	(1,446.5)	(1,314.5)
Change in plan assets:				
Fair value of plan assets at beginning of year	1,778.3	2,004.9	1,031.7	1,103.0
Actual return (loss) on plan assets	282.6	(72.1)	114.9	(19.9)
Employer contributions	9.7	54.7	43.5	45.3
Employee contributions	—	—	5.2	5.3
Amendments and settlements	(40.6)	(30.6)	(36.5)	(16.8)
Benefits and other expenses paid	(164.4)	(178.6)	(47.6)	(44.5)
Acquisitions and other	—	—	—	1.9
Foreign exchange rate impact	—	—	27.4	(42.6)
Fair value of plan assets at end of year	1,865.6	1,778.3	1,138.6	1,031.7
Funded status	\$ (602.4)	\$ (562.2)	\$ (307.9)	\$ (282.8)

Weighted average assumptions used to determine benefit obligations at date of measurement:

	U.S. Plans		Non-U.S. Plans	
	2019	2018	2019	2018
Discount rate	3.2 %	4.3 %	1.4 %	2.1 %
Rate of compensation increase	4.0 %	4.0 %	2.4 %	2.4 %

Components of net periodic pension benefit (cost):

(\$ in millions)	U.S. Pension Benefits		Non-U.S. Pension Benefits	
	2019	2018	2019	2018
Service cost	\$ (6.4)	\$ (6.7)	\$ (25.0)	\$ (25.6)
Interest cost	(88.6)	(80.9)	(23.9)	(24.0)
Expected return on plan assets	125.3	132.1	40.2	43.4
Amortization of prior service (cost) credit	(0.9)	(0.9)	0.2	0.5
Amortization of net loss	(25.7)	(31.3)	(4.4)	(5.5)
Curtailment and settlement (losses) gains recognized	—	—	(7.0)	3.6

Net periodic pension benefit (cost)	\$ 3.7	\$ 12.3	\$ (19.9)	\$ (7.6)
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In the first quarter of 2018, the Company adopted ASU No. 2017-07, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which requires the

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Company to disaggregate the service cost component from other components of net periodic benefit costs and report the service cost component in the same line item as other compensation costs and the other components of net periodic benefit costs (which include interest costs, expected return on plan assets, amortization of prior service cost or credits and actuarial gains and losses) separately and outside a subtotal of operating income. As this ASU required application on a retrospective basis, the Company reclassified the prior period presentation of the noncontributory defined benefit pension plans for the adoption of this ASU. The net periodic benefit cost of the noncontributory defined benefit pension plans incurred during the years ended December 31, 2019, 2018 and 2017 are reflected in the following captions in the accompanying Consolidated Statements of Earnings (\$ in millions):

	Year Ended December 31		
	2019	2018	2017
Service cost:			
Cost of sales	\$ (6.1)	\$ (11.4)	\$ (8.2)
Selling, general and administrative expenses	(25.3)	(20.9)	(23.8)
Total service cost expense	(31.4)	(32.3)	(32.0)
Other net periodic pension costs:			
Nonoperating income (expense), net	15.2	37.0	32.9
Total (expense) income	<u>\$ (16.2)</u>	<u>\$ 4.7</u>	<u>\$ 0.9</u>

Weighted average assumptions used to determine net periodic pension (cost) benefit at date of measurement:

	U.S. Plans		Non-U.S. Plans	
	2019	2018	2019	2018
Discount rate	4.3 %	3.6 %	2.1 %	1.9 %
Expected long-term return on plan assets	7.0 %	7.0 %	3.9 %	4.0 %
Rate of compensation increase	4.0 %	4.0 %	2.4 %	2.4 %

The discount rate reflects the market rate on December 31 of the prior year for high-quality fixed-income investments with maturities corresponding to the Company's benefit obligations and is subject to change each year. For non-U.S. plans, rates appropriate for each plan are determined based on investment-grade instruments with maturities approximately equal to the average expected benefit payout under the plan. During both 2019 and 2018, the Company updated the mortality assumptions used to estimate the projected benefit obligation to reflect updated mortality tables.

Included in accumulated other comprehensive income (loss) as of December 31, 2019 are the following amounts that have not yet been recognized in net periodic pension cost: unrecognized prior service credit of \$4 million (\$4 million, net of tax) and unrecognized actuarial losses of approximately \$1.0 billion (\$789 million, net of tax). The unrecognized losses and prior service cost, net, is calculated as the difference between the actuarially determined projected benefit obligation and the value of the plan assets less accrued pension costs as of December 31, 2019. The prior service cost and actuarial losses included in accumulated other comprehensive income (loss) and expected to be recognized in net periodic pension costs during the year ending December 31, 2020 is \$0.2 million (\$0.2 million, net of tax) and \$46 million (\$36 million, net of tax), respectively. No plan assets are expected to be returned to the Company during the year ending December 31, 2020.

Selection of Expected Rate of Return on Assets

For the years ended December 31, 2019, 2018 and 2017, the Company used an expected long-term rate of return assumption of 7.0% for its U.S. defined benefit pension plan. The Company intends to use an expected long-term rate of return assumption of 7.0% for 2020 for its U.S. plan. This expected rate of return reflects the asset allocation of the plan, and is based primarily on broad, publicly-traded equity and fixed-income indices and forward-looking estimates of active portfolio and investment management. Long-term rate of return on asset assumptions for the non-U.S. plans were determined on a plan-by-plan basis based on the composition of assets and ranged from 0.8% to

5.0% in 2019 and 1.0% to 5.0% in 2018, with a weighted average rate of return assumption of 3.9% in 2019 and 4.0% in 2018.

Plan Assets

The U.S. plan's goal is to maintain between 60% and 70% of its assets in equity portfolios, which are invested in individual equity securities or funds that are expected to mirror broad market returns for equity securities or in assets with characteristics

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similar to equity investments, such as venture capital funds and partnerships. Asset holdings are periodically rebalanced when equity holdings are outside this range. The balance of the U.S. plan asset portfolio is invested in bond funds, real estate funds, various absolute and real return funds and private equity funds. Non-U.S. plan assets are invested in various insurance contracts, equity and debt securities as determined by the administrator of each plan. The value of the plan assets directly affects the funded status of the Company's pension plans recorded in the Consolidated Financial Statements.

The Company has some investments that are valued using Net Asset Value ("NAV") as the practical expedient. In addition, some of the investments valued using NAV as the practical expedient have limits on their redemption to monthly, quarterly, semiannually or annually and require up to 90 days prior written notice. These investments valued using NAV consist of mutual funds, venture capital funds, partnerships, and other private investments, which allow the Company to allocate investments across a broad array of types of funds and diversify the portfolio. The Company adopted ASU 2018-09 on a prospective basis on January 1, 2019, which removes common/collective trusts from the fair value hierarchy. As of January 1, 2019, assets previously classified as common/collective trusts are now classified as mutual funds.

The fair values of the Company's pension plan assets for both the U.S. and non-U.S. plans as of December 31, 2019, by asset category were as follows (\$ in millions):

	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and equivalents	\$ 68.0	\$ —	\$ —	\$ 68.0
Equity securities:				
Common stock	390.6	—	—	390.6
Preferred stock	6.0	—	—	6.0
Fixed income securities:				
Corporate bonds	—	35.2	—	35.2
Government issued	—	22.3	—	22.3
Mutual funds	286.7	131.6	—	418.3
Insurance contracts	—	298.9	—	298.9
Total	\$ 751.3	\$ 488.0	\$ —	1,239.3
Investments measured at NAV ^(a) :				
Mutual funds				1,070.6
Venture capital, partnerships and other private investments				694.3
Total assets at fair value				<u>\$ 3,004.2</u>

^(a) The fair value amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the total plan assets.

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The fair values of the Company's pension plan assets for both the U.S. and non-U.S. plans as of December 31, 2018, by asset category were as follows (\$ in millions):

	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and equivalents	\$ 29.4	\$ —	\$ —	\$ 29.4
Equity securities:				
Common stock	355.7	—	—	355.7
Preferred stock	4.6	—	—	4.6
Fixed income securities:				
Corporate bonds	—	71.8	—	71.8
Government issued	—	32.8	—	32.8
Mutual funds	284.6	205.2	—	489.8
Insurance contracts	—	312.0	—	312.0
Total	\$ 674.3	\$ 621.8	\$ —	1,296.1
Investments measured at NAV ^(a) :				
Mutual funds				1,122.0
Venture capital, partnerships and other private investments				391.9
Total assets at fair value				<u>\$ 2,810.0</u>

(a) The fair value amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the total plan assets.

Preferred stock and common stock traded on an active market, as well as mutual funds are valued at the quoted closing price reported on the active market on which the individual securities are traded. Preferred stock, common stock, corporate bonds, U.S. government securities and mutual funds that are not traded on an active market are valued at quoted prices reported by investment brokers and dealers based on the underlying terms of the security and comparison to similar securities traded on an active market. Insurance contracts are valued based upon the quoted prices of the underlying investments with the insurance company.

Common/collective trusts are valued based on the plan's interest, represented by investment units, in the underlying investments held within the trust that are traded in an active market by the trustee. As of January 1, 2019, assets previously classified as common/collective trusts are classified as mutual funds in accordance with ASU 2018-09.

Venture capital, partnerships and other private investments are valued using the NAV based on the information provided by the asset fund managers, which reflects the plan's share of the fair value of the net assets of the investment. Depending on the nature of the assets, the underlying investments are valued using a combination of either discounted cash flows, earnings and market multiples, third-party appraisals or through reference to the quoted market prices of the underlying investments held by the venture, partnership or private entity where available. Valuation adjustments reflect changes in operating results, financial condition, or prospects of the applicable portfolio company.

The methods described above may produce a fair value estimate that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes the valuation methods are appropriate and consistent with the methods used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Expected Contributions

During 2019, the Company contributed \$10 million to its U.S. defined benefit pension plan and \$44 million to its non-U.S. defined benefit pension plans. During 2020, the Company's cash contribution requirements for its U.S. and

its non-U.S. defined benefit pension plans are expected to be approximately \$95 million and \$40 million, respectively.

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The following sets forth benefit payments, which reflect expected future service, as appropriate, expected to be paid by the plans in the periods indicated (\$ in millions):

	U.S. Pension Plans	Non-U.S. Pension Plans	All Pension Plans
2020	\$ 173.4	\$ 44.9	\$ 218.3
2021	173.9	45.0	218.9
2022	173.3	46.2	219.5
2023	172.5	48.3	220.8
2024	169.7	49.1	218.8
2025 - 2029	778.4	274.8	1,053.2

Other Matters

Substantially all employees not covered by defined benefit plans are covered by defined contribution plans, which generally provide for Company funding based on a percentage of compensation.

A limited number of the Company's subsidiaries participate in multiemployer defined benefit and contribution plans, primarily outside of the United States, that require the Company to periodically contribute funds to the plan. The risks of participating in a multiemployer plan differ from the risks of participating in a single-employer plan in the following respects: (1) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (2) if a participating employer ceases contributing to the plan, the unfunded obligations of the plan may be required to be borne by the remaining participating employers and (3) if the Company elects to stop participating in the plan, the Company may be required to pay the plan an amount based on the unfunded status of the plan. None of the multiemployer plans in which the Company's subsidiaries participate are considered to be quantitatively or qualitatively significant, either individually or in the aggregate. In addition, contributions made to these plans during 2019, 2018 and 2017 were not considered significant, either individually or in the aggregate.

The Company's net periodic pension cost for the year ended December 31, 2019 includes a settlement loss of \$7 million (\$6 million after tax or \$0.01 per diluted share) as a result of the transfer of a portion of its non-U.S. pension liabilities related to one defined benefit plan to a third party. Expense for all defined benefit and defined contribution pension plans amounted to \$203 million, \$167 million and \$159 million for the years ended December 31, 2019, 2018 and 2017, respectively.

NOTE 14. OTHER POSTRETIREMENT EMPLOYEE BENEFIT PLANS

In addition to providing pension benefits, the Company provides certain health care and life insurance benefits for some of its retired employees in the United States. Certain employees may become eligible for these benefits as they reach normal retirement age while working for the Company.

The following sets forth the funded status of the domestic plans as of the most recent actuarial valuations using measurement dates of December 31 (\$ in millions):

	2019	2018
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ (141.6)	\$ (155.1)
Service cost	(0.4)	(0.4)
Interest cost	(5.3)	(5.0)
Amendments, curtailments and other	(0.1)	(5.3)
Actuarial (loss) gain	(4.2)	8.4
Retiree contributions	(1.7)	(2.6)
Benefits paid	14.4	18.4

Benefit obligation at end of year	(138.9)	(141.6)
Change in plan assets:		
Fair value of plan assets	—	—
Funded status	<u>\$ (138.9)</u>	<u>\$ (141.6)</u>

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As of December 31, 2019 and 2018, \$123 million and \$129 million, respectively, of the total underfunded status of the plan was recognized as long-term accrued postretirement liability since it was not expected to be funded within one year.

Weighted average assumptions used to determine benefit obligations at date of measurement:

	2019	2018
Discount rate	3.1 %	4.2 %
Medical trend rate – initial	5.7 %	6.0 %
Medical trend rate – grading period	18 years	19 years
Medical trend rate – ultimate	4.5 %	4.5 %

Effect of a one-percentage-point change in assumed health care cost trend rates:

(\$ in millions)	1% Increase	1% Decrease
Effect on the total of service and interest cost components	\$ 0.1	\$ (0.1)
Effect on postretirement medical benefit obligation	2.1	(1.8)

The medical trend rate used to determine the postretirement benefit obligation was 5.7% for 2019. The rate decreases gradually to an ultimate rate of 4.5% in 2037 and remains at that level thereafter. The trend rate is a significant factor in determining the amounts reported.

Components of net periodic benefit cost:

(\$ in millions)	2019	2018
Service cost	\$ (0.4)	\$ (0.4)
Interest cost	(5.3)	(5.0)
Amortization of prior service credit	2.1	2.5
Net periodic benefit cost	<u>\$ (3.6)</u>	<u>\$ (2.9)</u>

In the first quarter of 2018, the Company adopted ASU No. 2017-07, which requires the Company to disaggregate the service cost component from other components of net periodic benefit costs and report the service cost component in the same line item as other compensation costs and the other components of net periodic benefit costs (which include interest costs, expected return on plan assets, amortization of prior service cost or credits and actuarial gains and losses) separately and outside a subtotal of operating income. As this ASU required application on a retrospective basis, the Company reclassified the prior period presentation of the other postretirement employee benefit plans for the adoption of this ASU. The net periodic benefit cost of the other postretirement employee benefit plans incurred during the years ended December 31, 2019, 2018 and 2017 are reflected in the following captions in the accompanying Consolidated Statements of Earnings (\$ in millions):

	Year Ended December 31		
	2019	2018	2017
Service cost:			
Cost of sales	\$ (0.1)	\$ (0.1)	\$ (0.1)
Selling, general and administrative expenses	(0.3)	(0.3)	(0.6)
Total service cost	(0.4)	(0.4)	(0.7)
Other net periodic pension costs:			
Nonoperating income (expense), net	(3.2)	(2.5)	(2.2)

Total	\$ (3.6)	\$ (2.9)	\$ (2.9)
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Included in accumulated other comprehensive income (loss) as of December 31, 2019 are the following amounts that have not yet been recognized in net periodic benefit cost: unrecognized prior service credits of \$16 million (\$12 million, net of tax) and unrecognized actuarial losses of \$13 million (\$9 million, net of tax). The unrecognized losses and prior service credits, net, is calculated as the difference between the actuarially determined projected benefit obligation and the value of the plan assets less accrued benefit costs as of December 31, 2019. The prior service credits included in accumulated other comprehensive income

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(loss) and expected to be recognized in net periodic benefit costs during the year ending December 31, 2020 are \$2 million (\$2 million, net of tax). The actuarial losses included in accumulated other comprehensive income (loss) and expected to be recognized in net periodic benefit costs during the year ending December 31, 2020 are not material.

The following sets forth benefit payments, which reflect expected future service, as appropriate, expected to be paid in the periods indicated (\$ in millions):

2020	\$ 15.8
2021	13.9
2022	12.6
2023	11.6
2024	10.9
2025 - 2029	47.0

NOTE 15. INCOME TAXES

Earnings from continuing operations before income taxes for the years ended December 31 were as follows (\$ in millions):

	2019	2018	2017
United States	\$ 854.1	\$ 801.3	\$ 760.2
International	2,451.2	2,160.6	1,783.0
Total	<u>\$ 3,305.3</u>	<u>\$ 2,961.9</u>	<u>\$ 2,543.2</u>

The provision for income taxes from continuing operations for the years ended December 31 were as follows (\$ in millions):

	2019	2018	2017
Current:			
Federal U.S.	\$ 453.7	\$ 283.0	\$ 395.7
Non-U.S.	799.9	460.4	418.1
State and local	34.6	64.4	(14.3)
Deferred:			
Federal U.S.	(297.1)	(200.6)	(400.5)
Non-U.S.	(127.7)	(12.3)	(84.8)
State and local	9.6	(39.3)	56.8
Income tax provision	<u>\$ 873.0</u>	<u>\$ 555.6</u>	<u>\$ 371.0</u>

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Noncurrent deferred tax assets and noncurrent deferred tax liabilities are included in other assets and other long-term liabilities, respectively, in the accompanying Consolidated Balance Sheets. Deferred income tax assets for discontinued operations as of December 31, 2018 were \$131 million and consisted primarily of tax credit and loss carryforwards and other accruals and prepayments, net of valuation allowances. Deferred income tax liabilities for discontinued operations as of December 31, 2018 were \$333 million and consisted primarily of goodwill and other intangibles. The deferred income tax assets and liabilities for discontinued operations as of December 31, 2018 are included in the table below. The net deferred income tax liability for the year ended December 31, 2018, was \$202 million and is reflected in other assets, discontinued operations and other long-term liabilities, discontinued operations in the accompanying Consolidated Balance Sheet. Deferred income tax assets and liabilities as of December 31 were as follows (\$ in millions):

	2019	2018
Deferred tax assets:		
Allowance for doubtful accounts	\$ 19.1	\$ 19.7
Inventories	73.3	81.2
Pension and postretirement benefits	231.3	222.7
Environmental and regulatory compliance	22.1	22.4
Other accruals and prepayments	194.6	223.7
Stock-based compensation expense	68.5	64.7
Operating lease liabilities	193.7	—
Tax credit and loss carryforwards	703.4	894.5
Valuation allowances	(261.2)	(389.6)
Total deferred tax asset	1,244.8	1,139.3
Deferred tax liabilities:		
Property, plant and equipment	(113.5)	(90.0)
Insurance, including self-insurance	(272.3)	(564.0)
Basis difference in LYONs	(13.8)	(21.6)
Operating lease ROU assets	(185.7)	—
Goodwill and other intangibles	(2,311.7)	(2,774.9)
Total deferred tax liability	(2,897.0)	(3,450.5)
Net deferred tax liability	\$ (1,652.2)	\$ (2,311.2)

The Company evaluates the future realizability of tax credits and loss carryforwards considering the anticipated future earnings of the Company's subsidiaries as well as tax planning strategies in the associated jurisdictions. Deferred taxes associated with U.S. entities consist of net deferred tax liabilities of approximately \$1.6 billion and \$2.0 billion as of December 31, 2019 and 2018, respectively. Deferred taxes associated with non-U.S. entities consist of net deferred tax liabilities of \$90 million and \$277 million as of December 31, 2019 and 2018, respectively. During 2019, the Company's valuation allowance decreased by \$128 million primarily due to deferred tax assets and associated valuation allowance transferred due to the Envista Disposition, as well as release of a valuation allowance in a certain foreign jurisdiction, partially offset by certain tax benefits recognized in 2019 that are not expected to be realized. As of December 31, 2019, the total amount of the basis difference in investments outside the United States for which deferred taxes have not been provided is approximately \$9.6 billion. The income taxes applicable to repatriating such earnings are not readily determinable. As of December 31, 2019, the Company had no plans which would subject these basis differences to income taxes in the United States or elsewhere.

On December 22, 2017, the TCJA was enacted, substantially changing the U.S. tax system. Under the SEC Staff Accounting Bulletin No. 118 ("SAB No. 118") guidance, for the year ended December 31, 2017, the Company recorded provisional amounts in earnings for the effects of the enactment of the TCJA and during 2018, the Company completed its accounting for the TCJA based on the Company's interpretation of the new tax regulations and related guidance issued by the U.S. Department of the Treasury and the Internal Revenue Service ("IRS").

The TCJA imposes tax on U.S. shareholders for global intangible low-taxed income (“GILTI”) earned by certain foreign subsidiaries. The Company has elected the period cost method for its accounting for GILTI.

Due to the complexity and recent issuance of these tax regulations, management’s interpretations of the impact of these rules could be subject to challenge by the taxing authorities.

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The effective income tax rate from continuing operations for the years ended December 31 varies from the U.S. statutory federal income tax rate as follows:

	Percentage of Pretax Earnings		
	2019	2018	2017
Statutory federal income tax rate	21.0 %	21.0 %	35.0 %
Increase (decrease) in tax rate resulting from:			
State income taxes (net of federal income tax benefit)	0.8 %	0.9 %	0.8 %
Foreign rate differential	(1.4 %)	(0.9 %)	(12.7 %)
Resolution and expiration of statutes of limitation of uncertain tax positions	(2.1 %)	(1.7 %)	(7.2 %)
Permanent foreign exchange losses	— %	— %	(0.8 %)
Research credits, uncertain tax positions and other	8.1 %	(0.7 %)	(0.5 %)
TCJA - revaluation of U.S. deferred income taxes	— %	(1.6 %)	(47.9 %)
TCJA - Transition Tax	— %	1.8 %	47.9 %
Effective income tax rate	26.4 %	18.8 %	14.6 %

The Company's effective tax rate for 2019, 2018 and 2017 differs from the U.S. federal statutory rates of 21.0% in 2019 and 2018 and 35.0% in 2017, due principally to the Company's earnings outside the United States that are indefinitely reinvested and taxed at rates different than the U.S. federal statutory rate. In addition:

- The effective tax rate of 26.4% in 2019 includes 650 basis points of tax charges primarily related to changes in estimates associated with prior period uncertain tax positions, audit settlements, and Envista Disposition costs, net of the release of reserves for uncertain tax positions due to the expiration of statutes of limitation, release of valuation allowances associated with certain foreign tax credits, tax benefits resulting from changes in tax law and excess tax benefits from stock-based compensation.
- The effective tax rate of 18.8% in 2018 includes 120 basis points of tax benefits primarily related to the release of reserves upon the expiration of statutes of limitation, audit settlements and release of a valuation allowance in a certain foreign tax jurisdiction. These tax benefits were partially offset by additional provisions related to completing the accounting for the enactment of the TCJA and tax costs directly related to reorganization activities associated with the Envista Disposition.
- The effective tax rate of 14.6% in 2017 includes 560 basis points of net tax benefits due to the revaluation of deferred tax liabilities from 35.0% to 21.0% due to the TCJA and the release of reserves upon statute of limitation expiration, partially offset by income tax expense related to the Transition Tax on foreign earnings due to the TCJA and changes in estimates associated with prior period uncertain tax positions.

The Company made income tax payments related to both continuing and discontinued operations of \$847 million, \$673 million and \$689 million in 2019, 2018 and 2017, respectively. Current income taxes payable related to both continuing and discontinued operations has been reduced by \$79 million, \$57 million and \$85 million in 2019, 2018 and 2017, respectively, for tax deductions attributable to stock-based compensation, of which, the excess tax benefit over the amount recorded for financial reporting purposes for both continuing and discontinued operations was \$55 million, \$38 million and \$55 million, respectively. As a result of the adoption of ASU 2016-09, *Compensation—Stock Compensation*, the excess tax benefits for the years ended December 31, 2019, 2018 and 2017 have been recorded as reductions to the current income tax provision and are reflected as operating cash inflows in the accompanying Consolidated Statements of Cash Flows.

Included in deferred income taxes related to continuing operations as of December 31, 2019 are tax benefits for U.S. and non-U.S. net operating loss carryforwards totaling \$504 million (\$162 million of which the Company does not expect to realize and have corresponding valuation allowances). Certain of the losses can be carried forward indefinitely and others can be carried forward to various dates from 2020 through 2039. In addition, the Company had general business and foreign tax credit carryforwards related to continuing operations of \$199 million (\$67 million of which the Company does not expect to realize and have corresponding valuation allowances) as of December 31, 2019, which can be carried forward to various dates from 2020 to 2029. In addition, as of December 31, 2019, the Company had \$32 million of valuation allowances related to other deferred tax asset balances that are not more likely than not of being realized.

As of December 31, 2019, gross unrecognized tax benefits related to continuing operations totaled approximately \$1.2 billion (approximately \$1.4 billion, net of the impact of \$131 million of indirect tax benefits offset by \$320 million associated with

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potential interest and penalties). As of December 31, 2018, gross unrecognized tax benefits related to both continuing and discontinued operations totaled \$986 million (\$988 million, net of the impact of \$117 million of indirect tax benefits offset by \$119 million associated with potential interest and penalties). The Company recognized approximately \$227 million, \$41 million and \$41 million in potential interest and penalties related to both continuing and discontinued operations associated with uncertain tax positions during 2019, 2018 and 2017, respectively. To the extent unrecognized tax benefits (including interest and penalties) are recognized with respect to uncertain tax positions, approximately \$1.3 billion would reduce the tax expense and effective tax rate in future periods. The Company recognized interest and penalties related to unrecognized tax benefits within income taxes in the accompanying Consolidated Statements of Earnings. Unrecognized tax benefits and associated accrued interest and penalties are included in taxes, income and other accrued expenses as detailed in Note 10.

A reconciliation of the beginning and ending amount of unrecognized tax benefits, excluding amounts accrued for potential interest and penalties related to both continuing and discontinued operations, is as follows (\$ in millions):

	2019	2018	2017
Unrecognized tax benefits, beginning of year	\$ 986.0	\$ 736.8	\$ 992.2
Additions based on tax positions related to the current year	71.0	43.1	53.0
Additions for tax positions of prior years	197.3	324.3	39.8
Reductions for tax positions of prior years	(15.8)	(21.9)	(14.5)
Acquisitions, divestitures and other	6.8	9.4	13.4
Lapse of statute of limitations	(51.5)	(52.9)	(246.7)
Settlements	(12.2)	(41.8)	(124.8)
Effect of foreign currency translation	(0.7)	(11.0)	24.4
Unrecognized tax benefits, end of year	\$ 1,180.9	\$ 986.0	\$ 736.8

The Company conducts business globally, and files numerous consolidated and separate income tax returns in the U.S. federal, state and foreign jurisdictions. The non-U.S. countries in which the Company has a significant presence include China, Denmark, Germany, Singapore, Switzerland and the United Kingdom. The Company believes that a change in the statutory tax rate of any individual foreign country would not have a material effect on the Company's Consolidated Financial Statements given the geographic dispersion of the Company's taxable income.

The Company and its subsidiaries are routinely examined by various domestic and international taxing authorities. The IRS has completed substantially all of the examinations of the Company's federal income tax returns through 2011 and is currently examining certain of the Company's federal income tax returns for 2012 through 2017. In addition, the Company has subsidiaries in Austria, Belgium, Canada, China, Denmark, France, Germany, Hong Kong, India, Italy, Japan, Korea, Switzerland, the United Kingdom and various other countries, states and provinces that are currently under audit for years ranging from 2004 through 2018.

In the fourth quarter of 2018 and the first quarter of 2019, the IRS proposed significant adjustments to the Company's taxable income for the years 2012 through 2015 with respect to the deferral of tax on certain premium income related to the Company's self-insurance programs. For income tax purposes, the recognition of premium income has been deferred in accordance with U.S. tax laws related to insurance. The IRS is challenging the deferral of premiums for certain types of the Company's self-insurance policies. The proposed adjustments would increase the Company's taxable income over the 2012 through 2015 period by approximately \$2.7 billion. Management believes the positions the Company has taken in its U.S. tax returns are in accordance with the relevant tax laws and intends to vigorously defend these positions. Due to the enactment of the TCJA in 2017 and the resulting reduction in the U.S. corporate tax rate for years after 2017, the Company revalued its deferred tax liabilities related to the temporary differences associated with this deferred premium income from 35.0% to 21.0%. If the Company is not successful in defending these assessments, the taxes owed to the IRS may be computed under the previous 35.0% statutory tax rate and the Company may be required to revalue the related deferred tax liabilities from 21.0% to 35.0%, which in addition to any interest due on the amounts assessed, would require a charge to future earnings. The ultimate resolution of this matter is uncertain, could take many years and could result in a material adverse impact to the Company's financial statements, including its cash flows and effective tax rate.

Tax authorities in Denmark have raised significant issues related to interest accrued by certain of the Company's subsidiaries. On December 10, 2013, the Company received assessments from the Danish tax authority ("SKAT") of approximately DKK 1.8 billion (approximately \$266 million based on exchange rates as of December 31, 2019) including interest through December 31, 2019, imposing withholding tax relating to interest accrued in Denmark on borrowings from certain of the Company's subsidiaries for the years 2004-2009. The Company appealed these assessments to the Danish National Tax

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Tribunal in 2014. The appeal is pending, awaiting the final outcome of other, preceding withholding tax cases that were appealed to the Danish courts and subsequently to the Court of Justice of the European Union (“CJEU”). In February 2019, the CJEU decided several of these cases and ruled that the exemption of interest payments from withholding taxes provided in the applicable European Union (“EU”) directive should be denied where taxpayers use the directive for abusive or fraudulent purposes, and that it is up to the national courts to make this determination. This decision of the CJEU now awaits application by the Danish High Court in the other, preceding withholding tax cases.

SKAT has maintained a similar position related to withholding tax on interest accrued in Denmark on borrowings from certain of the Company’s subsidiaries with respect to tax years 2010-2012 and 2013-2015. On August 27, 2019 and December 16, 2019, the Company received assessments for these matters of approximately DKK 1.1 billion including interest through December 31, 2019 (approximately \$159 million based on the exchange rate as of December 31, 2019) for tax years 2010-2012 and DKK 751 million including interest through December 31, 2019 (approximately \$113 million based on the exchange rate as of December 31, 2019) for tax years 2013-2015, respectively. The Company is appealing these assessments as well. Management believes the positions the Company has taken in Denmark are in accordance with the relevant tax laws and is vigorously defending its positions. The Company intends on pursuing this matter through the Danish High Court should the appeal to the Danish National Tax Tribunal be unsuccessful. The Company will continue to monitor decisions of both the Danish courts and the CJEU and evaluate the impact of these court rulings on the Company’s tax positions in Denmark. The ultimate resolution of this matter is uncertain, could take many years, and could result in a material adverse impact to the Company’s financial statements, including its cash flow and effective tax rate.

Management estimates that it is reasonably possible that the amount of unrecognized tax benefits related to continuing operations may be reduced by approximately \$368 million within 12 months as a result of resolution of worldwide tax matters, payments of tax audit settlements and/or statute of limitations expirations. Future resolution of uncertain tax positions related to discontinued operations may result in additional charges or credits to earnings from discontinued operations in the Consolidated Statements of Earnings (refer to Note 4).

The Company operates in various non-U.S. jurisdictions where income tax incentives and rulings have been granted for specific periods of time. In Switzerland, the Company has various tax rulings and tax holiday arrangements which reduce the overall effective tax rate of the Company. The tax holidays expire between 2019 and 2022. In Singapore, the Company operates under various tax incentive agreements that provide for reduced tax rates. Subject to the Company satisfying certain requirements, the agreements expire in 2022. The Company has satisfied the conditions enumerated in these agreements to date. Included in the accompanying Consolidated Financial Statements are tax benefits of \$71 million, \$69 million, and \$62 million (or \$0.10, \$0.10, and \$0.09 per diluted share) for 2019, 2018, and 2017, respectively, from these rulings and tax holidays.

NOTE 16. NONOPERATING INCOME (EXPENSE)

As described in Notes 1, 13 and 14, in the first quarter of 2018, the Company adopted ASU No. 2017-07. The ASU requires the Company to disaggregate the service cost component from the other components of net periodic benefit costs and requires the Company to present the other components of net periodic benefit cost in other income, net. The ASU required application on a retrospective basis. As a result of adopting this ASU, the Company classified \$12 million, \$35 million and \$31 million of net pension and postretirement benefits as other income as of December 31, 2019, 2018 and 2017, respectively. The Company’s net periodic pension cost for the year ended December 31, 2019 includes a settlement loss of \$7 million (\$6 million after tax or \$0.01 per diluted share) as a result of the transfer of a portion of its non-U.S. pension liabilities related to one defined benefit plan to a third party.

In the fourth quarter of 2019, Danaher used a portion of the consideration received from Envista to redeem \$882 million in aggregate principal amount of outstanding indebtedness (consisting of the Company’s 2.4% senior unsecured notes due 2020 and 5.0% senior unsecured notes due 2020). The Company incurred make-whole premiums in connection with the redemption of \$7 million (\$5 million after-tax or \$0.01 per diluted share).

The Company received \$138 million of cash proceeds and recorded \$22 million in short-term other receivables from the sale of certain marketable equity securities during 2017. The Company recorded a pretax gain related to this sale of \$73 million (\$46 million after-tax or \$0.06 per diluted share).

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NOTE 17. COMMITMENTS

Warranties

The Company generally accrues estimated warranty costs at the time of sale. In general, manufactured products are warranted against defects in material and workmanship when properly used for their intended purpose, installed correctly and appropriately maintained. Warranty periods depend on the nature of the product and range from the date of such sale up to ten years. The amount of the accrued warranty liability is determined based on historical information such as past experience, product failure rates or number of units repaired, estimated cost of material and labor and in certain instances estimated property damage. The accrued warranty liability is reviewed on a quarterly basis and may be adjusted as additional information regarding expected warranty costs becomes known.

The following is a rollforward of the Company's accrued warranty liability (\$ in millions):

	2019	2018
Balance, January 1	\$ 67.7	\$ 68.2
Accruals for warranties issued during the year	48.7	46.0
Settlements made	(43.0)	(44.6)
Effect of foreign currency translation	(0.1)	(1.9)
Balance, December 31	<u>\$ 73.3</u>	<u>\$ 67.7</u>

Purchase Obligations

The Company has entered into agreements to purchase goods or services that are enforceable and legally binding on the Company and that specify all significant terms, including fixed or minimum quantities to be purchased, fixed, minimum or variable price provisions and the approximate timing of the transaction. Purchase obligations exclude agreements that are cancellable at any time without penalty. As of December 31, 2019, the aggregate amount of the Company's purchase obligations totaled \$594 million and the majority of these obligations are expected to be settled during 2020.

NOTE 18. LITIGATION AND CONTINGENCIES

The Company is subject to a variety of litigation and other legal and regulatory proceedings incidental to its business (or the business operations of previously owned entities), including claims or counterclaims for damages arising out of the use of products or services and claims relating to intellectual property matters, employment matters, tax matters, commercial disputes, breach of contract claims, competition and sales and trading practices, environmental matters, personal injury, insurance coverage and acquisition or divestiture-related matters, as well as regulatory subpoenas, requests for information, investigations and enforcement. The Company may also become subject to lawsuits as a result of past or future acquisitions or as a result of liabilities retained from, or representations, warranties or indemnities provided in connection with, divested businesses. The types of claims made in lawsuits include claims for compensatory damages, punitive and consequential damages (and in some cases, treble damages) and/or injunctive relief.

While the Company maintains general, products, property, workers' compensation, automobile, cargo, aviation, crime, fiduciary and directors' and officers' liability insurance (and has acquired rights under similar policies in connection with certain acquisitions) up to certain limits that cover certain of these claims, this insurance may be insufficient or unavailable to cover such losses. For general, products and property liability and most other insured risks, the Company purchases outside insurance coverage only for severe losses and must establish and maintain reserves with respect to amounts within the self-insured retention. In addition, while the Company believes it is entitled to indemnification from third-parties for some of these claims, these rights may also be insufficient or unavailable to cover such losses.

The Company records a liability in the Consolidated Financial Statements for loss contingencies when a loss is known or considered probable and the amount can be reasonably estimated. If the reasonable estimate of a known or probable loss is a range, and no amount within the range is a better estimate than any other, the minimum amount of the range is accrued. If a loss does not meet the known or probable level but is reasonably possible it is disclosed and if the loss or range of loss can be reasonably estimated, the estimated loss or range of loss is disclosed. The

Company's reserves consist of specific reserves for individual claims and additional amounts for anticipated developments of these claims as well as for incurred but not yet reported claims. The specific reserves for individual known claims are quantified with the assistance of legal counsel and outside risk professionals where appropriate. In addition, outside risk professionals assist in the determination of reserves for incurred but not yet reported claims through evaluation of the Company's specific loss history, actual claims reported and industry trends among statistical and other factors. Reserve estimates may be adjusted as additional information regarding a

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claim becomes known. Because most contingencies are resolved over long periods of time, liabilities may change in the future due to new developments (including litigation developments, the discovery of new facts, changes in legislation and outcomes of similar cases), changes in assumptions or changes in the Company's strategy. While the Company actively pursues financial recoveries from insurance providers and indemnifying parties, it does not recognize any recoveries until realized or until such time as a sustained pattern of collections is established related to historical matters of a similar nature and magnitude. If the Company's self-insurance and litigation reserves prove inadequate, it would be required to incur an expense equal to the amount of the loss incurred in excess of the reserves, which would adversely affect the Company's Consolidated Financial Statements.

In addition, the Company's operations, products and services are subject to environmental laws and regulations, which impose limitations on the discharge of pollutants into the environment, establish standards for the use, generation, treatment, storage and disposal of hazardous and nonhazardous wastes and impose end-of-life disposal and take-back programs. A number of the Company's operations involve the handling, manufacturing, use or sale of substances that are or could be classified as hazardous materials within the meaning of applicable laws. The Company must also comply with various health and safety regulations in both the United States and abroad in connection with the Company's operations. Compliance with these laws and regulations has not had and, based on current information and the applicable laws and regulations currently in effect, is not expected to have a material effect on the Company's capital expenditures, earnings or competitive position, and the Company does not anticipate material capital expenditures for environmental control facilities.

In addition to environmental compliance costs, the Company from time to time incurs costs related to alleged damages associated with past or current waste disposal practices or other hazardous materials handling practices. For example, generators of hazardous substances found in disposal sites at which environmental problems are alleged to exist, as well as the current and former owners of those sites and certain other classes of persons, are subject to claims brought by state and federal regulatory agencies pursuant to statutory authority. The Company has received notification from the U.S. Environmental Protection Agency, and from state and non-U.S. environmental agencies, that conditions at certain sites where the Company and others previously disposed of hazardous wastes and/or are or were property owners require clean-up and other possible remedial action, including sites where the Company has been identified as a potentially responsible party under U.S. federal and state environmental laws. The Company has projects underway at a number of current and former facilities, in both the United States and abroad, to investigate and remediate environmental contamination resulting from past operations. Remediation activities generally relate to soil and/or groundwater contamination and may include pre-remedial activities such as fact-finding and investigation, risk assessment, feasibility study and/or design, as well as remediation actions such as contaminant removal, monitoring and/or installation, operation and maintenance of longer-term remediation systems. The Company is also from time to time party to personal injury or other claims brought by private parties alleging injury due to the presence of, or exposure to, hazardous substances.

The Company has recorded a provision for environmental investigation and remediation and environmental-related claims with respect to sites owned or formerly owned by the Company and its subsidiaries and third-party sites where the Company has been determined to be a potentially responsible party. The Company generally makes an assessment of the costs involved for its remediation efforts based on environmental studies, as well as its prior experience with similar sites. The ultimate cost of site cleanup is difficult to predict given the uncertainties of the Company's involvement in certain sites, uncertainties regarding the extent of the required cleanup, the availability of alternative cleanup methods, variations in the interpretation of applicable laws and regulations, the possibility of insurance recoveries with respect to certain sites and the fact that imposition of joint and several liability with right of contribution is possible under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 and other environmental laws and regulations. If the Company determines that potential liability for a particular site or with respect to a personal injury claim is known or considered probable and reasonably estimable, the Company accrues the total estimated loss, including investigation and remediation costs, associated with the site or claim. As of December 31, 2019, the Company had a reserve of \$126 million for environmental matters which are known or considered probable and reasonably estimable (of which \$89 million are noncurrent), which reflects the Company's best estimate of the costs to be incurred with respect to such matters.

While the Company actively pursues insurance recoveries, as well as recoveries from other potentially responsible parties, it does not recognize any insurance recoveries for environmental liability claims until realized or until such time as a sustained pattern of collections is established related to historical matters of a similar nature and magnitude.

The Company's Restated Certificate of Incorporation requires it to indemnify to the full extent authorized or permitted by law any person made, or threatened to be made a party to any action or proceeding by reason of his or her service as a director or officer of the Company, or by reason of serving at the request of the Company as a director or officer of any other entity, subject to limited exceptions. Danaher's Amended and Restated By-laws provide for similar indemnification rights. In addition, Danaher has executed with each director and executive officer of Danaher Corporation an indemnification agreement which provides for substantially similar indemnification rights and under which Danaher has agreed to pay expenses in advance

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of the final disposition of any such indemnifiable proceeding. While the Company maintains insurance for this type of liability, a significant deductible applies to this coverage and any such liability could exceed the amount of the insurance coverage.

As of December 31, 2019, the Company had approximately \$576 million of guarantees consisting primarily of outstanding standby letters of credit, bank guarantees and performance and bid bonds. These guarantees have been provided in connection with certain arrangements with vendors, customers, insurance providers, financing counterparties and governmental entities to secure the Company's obligations and/or performance requirements related to specific transactions. The Company believes that if the obligations under these instruments were triggered, it would not have a material effect on its Consolidated Financial Statements.

NOTE 19. STOCK TRANSACTIONS AND STOCK-BASED COMPENSATION

On July 16, 2013, the Company's Board of Directors approved a repurchase program (the "Repurchase Program") authorizing the repurchase of up to 20 million shares of the Company's common stock from time to time on the open market or in privately negotiated transactions. There is no expiration date for the Repurchase Program, and the timing and amount of any shares repurchased under the program will be determined by the Company's management based on its evaluation of market conditions and other factors. The Repurchase Program may be suspended or discontinued at any time. Any repurchased shares will be available for use in connection with the Company's equity compensation plans (or any successor plan) and for other corporate purposes. As of December 31, 2019, 20 million shares remained available for repurchase pursuant to the Repurchase Program. The Company expects to fund any future stock repurchases using the Company's available cash balances or proceeds from the issuance of debt.

Except in connection with the Envista Split-Off in 2019, neither the Company nor any "affiliated purchaser" repurchased any shares of Company common stock during 2019, 2018 or 2017. Refer to Note 4 for discussion of the 22.9 million shares of Danaher common stock tendered to and repurchased by the Company in connection with the Envista Split-Off.

The following table summarizes the Company's share activity for the years ended December 31 (shares in millions):

	2019	2018	2017
Preferred stock - shares issued:			
Balance, beginning of period	—	—	—
Issuance of MCPS	1.7	—	—
Balance, end of period	1.7	—	—
Common stock - shares issued:			
Balance, beginning of period	817.9	812.5	807.7
Common stock-based award activity	4.6	4.6	4.8
Common stock issued in connection with acquisitions	—	0.2	—
Common stock issued in connection with LYONs' conversions	0.9	0.6	—
Issuance of common stock	12.1	—	—
Balance, end of period	835.5	817.9	812.5

On March 1, 2019, the Company completed the underwritten public offering of 12.1 million shares of Danaher common stock at a price to the public of \$123.00 per share (the "Common Stock Offering"), resulting in net proceeds of approximately \$1.4 billion, after deducting expenses and the underwriters' discount of \$45 million. Simultaneously, the Company completed the underwritten public offering of 1.65 million shares of its 4.75% MCPS, Series A, without par value and with a liquidation preference of \$1,000 per share (the "MCPS Offering"), resulting in net proceeds of approximately \$1.6 billion, after deducting expenses and the underwriters' discount of \$50 million. The Company intends to use the net proceeds from the Common Stock Offering and the MCPS Offering to fund a portion of the cash consideration payable for, and certain costs associated with, the GE Biopharma Acquisition. Prior to the completion of the GE Biopharma Acquisition, the Company has invested the net proceeds in short-term bank deposits and/or interest-bearing, investment-grade securities.

As a result of the dividends paid to shareholders of the Company's common stock subsequent to the issuance of the MCPS and through the date of this Annual Report, the Company triggered an anti-dilution adjustment pursuant to the terms of the MCPS. After giving affect to these adjustments, each share of MCPS will mandatorily convert on the mandatory conversion date, which is expected to be April 15, 2022, into between 6.6531 and 8.1500 shares of the Company's common stock, subject to further anti-dilution adjustments. The number of shares of the Company's common stock issuable upon conversion will be

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determined based on the average volume-weighted average price per share of the Company's common stock over the 20 consecutive trading day period beginning on, and including, the 21st scheduled trading day immediately before April 15, 2022. Subject to certain exceptions, at any time prior to April 15, 2022, holders may elect to convert each share of the MCPS into 6.6531 shares of common stock, subject to further anti-dilution adjustments. In the event of a fundamental change, the MCPS will convert at the fundamental change rates specified in the certificate of designations, and the holders of MCPS would be entitled to a fundamental change make-whole dividend.

Holders of MCPS will be entitled to receive, when and if declared by the Company's Board of Directors, cumulative dividends at the annual rate of 4.75% of the liquidation preference of \$1,000 per share (equivalent to \$47.50 annually per share), payable in cash or, subject to certain limitations, by delivery of shares of the Company's common stock or any combination of cash and shares of the Company's common stock, at the Company's election. If declared, dividends on the MCPS will be payable quarterly on January 15, April 15, July 15 and October 15 of each year (to, and including, April 15, 2022), to the holders of record of the MCPS as they appear on the Company's stock register at the close of business on the immediately preceding December 31, March 31, June 30 and September 30, respectively.

If the GE Biopharma Acquisition has not closed on or before 5:00 p.m. (New York City time) on August 25, 2020, the GE Biopharma Purchase Agreement is terminated or the Company's Board of Directors, in its good faith judgment, determines that the GE Biopharma Acquisition will not occur, the Company has the option to redeem the shares of MCPS, in whole but not in part, subject to certain terms and conditions.

Stock options, RSUs and PSUs have been issued to directors, officers and other employees under the Company's 2007 Omnibus Incentive Plan. In addition, in connection with the 2016 acquisition of Cepheid, the Company assumed certain outstanding stock options and RSUs, as applicable, that had been awarded under the stock compensation plan of the acquired business. This plan (the "Assumed Plan") operates in a similar manner to the Company's 2007 Omnibus Incentive Plan, and no further equity awards will be issued under the Assumed Plan. The 2007 Omnibus Incentive Plan provides for the grant of stock options, stock appreciation rights, RSUs, restricted stock, PSUs or any other stock-based award and cash based awards. A total of approximately 127 million shares of Danaher common stock have been authorized for issuance under the 2007 Omnibus Incentive Plan. As of December 31, 2019, approximately 60 million shares of the Company's common stock remain available for issuance under the 2007 Omnibus Incentive Plan.

Stock options granted under the 2007 Omnibus Incentive Plan generally vest pro rata over a five-year period and terminate ten years from the grant date, though the specific terms of each grant are determined by the Compensation Committee of the Company's Board (the "Compensation Committee"). The Company's executive officers and certain other employees have been awarded options with different vesting criteria, and options granted to outside directors are fully vested as of the grant date. Option exercise prices for options granted by the Company equal the closing price of the Company's common stock on the NYSE on the date of grant. In connection with the Company's assumption of options issued pursuant to the Assumed Plan, the number of shares underlying each option and exercise price of each option were adjusted to reflect the substitution of the Company's stock for the stock of the applicable acquired company.

RSUs issued under the 2007 Omnibus Incentive Plan provide for the issuance of a share of the Company's common stock at no cost to the holder. The RSUs that have been granted to employees under the 2007 Omnibus Incentive Plan generally provide for time-based vesting over a five-year period, although executive officers and certain other employees have been awarded RSUs with different time-based vesting criteria, and RSUs granted to members of the Company's senior management have also been subject to performance-based vesting criteria. The RSUs that have been granted to directors under the 2007 Omnibus Incentive Plan vest on the earlier of the first anniversary of the grant date or the date of, and immediately prior to, the next annual meeting of the Company's shareholders following the grant date, but the underlying shares are not issued until the earlier of the director's death or the first day of the seventh month following the director's retirement from the Board. Prior to vesting, RSUs granted under the 2007 Omnibus Incentive Plan do not have dividend equivalent rights, do not have voting rights and the shares underlying the RSUs are not considered issued and outstanding. With respect to RSUs granted under the Assumed Plan, in connection with the Company's assumption of these RSUs the number of shares underlying each RSU were adjusted to reflect the substitution of the Company's stock for the stock of the applicable acquired company, and certain of these RSUs have dividend equivalent rights.

PSUs issued under the 2007 Omnibus Incentive Plan provide for the issuance of a share of the Company's common stock at no cost to the holder, vest based on the Company's total shareholder return ranking relative to the S&P 500 Index over an approximately three-year performance period, are subject to an additional two-year holding period and are entitled to dividend equivalent rights. The PSU dividend equivalent rights are subject to the same vesting and payment restrictions as the related shares, but do not have voting rights and the shares underlying the PSU's are not considered issued and outstanding.

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In connection with the Envista Disposition, Envista adopted a stock-based compensation plan, which provides for stock-based awards denominated in shares of Envista common stock. Envista employees who participated in the Danaher stock compensation program prior to the Separation continued to participate in such program solely with respect to outstanding compensation awards received prior to the Separation, until the Split-Off (at which time such awards were terminated and replaced with awards denominated in Envista common stock under the Envista stock compensation plan). From and after the Envista Separation, all equity compensation awarded to Envista employees has been awarded under the Envista stock compensation plan. Stock-based compensation expense for Envista is included in results from discontinued operations.

The equity compensation awards granted by the Company generally vest only if the employee is employed by the Company (or in the case of directors, the director continues to serve on the Company Board) on the vesting date or in other limited circumstances. To cover the exercise of options and vesting of RSUs and PSUs, the Company generally issues new shares from its authorized but unissued share pool, although it may instead issue treasury shares in certain circumstances.

The Company accounts for stock-based compensation by measuring the cost of employee services received in exchange for all equity awards granted based on the fair value of the award as of the grant date. The Company recognizes the compensation expense over the requisite service period (which is generally the vesting period but may be shorter than the vesting period if the employee becomes retirement eligible before the end of the vesting period). The fair value for RSU awards was calculated using the closing price of the Company's common stock on the date of grant, adjusted for the fact that RSUs (other than certain RSUs granted under the Assumed Plans) do not accrue dividends. The fair value of the PSU awards was calculated using a Monte Carlo pricing model. The fair value of the options granted was calculated using a Black-Scholes Merton option pricing model ("Black-Scholes").

The following summarizes the assumptions used in the Black-Scholes model to value options granted during the years ended December 31:

	2019	2018	2017
Risk-free interest rate	1.7 – 2.6%	2.6 – 3.1%	1.8 – 2.2%
Weighted average volatility	20.4 %	21.4 %	17.9 %
Dividend yield	0.5 %	0.6 %	0.7 %
Expected years until exercise	5.0 – 8.0	5.0 – 8.0	5.0 – 8.0

The Black-Scholes model incorporates assumptions to value stock-based awards. The risk-free rate of interest for periods within the contractual life of the option is based on a zero-coupon U.S. government instrument whose maturity period equals or approximates the option's expected term. Expected volatility is based on implied volatility from traded options on the Company's stock and historical volatility of the Company's stock. The dividend yield is calculated by dividing the Company's annual common stock dividend, based on the most recent quarterly dividend rate, by the closing stock price on the grant date. To estimate the option exercise timing used in the valuation model (which impacts the risk-free interest rate and the expected years until exercise), in addition to considering the vesting period and contractual term of the option, the Company analyzes and considers actual historical exercise experience for previously granted options. The Company stratifies its employee population into multiple groups for option valuation and attribution purposes based upon distinctive patterns of forfeiture rates and option holding periods, as indicated by the ranges set forth in the table above for the risk-free interest rate and the expected years until exercise.

The amount of stock-based compensation expense recognized during a period is also based on the portion of the awards that are ultimately expected to vest. The Company estimates pre-vesting forfeitures at the time of grant by analyzing historical data and revises those estimates in subsequent periods if actual forfeitures differ from those estimates. Ultimately, the total expense recognized over the vesting period will equal the fair value of awards that actually vest.

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The following summarizes the components of the Company's continuing operations stock-based compensation expense for the years ended December 31 (\$ in millions):

	2019	2018	2017
RSUs/PSUs:			
Pretax compensation expense	\$ 97.3	\$ 86.5	\$ 82.6
Income tax benefit	(20.1)	(17.7)	(25.2)
RSU/PSU expense, net of income taxes	77.2	68.8	57.4
Stock options:			
Pretax compensation expense	61.5	51.6	44.5
Income tax benefit	(12.8)	(10.7)	(14.0)
Stock option expense, net of income taxes	48.7	40.9	30.5
Total stock-based compensation:			
Pretax compensation expense	158.8	138.1	127.1
Income tax benefit	(32.9)	(28.4)	(39.2)
Total stock-based compensation expense, net of income taxes	\$ 125.9	\$ 109.7	\$ 87.9

Stock-based compensation has been recognized as a component of selling, general and administrative expenses in the accompanying Consolidated Statements of Earnings. As of December 31, 2019, \$149 million of total unrecognized compensation cost related to RSUs/PSUs is expected to be recognized over a weighted average period of approximately two years. As of December 31, 2019, \$147 million of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted average period of approximately three years. Future compensation amounts will be adjusted for any changes in estimated forfeitures.

The following summarizes option activity under the Company's stock plans (in millions, except weighted exercise price and number of years):

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding as of January 1, 2017	18.9	\$ 50.07		
Granted	4.4	86.14		
Exercised	(3.3)	35.26		
Cancelled/forfeited	(1.2)	70.40		
Outstanding as of December 31, 2017	18.8	59.84		
Granted	4.1	99.51		
Exercised	(3.4)	41.88		
Cancelled/forfeited	(0.9)	80.14		
Outstanding as of December 31, 2018	18.6	70.86		
Granted	4.3	117.32		
Exercised	(3.5)	53.02		
Cancelled/forfeited	(0.9)	98.98		
Adjustment due to Envista Split-Off ^(a)	(1.5)	91.65		
Outstanding as of December 31, 2019	17.0	82.95	7	\$ 1,202.3
Vested and expected to vest as of December 31, 2019 ^(b)	16.5	\$ 82.18	7	\$ 1,176.3
Vested as of December 31, 2019	7.0	\$ 62.53	5	\$ 632.3

- (a) The “Adjustment due to Envista Split-Off” reflects the cancellation of options which were outstanding as of December 18, 2019 and held by Envista employees, which have been terminated and replaced by Envista equity awards as part of the Envista Split-Off.
- (b) The “expected to vest” options are the net unvested options that remain after applying the forfeiture rate assumption to total unvested options.

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The aggregate intrinsic value in the table above represents the total pretax intrinsic value (the difference between the Company's closing stock price on the last trading day of 2019 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on December 31, 2019. The amount of aggregate intrinsic value will change based on the price of the Company's common stock.

Options outstanding as of December 31, 2019 are summarized below (in millions, except price per share and number of years):

Exercise Price	Outstanding			Exercisable	
	Shares	Average Exercise Price	Average Remaining Life (in years)	Shares	Average Exercise Price
\$19.89 to \$41.64	1.2	\$ 36.79	2	1.2	\$ 36.79
\$41.65 to \$62.18	2.2	54.47	4	2.2	54.51
\$62.19 to \$83.27	4.0	67.03	6	2.2	67.12
\$83.28 to \$101.64	5.8	92.70	8	1.3	90.74
\$101.65 to \$142.99	3.8	116.76	9	0.1	113.57

The aggregate intrinsic value of options exercised during the years ended December 31, 2019, 2018 and 2017 was \$266 million, \$202 million and \$162 million, respectively. Exercise of options during the years ended December 31, 2019, 2018 and 2017 resulted in cash receipts of \$179 million, \$133 million and \$117 million, respectively. Upon exercise of the award by the employee, the Company derives a tax deduction measured by the excess of the market value over the grant price at the date of exercise. The Company realized a tax benefit of \$51 million, \$40 million and \$50 million in 2019, 2018 and 2017, respectively, related to the exercise of employee stock options.

The following summarizes information on unvested RSU and PSU activity (in millions, except weighted average grant-date fair value):

	Number of RSUs/ PSUs	Weighted Average Grant-Date Fair Value
Unvested as of January 1, 2017	4.5	\$ 62.16
Granted	1.4	86.04
Vested	(1.5)	58.48
Forfeited	(0.5)	68.83
Unvested as of December 31, 2017	3.9	71.27
Granted	1.5	99.15
Vested	(1.2)	68.37
Forfeited	(0.3)	78.41
Unvested as of December 31, 2018	3.9	82.21
Granted	1.4	115.38
Vested	(1.1)	75.51
Forfeited	(0.3)	92.82
Adjustment due to Envista Split-Off ^(a)	(0.4)	98.18
Unvested as of December 31, 2019	3.5	94.85

^(a) The "Adjustment due to Envista Split-Off" reflects the cancellation of RSUs and PSUs which were outstanding as of December 18, 2019 and held by Envista employees which have been terminated and replaced by Envista equity awards as part of the Envista Split-Off.

The Company realized a tax benefit of \$25 million, \$17 million and \$35 million in the years ended December 31, 2019, 2018 and 2017, respectively, related to the vesting of RSUs.

The excess tax benefit of \$55 million, \$38 million and \$55 million related to the exercise of employee stock options and vesting of RSUs for the years ended December 31, 2019, 2018 and 2017, respectively, has been recorded as a reduction to the current income tax provision and is reflected as an operating cash inflow in the accompanying Consolidated Statements of Cash Flows.

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In connection with the exercise of certain stock options and the vesting of RSUs previously issued by the Company, a number of shares sufficient to fund statutory minimum tax withholding requirements has been withheld from the total shares issued or released to the award holder (though under the terms of the applicable plan, the shares are considered to have been issued and are not added back to the pool of shares available for grant). During the year ended December 31, 2019, 402 thousand shares with an aggregate value of \$49 million were withheld to satisfy the requirement. During the year ended December 31, 2018, 400 thousand shares with an aggregate value of \$41 million were withheld to satisfy the requirement. The withholding is treated as a reduction in additional paid-in capital in the accompanying Consolidated Statements of Stockholders' Equity.

NOTE 20. NET EARNINGS PER SHARE FROM CONTINUING OPERATIONS

Basic net earnings per share ("EPS") from continuing operations is calculated by taking net earnings from continuing operations less the MCPS dividends divided by the weighted average number of common shares outstanding for the applicable period. Diluted net EPS from continuing operations is computed based on the weighted average number of common shares outstanding increased by the number of additional shares that would have been outstanding had the potentially dilutive common shares been issued and reduced by the number of shares the Company could have repurchased with the proceeds from the issuance of the potentially dilutive shares. For the year ended December 31, 2019, no options to purchase shares were excluded from the diluted earnings per share calculation. For the years ended December 31, 2018 and 2017, 1 million and 4 million options to purchase shares, respectively, were not included in the diluted earnings per share calculation as the impact of their inclusion would have been anti-dilutive.

The impact of the MCPS calculated under the if-converted method was anti-dilutive, and as such 10 million shares underlying the MCPS (assuming a conversion ratio based on the December 31, 2019 share price) were excluded from the diluted EPS calculation for the year ended December 31, 2019.

Information related to the calculation of net earnings from continuing operations per share of common stock for the years ended December 31 is summarized as follows (\$ and shares in millions, except per share amounts):

	2019	2018	2017
Numerator:			
Net earnings from continuing operations	\$ 2,432.3	\$ 2,406.3	\$ 2,172.2
MCPS dividends	(68.4)	—	—
Net earnings from continuing operations attributable to common stockholders for Basic EPS	2,363.9	2,406.3	2,172.2
Adjustment for interest on convertible debentures	1.6	2.2	2.1
Net earnings from continuing operations attributable to common stockholders after assumed conversions for Diluted EPS	\$ 2,365.5	\$ 2,408.5	\$ 2,174.3
Denominator:			
Weighted average common shares outstanding used in Basic EPS	715.0	700.6	695.8
Incremental common shares from:			
Assumed exercise of dilutive options and vesting of dilutive RSUs and PSUs	8.9	7.2	7.5
Assumed conversion of the convertible debentures	1.6	2.4	2.8
Weighted average common shares outstanding used in Diluted EPS	725.5	710.2	706.1
Basic EPS from continuing operations	\$ 3.31	\$ 3.43	\$ 3.12
Diluted EPS from continuing operations	\$ 3.26	\$ 3.39	\$ 3.08

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NOTE 21. SEGMENT INFORMATION

The Company operates and reports its results in three separate business segments consisting of the Life Sciences, Diagnostics and Environmental & Applied Solutions segments. When determining the reportable segments, the Company aggregated operating segments based on their similar economic and operating characteristics. Operating profit represents total revenues less operating expenses, excluding nonoperating income and expense, interest and income taxes. Operating profit amounts in the Other segment consist of unallocated corporate costs and other costs not considered part of management's evaluation of reportable segment operating performance. The identifiable assets by segment are those used in each segment's operations. Intersegment amounts are not significant and are eliminated to arrive at consolidated totals.

Detailed segment data for the years ended December 31 is as follows (\$ in millions):

	2019	2018	2017
Sales:			
Life Sciences	\$ 6,951.1	\$ 6,471.4	\$ 5,710.1
Diagnostics	6,561.5	6,257.6	5,839.9
Environmental & Applied Solutions	4,398.5	4,319.5	3,968.8
Total	\$ 17,911.1	\$ 17,048.5	\$ 15,518.8
Operating profit:			
Life Sciences	\$ 1,401.4	\$ 1,229.3	\$ 1,004.3
Diagnostics	1,134.1	1,073.8	871.6
Environmental & Applied Solutions	1,051.6	988.0	914.6
Other	(317.7)	(236.0)	(218.2)
Total	\$ 3,269.4	\$ 3,055.1	\$ 2,572.3
Identifiable assets:			
Life Sciences	\$ 22,381.3	\$ 22,122.4	\$ 20,576.8
Diagnostics	14,442.2	14,031.1	14,359.2
Environmental & Applied Solutions	4,881.8	4,637.3	4,649.2
Other	20,376.3	1,200.1	1,069.6
Discontinued operations	—	5,841.6	5,993.8
Total	\$ 62,081.6	\$ 47,832.5	\$ 46,648.6
Depreciation and amortization:			
Life Sciences	\$ 487.1	\$ 471.2	\$ 427.9
Diagnostics	582.5	589.0	581.5
Environmental & Applied Solutions	110.6	109.0	99.9
Other	9.3	8.5	7.6
Total	\$ 1,189.5	\$ 1,177.7	\$ 1,116.9
Capital expenditures, gross:			
Life Sciences	\$ 142.4	\$ 140.1	\$ 130.6
Diagnostics	434.4	380.0	372.6
Environmental & Applied Solutions	54.4	57.1	60.9
Other	4.3	6.3	6.6
Total	\$ 635.5	\$ 583.5	\$ 570.7

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Operations in Geographical Areas:

(\$ in millions)	Year Ended December 31		
	2019	2018	2017
Sales:			
United States	\$ 6,659.7	\$ 6,133.9	\$ 5,584.9
China	2,307.9	2,169.4	1,856.4
Germany	1,013.0	1,082.3	995.5
All other (each country individually less than 5% of total sales)	7,930.5	7,662.9	7,082.0
Total	\$ 17,911.1	\$ 17,048.5	\$ 15,518.8
Property, plant and equipment, net:			
United States	\$ 1,076.8	\$ 1,080.3	\$ 1,008.2
Germany	162.7	169.2	180.9
United Kingdom	163.1	156.9	151.8
All other (each country individually less than 5% of total property, plant and equipment, net)	899.4	843.2	882.5
Total	\$ 2,302.0	\$ 2,249.6	\$ 2,223.4

Sales by Major Product Group:

(\$ in millions)	Year Ended December 31		
	2019	2018	2017
Analytical and physical instrumentation	\$ 2,463.8	\$ 2,437.0	\$ 2,232.9
Research and medical products	13,512.6	12,686.0	11,512.4
Product identification	1,934.7	1,925.5	1,773.5
Total	\$ 17,911.1	\$ 17,048.5	\$ 15,518.8

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NOTE 22. QUARTERLY DATA-UNAUDITED

(\$ in millions, except per share data)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2019:				
Sales	\$ 4,220.2	\$ 4,444.5	\$ 4,378.0	\$ 4,868.4
Gross profit	2,354.9	2,483.8	2,441.4	2,703.6
Operating profit	719.7	811.7	776.3	961.7
Net earnings from continuing operations	332.3	676.4	630.7	792.9
Net earnings from discontinued operations, net of income taxes	1.5	54.9	37.3	482.2
Net earnings attributable to common stockholders	327.3	708.6	648.4	1,255.5
Net earnings per common share from continuing operations: ¹				
Basic	\$ 0.46	\$ 0.91	\$ 0.85	\$ 1.08 ^A
Diluted	\$ 0.45	\$ 0.90	\$ 0.84	\$ 1.07
Net earnings per common share from discontinued operations:				
Basic	\$ —	\$ 0.08	\$ 0.05	\$ 0.67 ^A
Diluted	\$ —	\$ 0.08	\$ 0.05	\$ 0.66
Net earnings per common share:				
Basic	\$ 0.46	\$ 0.99	\$ 0.90	\$ 1.75 ^A
Diluted	\$ 0.46 ^B	\$ 0.97 ^B	\$ 0.89	\$ 1.73
2018:				
Sales	\$ 4,022.8	\$ 4,247.6	\$ 4,173.6	\$ 4,604.5
Gross profit	2,268.1	2,393.9	2,309.6	2,533.7
Operating profit	687.5	758.9	745.3	863.4
Net earnings from continuing operations	529.4	592.8	600.3	683.8
Net earnings from discontinued operations, net of income taxes	37.2	81.0	63.4	63.0
Net earnings attributable to common stockholders	566.6	673.8	663.7	746.8
Net earnings per common share from continuing operations:				
Basic	\$ 0.76	\$ 0.85	\$ 0.86	\$ 0.97 ^A
Diluted	\$ 0.75	\$ 0.84	\$ 0.85	\$ 0.96 ^A
Net earnings per common share from discontinued operations:				
Basic	\$ 0.05	\$ 0.12	\$ 0.09	\$ 0.09
Diluted	\$ 0.05	\$ 0.11	\$ 0.09	\$ 0.09
Net earnings per common share:				
Basic	\$ 0.81	\$ 0.96 ^B	\$ 0.95	\$ 1.06
Diluted	\$ 0.80	\$ 0.95	\$ 0.93 ^B	\$ 1.05 ^A

¹ Refer to Note 20 for additional information on the calculation of net earnings per share from continuing operations.

^A Net earnings per common share amounts do not add across to full year amounts due to rounding.

^B Net earnings per common share amount does not add due to rounding.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

The Company's management, with the participation of the Company's President and Chief Executive Officer, and Executive Vice President and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the Company's President and Chief Executive Officer, and Executive Vice President and Chief Financial Officer, have concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective.

Management's annual report on its internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) and the independent registered public accounting firm's audit report on the effectiveness of Danaher's internal control over financial reporting are included in the Company's financial statements for the year ended December 31, 2019 included in Item 8 of this Annual Report on Form 10-K, under the headings "Report of Management on Danaher Corporation's Internal Control Over Financial Reporting" and "Report of Independent Registered Public Accounting Firm," respectively, and are incorporated herein by reference.

There have been no changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the Company's most recent completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Other than the information below, the information required by this Item is incorporated by reference from the sections entitled *Proposal 1—Election of Directors of Danaher*, *Corporate Governance* and *Other Information* in the Proxy Statement for the Company's 2020 annual meeting of shareholders and from the information under the caption "Information About Our Executive Officers" in Part I hereof. No nominee for director was selected pursuant to any arrangement or understanding between the nominee and any person other than the Company pursuant to which such person is or was to be selected as a director or nominee.

Code of Ethics

Danaher has adopted a code of business conduct and ethics for directors, officers (including Danaher's principal executive officer, principal financial officer and principal accounting officer) and employees, known as the Code of Conduct. The Code of Conduct is available in the "Investors—Corporate Governance" section of Danaher's website at www.danaher.com.

Danaher intends to disclose any amendment to the Code of Conduct that relates to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K, and any waiver from a provision of the Code of Conduct granted to any director, principal executive officer, principal financial officer, principal accounting officer, or any of its other executive officers, in the "Investors—Corporate Governance" section of its website, at www.danaher.com, within four business days following the date of such amendment or waiver.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference from the sections entitled *Director Compensation*, *Compensation Discussion and Analysis*, *Compensation Committee Report*, *Compensation Tables*

and Information and *Summary of Employment Agreements and Plans* in the Proxy Statement for the Company’s 2020 annual meeting of shareholders (provided that the Compensation Committee Report shall not be deemed to be “filed”).

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated by reference from the sections entitled *Beneficial Ownership of Danaher Common Stock by Directors, Officers and Principal Shareholders*, *Summary of Employment Agreements and Plans* and *Compensation Tables and Information* in the Proxy Statement for the Company's 2020 annual meeting of shareholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated by reference from the sections entitled *Director Independence and Related Person Transactions* in the Proxy Statement for the Company's 2020 annual meeting of shareholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated by reference from the section entitled *Proposal 2—Ratification of Independent Registered Public Accounting Firm* in the Proxy Statement for the Company's 2020 annual meeting of shareholders.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- a) The following documents are filed as part of this report.
- (1) Financial Statements. The financial statements are set forth under “Item 8. Financial Statements and Supplementary Data” of this Annual Report on Form 10-K.
 - (2) Schedules. An index of Exhibits and Schedules is on page 123 of this report. Schedules other than those listed below have been omitted from this Annual Report on Form 10-K because they are not required, are not applicable or the required information is included in the financial statements or the notes thereto.
 - (3) Exhibits. The exhibits listed in the accompanying Exhibit Index are filed or incorporated by reference as part of this Annual Report on Form 10-K.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

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DANAHER CORPORATION
INDEX TO FINANCIAL STATEMENTS, SUPPLEMENTARY DATA AND FINANCIAL STATEMENT
SCHEDULE

**Page Number in
Form 10-K**

Schedule:

Valuation and Qualifying Accounts

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EXHIBIT INDEX

Exhibit Number	Description	
2.1	Separation Agreement, dated as of September 19, 2019, by and between Danaher Corporation and Envista Holdings Corporation+	Incorporated by reference from Exhibit 10.1 to Envista Holdings Corporation's Current Report on Form 8-K filed September 20, 2019 (Commission File Number: 1-39054)
2.2	Equity and Asset Purchase Agreement dated as of February 25, 2019, by and between General Electric Company and Danaher Corporation+	Incorporated by reference from Exhibit 2.1 to Danaher Corporation's Current Report on Form 8-K filed February 25, 2019 (Commission File Number: 1-8089)
3.1	Restated Certificate of Incorporation of Danaher Corporation	Incorporated by reference from Exhibit 3.1 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended June 29, 2012 (Commission File Number: 1-8089)
3.2	Certificate of Designations of the 4.75% Mandatory Convertible Preferred Stock, Series A	Incorporated by reference from Exhibit 3.1 to Danaher Corporation's Current Report on Form 8-K filed March 1, 2019 (Commission File Number: 1-8089)
3.3	Amended and Restated By-laws of Danaher Corporation	Incorporated by reference from Exhibit 3.2 to Danaher Corporation's Current Report on Form 8-K filed December 6, 2016 (Commission File Number: 1-8089)
4.1	Senior Indenture dated as of December 11, 2007 by and between Danaher Corporation and The Bank of New York Trust Company, N.A. as trustee ("Senior Indenture")	Incorporated by reference from Exhibit 1.2 to Danaher Corporation's Current Report on Form 8-K filed on December 11, 2007 (Commission File Number: 1-8089)
4.2	First Supplemental Indenture to Senior Indenture, dated as of September 15, 2015, by and between Danaher Corporation and The Bank of New York Mellon Trust Company, N.A. as trustee relating to the 3.350% Senior Notes due 2025 and 4.375% Senior Notes due 2045	Incorporated by reference from Exhibit 4.1 to Danaher Corporation's Current Report on Form 8-K filed September 15, 2015 (Commission File Number: 1-8089)
4.3	Indenture dated as of July 8, 2015, by and between Danaher Corporation, as guarantor, DH Europe Finance S.a.r.l., as issuer, and The Bank of New York Mellon Trust Company, N.A. as trustee ("Danaher International Indenture")	Incorporated by reference from Exhibit 4.1 to Danaher Corporation's Current Report on Form 8-K filed on July 8, 2015 (Commission File Number: 1-8089)

- | | | |
|-----|---|---|
| 4.4 | <u>First Supplemental Indenture to Danaher International Indenture, dated as of July 8, 2015, by and between Danaher Corporation, as guarantor, DH Europe Finance S.A., as issuer, and The Bank of New York Mellon Trust Company, N.A. as trustee relating to the 1.700% Senior Notes due 2022 and the 2.500% Senior Notes due 2025</u> | Incorporated by reference from Exhibit 4.2 to Danaher Corporation's Current Report on Form 8-K filed on July 8, 2015 (Commission File Number: 1-8089) |
| 4.5 | <u>Paying and Calculation Agency Agreement, dated as of July 8, 2015, by and among Danaher International, Danaher Corporation, and The Bank of New York Mellon, London Branch, as paying and calculation agent</u> | Incorporated by reference from Exhibit 4.3 to Danaher Corporation's Current Report on Form 8-K filed on July 8, 2015 (Commission File Number: 1-8089) |

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4.6	<u>Second Supplemental Indenture to Danaher International Indenture, dated as of June 30, 2017, by and between Danaher Corporation, as guarantor, DH Europe Finance S.a.r.l., as issuer, and The Bank of New York Mellon Trust Company, N.A. as trustee relating to the Floating Rate Senior Notes due 2022 and the 1.200% Senior Notes due 2027</u>	Incorporated by reference from Exhibit 4.2 to Danaher Corporation's Current Report on Form 8-K filed on June 30, 2017 (Commission File Number: 1-8089)
4.7	<u>Paying and Calculation Agency Agreement, dated as of June 30, 2017, by and among Danaher International, Danaher Corporation, The Bank of New York Mellon Trust Company, N.A. as trustee and The Bank of New York Mellon, London Branch, as paying and calculation agent</u>	Incorporated by reference from Exhibit 4.3 to Danaher Corporation's Current Report on Form 8-K filed on June 30, 2017 (Commission File Number: 1-8089)
4.8	<u>Second Supplemental Indenture to Senior Indenture, dated as of July 1, 2019 between Danaher Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee</u>	Incorporated by reference from Exhibit 4.2 to Danaher Corporation's Post-Effective Amendment No. 1 to Registration Statement on Form S-3 filed July 10, 2019 (Commission File Number: 333-224149)
4.9	<u>Third Supplemental Indenture to Danaher International Indenture, dated as of July 1, 2019 among DH Europe Finance S.à r.l., as issuer, Danaher Corporation, as guarantor and The Bank of New York Mellon Trust Company, N.A., as trustee</u>	Incorporated by reference from Exhibit 4.5 to Danaher Corporation's Post-Effective Amendment No. 1 to Registration Statement on Form S-3 filed July 10, 2019 (Commission File Number: 333-224149)
4.10	<u>Base Indenture, dated as of September 18, 2019, among DH Europe Finance II S.à r.l., as issuer, Danaher Corporation, as guarantor and The Bank of New York Mellon Trust Company, N.A., as trustee ("Danaher International II Indenture")</u>	Incorporated by reference from Exhibit 4.1 to Danaher Corporation's Current Report on Form 8-K filed September 18, 2019 (Commission File Number: 1-8089)
4.11	<u>First Supplemental Indenture to Danaher International II Indenture, dated as of September 18, 2019, among DH Europe Finance II S.à r.l., as issuer, Danaher Corporation, as guarantor and The Bank of New York Mellon Trust Company, N.A., as trustee</u>	Incorporated by reference from Exhibit 4.2 to Danaher Corporation's Current Report on Form 8-K filed September 18, 2019 (Commission File Number: 1-8089)
4.12	<u>Specimen Certificate of the 4.75% Mandatory Convertible Preferred Stock, Series A</u>	Included in Exhibit 3.2 above
4.13	<u>Description of Securities Registered Under Section 12 of the Exchange Act</u>	
10.1	<u>Danaher Corporation 2007 Omnibus Incentive Plan, as amended and restated*</u>	Incorporated by reference from Exhibit 10.1 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 (Commission File Number: 1-8089)
10.2	<u>Danaher Corporation Non-Employee Directors' Deferred Compensation Plan, as amended, a sub-plan under the 2007 Omnibus Incentive Plan*</u>	Incorporated by reference from Exhibit 10.2 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2008 (Commission File Number: 1-8089)
10.3	<u>Amended Form of Election to Defer under the Danaher Corporation Non-Employee Directors' Deferred Compensation Plan*</u>	Incorporated by reference from Exhibit 10.3 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2008 (Commission File Number: 1-8089)

- 10.4 [Form of Danaher Corporation 2007 Omnibus Incentive Plan Stock Option Agreement for Non-Employee Directors*](#)
- 10.5 [Form of Danaher Corporation 2007 Omnibus Incentive Plan RSU Agreement for Non-Employee Directors*](#)

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10.6	<u>Form of Danaher Corporation 2007 Omnibus Incentive Plan Stock Option Agreement*</u>	
10.7	<u>Form of Danaher Corporation 2007 Omnibus Incentive Plan RSU Agreement*</u>	
10.8	<u>Form of Danaher Corporation 2007 Omnibus Incentive Plan PSU Agreement*</u>	
10.9	<u>Danaher Corporation & Subsidiaries Amended and Restated Executive Deferred Incentive Program*</u>	Incorporated by reference from Exhibit 10.8 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2018 (Commission File Number: 1-8089)
10.10	<u>Danaher Corporation Excess Contribution Program, a sub-plan under the 2007 Omnibus Incentive Plan, as amended and restated*</u>	Incorporated by reference from Exhibit 10.9 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2018 (Commission File Number: 1-8089)
10.11	<u>Amended and Restated Danaher Corporation Deferred Compensation Plan*</u>	Incorporated by reference from Exhibit 10.12 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended September 27, 2019 (Commission File Number: 1-8089)
10.12	<u>Amendment to Amended and Restated Deferred Compensation Plan*</u>	Incorporated by reference from Exhibit 10.13 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended September 27, 2019 (Commission File Number: 1-8089)
10.13	<u>Amendment to Danaher Corporation & Subsidiaries Executive Deferred Incentive Program*</u>	Incorporated by reference from Exhibit 10.14 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended September 27, 2019 (Commission File Number: 1-8089)
10.14	<u>Amendment to Danaher Excess Contribution Programs*</u>	Incorporated by reference from Exhibit 10.15 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended September 27, 2019 (Commission File Number: 1-8089)
10.15	<u>Danaher Corporation Senior Leader Severance Pay Plan*</u>	Incorporated by reference from Exhibit 10.1 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended March 29, 2013 (Commission File Number: 1-8089)
10.16	<u>Agreement Regarding Competition and Protection of Proprietary Interests by and between Danaher Corporation and Thomas P. Joyce, Jr., dated March 16, 2009* ⁽¹⁾</u>	Incorporated by reference from Exhibit 10.16 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2014 (Commission File Number: 1-8089)
10.17	<u>Amendment to Agreement Regarding Competition and Protection of Proprietary Interests by and between Danaher Corporation and Thomas P. Joyce, Jr., dated September 11, 2014*</u>	Incorporated by reference from Exhibit 10.1 to Danaher Corporation's Current Report on Form 8-K filed on September 15, 2014 (Commission File Number: 1-8089)
10.18	<u>Agreement Regarding Competition and Protection of Proprietary Interests by and between Danaher Corporation and Joakim Weidemanis, dated August 1, 2011*</u>	Incorporated by reference from Exhibit 10.14 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2018 (Commission File Number: 1-8089)
10.19	<u>Agreement Regarding Competition and Protection of Proprietary Interests by and</u>	Incorporated by reference from Exhibit 10.2 to Danaher Corporation's Current Report on Form

	<u>between Danaher Corporation and Matthew McGrew dated November 7, 2018*</u>	8-K filed on November 8, 2018 (Commission File Number: 1-8089)
10.20	<u>Letter Agreement by and between Danaher Corporation and Matthew McGrew, dated November 7, 2018*</u>	Incorporated by reference from Exhibit 10.1 to Danaher Corporation's Current Report on Form 8-K filed on November 8, 2018 (Commission File Number: 1-8089)

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10.21	<u>Agreement Regarding Competition and Protection of Proprietary Interests by and between Danaher Corporation and Rainer Blair, dated May 2, 2010*</u>	Incorporated by reference from Exhibit 10.20 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2016 (Commission File Number: 1-8089)
10.22	<u>Description of compensation arrangements for non-management directors*</u>	
10.23	<u>Management Agreement dated February 23, 2012 by and between FJ900, Inc. and Joust Capital III, LLC⁽²⁾</u>	Incorporated by reference from Exhibit 10.25 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2011 (Commission File Number: 1-8089)
10.24	<u>Interchange Agreement dated July 22, 2011 by and between Danaher Corporation and Joust Capital III, LLC⁽³⁾</u>	Incorporated by reference from Exhibit 10.10 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended July 1, 2011 (Commission File Number: 1-8089)
10.25	<u>Aircraft Time Sharing Agreement by and between Danaher Corporation and Thomas P. Joyce, Jr., dated May 7, 2014*⁽⁴⁾</u>	Incorporated by reference from Exhibit 10.2 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended June 27, 2014 (Commission File Number: 1-8089)
10.26	<u>Amendment No. 1 to Aircraft Time Sharing Agreement by and between Danaher Corporation and Thomas P. Joyce, Jr., dated July 1, 2016*⁽⁴⁾</u>	Incorporated by reference from Exhibit 10.7 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended July 1, 2016 (Commission File Number: 1-8089)
10.27	<u>Form of Director and Officer Indemnification Agreement</u>	Incorporated by reference from Exhibit 10.35 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2008 (Commission File Number: 1-8089)
10.28	<u>Employee Matters Agreement, dated as of September 19, 2019, by and between Danaher Corporation and Envista Holdings Corporation+</u>	Incorporated by reference from Exhibit 10.4 to Envista Holdings Corporation's Current Report on Form 8-K filed September 20, 2019 (Commission File Number: 1-39054)
10.29	<u>Tax Matters Agreement, dated as of September 19, 2019, by and between Danaher Corporation and Envista Holdings Corporation+</u>	Incorporated by reference from Exhibit 10.3 to Envista Holdings Corporation's Current Report on Form 8-K filed September 20, 2019 (Commission File Number: 1-39054)
10.30	<u>Transition Services Agreement, dated as of September 19, 2019, by and between Danaher Corporation and Envista Holdings Corporation+</u>	Incorporated by reference from Exhibit 10.2 to Envista Holdings Corporation's Current Report on Form 8-K filed September 20, 2019 (Commission File Number: 1-39054)
10.31	<u>Intellectual Property Matters Agreement, dated as of September 19, 2019, by and between Danaher Corporation and Envista Holdings Corporation+</u>	Incorporated by reference from Exhibit 10.5 to Envista Holdings Corporation's Current Report on Form 8-K filed September 20, 2019 (Commission File Number: 1-39054)
10.32	<u>DBS License Agreement, dated as of September 19, 2019, by and between Danaher Corporation and Envista Holdings Corporation+</u>	Incorporated by reference from Exhibit 10.6 to Envista Holdings Corporation's Current Report on Form 8-K filed September 20, 2019 (Commission File Number: 1-39054)
10.33	<u>Registration Rights Agreement, dated as of September 19, 2019, by and between Danaher Corporation and Envista Holdings Corporation+</u>	Incorporated by reference from Exhibit 10.7 to Envista Holdings Corporation's Current Report on Form 8-K filed September 20, 2019 (Commission File Number: 1-39054)

10.34 [Second Amended and Restated Credit Agreement, dated as of August 27, 2019, among Danaher Corporation, certain of its subsidiaries party thereto, Bank of America, N.A., as Administrative Agent and a Swing Line Lender, and the lenders referred to therein](#)

Incorporated by reference from Exhibit 10.1 to Danaher Corporation's Current Report on Form 8-K filed August 29, 2019 (Commission File Number: 1-8089)

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10.35	<u>Amendment No. 1 to Second Amended and Restated Credit Agreement, dated as of September 20, 2019, among Danaher Corporation, Bank of America, N.A., Bank of America, N.A. London Branch and Citibank, N.A. , each in their respective roles as a Swing Line Lender, Bank of America, N.A. as Administrative Agent and the lenders referred to therein</u>	Incorporated by reference from Exhibit 10.8 to Danaher Corporation's Report on Form 10-Q for the quarter ended September 27, 2019 (Commission File Number: 1-8089)
10.36	<u>Amendment No. 2 to Second Amended and Restated Credit Agreement, dated as of October 7, 2019, among Danaher Corporation, Bank of America, N.A., Bank of America, N.A. London Branch and Citibank, N.A. , each in their respective roles as a Swing Line Lender, Bank of America, N.A. as Administrative Agent and the lenders referred to therein</u>	Incorporated by reference from Exhibit 10.9 to Danaher Corporation's Report on Form 10-Q for the quarter ended September 27, 2019 (Commission File Number: 1-8089)
10.37	<u>Credit Agreement, dated as of August 27, 2019, among Danaher Corporation, certain of its subsidiaries party thereto, Bank of America, N.A., as Administrative Agent, and the lenders referred to therein</u>	Incorporated by reference from Exhibit 10.2 to Danaher Corporation's Current Report on Form 8-K filed August 29, 2019 (Commission File Number: 1-8089)
21.1	<u>Subsidiaries of Registrant</u>	
23.1	<u>Consent of Independent Registered Public Accounting Firm</u>	
31.1	<u>Certification of Chief Executive Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>	
31.2	<u>Certification of Chief Financial Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>	
32.1	<u>Certification of Chief Executive Officer, Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>	
32.2	<u>Certification of Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>	
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. ⁽⁵⁾	
101.SCH	Inline XBRL Taxonomy Extension Schema Document ⁽⁵⁾	
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document ⁽⁵⁾	
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document ⁽⁵⁾	
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document ⁽⁵⁾	
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document ⁽⁵⁾	

Danaher is a party to additional long-term debt instruments under which, in each case, the total amount of debt authorized does not exceed 10% of the total assets of Danaher and its subsidiaries on a consolidated basis. Pursuant to paragraph 4(iii)(A) of Item 601(b) of Regulation S-K, Danaher agrees to furnish a copy of such instruments to the Securities and Exchange

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Commission upon request.

- + The schedules have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K because they do not contain information material to an investment or voting decision and that information is not otherwise disclosed in the exhibit or this filing. Danaher will furnish copies of such schedules to the Securities and Exchange Commission upon request.
- * Indicates management contract or compensatory plan, contract or arrangement.
- (1) In accordance with Instruction 2 to Item 601(a)(4) of Regulation S-K, Danaher has entered into an agreement with William K. Daniel II that is substantially identical in all material respects to the form of agreement referenced as Exhibit 10.16 except as to the name of the counterparty.
- (2) In accordance with Instruction 2 to Item 601(a)(4) of Regulation S-K, FJ900, Inc. (a subsidiary of Danaher) has entered into a management agreement with Joust Capital II, LLC that is substantially identical in all material respects to the form of agreement referenced as Exhibit 10.23, except as to the referenced aircraft and the name of the counterparty.
- (3) In accordance with Instruction 2 to Item 601(a)(4) of Regulation S-K, Danaher Corporation or a subsidiary thereof has entered into additional interchange agreements with each of Joust Capital II, LLC and Joust Capital III, LLC that are substantially identical in all material respects to the form of agreement attached as Exhibit 10.24, except as to the referenced aircraft and, in certain cases, the name of the counterparty.
- (4) In accordance with Instruction 2 to Item 601(a)(4) of Regulation S-K, Danaher Corporation has entered into an aircraft time sharing agreement with Matthew R. McGrew that is substantially identical in all material respects to the forms of agreement referenced as Exhibit 10.25 and Exhibit 10.26, respectively.
- (5) Attached as Exhibit 101 to this report are the following documents formatted in Inline XBRL (Inline Extensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2019 and 2018, (ii) Consolidated Statements of Earnings for the years ended December 31, 2019, 2018 and 2017, (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2019, 2018 and 2017, (iv) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2019, 2018 and 2017, (v) Consolidated Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017 and (vi) Notes to Consolidated Financial Statements.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

DANAHER CORPORATION

Date: February 21, 2020

By: /s/ THOMAS P. JOYCE, JR.
Thomas P. Joyce, Jr.
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this annual report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated:

Name, Title and Signature

Date

/s/ STEVEN M. RALES

February 21, 2020

Steven M. Rales
Chairman of the Board

/s/ MITCHELL P. RALES

February 21, 2020

Mitchell P. Rales
Chairman of the Executive Committee

/s/ DONALD J. EHRLICH

February 21, 2020

Donald J. Ehrlich
Director

/s/ LINDA HEFNER FILLER

February 21, 2020

Linda Hefner Filler
Director

/s/ THOMAS P. JOYCE, JR.

February 21, 2020

Thomas P. Joyce, Jr.
President, Chief Executive Officer and Director

/s/ TERI LIST-STOLL

February 21, 2020

Teri List-Stoll
Director

/s/ WALTER G. LOHR, JR.

February 21, 2020

Walter G. Lohr, Jr.
Director

/s/ JESSICA L. MEGA, M.D., MPH

February 21, 2020

Jessica L. Mega, M.D, MPH
Director

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<u>/s/ PARDIS C. SABETI, M.D., D.Phil</u> Pardis C. Sabeti, M.D., D.Phil Director	February 21, 2020
<u>/s/ JOHN T. SCHWIETERS</u> John T. Schwieters Director	February 21, 2020
<u>/s/ ALAN G. SPOON</u> Alan G. Spoon Director	February 21, 2020
<u>/s/ RAYMOND C. STEVENS, Ph.D.</u> Raymond C. Stevens Director	February 21, 2020
<u>/s/ ELIAS A. ZERHOUNI, M.D.</u> Elias A. Zerhouni, M.D. Director	February 21, 2020
<u>/s/ MATTHEW R. MCGREW</u> Matthew R. McGrew Executive Vice President and Chief Financial Officer	February 21, 2020
<u>/s/ ROBERT S. LUTZ</u> Robert S. Lutz Senior Vice President and Chief Accounting Officer	February 21, 2020

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DANAHER CORPORATION AND SUBSIDIARIES
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
(\$ in millions)

Classification	Balance at Beginning of Period ^(a)	Charged to Costs & Expenses	Impact of Currency	Charged to Other Accounts ^(b)	Write-Offs, Write- Downs & Deductions	Balance at End of Period ^(a)
Year ended December 31, 2019:						
Allowances deducted from asset account						
Allowance for doubtful accounts	\$ 103.7	\$ 30.0	\$ (0.7)	\$ —	\$ (27.6)	\$ 105.4
Year ended December 31, 2018:						
Allowances deducted from asset account						
Allowance for doubtful accounts	\$ 100.3	\$ 31.2	\$ (3.8)	\$ 1.3	\$ (25.3)	\$ 103.7
Year ended December 31, 2017:						
Allowances deducted from asset account						
Allowance for doubtful accounts	\$ 85.6	\$ 27.1	\$ 3.8	\$ 3.5	\$ (19.7)	\$ 100.3

^(a) Amounts include allowance for doubtful accounts classified as current and noncurrent.

^(b) Amounts related to businesses acquired, net of amounts related to businesses disposed not included in discontinued operations.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)



**ANNUAL REPORT PURSUANT TO SECTION 13
OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the fiscal year ended December 31, 2018

OR



**TRANSITION REPORT PURSUANT TO
SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 1-8089

DANAHER CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

59-1995548
(I.R.S. Employer
Identification Number)

2200 Pennsylvania Ave. N.W., Suite 800W
Washington, D.C.

(Address of Principal Executive Offices)

20037-1701

(Zip Code)

Registrant's telephone number, including area code: 202-828-0850

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
Common Stock \$.01 par value	New York Stock Exchange
€600,000,000 1.000% Senior Notes due 2019	New York Stock Exchange
€250,000,000 Floating Rate Senior Notes due 2022	New York Stock Exchange
€800,000,000 1.700% Senior Notes due 2022	New York Stock Exchange
€800,000,000 2.500% Senior Notes due 2025	New York Stock Exchange
€600,000,000 1.200% Senior Notes due 2027	New York Stock Exchange

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

NONE

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☒

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 (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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 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 ☒

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

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes ☐ No ☒

As of February 7, 2019, the number of shares of Registrant's common stock outstanding was 701,875,340. The aggregate market value of common stock held by non-affiliates of the Registrant on June 29, 2018 was \$61.0 billion, based upon the closing price of the Registrant's common stock as quoted on the New York Stock Exchange on such date.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates certain information by reference from the Registrant's proxy statement for its 2019 annual meeting of shareholders to be filed pursuant to Regulation 14A within 120 days after Registrant's fiscal year-end. With the exception of the sections of the 2019 Proxy Statement specifically incorporated herein by reference, the 2019 Proxy Statement is not deemed to be filed as part of this Form 10-K.

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INFORMATION RELATING TO FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Annual Report, in other documents we file with or furnish to the Securities and Exchange Commission (“SEC”), in our press releases, webcasts, conference calls, materials delivered to shareholders and other communications, are “forward-looking statements” within the meaning of the U.S. federal securities laws. All statements other than historical factual information are forward-looking statements, including without limitation statements regarding: projections of revenue, expenses, profit, profit margins, tax rates, tax provisions, cash flows, pension and benefit obligations and funding requirements, our liquidity position or other projected financial measures; management’s plans and strategies for future operations, including statements relating to anticipated operating performance, cost reductions, restructuring activities, new product and service developments, competitive strengths or market position, acquisitions and the integration thereof, divestitures, spin-offs, split-offs or other distributions, strategic opportunities, securities offerings, stock repurchases, dividends and executive compensation; growth, declines and other trends in markets we sell into; new or modified laws, regulations and accounting pronouncements; future regulatory approvals and the timing thereof; outstanding claims, legal proceedings, tax audits and assessments and other contingent liabilities; future foreign currency exchange rates and fluctuations in those rates; general economic and capital markets conditions; the anticipated timing of any of the foregoing; assumptions underlying any of the foregoing; and any other statements that address events or developments that Danaher intends or believes will or may occur in the future. Terminology such as “believe,” “anticipate,” “should,” “could,” “intend,” “will,” “plan,” “expect,” “estimate,” “project,” “target,” “may,” “possible,” “potential,” “forecast” and “positioned” and similar references to future periods are intended to identify forward-looking statements, although not all forward-looking statements are accompanied by such words. Forward-looking statements are based on assumptions and assessments made by our management in light of their experience and perceptions of historical trends, current conditions, expected future developments and other factors they believe to be appropriate. These forward-looking statements are subject to a number of risks and uncertainties, including but not limited to the risks and uncertainties set forth under “Item 1A. Risk Factors” in this Annual Report.

Forward-looking statements are not guarantees of future performance and actual results may differ materially from the results, developments and business decisions contemplated by our forward-looking statements. Accordingly, you should not place undue reliance on any such forward-looking statements. Forward-looking statements speak only as of the date of the report, document, press release, webcast, call, materials or other communication in which they are made. Except to the extent required by applicable law, we do not assume any obligation to update or revise any forward-looking statement, whether as a result of new information, future events and developments or otherwise.

In this Annual Report, the terms “Danaher” or the “Company” refer to Danaher Corporation, Danaher Corporation and its consolidated subsidiaries or the consolidated subsidiaries of Danaher Corporation, as the context requires. Unless otherwise indicated, all financial data in this Annual Report refer to continuing operations only.

PART I

ITEM 1. BUSINESS

General

Danaher Corporation designs, manufactures and markets professional, medical, industrial and commercial products and services, which are typically characterized by strong brand names, innovative technology and major market positions. We are committed to innovating and developing forward-looking technologies that solve our customers’ most complex challenges. Danaher’s research and development, manufacturing, sales, distribution, service and administrative facilities are located in more than 60 countries. Our business consists of four segments: Life Sciences; Diagnostics; Dental; and Environmental & Applied Solutions. Danaher strives to create shareholder value primarily through three strategic priorities:

- enhancing its portfolio in attractive science and technology markets through strategic capital allocation;
- strengthening its competitive advantage through consistent application of the DANAHER BUSINESS SYSTEM (“DBS”) tools; and
- consistently attracting and retaining exceptional talent.

Danaher measures its progress against these strategic priorities over the long-term based primarily on financial metrics relating to revenue growth, profitability, cash flow and capital returns.

The Company's businesses use a set of growth, lean and leadership tools and processes, known as the DANAHER BUSINESS SYSTEM, which are designed to continuously improve business performance in the critical areas of quality, delivery, cost, growth and innovation. Within the DBS framework, the Company pursues a number of ongoing strategic initiatives relating to

customer insight generation, product development and commercialization, global sourcing of materials and services, manufacturing improvement and sales and marketing impact.

To further these objectives, the Company also acquires businesses that either strategically fit within its existing business portfolio or expand its portfolio into a new and attractive business area. For example, the Company's acquisition of Integrated DNA Technologies, or "IDT", in 2018 provides additional sales and earnings growth opportunities for the Company's Life Sciences segment by expanding the segment's product line diversity, including new product and service offerings in the area of genomics consumables and through the potential future acquisition of complementary businesses. Given the rapid pace of technological development and the specialized expertise typical of Danaher's served markets, acquisitions, strategic alliances and investments provide the Company access to important new technologies and domain expertise. Danaher believes there are many acquisition and investment opportunities available within its targeted markets. The extent to which Danaher consummates and effectively integrates appropriate acquisitions will affect its overall growth and operating results. Danaher also continually assesses the strategic fit of its existing businesses and may dispose of businesses that are deemed not to fit with its strategic plan or are not achieving the desired return on investment.

Danaher Corporation, originally DMG, Inc., was organized in 1969 as a Massachusetts real estate investment trust. In 1978 it was reorganized as a Florida corporation under the name Diversified Mortgage Investors, Inc. which in a second reorganization in 1980 became a subsidiary of a newly created holding company named DMG, Inc. DMG, Inc. adopted the name Danaher in 1984 and was reincorporated as a Delaware corporation in 1986.

We have announced our intention to spin-off Danaher's Dental business into an independent, publicly-traded company (the "Dental Separation"). The Dental business had sales for the year ended December 31, 2018 of approximately \$2.8 billion. The transaction is expected to be tax-free to the Company's shareholders. The Company is targeting to complete the Dental Separation in the second half of 2019, subject to the satisfaction of certain conditions, including obtaining final approval from the Danaher Board of Directors, satisfactory completion of financing, receipt of tax opinions, receipt of favorable rulings from the Internal Revenue Service ("IRS") and receipt of other regulatory approvals.

Sales in 2018 by geographic destination (geographic destination refers to the geographic area where the final sale to the Company's unaffiliated customer is made) were: North America, 39% (including 37% in the United States); Western Europe, 24%; other developed markets, 6% and high-growth markets, 31%. The Company defines high-growth markets as developing markets of the world experiencing extended periods of accelerated growth in gross domestic product and infrastructure which include Eastern Europe, the Middle East, Africa, Latin America and Asia (with the exception of Japan and Australia). The Company defines developed markets as all markets of the world that are not high-growth markets.

LIFE SCIENCES

The Company's Life Sciences segment offers a broad range of research tools that scientists use to study the basic building blocks of life, including genes, proteins, metabolites and cells, in order to understand the causes of disease, identify new therapies and test new drugs and vaccines. The segment is also a leading provider of filtration, separation and purification technologies to the biopharmaceutical, food and beverage, medical, aerospace, microelectronics and general industrial sectors. Sales in 2018 for this segment by geographic destination were: North America, 35%; Western Europe, 29%; other developed markets, 9% and high-growth markets, 27%.

Danaher established the life sciences business in 2005 through the acquisition of Leica Microsystems and has expanded the business through numerous subsequent acquisitions, including the acquisitions of AB Sciex and Molecular Devices in 2010, Beckman Coulter in 2011, Pall in 2015, Phenomenex in 2016 and IDT in 2018. The Life Sciences segment consists of the following businesses:

Filtration—The filtration, separation and purification technologies business (from the Company's acquisition of Pall in 2015) is a leading provider of products used to remove solid, liquid and gaseous contaminants from a variety of liquids and gases, primarily through the sale of filtration consumables and to a lesser extent systems that incorporate filtration consumables and associated hardware. Pall's core materials and technologies can be applied in many ways to solve complex fluid separation challenges, and are sold across a wide array of applications in two primary business groups:

- Life Sciences. The Company's life sciences technologies facilitate the process of drug discovery, development, regulatory validation and production and are sold to biopharmaceutical, food and beverage and medical customers. In the biopharmaceutical area, the business sells a broad line of filtration and

purification technologies, single use bioreactors and associated accessories, hardware and engineered systems primarily to pharmaceutical and biopharmaceutical companies for use in the development and commercialization of chemically synthesized and biologically derived drugs, plasma and vaccines. Biotechnology drugs, plasma and biologically derived vaccines in particular are filtration and purification intensive and represent a significant opportunity for growth for Pall in the

biopharmaceutical area. The business also serves the filtration needs of the food and beverage markets, helping customers ensure the quality and safety of their products while lowering operating costs and minimizing waste. In the medical area, hospitals use the Company's breathing circuit and intravenous filters and water filters to help control the spread of infections.

- **Industrial.** Virtually all of the raw materials, process fluids and waste streams that flow through industry are candidates for multiple stages of filtration, separation and purification. In addition, most of the machines used in complex production processes require filtration to protect sensitive parts from degradation due to contamination. Pall's industrial technologies enhance the quality and efficiency of manufacturing processes and prolong equipment life in applications such as semiconductor equipment, airplanes, oil refineries, power generation turbines, petrochemical plants, municipal water plants and mobile mining equipment. Within these end-markets, demand is driven by end-users and original equipment manufacturers ("OEM") seeking to improve product performance, increase production and efficiency, reduce operating costs, extend the life of their equipment, conserve water and meet environmental regulations.

Mass Spectrometry—The mass spectrometry business is a leading global provider of high-end mass spectrometers as well as related consumable chromatography columns and sample preparation extraction products. Mass spectrometry is a technique for identifying, analyzing and quantifying elements, chemical compounds and biological molecules, individually or in complex mixtures. The mass spectrometers utilize various combinations of quadrupole, time-of-flight and ion trap technologies. The business' mass spectrometer systems and related products are used in numerous applications such as drug discovery and clinical development of therapeutics as well as in basic research, clinical testing, food and beverage quality testing and environmental testing. The business' global services network provides implementation, validation, training and maintenance to support customer installations around the world. Typical users of these mass spectrometry and related products include molecular biologists, bioanalytical chemists, toxicologists and forensic scientists as well as quality assurance and quality control technicians. The business also provides high-performance bioanalytical measurement systems, including microplate readers, automated cellular screening products and associated reagents and imaging software. Typical users of these products include biologists and chemists engaged in research and drug discovery, who use these products to determine electrical or chemical activity in cell samples.

Cellular Analysis, Lab Automation and Centrifugation—The business offers workflow instruments and consumables that help researchers analyze genomic, protein and cellular information. Key product areas include sample preparation equipment such as centrifugation and capillary electrophoresis instrumentation and consumables; liquid handling automation instruments and associated consumables; flow cytometry instrumentation and associated antibodies and reagents; and particle characterization instrumentation. Researchers use these products to study biological function in the pursuit of basic research, as well as therapeutic and diagnostic development. Typical users include pharmaceutical and biotechnology companies, universities, medical schools and research institutions and in some cases industrial manufacturers.

Microscopy—The microscopy business is a leading global provider of professional microscopes designed to capture, manipulate and preserve images and enhance the user's visualization and analysis of microscopic structures. The Company's microscopy products include laser scanning (confocal) microscopes, compound microscopes and related equipment, surgical and other stereo microscopes and specimen preparation products for electron microscopy. Typical users of these products include research, medical and surgical professionals operating in research and pathology laboratories, academic settings and surgical theaters.

Genomics Consumables—The genomics consumables business is a leading provider of custom nucleic acid products for the life sciences industry, primarily through the manufacture of custom DNA and RNA oligonucleotides and gene fragments utilizing a proprietary manufacturing ecosystem. The business has developed proprietary technologies for genomics applications such as next generation sequencing, CRISPR genome editing, qPCR, and RNA interference. The business also manufactures products used in diagnostic tests for many forms of cancer, as well as inherited and infectious diseases. Typical users of these products include professionals in the areas of academic and commercial research, agriculture, medical diagnostics, and pharmaceutical development.

Customers served by the Life Sciences segment select products based on a number of factors, including product quality and reliability, the product's capacity to enhance productivity, innovation (particularly productivity and sensitivity improvements), product performance and ergonomics, access to a service and support network and the other factors described under "—Competition." The life sciences business generally markets its products under the

BECKMAN COULTER, IDT, LEICA MICROSYSTEMS, MOLECULAR DEVICES, PALL, PHENOMENEX and SCIEX brands. Manufacturing facilities are located in North America, Europe, Asia and Australia. The business sells to customers through direct sales personnel and independent distributors.

DIAGNOSTICS

The Company's Diagnostics segment offers analytical instruments, reagents, consumables, software and services that hospitals, physicians' offices, reference laboratories and other critical care settings use to diagnose disease and make treatment decisions. Sales in 2018 for this segment by geographic destination were: North America, 38%; Western Europe, 19%; other developed markets, 6% and high-growth markets, 37%.

Danaher established the diagnostics business in 2004 through the acquisition of Radiometer and expanded the business through numerous subsequent acquisitions, including the acquisitions of Vision Systems in 2006, Genetix in 2009, Beckman Coulter in 2011, Iris International and Aperio Technologies in 2012, HemoCue in 2013, Devicor Medical Products in 2014, the clinical microbiology business of Siemens Healthcare Diagnostics in 2015 and Cepheid in 2016. The diagnostics business consists of the following businesses:

Clinical Lab Diagnostics—The clinical lab business is a leading manufacturer and marketer of biomedical testing instruments, systems and related consumables that are used to evaluate and analyze samples made up of body fluids, cells and other substances. The information generated is used to diagnose disease, monitor and guide treatment and therapy, assist in managing chronic disease and assess patient status in hospital, outpatient and physicians' office settings. The business offers the following products:

- chemistry systems use electrochemical detection and chemical reactions with patient samples to detect and quantify substances of diagnostic interest in blood, urine and other body fluids. Commonly performed tests include glucose, cholesterol, triglycerides, electrolytes, proteins and enzymes, as well as tests to detect urinary tract infections and kidney and bladder disease.
- immunoassay systems also detect and quantify biochemicals of diagnostic interest (such as proteins and hormones) in body fluids, particularly in circumstances where more specialized diagnosis is required. Commonly performed immunoassay tests assess thyroid function, screen and monitor for cancer and cardiac risk and provide important information in fertility and reproductive testing.
- hematology products are used for cellular analysis. The business' hematology systems use principles of physics, optics, electronics and chemistry to separate cells of diagnostic interest and then quantify and characterize them, allowing clinicians to study formed elements in blood (such as red and white blood cells and platelets).
- microbiology systems are used for the identification of bacteria and antibiotic susceptibility testing (ID/AST) from human clinical samples, to detect and quantify bacteria related to microbial infections in urine, blood, and other body fluids, and to detect infections such as urinary tract infections, pneumonia and wound infections. The business' technology enables direct testing of clinical isolates to ensure reliable detection of resistance to antibiotics.
- automation systems reduce manual operation and associated cost and errors from the pre-analytical through post-analytical stages including sample barcoding/information tracking, centrifugation, aliquotting, storage and conveyance. These systems along with the analyzers described above are controlled through laboratory level software that enables laboratory managers to monitor samples, results and lab efficiency.
- molecular diagnostics products, which are derived from Danaher's acquisition of Cepheid in 2016, including biomedical testing instruments, systems and related consumables that enable DNA-based testing for organisms and genetic-based diseases in both clinical and non-clinical markets. These products integrate and automate the complicated and time-intensive steps associated with DNA-based testing (including sample preparation and DNA amplification and detection) to allow the testing to be performed in both laboratory and non-laboratory environments with minimal training and infrastructure. These products also include systems which commonly test for health care-associated infections, respiratory disease, sexual health and virology.

Typical users of the segment's clinical lab products include hospitals, physician's offices, veterinary laboratories, reference laboratories and pharmaceutical clinical trial laboratories.

Critical Care Diagnostics—The critical care diagnostics business is a leading worldwide provider of instruments, software and related consumables and services that are used in both laboratory and point-of-care environments to rapidly measure critical parameters, including blood gases, electrolytes, metabolites and cardiac markers, as well as for anemia and high-sensitivity glucose testing. Typical users of these products include hospital central laboratories, intensive care units, hospital operating rooms, hospital emergency rooms, physician's office laboratories and blood banks.

Anatomical Pathology Diagnostics—The anatomical pathology diagnostics business is a leader in the anatomical pathology industry, offering a comprehensive suite of instrumentation and related consumables used across the entire workflow of a

pathology laboratory. The anatomical pathology diagnostics products include chemical and immuno-staining instruments, reagents, antibodies and consumables; tissue embedding, processing and slicing (microtomes) instruments and related reagents and consumables; slide coverslipping and slide/cassette marking instruments; imaging instrumentation including slide scanners, microscopes, cameras; software solutions to store, share and analyze pathology images digitally and minimally invasive, vacuum-assisted breast biopsy collection instruments. Typical users of these products include pathologists, lab managers and researchers.

Customers in the diagnostics industry select products based on a number of factors, including product quality and reliability, the scope of tests that can be performed, the accuracy and speed of the product, the product's ability to enhance productivity, ease of use, total cost of ownership and access to a highly qualified service and support network as well as the other factors described under "—Competition." The diagnostics business generally markets its products under the APERIO, BECKMAN COULTER, CEPHEID, HEMOCUE, IRIS, LEICA BIOSYSTEMS, MAMMATOME, RADIOMETER and SURGIPATH brands. Manufacturing facilities are located in North America, Europe, Asia and Australia. The business sells to customers primarily through direct sales personnel and, to a lesser extent, through independent distributors.

DENTAL

The Company's Dental segment offers products and services that are used to diagnose, treat and prevent disease and ailments of the teeth, gums and supporting bone, as well as to improve the aesthetics of the human smile. With leading brand names, innovative technology and significant market positions, the Company is a leading worldwide provider of a broad range of dental consumables, equipment and services, and is dedicated to driving technological innovations that help dental professionals improve clinical outcomes and enhance productivity. Sales in 2018 for this segment by geographic destination were: North America, 48%; Western Europe, 23%; other developed markets, 6% and high-growth markets, 23%.

As noted above, we have announced our intention to spin-off Danaher's Dental business into an independent, publicly-traded company. The Company is targeting to complete the Dental Separation in the second half of 2019, subject to the satisfaction of certain conditions, including obtaining final approval from the Danaher Board of Directors, satisfactory completion of financing, receipt of tax opinions, receipt of favorable rulings from the IRS and receipt of other regulatory approvals.

Danaher entered the dental business in 2004 through the acquisitions of KaVo and Gendex and has enhanced its geographic coverage and product and service breadth through subsequent acquisitions, including the acquisition of Sybron Dental Specialties in 2006, PaloDEx Group Oy in 2009, Nobel Biocare Holding AG ("Nobel Biocare") in 2014 and Implant Direct, as to which Danaher acquired a controlling interest in 2010 and acquired the remaining noncontrolling interest in 2017. Today, the dental businesses develop, manufacture and market the following dental consumables and dental equipment:

- implant systems, dental prosthetics and associated treatment planning software;
- orthodontic bracket systems, aligners and lab products;
- endodontic systems and related consumables;
- restorative materials and instruments including rotary burs, impression materials, bonding agents and cements;
- infection prevention products;
- digital imaging systems and software and other visualization and magnification systems;
- air and electric powered handpieces and associated consumables; and
- treatment units and other dental practice equipment.

Typical customers and users of these products include general dentists, dental specialists, dental hygienists, dental laboratories and other oral health professionals, as well as educational, medical and governmental entities. These professionals choose dental products based on a number of factors including product performance, innovation, the product's capacity to enhance productivity and the other factors described under "—Competition." The dental products are marketed primarily under the ABT, DEXIS, iCAT, IMPLANT DIRECT, KAVO, KERR, METREX, NOBEL BIO CARE, NOBEL PROCERA, ORASCOPTIC, ORMCO, PELTON & CRANE, PENTRON, SYBRON ENDO and TOTAL CARE brands. Manufacturing facilities are located in North America, Europe, Middle East, Latin America, Asia and Australia. Sales are primarily made through independent distributors, and to a lesser extent through direct sales personnel.

ENVIRONMENTAL & APPLIED SOLUTIONS

The Company's Environmental & Applied Solutions segment offers products and services that help protect important resources and keep global food and water supplies safe. Sales in 2018 for this segment by geographic destination were: North America, 41%; Western Europe, 24%; other developed markets, 3% and high-growth markets, 32%. The Company's Environmental & Applied Solutions segment consists of the following lines of business.

Water Quality—The Company's water quality business provides instrumentation, services and disinfection systems to help analyze, treat and manage the quality of ultra-pure, potable, industrial, waste, ground, source and ocean water in residential, commercial, municipal, industrial and natural resource applications. Danaher entered the water quality sector in the late 1990's through the acquisitions of Dr. Lange and Hach Company, and has enhanced the geographic coverage and capabilities of its products and services through subsequent acquisitions, including the acquisition of Trojan Technologies Inc. in 2004 and ChemTreat, Inc. in 2007. The water quality business designs, manufactures and markets:

- a wide range of analytical instruments, software and related consumables and services that detect and measure chemical, physical and microbiological parameters in ultra-pure, potable, industrial, waste, ground, source and ocean water;
- ultraviolet disinfection systems, consumables and services, which disinfect billions of gallons of municipal, industrial and consumer water every day; and
- industrial water treatment solutions, including chemical treatment solutions intended to address corrosion, scaling and biological growth problems in boiler, cooling water and industrial wastewater applications as well as associated analytical services.

Typical users of these products and services include professionals in municipal drinking water and wastewater treatment plants and industrial process water and wastewater treatment facilities, third-party testing laboratories and environmental operations. Customers in these industries choose suppliers based on a number of factors including the customer's existing supplier relationships, application expertise, product performance and ease of use, the comprehensiveness of the supplier's solutions offering, after-sales service and support and the other factors described under "—Competition." The water quality business provides products under a variety of brands, including AGUASIN, AQUAFINE, CHEMTREAT, HACH, LIPESA, MCCROMETER, OTT HYDROMET, PALL WATER, SEABIRD, TROJAN AND VIQUA. Manufacturing facilities are primarily located in North America, Europe and Asia. Sales are made through the business' direct sales personnel, e-commerce, independent representatives and independent distributors.

Product Identification—The Company's product identification business provides equipment, software, services and consumables for various color and appearance management, packaging design and quality management, packaging converting, printing, marking, coding and traceability applications for consumer, pharmaceutical and industrial products. Danaher entered the product identification market through the acquisition of Videojet in 2002, and has expanded the product and geographic coverage through various subsequent acquisitions, including the acquisitions of Willett International Limited in 2003, Linx Printing Technologies PLC in 2005, EskoArtwork in 2011, X-Rite in 2012, Laetus in 2015, Advanced Vision Technology Limited ("AVT") in 2017 and Blue Software in 2018. The product identification businesses innovate, design, manufacture, and market the following products and services:

- the business provides innovative color and appearance solutions through standards, software, measurement devices and related services. The business' expertise in inspiring, virtualizing, selecting, specifying, formulating and measuring color and appearance helps users improve the quality and relevance of their products and reduces costs.
- the business is a leading global provider of software for online collaboration, three-dimensional virtualization, workflow automation, quality approvals and prepress processes to manage structural design, artwork creation, color and product information for branded packaging and marketing materials. Its packaging solutions help consumer goods manufacturers improve their business processes, shorten time to market and reduce costs across internal departments and external suppliers.
-

the business provides flexographic computer-to-plate imaging equipment, solutions for print process control, press control, quality assurance and digital finishing systems for the packaging, labels and commercial print industries. Its automation, print process and press control solutions help packaging manufacturers reduce lead time and satisfy their customers' demands for smaller, more frequent print jobs.

- the business provides a variety of equipment and solutions used to give products unique identities by printing date, lot and bar codes and other information on primary and secondary packaging, applying high-quality alphanumeric codes, logos and graphics to a wide range of surfaces at a variety of production line speeds, angles and locations on a product

or package. Its vision inspection and track-and-trace solutions also help pharmaceutical and consumer goods manufacturers safeguard the authenticity of their products through supply chains.

Typical users of these products include manufacturers of consumer goods, pharmaceuticals, paints, plastics and textiles, retailers, graphic design firms and packaging printers and converters. Customers in these industries choose suppliers based on a number of factors, including domain experience, speed and accuracy, ease of connection to the internet and other software systems, equipment uptime and reliable operation without interruption, ease of maintenance, service coverage and the other factors described under “—Competition.” The product identification products are primarily marketed under the AVT, BLUE, ESKO, LAETUS, LINX, MEDIABEACON, PANTONE, VIDEOJET and X-RITE brands. Manufacturing and software development facilities are located in North America, Europe, Latin America and Asia. Sales are generally made through the business’ direct sales personnel, independent distributors and e-commerce.

The following discussion includes information common to all of Danaher’s segments.

Materials

The Company’s manufacturing operations employ a wide variety of raw materials, including metallic-based components, electronic components, chemicals, plastics and other petroleum-based products. Prices of oil and gas also affect the Company’s costs for freight and utilities. The Company purchases raw materials from a large number of independent sources around the world. No single supplier is material; although for some components that require particular specifications or regulatory or other qualifications there may be a single supplier or a limited number of suppliers that can readily provide such components. The Company utilizes a number of techniques to address potential disruption in and other risks relating to its supply chain, including in certain cases the use of safety stock, alternative materials and qualification of multiple supply sources. During 2018 the Company had no raw material shortages that had a material effect on the business. For a further discussion of risks related to the materials and components required for the Company’s operations, refer to “Item 1A. Risk Factors.”

Intellectual Property

The Company owns numerous patents, trademarks, copyrights, trade secrets and licenses to intellectual property owned by others. Although in aggregate the Company’s intellectual property is important to its operations, the Company does not consider any single patent, trademark, copyright, trade secret or license (or any related group of any such items) to be of material importance to any segment or to the business as a whole. From time to time the Company engages in litigation to protect its intellectual property rights. For a discussion of risks related to the Company’s intellectual property, refer to “Item 1A. Risk Factors.” All capitalized brands and product names throughout this document are trademarks owned by, or licensed to, Danaher.

Competition

Although the Company’s businesses generally operate in highly competitive markets, the Company’s competitive position cannot be determined accurately in the aggregate or by segment since none of its competitors offer all of the same product and service lines or serve all of the same markets as the Company does. Because of the range of the products and services the Company sells and the variety of markets it serves, the Company encounters a wide variety of competitors, including well-established regional competitors, competitors who are more specialized than it is in particular markets, as well as larger companies or divisions of larger companies with substantial sales, marketing, research and financial capabilities. The Company is facing increased competition in a number of its served markets as a result of the entry of new, large companies into certain markets, the entry of competitors based in low-cost manufacturing locations, and increasing consolidation in particular markets. The number of competitors varies by product and service line. Management believes that the Company has a market leadership position in many of the markets it serves. Key competitive factors vary among the Company’s businesses and product and service lines, but include the specific factors noted above with respect to each particular business and typically also include price, quality, delivery speed, service and support, innovation, distribution network, breadth of product, service and software offerings and brand name recognition. For a discussion of risks related to competition, refer to “Item 1A. Risk Factors.”

Working Capital

The Company maintains an adequate level of working capital to support its business needs. There are no unusual industry practices or requirements relating to working capital items. In addition, the Company's sales and payment terms are generally similar to those of its competitors.

Backlog

The Company defines backlog as firm orders from customers for products and services where the order will be fulfilled in the next 12 months. Backlog as of December 31, 2018 and 2017 was approximately \$2.9 billion and \$2.7 billion, respectively. The Company expects that a large majority of the backlog as of December 31, 2018 will be delivered to customers within three to four months of such date. Given the relatively short delivery periods and rapid inventory turnover that are characteristic of most of the Company's products and the shortening of product life cycles, the Company believes that backlog is indicative of short-term revenue performance but not necessarily a reliable indicator of medium or long-term revenue performance.

Employee Relations

As of December 31, 2018, the Company employed approximately 71,000 persons, of whom approximately 24,000 were employed in the United States and approximately 47,000 were employed outside of the United States. Of the United States employees, approximately 400 were hourly-rated, unionized employees. Outside the United States, the Company has government-mandated collective bargaining arrangements and union contracts in certain countries, particularly in Europe where many of the Company's employees are represented by unions and/or works councils. For a discussion of risks related to employee relations, refer to "Item 1A. Risk Factors."

Research and Development

The Company conducts R&D activities for the purpose of developing new products, enhancing the functionality, effectiveness, ease of use and reliability of its existing products and expanding the applications for which uses of its products are appropriate. The Company's R&D efforts include internal initiatives and those that use licensed or acquired technology, and we work with a number of leading research institutions, universities and clinicians around the world to develop, evaluate and clinically test our products. The Company generally conducts R&D activities on a business-by-business basis, primarily in North America, Europe and Asia, although it does conduct certain R&D activities on a centralized basis. The Company anticipates that it will continue to make significant expenditures for R&D as it seeks to provide a continuing flow of innovative products to maintain and improve its competitive position. For a discussion of the risks related to the need to develop and commercialize new products and product enhancements, refer to "Item 1A. Risk Factors."

Government Contracts

Although the substantial majority of the Company's revenue in 2018 was from customers other than governmental entities, each of Danaher's segments has agreements relating to the sale of products to government entities. As a result, the Company is subject to various statutes and regulations that apply to companies doing business with governments. For a discussion of risks related to government contracting requirements, refer to "Item 1A. Risk Factors." No material portion of Danaher's business is subject to renegotiation of profits or termination of contracts at the election of a government entity.

Regulatory Matters

The Company faces extensive government regulation both within and outside the United States relating to the development, manufacture, marketing, sale and distribution of its products and services. The following sections describe certain significant regulations that the Company is subject to. These are not the only regulations that the Company's businesses must comply with. For a description of the risks related to the regulations that the Company's businesses are subject to, refer to "Item 1A. Risk Factors."

Environmental Laws and Regulations

For a discussion of the environmental laws and regulations that the Company's operations, products and services are subject to and other environmental contingencies, refer to Note 17 to the Consolidated Financial Statements included in this Annual Report. For a discussion of risks related to compliance with environmental and health and safety laws and risks related to past or future releases of, or exposures to, hazardous substances, refer to "Item 1A. Risk Factors."

Medical Device and Other Health Care Regulations

Certain of the products of the Company's subsidiaries are classified as medical devices under the United States Food, Drug, and Cosmetic Act (the "FDCA"). The FDCA requires these products, when sold in the United States, to be safe and effective for their intended use and to comply with the regulations administered by the United States Food and

Drug Administration (“FDA”). These medical device products are also regulated by comparable agencies in other countries where such products are sold.

The FDA's regulatory requirements include:

- Establishment Registration. The Company's applicable subsidiaries must register with the FDA each facility where regulated products are developed or manufactured. The FDA periodically inspects these facilities.
- Marketing Authorization. The Company's applicable subsidiaries must obtain FDA clearance or approval to begin marketing a regulated, non-510(k)-exempted product in the United States. For some products, this clearance is obtained by submitting a 510(k) pre-market notification, which generally provides data on the design and performance of the product to allow the FDA to determine substantial equivalence to a product already in commercial distribution in the United States. Other products must go through a formal pre-market approval process which includes the review of non-clinical laboratory studies, clinical investigations, and information on the design and manufacture of the device as well as the successful completion of a pre-market approval inspection by the FDA.
- Quality Systems. The Company's applicable subsidiaries are required to establish a quality management system that includes clearly defined processes and procedures for ensuring regulated products are developed, manufactured and distributed in accordance with applicable regulatory requirements and international standards. These subsidiaries also must establish processes and procedures for investigating and responding to customer complaints regarding the performance of regulated products and are subject to periodic inspection by the FDA for compliance with the quality management system requirements.
- Labeling. The labeling for regulated products must contain specified information and in some cases, the FDA reviews and approves the labeling and any quality assurance protocols specified in the labeling. The FDA and other federal, state and non-U.S. regulatory bodies (including the Federal Trade Commission, the Office of the Inspector General of the Department of Health and Human Services, the U.S. Department of Justice and various state Attorneys General) also monitor the manner in which the Company's subsidiaries promote and advertise their products. Although physicians may use their medical judgment to employ medical devices for indications other than those cleared or approved by the FDA, the FDA prohibits manufacturers from promoting products for such "off-label" uses.
- Imports and Exports. The FDCA establishes requirements for importing products into and exporting products from the United States. In general, any limitations on importing and exporting products apply only to products that have not received U.S. marketing clearance or approval.
- Post-market Reporting. After regulated products have been distributed to customers, the Company's applicable subsidiaries may receive product complaints requiring them to investigate and report to the FDA certain events involving the products. These subsidiaries also must notify the FDA when they conduct recalls (known as field actions) involving their products.

Conformity with applicable regulatory requirements is subject to continual review and is monitored rigorously through periodic inspections by the FDA which may result in observations on Form 483 and in some cases warning letters that require corrective action.

In the European Union ("EU"), the Company is required to comply with applicable Medical Device Directives and affix a CE Mark on medical devices that will be placed on the market within the EU. To obtain a CE mark, medical devices must meet minimum standards of performance, safety and quality (known as the Essential Requirements), and then, according to their classification, comply with one or more of a selection of conformity assessment routes. An organization accredited by an EU Member State to certify whether a product meets the Essential Requirements, also known as a Notified Body, assesses the quality management systems of the device's manufacturer and the device's conformity to the essential and other requirements within the EU Medical Device or In Vitro Diagnostic ("IVD") Directives. These EU Directives are being replaced by new sets of pan-EU regulations, which will reclassify medical device and IVD products and require more of those products to go through a formal Notified Body review of the product's technical files in order to obtain CE marking in the future. Danaher's medical device companies are also subject to quality system audits by Notified Bodies for compliance and certification to the EU standards. The national regulatory agencies of the EU countries (otherwise known as Competent Authorities), generally in the form of their ministries or departments of health, also oversee clinical research for medical devices, can conduct their own

compliance audits and are responsible for postmarket surveillance of products once they are placed on the EU market. The Company's applicable subsidiaries are required to report device failures and injuries potentially related to product use to these authorities in a timely manner.

A number of other countries, including but not limited to Australia, Brazil, Canada, China and Japan, have also adopted or are in the process of adopting regulations and standards for medical devices sold in those countries.

In addition to the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and similar anti-bribery laws, the Company is also subject to various health care related laws regulating fraud and abuse, pricing and sales and marketing practices and the privacy and security of health information, including the United States federal regulations described below. Many states, foreign countries and supranational bodies have also adopted laws and regulations similar to, and in some cases more stringent than, the U.S. federal regulations discussed above and below.

- The Federal Anti-Kickback Statute prohibits persons from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in exchange for or to induce either the referral of an individual, or the furnishing or arranging for a good or service, for which payment may be made under a federal health care program, such as Medicare or Medicaid.
- The Health Insurance Portability and Accountability Act of 1996 (“HIPAA”) prohibits knowingly and willfully (1) executing a scheme to defraud any health care benefit program, including private payors, or (2) falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for health care benefits, items or services. In addition, HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, also restricts the use and disclosure of patient-identifiable health information, mandates the adoption of standards relating to the privacy and security of patient-identifiable health information and requires the reporting of certain security breaches with respect to such information.
- The False Claims Act imposes liability on any person or entity that, among other things, knowingly presents, or causes to be presented, a false or fraudulent claim for payment by a federal health care program. The qui tam provisions of the False Claims Act allow a private individual to bring actions on behalf of the federal government alleging that the defendant has submitted a false claim to the federal government, and to share in any monetary recovery.
- The Open Payments Act requires manufacturers of medical devices covered under Medicare and Medicaid to record payments and other transfers of value to physicians and teaching hospitals and to report this data to the Centers for Medicare and Medicaid Services for subsequent public disclosure. Similar reporting requirements have also been enacted on the state level, and an increasing number of countries worldwide either have adopted or are considering similar laws requiring transparency of interactions with health care professionals.

In addition:

- certain products of the Company’s subsidiaries utilize radioactive material, and the Company is subject to federal, state, local and non-U.S. regulations governing the management, storage, handling and disposal of these materials; and
- some of the in vitro diagnostic drugs-of-abuse assays and reagents of the Company’s subsidiaries contain small amounts of controlled substances, and as a result some of the Company’s facilities are inspected periodically by the United States Drug Enforcement Administration to ensure that the Company properly handles, stores, and disposes of controlled substances in the manufacture of those products.

For a discussion of risks related to regulation by the FDA and comparable agencies of other countries, and the other regulatory regimes referenced above, refer to “Item 1A. Risk Factors.”

Export/Import Compliance

The Company is required to comply with various U.S. export/import control and economic sanctions laws, including:

- the International Traffic in Arms Regulations administered by the U.S. Department of State, Directorate of Defense Trade Controls, which, among other things, imposes license requirements on the export from the United States of defense articles and defense services listed on the U.S. Munitions List;
- the Export Administration Regulations administered by the U.S. Department of Commerce, Bureau of Industry and Security, which, among other things, impose licensing requirements on the export, in-country

transfer and re-export of certain dual-use goods, technology and software (which are items that have both commercial and military, or proliferation applications);

- the regulations administered by the U.S. Department of Treasury, Office of Foreign Assets Control, which implement economic sanctions imposed against designated countries, governments and persons based on United States foreign policy and national security considerations; and
- the import regulatory activities of the U.S. Customs and Border Protection and other U.S. government agencies.

Other nations' governments have implemented similar export/import control and economic sanction regulations, which may affect the Company's operations or transactions subject to their jurisdictions. For a discussion of risks related to export/import control and economic sanctions laws, refer to "Item 1A. Risk Factors."

International Operations

The Company's products and services are available worldwide, and its principal markets outside the United States are in Europe and Asia. The Company also has operations around the world, and this geographic diversity allows the Company to draw on the skills of a worldwide workforce, provides greater stability to its operations, allows the Company to drive economies of scale, provides revenue streams that may help offset economic trends that are specific to individual economies and offers the Company an opportunity to access new markets for products. In addition, the Company believes that future growth depends in part on its ability to continue developing products and sales models that successfully target high-growth markets.

The manner in which the Company's products and services are sold outside the United States differs by business and by region. Most of the Company's sales in non-U.S. markets are made by its subsidiaries located outside the United States, though the Company also sells directly from the United States into non-U.S. markets through various representatives and distributors and, in some cases, directly. In countries with low sales volumes, the Company generally sells through representatives and distributors.

Information about the effects of foreign currency fluctuations on the Company's business is set forth in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this Annual Report. For a discussion of risks related to the Company's non-U.S. operations and foreign currency exchange, refer to "Item 1A. Risk Factors."

Major Customers

No customer accounted for more than 10% of consolidated sales in 2018, 2017 or 2016.

Available Information

The Company maintains an internet website at www.danaher.com. The Company makes available free of charge on the website its annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after filing such material with, or furnishing such material to, the SEC. Danaher's internet site and the information contained on or connected to that site are not incorporated by reference into this Form 10-K.

ITEM 1A. RISK FACTORS

You should carefully consider the risks and uncertainties described below, together with the information included elsewhere in this Annual Report on Form 10-K and other documents we file with the SEC. The risks and uncertainties described below are those that we have identified as material, but are not the only risks and uncertainties facing us. Our business is also subject to general risks and uncertainties that affect many other companies, such as market conditions, economic conditions, geopolitical events, changes in laws, regulations or accounting rules, fluctuations in interest rates, terrorism, wars or conflicts, major health concerns, natural disasters or other disruptions of expected business conditions. Additional risks and uncertainties not currently known to us or that we currently believe are immaterial also may impair our business, including our results of operations, liquidity and financial condition.

We intend to spin-off our Dental business into an independent, publicly-traded company in the second half of 2019. The proposed transaction may not be completed on the currently contemplated timeline or at all and may not achieve the intended benefits.

We have announced our intention to spin-off Danaher's Dental business into an independent, publicly-traded company in the second half of 2019, subject to the satisfaction of certain conditions, including obtaining final approval from the Danaher Board of Directors, satisfactory completion of financing, receipt of tax opinions, receipt of favorable rulings from the IRS and receipt of other regulatory approvals. Unanticipated developments, including possible delays in obtaining various tax rulings, regulatory approvals or clearances and trade qualifications, uncertainty of the financial markets or changes in the Company's cash requirements and challenges in establishing infrastructure or processes, could delay or prevent the proposed separation or cause the proposed separation to occur on terms or conditions that are less favorable and/or different than expected. Even if the transaction is completed, we

may not realize some or all of the anticipated benefits from the spin-off. Expenses incurred to accomplish the proposed separation may be significantly higher than what we currently anticipate. Executing the proposed separation also requires significant time and attention from management, which could distract them from other tasks in

operating our business. Following the proposed separation, the combined value of the common stock of the two publicly-traded companies may not be equal to or greater than what the value of our common stock would have been had the proposed separation not occurred.

Conditions in the global economy, the particular markets we serve and the financial markets may adversely affect our business and financial statements.

Our business is sensitive to general economic conditions. Slower global economic growth, actual or anticipated default on sovereign debt, volatility in the currency and credit markets, high levels of unemployment or underemployment, reduced levels of capital expenditures, changes or anticipation of potential changes in government trade, fiscal, tax and monetary policies, changes in capital requirements for financial institutions, government deficit reduction and budget negotiation dynamics, sequestration, austerity measures and other challenges that affect the global economy may adversely affect the Company and its distributors, customers and suppliers, including having the effect of:

- reducing demand for our products and services (in this Annual Report, references to products and services also includes software), limiting the financing available to our customers and suppliers, increasing order cancellations and resulting in longer sales cycles and slower adoption of new technologies;
- increasing the difficulty in collecting accounts receivable and the risk of excess and obsolete inventories;
- increasing price competition in our served markets;
- supply interruptions, which could disrupt our ability to produce our products;
- increasing the risk of impairment of goodwill and other long-lived assets, and the risk that we may not be able to fully recover the value of other assets such as real estate and tax assets;
- increasing the risk that counterparties to our contractual arrangements will become insolvent or otherwise unable to fulfill their contractual obligations which, in addition to increasing the risks identified above, could result in preference actions against us; and
- adversely impacting market sizes and growth rates.

Although we have been able to access the commercial paper and other capital markets through the date of this report, there can be no assurances that such markets will remain available to us or that the lenders participating in our revolving credit facility will be able to provide financing in accordance with their contractual obligations.

If growth in the global economy or in any of the markets we serve slows for a significant period, if there is significant deterioration in the global economy or such markets or if improvements in the global economy do not benefit the markets we serve, our business and financial statements could be adversely affected.

Significant developments or uncertainties stemming from the U.S. administration, including changes in U.S. trade policies, tariffs and the reaction of other countries thereto, could have an adverse effect on our business.

Changes, potential changes or uncertainties in U.S. social, political, regulatory and economic conditions or laws and policies governing foreign trade, manufacturing, and development and investment in the territories and countries where we or our customers operate, or governing the health care system and drug prices could adversely affect our business and financial statements. For example, the U.S. administration has increased tariffs on certain goods imported into the United States, raised the possibility of imposing significant, additional tariff increases and called for substantial changes to trade agreements. These factors have adversely affected, and in the future could further adversely affect, our business and financial statements.

Our growth could suffer if the markets into which we sell our products and services decline, do not grow as anticipated or experience cyclicalities.

Our growth depends in part on the growth of the markets which we serve, and visibility into our markets is limited (particularly for markets into which we sell through distribution). Our quarterly sales and profits depend substantially

on the volume and timing of orders received during the fiscal quarter, which are difficult to forecast. Any decline or lower than expected growth in our served markets could diminish demand for our products and services, which would adversely affect our financial statements. Certain of our businesses operate in industries that may experience periodic, cyclical downturns. In addition, in certain of our businesses demand depends on customers' capital spending budgets as well as government funding policies, and matters of public policy and government budget dynamics as well as product and economic cycles can affect the spending decisions of these entities. Demand for our products and services is also sensitive to changes in customer order patterns, which

may be affected by announced price changes, marketing or promotional programs, new product introductions, the timing of industry trade shows and changes in distributor or customer inventory levels due to distributor or customer management thereof or other factors. Any of these factors could adversely affect our growth and results of operations in any given period.

We face intense competition and if we are unable to compete effectively, we may experience decreased demand and decreased market share. Even if we compete effectively, we may be required to reduce prices for our products and services.

Our businesses operate in industries that are intensely competitive and have been subject to increasing consolidation. Because of the range of the products and services we sell and the variety of markets we serve, we encounter a wide variety of competitors; refer to “Item 1. Business—Competition” for additional details. In order to compete effectively, we must retain longstanding relationships with major customers and continue to grow our business by establishing relationships with new customers, continually developing new products and services to maintain and expand our brand recognition and leadership position in various product and service categories and penetrating new markets, including high-growth markets. In addition, significant shifts in industry market share have occurred and may in the future occur in connection with product problems, safety alerts and publications about products, reflecting the competitive significance of product quality, product efficacy and quality systems in our industry. Our failure to compete effectively and/or pricing pressures resulting from competition may adversely impact our financial statements, and our expansion into new markets may result in greater-than-expected risks, liabilities and expenses. In addition, the Company is exposed to the risk that its competitors or its customers may introduce private label, generic or low-cost products that compete with the Company’s products at lower price points. If these competitors’ products capture significant market share or result in a decrease in market prices overall, this could have an adverse effect on the Company’s financial statements.

Our growth depends in part on the timely development and commercialization, and customer acceptance, of new and enhanced products and services based on technological innovation.

We generally sell our products and services in industries that are characterized by rapid technological changes, frequent new product introductions and changing industry standards. If we do not develop innovative new and enhanced products and services on a timely basis, our offerings will become obsolete over time and our competitive position and financial statements will suffer. Our success will depend on several factors, including our ability to:

- correctly identify customer needs and preferences and predict future needs and preferences;
- allocate our R&D funding to products and services with higher growth prospects;
- anticipate and respond to our competitors’ development of new products and services and technological innovations;
- differentiate our offerings from our competitors’ offerings and avoid commoditization;
- innovate and develop new technologies and applications, and acquire or obtain rights to third-party technologies that may have valuable applications in our served markets;
- obtain adequate intellectual property rights with respect to key technologies before our competitors do;
- successfully commercialize new technologies in a timely manner, price them competitively and cost-effectively manufacture and deliver sufficient volumes of new products of appropriate quality on time;
- obtain necessary regulatory approvals of appropriate scope (including with respect to medical device products by demonstrating satisfactory clinical results where applicable, as well as achieving third-party reimbursement); and
- stimulate customer demand for and convince customers to adopt new technologies.

If we fail to accurately predict future customer needs and preferences or fail to produce viable technologies, we may invest heavily in R&D of products and services that do not lead to significant revenue, which would adversely affect our profitability. Even if we successfully innovate and develop new and enhanced products and services, we may incur substantial costs in doing so, and our profitability may suffer. In addition, promising new offerings may fail to reach the market or realize only limited commercial success because of real or perceived efficacy or safety concerns, failure to achieve positive clinical outcomes, uncertainty over third-party reimbursement or entrenched patterns of clinical practice. Competitors may also develop after-market services and parts for our products which attract customers and adversely affect our return on investment for new products.

Our reputation, ability to do business and financial statements may be impaired by improper conduct by any of our employees, agents or business partners.

We cannot provide assurance that our internal controls and compliance systems will always protect us from acts committed by employees, agents or business partners of ours (or of businesses we acquire or partner with) that would violate U.S. and/or non-U.S. laws, including the laws governing payments to government officials, bribery, fraud, kickbacks and false claims, pricing, sales and marketing practices, conflicts of interest, competition, employment practices and workplace behavior, export and import compliance, money laundering and data privacy. In particular, the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business, and we operate in many parts of the world that have experienced governmental corruption to some degree. Any such improper actions or allegations of such acts could damage our reputation and subject us to civil or criminal investigations in the United States and in other jurisdictions and related shareholder lawsuits, could lead to substantial civil and criminal, monetary and nonmonetary penalties and could cause us to incur significant legal and investigatory fees. In addition, the government may seek to hold us liable for violations committed by companies in which we invest or that we acquire. We also rely on our suppliers to adhere to our supplier standards of conduct, and material violations of such standards of conduct could occur that could have a material effect on our business, reputation and financial statements.

Certain of our businesses are subject to extensive regulation by the U.S. FDA and by comparable agencies of other countries, as well as laws regulating fraud and abuse in the health care industry and the privacy and security of health information. Failure to comply with those regulations could adversely affect our reputation, ability to do business and financial statements.

Certain of our products are medical devices and other products that are subject to regulation by the U.S. FDA, by other federal and state governmental agencies, by comparable agencies of other countries and regions, by certain accrediting bodies and by regulations governing hazardous materials and drugs-of abuse (or the manufacture and sale of products containing any such materials). The global regulatory environment has become increasingly stringent and unpredictable. Several countries that did not have regulatory requirements for medical devices have established such requirements in recent years, and other countries have expanded, or plan to expand, their existing regulations. For example, the EU has adopted the EU Medical Device Regulation (the “EU MDR”) and the In Vitro Diagnostic Regulation (the “EU IVDR”), each of which impose stricter requirements for the marketing and sale of medical devices, including in the area of clinical evaluation requirements, quality systems and post-market surveillance. Manufacturers of currently approved medical devices will have until May 2020 to meet the requirements of the EU MDR and until May 2022 to meet the EU IVDR. Failure to meet these requirements could adversely impact our business in the EU and other regions that tie their product registrations to the EU requirements.

To varying degrees, these regulators require us to comply with laws and regulations governing the development, testing, manufacturing, labeling, marketing, distribution and post-marketing surveillance of our products. We cannot guarantee that we will be able to obtain regulatory clearance (such as 510(k) clearance) or approvals for our new products or modifications to (or additional indications or uses of) existing products within our anticipated timeframe or at all, and if we do obtain such clearance or approval it may be time-consuming, costly and subject to restrictions. Our ability to obtain such regulatory clearances or approvals will depend on many factors, for example our ability to obtain the necessary clinical trial results, and the process for obtaining such clearances or approvals could change over time and may require the withdrawal of products from the market until such clearances are obtained. Even after initial regulatory clearance or approval, we are subject to periodic inspection by these regulatory authorities, and if safety issues arise we may be required to amend conditions for use of a product, such as providing additional warnings on the product’s label or narrowing its approved intended use, which could reduce the product’s market acceptance. Failure to obtain required regulatory clearances or approvals before marketing our products (or before implementing modifications to or promoting additional indications or uses of our products), other violations of these regulations, failure to remediate inspectional observations to the satisfaction of these regulatory authorities, real or perceived efficacy or safety concerns or trends of adverse events with respect to our products (even after obtaining clearance for distribution) and unfavorable or inconsistent clinical data from existing or future clinical trials can lead to FDA Form 483 Inspectional Observations, warning letters, notices to customers, declining sales, loss of customers, loss of market share, remediation and increased compliance costs, recalls, seizures of adulterated or misbranded products, injunctions, administrative detentions, refusals to permit importations, partial or total shutdown of production facilities or the implementation of operating restrictions, narrowing of permitted uses for a product, suspension or withdrawal of approvals and pre-market notification rescissions. We are also subject to various laws regulating fraud and abuse, pricing and sales and marketing practices in the health care industry and the privacy and

security of health information, including the federal regulations described in “Item 1. Business—Regulatory Matters.”

Failure to comply with applicable regulations could result in the adverse effects referenced below under “Our businesses are subject to extensive regulation; failure to comply with those regulations could adversely affect our financial statements and our business, including our reputation.” Compliance with regulations may also require us to incur significant expenses.

Our products are subject to clinical trials, the results of which may be unexpected, or perceived as unfavorable by the market, and could have a material adverse effect on our business, financial condition or results of operations.

As a part of the regulatory process of obtaining marketing clearance for new products and new indications for existing products, we conduct and participate in numerous clinical trials with a variety of study designs, patient populations and trial endpoints. Unexpected or inconsistent clinical data from existing or future clinical trials, or a regulator’s or the market’s perception of this clinical data, may adversely impact our ability to obtain product approvals, our position in, and share of, the markets in which we participate and our business and financial statements.

The health care industry and related industries that we serve have undergone, and are in the process of undergoing, significant changes in an effort to reduce costs, which could adversely affect our financial statements.

The health care industry and related industries that we serve have undergone, and are in the process of undergoing, significant changes in an effort to reduce costs, including the following:

- many of our customers, and the end-users to whom our customers supply products, rely on government funding of and reimbursement for health care products and services and research activities. The U.S. Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act (collectively, the “PPACA”), health care austerity measures in other countries and other potential health care reform changes and government austerity measures have reduced and may further reduce the amount of government funding or reimbursement available to customers or end-users of our products and services and/or the volume of medical procedures using our products and services. For example, the Protecting Access to Medicare Act of 2014, or PAMA, introduced a multi-year pricing program for services payable under the Clinical Laboratory Fee Schedule (“CLFS”) that is designed to bring Medicare allowable amounts in line with the amounts paid by private payers. It is still unclear whether and to what extent these new rates will affect overall pricing and reimbursement for clinical laboratory testing services, but if our customers conclude that Medicare reimbursement for these services is inadequate, it could in turn adversely impact the prices at which we sell our products. Other countries, as well as some private payors also control the price of health care products, directly or indirectly, through reimbursement, payment, pricing or coverage limitations, tying reimbursement to outcomes or (in the case of governmental entities) through compulsory licensing. Global economic uncertainty or deterioration can also adversely impact government funding and reimbursement.
- the PPACA imposes on medical device manufacturers, such as Danaher, a 2.3% excise tax on U.S. sales of certain medical devices. The excise tax has been suspended until the end of 2019, but the Company would be subject to the tax beginning in 2020.
- governmental and private health care providers and payors around the world are increasingly utilizing managed care for the delivery of health care services, centralizing purchasing, limiting the number of vendors that may participate in purchasing programs, forming group purchasing organizations and integrated health delivery networks and pursuing consolidation to improve their purchasing leverage and using competitive bid processes to procure health care products and services.

These changes as well as other impacts from market demand, government regulations, third-party coverage and reimbursement policies and societal pressures have started changing the way healthcare is delivered, reimbursed and funded and may cause participants in the health care industry and related industries that we serve to purchase fewer of our products and services, reduce the prices they are willing to pay for our products or services, reduce the amounts of reimbursement and funding available for our products and services from governmental agencies or third-party payors, heighten clinical data requirements, reduce the volume of medical procedures that use our products and services, affect the acceptance rate of new technologies and products and increase our compliance and other costs. In addition, we may be excluded from important market segments or unable to enter into contracts with group purchasing organizations and integrated health networks on terms acceptable to us, and even if we do enter into such

contracts they may be on terms that negatively affect our current or future profitability. All of the factors described above could adversely affect our business and financial statements.

Any inability to consummate acquisitions at our historical rate and at appropriate prices, and to make appropriate investments that support our long-term strategy, could negatively impact our growth rate and stock price.

Our ability to grow revenues, earnings and cash flow at or above our historic rates depends in part upon our ability to identify and successfully acquire and integrate businesses at appropriate prices and realize anticipated synergies, and to make appropriate investments that support our long-term strategy. We may not be able to consummate acquisitions at rates similar to the past, which could adversely impact our growth rate and our stock price. Promising acquisitions and investments are difficult to identify and complete for a number of reasons, including high valuations, competition among prospective buyers, the availability of affordable funding in the capital markets and the need to satisfy applicable closing conditions and obtain applicable antitrust and other regulatory approvals on acceptable terms. In addition, competition for acquisitions and investments may result in higher purchase prices. Changes in accounting or regulatory requirements or instability in the credit markets could also adversely impact our ability to consummate acquisitions and investments.

Our acquisition of businesses, investments, joint ventures and other strategic relationships could negatively impact our financial statements.

As part of our business strategy we acquire businesses, make investments and enter into joint ventures and other strategic relationships in the ordinary course, and we also from time to time complete more significant transactions; refer to “Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations” (“MD&A”) for additional details. Acquisitions, investments, joint ventures and strategic relationships involve a number of financial, accounting, managerial, operational, legal, compliance and other risks and challenges, including the following, any of which could adversely affect our business and our financial statements:

- any business, technology, service or product that we acquire or invest in could under-perform relative to our expectations and the price that we paid or not perform in accordance with our anticipated timetable, or we could fail to operate any such business profitably.
- we may incur or assume significant debt in connection with our acquisitions, investments, joint ventures or strategic relationships, which could also cause a deterioration of Danaher’s credit ratings, result in increased borrowing costs and interest expense and diminish our future access to the capital markets.
- acquisitions, investments, joint ventures or strategic relationships could cause our financial results to differ from our own or the investment community’s expectations in any given period, or over the long-term.
- pre-closing and post-closing earnings charges could adversely impact operating results in any given period, and the impact may be substantially different from period-to-period.
- acquisitions, investments, joint ventures or strategic relationships could create demands on our management, operational resources and financial and internal control systems that we are unable to effectively address.
- we could experience difficulty in integrating personnel, operations and financial and other controls and systems and retaining key employees and customers.
- we may be unable to achieve cost savings or other synergies anticipated in connection with an acquisition, investment, joint venture or strategic relationship.
- we may assume unknown liabilities, known contingent liabilities that become realized, known liabilities that prove greater than anticipated, internal control deficiencies or exposure to regulatory sanctions resulting from the acquired company’s or investee’s activities and the realization of any of these liabilities or deficiencies may increase our expenses, adversely affect our financial position or cause us to fail to meet our public financial reporting obligations.
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in connection with acquisitions and joint ventures, we often enter into post-closing financial arrangements such as purchase price adjustments, earn-out obligations and indemnification obligations, which may have unpredictable financial results.

- as a result of our acquisitions and investments, we have recorded significant goodwill and other assets on our balance sheet and if we are not able to realize the value of these assets, or if the fair value of our investments declines, we may be required to incur impairment charges.
- we may have interests that diverge from those of our joint venture partners or other strategic partners and we may not be able to direct the management and operations of the joint venture or other strategic relationship in the manner we believe is most appropriate, exposing us to additional risk.

- investing in or making loans to early-stage companies often entails a high degree of risk, and we may not achieve the strategic, technological, financial or commercial benefits we anticipate; we may lose our investment or fail to recoup our loan; or our investment may be illiquid for a greater-than-expected period of time.

The indemnification provisions of acquisition agreements by which we have acquired companies may not fully protect us and as a result we may face unexpected liabilities.

Certain of the acquisition agreements by which we have acquired companies require the former owners to indemnify us against certain liabilities related to the operation of the company before we acquired it. In most of these agreements, however, the liability of the former owners is limited and certain former owners may be unable to meet their indemnification responsibilities. We cannot assure you that these indemnification provisions will protect us fully or at all, and as a result we may face unexpected liabilities that adversely affect our financial statements.

Divestitures or other dispositions could negatively impact our business, and contingent liabilities from businesses that we have sold could adversely affect our financial statements.

We continually assess the strategic fit of our existing businesses and may divest, spin-off, split-off or otherwise dispose of businesses that are deemed not to fit with our strategic plan or are not achieving the desired return on investment. For example, we split-off our communications business in 2015, spun-off our Fortive business in 2016 and have announced our intention to spin-off our Dental business in 2019. Transactions such as these pose risks and challenges that could negatively impact our business and financial statements. For example, when we decide to sell or otherwise dispose of a business or assets, we may be unable to do so on satisfactory terms within our anticipated timeframe or at all, and even after reaching a definitive agreement to sell or dispose a business the sale is typically subject to satisfaction of pre-closing conditions which may not become satisfied. In addition, divestitures or other dispositions may dilute the Company's earnings per share, have other adverse financial, tax and accounting impacts and distract management, and disputes may arise with buyers. In addition, we have retained responsibility for and/or have agreed to indemnify buyers against some known and unknown contingent liabilities related to a number of businesses we have sold or disposed. The resolution of these contingencies has not had a material effect on our financial statements but we cannot be certain that this favorable pattern will continue.

We could incur significant liability if the anticipated spin-off of our Dental business, 2016 spin-off of Fortive Corporation ("Fortive") or the 2015 split-off of our communications business is determined to be a taxable transaction.

In July 2015, the Company consummated the split-off of the majority of its former communications business to Danaher shareholders who elected to exchange Danaher shares for ownership interests in the communications business, and the subsequent merger of the communications business with a subsidiary of NetScout Systems, Inc. Danaher shareholders who participated in the exchange offer tendered 26 million shares of Danaher common stock (approximately \$2.3 billion on the date of tender) and received 62.5 million shares of NetScout common stock which represented approximately 60% of the shares of NetScout common stock outstanding following the combination.

On July 2, 2016, Danaher completed the separation (the "Fortive Separation") of its former Test & Measurement segment, Industrial Technologies segment (excluding the product identification businesses) and retail/commercial petroleum business by distributing to Danaher stockholders on a pro rata basis all of the issued and outstanding common stock of Fortive, the entity Danaher incorporated to hold such businesses. To effect the Fortive Separation, Danaher distributed to its stockholders one share of Fortive common stock for every two shares of Danaher common stock outstanding as of June 15, 2016, the record date for the distribution.

As noted above, we have also announced our intention to spin-off Danaher's Dental business into an independent, publicly-traded company in the second half of 2019, subject to the satisfaction of certain conditions.

We have received opinions from outside tax counsel to the effect that each of the Fortive Separation in 2016 and the split-off of our communications business in 2015 qualifies as a transaction that is described in Sections 355(a) and 368(a)(1)(D) of the Internal Revenue Code, and we anticipate receiving a similar opinion with respect to the planned Dental spin-off. The opinions relating to the Fortive spin-off and communications split-off rely (and we anticipate the opinion related to the Dental spin-off will rely) on certain facts, assumptions, representations and undertakings regarding the past and future conduct of the companies' respective businesses and other matters. If any of these facts, assumptions, representations or undertakings are incorrect or not satisfied, our stockholders and we may not be able to rely on the respective opinion of tax counsel and could be subject to significant tax liabilities. Notwithstanding the

opinion of tax counsel, the IRS could determine on audit that any such separations are taxable if it determines that any of these facts, assumptions, representations or undertakings are not correct or have been violated or if it disagrees with the conclusions in the respective opinion. If any such transaction is determined to be taxable for U.S. federal income tax purposes, our stockholders that are subject to U.S. federal income tax and we could incur significant U.S. federal income tax liabilities.

Potential indemnification liabilities pursuant to the 2016 spin-off of Fortive and the 2015 split-off of our communications business could materially and adversely affect our business and financial statements.

We entered into a separation and distribution agreement and related agreements with Fortive to govern the Fortive Separation and the relationship between the two companies going forward. We entered into similar agreements with NetScout Systems, Inc. in connection with the split-off of our communications business and anticipate entering into similar agreements in connection with the spin-off of our Dental business. These agreements provide for specific indemnity and liability obligations of each party and could lead to disputes between us. If we are required to indemnify the other parties under the circumstances set forth in these agreements, we may be subject to substantial liabilities. In addition, with respect to the liabilities for which the other parties have agreed to indemnify us under these agreements, there can be no assurance that the indemnity rights we have against such other parties will be sufficient to protect us against the full amount of the liabilities, or that such other parties will be able to fully satisfy its indemnification obligations. It is also possible that a court could disregard the allocation of assets and liabilities agreed to between Danaher and such other parties and require Danaher to assume responsibility for obligations allocated to such other parties. Each of these risks could negatively affect our business and financial statements.

A significant disruption in, or breach in security of, our information technology systems or data or violation of data privacy laws could adversely affect our business, reputation and financial statements.

We rely on information technology systems, some of which are provided and/or managed by third-parties, to process, transmit and store electronic information (including sensitive data such as confidential business information and personally identifiable data relating to employees, customers, other business partners and patients), and to manage or support a variety of critical business processes and activities (such as receiving and fulfilling orders, billing, collecting and making payments, shipping products, providing services and support to customers and fulfilling contractual obligations). In addition, some of our remote monitoring products and services incorporate software and information technology that may house personal data and some products or software we sell to customers may connect to our systems for maintenance or other purposes. These systems, products and services (including those we acquire through business acquisitions) may be damaged, disrupted or shut down due to attacks by computer hackers, computer viruses, ransomware, human error or malfeasance, power outages, hardware failures, telecommunication or utility failures, catastrophes or other unforeseen events, and in any such circumstances our system redundancy and other disaster recovery planning may be ineffective or inadequate. Attacks may also target hardware, software and information installed, stored or transmitted in our products after such products have been purchased and incorporated into third-party products, facilities or infrastructure. Security breaches of systems provided or enabled by us, regardless of whether the breach is attributable to a vulnerability in our products or services, could result in the misappropriation, destruction or unauthorized disclosure of confidential information or personal data belonging to us or to our employees, partners, customers, patients or suppliers. Like most multinational corporations, our information technology systems have been subject to computer viruses, malicious codes, unauthorized access and other cyber-attacks and we expect the sophistication and frequency of such attacks to continue to increase. Unauthorized tampering, adulteration or interference with our products may also adversely affect product functionality and result in loss of data, risk to patient safety and product recalls or field actions. Any of the attacks, breaches or other disruptions or damage described above could interrupt our operations or the operations of our customers and partners, delay production and shipments, result in theft of our and our customers' intellectual property and trade secrets, damage customer, patient, business partner and employee relationships and our reputation or result in defective products or services, legal claims and proceedings, liability and penalties under privacy laws and increased costs for security and remediation, each of which could adversely affect our business, reputation and financial statements.

If we are unable to maintain reliable information technology systems and appropriate controls with respect to global data privacy and security requirements and prevent data breaches, we may suffer adverse regulatory consequences, business consequences and litigation. As a global organization, we are subject to data privacy and security laws, regulations, and customer-imposed controls in numerous jurisdictions as a result of having access to and processing confidential, personal and/or sensitive data in the course of our business. For example, in the United States, HIPAA privacy and security rules require certain of our operations to maintain controls to protect the availability and confidentiality of patient health information, individual states regulate data breach and security requirements and multiple governmental bodies assert authority over aspects of the protection of personal privacy. The new EU General Data Protection Regulation, which became effective in May 2018, has imposed significantly stricter requirements in how we collect and process personal data, including, among other things, a requirement for prompt notice of data breaches to data subjects and supervisory authorities in certain circumstances and significant fines for non-compliance. Several other countries such as China and Russia have passed, and other countries are considering passing, laws that require personal data relating to their citizens to be maintained on local servers and impose

additional data transfer restrictions. Government enforcement actions can be costly and interrupt the regular operation of our business, and data breaches or violations of data privacy laws can result in fines, reputational damage and civil lawsuits, any of which may adversely affect our business, reputation and financial statements. In addition, compliance with the varying data privacy regulations around the world has required significant expenditures and may require additional expenditures, and may require changes in our products or business models that increase competition or reduce revenue.

Our operations, products and services expose us to the risk of environmental, health and safety liabilities, costs and violations that could adversely affect our business, reputation and financial statements.

Our operations, products and services are subject to environmental laws and regulations, which impose limitations on the discharge of pollutants into the environment, establish standards for the use, generation, treatment, storage and disposal of hazardous and nonhazardous wastes and impose end-of-life disposal and take-back programs. We must also comply with various health and safety regulations in the United States and abroad in connection with our operations. We cannot assure you that our environmental, health and safety compliance program (or the compliance programs of businesses we acquire) have been or will at all times be effective. Failure to comply with any of these laws could result in civil and criminal, monetary and nonmonetary penalties and damage to our reputation. In addition, we cannot provide assurance that our costs of complying with current or future environmental protection and health and safety laws will not exceed our estimates or adversely affect our financial statements.

In addition, we may incur costs related to remedial efforts or alleged environmental damage associated with past or current waste disposal practices or other hazardous materials handling practices. We are also from time to time party to personal injury, property damage or other claims brought by private parties alleging injury or damage due to the presence of or exposure to hazardous substances. We may also become subject to additional remedial, compliance or personal injury costs due to future events such as changes in existing laws or regulations, changes in agency direction or enforcement policies, developments in remediation technologies, changes in the conduct of our operations and changes in accounting rules. For additional information regarding these risks, refer to Note 17 to the Consolidated Financial Statements included in this Annual Report. We cannot assure you that our liabilities arising from past or future releases of, or exposures to, hazardous substances will not exceed our estimates or adversely affect our reputation and financial statements or that we will not be subject to additional claims for personal injury or remediation in the future based on our past, present or future business activities. However, based on the information we currently have we do not believe that it is reasonably possible that any amounts we may be required to pay in connection with environmental matters in excess of our reserves as of December 31, 2018 will have a material effect on our financial statements.

Our businesses are subject to extensive regulation; failure to comply with those regulations could adversely affect our financial statements and our business, including our reputation.

In addition to the environmental, health, safety, health care, medical device, anticorruption, data privacy and other regulations noted elsewhere in this Annual Report, our businesses are subject to extensive regulation by U.S. and non-U.S. governmental and self-regulatory entities at the supranational, federal, state, local and other jurisdictional levels, including the following:

- we are required to comply with various import laws and export control and economic sanctions laws, which may affect our transactions with certain customers, business partners and other persons and dealings between our employees and between our subsidiaries. In certain circumstances, export control and economic sanctions regulations may prohibit the export of certain products, services and technologies. In other circumstances, we may be required to obtain an export license before exporting the controlled item. Compliance with the various import laws that apply to our businesses can restrict our access to, and increase the cost of obtaining, certain products and at times can interrupt our supply of imported inventory.
- we also have agreements to sell products and services to government entities and are subject to various statutes and regulations that apply to companies doing business with government entities. The laws governing government contracts differ from the laws governing private contracts. For example, many government contracts contain pricing and other terms and conditions that are not applicable to private contracts. Our agreements with government entities may be subject to termination, reduction or modification at the convenience of the government or in the event of changes in government requirements, reductions in federal spending and other factors, and we may underestimate our costs of performing under the contract. In certain cases, a governmental entity may require us to pay back amounts it has paid to us. Government contracts that have been awarded to us following a bid process could become the subject of a bid protest by a losing bidder, which could result in loss of the contract. We are also subject to investigation and audit for compliance with the requirements governing government contracts.

These are not the only regulations that our businesses must comply with. The regulations we are subject to have tended to become more stringent over time and may be inconsistent across jurisdictions. We, our representatives and

the industries in which we operate may at times be under review and/or investigation by regulatory authorities. Failure to comply (or any alleged or perceived failure to comply) with the regulations referenced above or any other regulations could result in civil and criminal, monetary and nonmonetary penalties, and any such failure or alleged failure (or becoming subject to a regulatory enforcement investigation) could also damage our reputation, disrupt our business, limit our ability to manufacture, import, export and sell products and services, result in loss of customers and disbarment from selling to certain federal agencies and

cause us to incur significant legal and investigatory fees. Compliance with these and other regulations may also affect our returns on investment, require us to incur significant expenses or modify our business model or impair our flexibility in modifying product, marketing, pricing or other strategies for growing our business. Our products and operations are also often subject to the rules of industrial standards bodies such as the International Standards Organization, and failure to comply with these rules could result in withdrawal of certifications needed to sell our products and services and otherwise adversely impact our business and financial statements. For additional information regarding these risks, refer to “Item 1. Business—Regulatory Matters.”

Our restructuring actions could have long-term adverse effects on our business.

In recent years, we have implemented significant restructuring activities across our businesses to adjust our cost structure, and we may engage in similar restructuring activities in the future. These restructuring activities and our regular ongoing cost reduction activities (including in connection with the integration of acquired businesses) reduce our available talent, assets and other resources and could slow improvements in our products and services, adversely affect our ability to respond to customers, limit our ability to increase production quickly if demand for our products increases and trigger adverse public attention. In addition, delays in implementing planned restructuring activities or other productivity improvements, unexpected costs or failure to meet targeted improvements may diminish the operational or financial benefits we expect to realize from such actions. Any of the circumstances described above could adversely impact our business and financial statements.

We may be required to recognize impairment charges for our goodwill and other intangible assets.

As of December 31, 2018, the net carrying value of our goodwill and other intangible assets totaled approximately \$37.6 billion. In accordance with generally accepted accounting principles, we periodically assess these assets to determine if they are impaired. Significant negative industry or economic trends, disruptions to our business, inability to effectively integrate acquired businesses, unexpected significant changes or planned changes in use of our assets, changes in the structure of our business, divestitures, market capitalization declines, or increases in associated discount rates may impair our goodwill and other intangible assets. Any charges relating to such impairments would adversely affect our results of operations in the periods recognized.

Foreign currency exchange rates may adversely affect our financial statements.

Sales and purchases in currencies other than the U.S. dollar expose us to fluctuations in foreign currencies relative to the U.S. dollar and may adversely affect our financial statements. Increased strength of the U.S. dollar increases the effective price of our products sold in U.S. dollars into other countries, which may require us to lower our prices or adversely affect sales to the extent we do not increase local currency prices. Decreased strength of the U.S. dollar could adversely affect the cost of materials, products and services we purchase overseas. Sales and expenses of our non-U.S. businesses are also translated into U.S. dollars for reporting purposes and the strengthening or weakening of the U.S. dollar could result in unfavorable translation effects. In addition, certain of our businesses may invoice customers in a currency other than the business’ functional currency, and movements in the invoiced currency relative to the functional currency could also result in unfavorable translation effects. The Company also faces exchange rate risk from its investments in subsidiaries owned and operated in foreign countries.

Changes in our tax rates or exposure to additional income tax liabilities or assessments could affect our profitability. In addition, audits by tax authorities could result in additional tax payments for prior periods.

We are subject to income taxes in the U.S. and in numerous non-U.S. jurisdictions. On December 22, 2017, the Tax Cuts and Jobs Act (“TCJA”) was enacted. The TCJA significantly revised the U.S. federal corporate income tax law by, among other things, lowering the corporate income tax rate to 21.0%, implementing a territorial tax system, and imposing a one-time tax on unremitted cumulative non-U.S. earnings of foreign subsidiaries (“Transition Tax”). The U.S. Treasury Department and IRS continue to issue regulations with respect to implementing the TCJA and further regulations are expected to be issued.

Due to the potential for changes to tax laws and regulations or changes to the interpretation thereof (including regulations and interpretations pertaining to the TCJA), the ambiguity of tax laws and regulations, the subjectivity of factual interpretations, the complexity of our intercompany arrangements, uncertainties regarding the geographic mix of earnings in any particular period, and other factors, our estimates of effective tax rate and income tax assets and liabilities may be incorrect and our financial statements could be adversely affected; please refer to MD&A for a discussion of additional factors that may adversely affect our effective tax rate and decrease our profitability in any period. The impact of these factors referenced in the first sentence of this paragraph may be substantially different from period-to-period.

In addition, the amount of income taxes we pay is subject to ongoing audits by U.S. federal, state and local tax authorities and by non-U.S. tax authorities, such as the audits described in MD&A and the Company's Consolidated Financial Statements. If audits result in payments or assessments different from our reserves, our future results may include unfavorable adjustments to

our tax liabilities and our financial statements could be adversely affected. Any further significant changes to the tax system in the United States or in other jurisdictions (including changes in the taxation of international income as further described below) could adversely affect our financial statements.

Changes in tax law relating to multinational corporations could adversely affect our tax position.

The U.S. Congress, government agencies in non-U.S. jurisdictions where we and our affiliates do business, and the Organisation for Economic Co-operation and Development (“OECD”) have recently focused on issues related to the taxation of multinational corporations. One example is in the area of “base erosion and profit shifting,” where profits are claimed to be earned for tax purposes in low-tax jurisdictions, or payments are made between affiliates from a jurisdiction with high tax rates to a jurisdiction with lower tax rates. The OECD has released several components of its comprehensive plan to create an agreed set of international rules for addressing base erosion and profit shifting. As a result, the tax laws in the United States and other countries in which we do business could change on a prospective or retroactive basis, and any such changes could adversely affect our business and financial statements.

We are subject to a variety of litigation and other legal and regulatory proceedings in the course of our business that could adversely affect our business and financial statements.

We are subject to a variety of litigation and other legal and regulatory proceedings incidental to our business (or the business operations of previously owned entities), including claims or counterclaims for damages arising out of the use of products or services and claims relating to intellectual property matters, employment matters, tax matters, commercial disputes, breach of contract claims, competition and sales and trading practices, environmental matters, personal injury, insurance coverage and acquisition or divestiture-related matters, as well as regulatory subpoenas, requests for information, investigations and enforcement. We may also become subject to lawsuits as a result of past or future acquisitions or as a result of liabilities retained from, or representations, warranties or indemnities provided in connection with, divested businesses. The types of claims made in lawsuits include claims for compensatory damages, punitive and consequential damages (and in some cases, treble damages) and/or injunctive relief. The defense of these lawsuits may divert our management’s attention, we may incur significant expenses in defending these lawsuits, and we may be required to pay damage awards or settlements or become subject to equitable remedies that could adversely affect our operations and financial statements. Moreover, any insurance or indemnification rights that we may have may be insufficient or unavailable to protect us against such losses. In addition, developments in proceedings in any given period may require us to adjust the loss contingency estimates that we have recorded in our financial statements, record estimates for liabilities or assets previously not susceptible of reasonable estimates or pay cash settlements or judgments. Any of these developments could adversely affect our financial statements in any particular period. We cannot assure you that our liabilities in connection with litigation and other legal and regulatory proceedings will not exceed our estimates or adversely affect our financial statements and business. However, based on our experience, current information and applicable law, we do not believe that it is reasonably possible that any amounts we may be required to pay in connection with litigation and other legal and regulatory proceedings in excess of our reserves as of December 31, 2018 will have a material effect on our financial statements.

If we do not or cannot adequately protect our intellectual property, or if third-parties infringe our intellectual property rights, we may suffer competitive injury or expend significant resources enforcing our rights.

Many of the markets we serve are technology-driven, and as a result intellectual property rights play a significant role in product development and differentiation. We own numerous patents, trademarks, copyrights, trade secrets and other intellectual property and licenses to intellectual property owned by others, which in aggregate are important to our business. The intellectual property rights that we obtain, however, may not be sufficiently broad or otherwise may not provide us a significant competitive advantage, and patents may not be issued for pending or future patent applications owned by or licensed to us. In addition, the steps that we and our licensors have taken to maintain and protect our intellectual property may not prevent it from being challenged, invalidated, circumvented, designed-around or becoming subject to compulsory licensing, particularly in countries where intellectual property rights are not highly developed or protected. In some circumstances, enforcement may not be available to us because an infringer has a dominant intellectual property position or for other business reasons, or countries may require compulsory licensing of our intellectual property. We also rely on nondisclosure and noncompetition agreements with employees, consultants and other parties to protect, in part, trade secrets and other proprietary rights. There can be no assurance that these agreements will adequately protect our trade secrets and other proprietary rights and will not be breached, that we will have adequate remedies for any breach, that others will not independently develop substantially equivalent proprietary information or that third-parties will not otherwise gain access to our trade secrets or other proprietary rights. Our failure to obtain or maintain intellectual property rights that convey

competitive advantage, adequately protect our intellectual property or detect or prevent circumvention or unauthorized use of such property and the cost of enforcing our intellectual property rights could adversely impact our business, including our competitive position, and financial statements.

Third-parties may claim that we are infringing or misappropriating their intellectual property rights and we could suffer significant litigation expenses, losses or licensing expenses or be prevented from selling products or services.

From time to time, we receive notices from third-parties alleging intellectual property infringement or misappropriation. Any dispute or litigation regarding intellectual property could be costly and time-consuming due to the complexity of many of our technologies and the uncertainty of intellectual property litigation. Our intellectual property portfolio may not be useful in asserting a counterclaim, or negotiating a license, in response to a claim of infringement or misappropriation. In addition, as a result of such claims of infringement or misappropriation, we could lose our rights to critical technology, be unable to license critical technology or sell critical products and services, be required to pay substantial damages or license fees with respect to the infringed rights or be required to redesign our products at substantial cost, any of which could adversely impact our business, including our competitive position, and financial statements. Even if we successfully defend against claims of infringement or misappropriation, we may incur significant costs and diversion of management attention and resources, which could adversely affect our business and financial statements.

The U.S. government has certain rights to use and disclose some of the intellectual property that we license and could exclusively license it to a third-party if we fail to achieve practical application of the intellectual property.

Certain technology licensed by us under agreements with third-party licensors may be subject to government rights. Government rights in inventions conceived or reduced to practice under a government-funded program may include a nonexclusive, royalty-free worldwide license to practice or have practiced such inventions for any governmental purpose. In addition, the U.S. government has the right to require us or our licensors (as applicable) to grant licenses which would be exclusive under any of such inventions to a third-party if they determine that: (1) adequate steps have not been taken to commercialize such inventions in a particular field of use; (2) such action is necessary to meet public health or safety needs; or (3) such action is necessary to meet requirements for public use under federal regulations. Further, the government rights include the right to use and disclose, without limitation, technical data relating to licensed technology that was developed in whole or in part at government expense.

Defects and unanticipated use or inadequate disclosure with respect to our products or services (including software), or allegations thereof, could adversely affect our business, reputation and financial statements.

Manufacturing or design defects or “bugs” in, unanticipated use of, safety or quality issues (or the perception of such issues) with respect to, “off label” use of, or inadequate disclosure of risks relating to the use of products and services that we make or sell (including items that we source from third-parties) can lead to personal injury, death, property damage, loss of profits or other liability. These events could lead to recalls or safety alerts, result in the removal of a product or service from the market and result in product liability or similar claims being brought against us. Recalls, removals and product liability and similar claims (regardless of their validity or ultimate outcome) can result in significant costs, as well as negative publicity and damage to our reputation that could reduce demand for our products and services. Our business can also be affected by studies of the utilization, safety and efficacy of medical device products and components that are conducted by industry participants, government agencies and others. Any of the above can result in the discontinuation of marketing of such products in one or more countries, and may give rise to claims for damages from persons who believe they have been injured as a result of product issues, including claims by individuals or groups seeking to represent a class.

The manufacture of many of our products is a highly exacting and complex process, and if we directly or indirectly encounter problems manufacturing products, our reputation, business and financial statements could suffer.

The manufacture of many of our products is a highly exacting and complex process, due in part to strict regulatory requirements. Problems may arise during manufacturing for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials, natural disasters and environmental factors, and if not discovered before the product is released to market could result in recalls and product liability exposure. Because of the time required to approve and license certain regulated manufacturing facilities and other stringent regulations of the FDA and similar agencies regarding the manufacture of certain of our products, an alternative manufacturer may not be available on a timely basis to replace such production capacity. Any of these manufacturing problems could result in significant costs, liability and lost revenue, loss of market share as well as negative publicity and damage to our reputation that could reduce demand for our products.

Our indebtedness may limit our operations and our use of our cash flow, and any failure to comply with the covenants that apply to our indebtedness could adversely affect our liquidity and financial statements.

As of December 31, 2018, we had approximately \$9.7 billion in outstanding indebtedness. In addition, as of December 31, 2018, we had the ability to incur approximately an additional \$1.5 billion of indebtedness in direct borrowings or under the outstanding commercial paper facility based on the amounts available under the Company's \$4.0 billion credit facility which

were not being used to backstop outstanding commercial paper balances. Our debt level and related debt service obligations can have negative consequences, including (1) requiring us to dedicate significant cash flow from operations to the payment of principal and interest on our debt, which reduces the funds we have available for other purposes such as acquisitions and capital investment; (2) reducing our flexibility in planning for or reacting to changes in our business and market conditions; and (3) exposing us to interest rate risk since a portion of our debt obligations are at variable rates. We may incur significantly more debt in the future, particularly to finance acquisitions, and there can be no assurance that our cost of funding will not substantially increase.

Our current revolving credit facility and long-term debt obligations also impose certain restrictions on us; for more information refer to MD&A. If we breach any of these restrictions and cannot obtain a waiver from the lenders on favorable terms, subject to applicable cure periods, the outstanding indebtedness (and any other indebtedness with cross-default provisions) could be declared immediately due and payable, which would adversely affect our liquidity and financial statements. In addition, any failure to maintain the credit ratings assigned to us by independent rating agencies would adversely affect our cost of funds and could adversely affect our liquidity and access to the capital markets. If we add new debt, the risks described above could increase.

Adverse changes in our relationships with, or the financial condition, performance, purchasing patterns or inventory levels of, key distributors and other channel partners could adversely affect our financial statements.

Certain of our businesses sell a significant amount of their products to or through key distributors and other channel partners that have valuable relationships with customers and end-users. Some of these distributors and other partners also sell our competitors' products or compete with us directly, and if they favor competing products for any reason they may fail to market our products effectively. Adverse changes in our relationships with these distributors and other partners, reduction or discontinuation of their purchases from us or adverse developments in their financial condition, performance or purchasing patterns, could adversely affect our business and financial statements. The levels of inventory maintained by our distributors and other channel partners, and changes in those levels, can also significantly impact our results of operations in any given period. In addition, the consolidation of distributors and customers in certain of our served industries could adversely impact our business and financial statements.

Certain of our businesses rely on relationships with collaborative partners and other third-parties for development, supply and marketing of certain products and potential products, and such collaborative partners or other third-parties could fail to perform sufficiently.

We believe that for certain of our businesses, success in penetrating target markets depends in part on their ability to develop and maintain collaborative relationships with other companies. Relying on collaborative relationships is risky because, among other things, our collaborative partners may (1) not devote sufficient resources to the success of our collaborations; (2) fail to obtain regulatory approvals necessary to continue the collaborations in a timely manner; (3) be acquired by other companies and terminate our collaborative partnership or become insolvent; (4) compete with us; (5) disagree with us on key details of the collaborative relationship; (6) have insufficient capital resources; and (7) decline to renew existing collaborations on acceptable terms. Because these and other factors may be beyond our control, the development or commercialization of our products involved in collaborative partnerships may be delayed or otherwise adversely affected. If we or any of our collaborative partners terminate a collaborative arrangement, we may be required to devote additional resources to product development and commercialization or we may need to cancel some development programs, which could adversely affect our business and financial statements.

Our financial results are subject to fluctuations in the cost and availability of commodities that we use in our operations.

As discussed in "Item 1. Business—Materials," our manufacturing and other operations employ a wide variety of components, raw materials and other commodities, including metallic-based components, electronic components, chemicals, plastics and other petroleum-based products. Prices for and availability of these components, raw materials and other commodities have fluctuated significantly in the past. Any sustained interruption in the supply of these items could adversely affect our business. In addition, due to the highly competitive nature of the industries that we serve, the cost-containment efforts of our customers and the terms of certain contracts we are party to, if commodity prices rise we may be unable to pass along cost increases through higher prices. If we are unable to fully recover higher commodity costs through price increases or offset these increases through cost reductions, or if there is a time delay between the increase in costs and our ability to recover or offset these costs, our margins and profitability could decline and our financial statements could be adversely affected.

If we cannot adjust our manufacturing capacity or the purchases required for our manufacturing activities to reflect changes in market conditions and customer demand, our profitability may suffer. In addition, our reliance upon sole or limited sources of supply for certain materials, components and services could cause production interruptions, delays and inefficiencies.

We purchase materials, components and equipment from third-parties for use in our manufacturing operations, including metallic-based components, electronic components, chemicals, plastics and other petroleum-based products. Our income could be adversely impacted if we are unable to adjust our purchases to reflect changes in customer demand and market fluctuations, including those caused by seasonality or cyclicalities. During a market upturn, suppliers may extend lead times, limit supplies or increase prices. If we cannot purchase sufficient products at competitive prices and quality and on a timely enough basis to meet increasing demand, we may not be able to satisfy market demand, product shipments may be delayed, our costs may increase or we may breach our contractual commitments and incur liabilities. Conversely, in order to secure supplies for the production of products, we sometimes enter into noncancelable purchase commitments with vendors, which could impact our ability to adjust our inventory to reflect declining market demands. If demand for our products is less than we expect, we may experience additional excess and obsolete inventories and be forced to incur additional charges and our profitability may suffer.

In addition, some of our businesses purchase certain requirements from sole or limited source suppliers for reasons of quality assurance, regulatory requirements, cost effectiveness, availability or uniqueness of design. If these or other suppliers encounter financial, operating or other difficulties or if our relationship with them changes, we might not be able to quickly establish or qualify replacement sources of supply. The supply chains for our businesses could also be disrupted by supplier capacity constraints, bankruptcy or exiting of the business for other reasons, decreased availability of key raw materials or commodities and external events such as natural disasters, pandemic health issues, war, terrorist actions, governmental actions and legislative or regulatory changes. Any of these factors could result in production interruptions, delays, extended lead times and inefficiencies.

Because we cannot always immediately adapt our production capacity and related cost structures to changing market conditions, our manufacturing capacity may at times exceed or fall short of our production requirements. Any or all of these problems could result in the loss of customers, provide an opportunity for competing products to gain market acceptance and otherwise adversely affect our financial statements.

Changes in governmental regulations may reduce demand for our products or services or increase our expenses.

We compete in markets in which we and our customers must comply with supranational, federal, state, local and other jurisdictional regulations, such as regulations governing health and safety, the environment, food and drugs, privacy and electronic communications. We develop, configure and market our products and services to meet customer needs created by these regulations. These regulations are complex, change frequently, have tended to become more stringent over time and may be inconsistent across jurisdictions. Any significant change in any of these regulations (or in the interpretation or application thereof) could reduce demand for, increase our costs of producing or delay the introduction of new or modified products and services, or could restrict our existing activities, products and services. For example, a number of our products and services are marketed to the pharmaceutical and related industries for use in discovering and developing drugs and therapies. Changes in the U.S. FDA's regulation of the drug discovery and development process could have an adverse effect on the demand for these products and services. In addition, in certain of our markets our growth depends in part upon the introduction of new regulations. In these markets, the delay or failure of governmental and other entities to adopt or enforce new regulations, the adoption of new regulations which our products and services are not positioned to address or the repeal of existing regulations, could adversely affect demand. In addition, regulatory deadlines may result in substantially different levels of demand for our products and services from period-to-period.

Work stoppages, union and works council campaigns and other labor disputes could adversely impact our productivity and results of operations.

We have certain U.S. and non-U.S. collective labor arrangements. We are subject to potential work stoppages, union and works council campaigns and other labor disputes, any of which could adversely impact our financial statements and business, including our productivity and reputation.

International economic, political, legal, compliance and business factors could negatively affect our financial statements.

In 2018, approximately 63% of our sales were derived from customers outside the United States. In addition, many of our manufacturing operations, suppliers and employees are located outside the United States. Since our growth strategy depends in part on our ability to further penetrate markets outside the United States and increase the localization of our products and services, we expect to continue to increase our sales and presence outside the United States, particularly in the high-growth markets. Our international business (and particularly our business in high-growth markets) is subject to risks that are customarily encountered in non-U.S. operations, including:

- interruption in the transportation of materials to us and finished goods to our customers;
- differences in terms of sale, including payment terms;
- local product preferences and product requirements;
- changes in a country's or region's political or economic conditions, such as the devaluation of particular currencies;
- trade protection measures, embargoes and import or export restrictions and requirements;
- unexpected changes in laws or regulatory requirements, including changes in tax laws;
- capital controls and limitations on ownership and on repatriation of earnings and cash;
- the potential for nationalization of enterprises;
- changes in medical reimbursement policies and programs;
- limitations on legal rights and our ability to enforce such rights;
- difficulty in staffing and managing widespread operations;
- differing labor regulations;
- difficulties in implementing restructuring actions on a timely or comprehensive basis;
- differing protection of intellectual property; and
- greater uncertainty, risk, expense and delay in commercializing products in certain foreign jurisdictions, including with respect to product and other regulatory approvals.

Any of these risks could negatively affect our financial statements and business, including our growth rate.

Significant developments stemming from the United Kingdom's referendum decision to exit the EU could have an adverse effect on us.

In a referendum on June 23, 2016, voters in the United Kingdom ("UK") voted for the UK to exit the EU (referred to as Brexit). As it stands, the UK is expected to depart the EU on March 29, 2019 but the terms of its withdrawal and the nature of its future relationship with the EU are still being decided. This referendum has caused and may continue to cause political and economic uncertainty, including significant volatility in global stock markets and currency exchange rate fluctuations. Even if no agreement is reached, the UK's separation still becomes effective unless all EU members unanimously agree on an extension. Negotiations have commenced to determine the future terms of the UK relationship with the EU, including, among other things, the terms of trade between the UK and the EU. If no

agreement is reached by March 29, 2019, the UK's membership in the EU could terminate under a so-called "hard Brexit". The effects of Brexit will depend on many factors, including any agreements that the UK makes to retain access to EU markets either during a transitional period or more permanently. Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the UK determines which EU laws to replace or replicate. In a "hard Brexit" scenario, there could be increased costs from re-imposition of tariffs on trade between the UK and EU, shipping delays because of the need for customs inspections and procedures, and temporary shortages of certain goods. In addition, trade and investment between the UK, the EU, the United States and other countries will be impacted by the fact that the UK currently operates under the EU's tax treaties. The UK will need to negotiate its own tax and trade treaties with countries all over the world, which could take years to complete. We have manufacturing facilities in the UK, and, depending on the terms of Brexit, we could become subject to export tariffs and regulatory restrictions that could increase the costs and time related to doing business in Europe. Additionally, Brexit could result in the UK or the European Union significantly altering its regulations affecting the clearance or approval of our products

that are developed or manufactured in the UK. Any new regulations could add time and expense to the conduct of our business, as well as the process by which our products receive regulatory approval in the UK, the EU and elsewhere. Any of these factors could adversely affect customer demand, our relationships with customers and suppliers and our business and financial statements. As of December 31, 2018, the Company's net investment in plant, property and equipment in the UK was \$157 million. For the year ended December 31, 2018, less than 3% of our sales were derived from customers located in the UK, however, the impact of Brexit could also impact our sales and operations outside the UK.

If we suffer loss to our facilities, supply chains, distribution systems or information technology systems due to catastrophe or other events, our operations could be seriously harmed.

Our facilities, supply chains, distribution systems and information technology systems are subject to catastrophic loss due to fire, flood, earthquake, hurricane, public health crisis, war, terrorism or other natural or man-made disasters, such as the damage caused to our facilities by Hurricane Maria in Puerto Rico in September 2017. If any of these facilities, supply chains or systems were to experience a catastrophic loss, it could disrupt our operations, delay production and shipments, result in defective products or services, damage customer relationships and our reputation and result in legal exposure and large repair or replacement expenses. The third-party insurance coverage that we maintain will vary from time to time in both type and amount depending on cost, availability and our decisions regarding risk retention, and may be unavailable or insufficient to protect us against such losses.

Our defined benefit pension plans are subject to financial market risks that could adversely affect our financial statements.

The performance of the financial markets and interest rates impact our defined benefit pension plan expenses and funding obligations. Significant changes in market interest rates, decreases in the fair value of plan assets, investment losses on plan assets and changes in discount rates may increase our funding obligations and adversely impact our financial statements. In addition, upward pressure on the cost of providing health care coverage to current employees and retirees may increase our future funding obligations and adversely affect our financial statements.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Danaher's corporate headquarters are located in Washington, D.C. in a facility that the Company leases. As of December 31, 2018, the Company had facilities in over 60 countries, including approximately 261 significant office, research and development, manufacturing and distribution facilities. 109 of these facilities are located in the United States in over 25 states and 152 are located outside the United States in over 30 other countries, primarily in Europe and to a lesser extent in Asia, South America, the rest of North America and Australia. These facilities cover approximately 23 million square feet, of which approximately 11 million square feet are owned and approximately 12 million square feet are leased. Particularly outside the United States, facilities often serve more than one business segment and may be used for multiple purposes, such as administrative, sales, manufacturing, warehousing and/or distribution. In addition to three significant corporate locations, the number of significant administrative, sales, research and development, manufacturing and distribution facilities by business segment is:

- Life Sciences, 80;
- Diagnostics, 75;
- Dental, 42; and
- Environmental & Applied Solutions, 61.

The Company considers its facilities suitable and adequate for the purposes for which they are used and does not anticipate difficulty in renewing existing leases as they expire or in finding alternative facilities. The Company believes its properties and equipment have been well-maintained. Refer to Note 16 to the Consolidated Financial Statements included in this Annual Report for additional information with respect to the Company's lease commitments.

ITEM 3. LEGAL PROCEEDINGS

For information regarding legal proceedings, refer to the section titled “Legal Proceedings” in MD&A.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below are the names, ages, positions and experience of Danaher's executive officers as of February 7, 2019. All of Danaher's executive officers hold office at the pleasure of Danaher's Board of Directors. Unless otherwise stated, the positions indicated are Danaher positions.

Name	Age	Position	Officer Since
Steven M. Rales	67	Chairman of the Board	1984
Mitchell P. Rales	62	Chairman of the Executive Committee	1984
Thomas P. Joyce, Jr.	58	Chief Executive Officer and President	2002
Matthew R. McGrew	47	Executive Vice President and Chief Financial Officer	2019
Daniel L. Comas	55	Executive Vice President	1996
Rainer M. Blair	54	Executive Vice President	2014
William K. Daniel II	54	Executive Vice President	2006
Joakim Weidemanis	49	Executive Vice President	2017
Brian W. Ellis	52	Senior Vice President – General Counsel and Chief Compliance Officer	2016
William H. King	51	Senior Vice President – Strategic Development	2005
Angela S. Lalor	53	Senior Vice President – Human Resources	2012
Robert S. Lutz	61	Senior Vice President – Chief Accounting Officer	2002
Daniel A. Raskas	52	Senior Vice President – Corporate Development	2004

Steven M. Rales is a co-founder of Danaher and has served on Danaher's Board of Directors since 1983, serving as Danaher's Chairman of the Board since 1984. He was also CEO of the Company from 1984 to 1990. Mr. Rales is also a member of the board of directors of Fortive Corporation, and is a brother of Mitchell P. Rales.

Mitchell P. Rales is a co-founder of Danaher and has served on Danaher's Board of Directors since 1983, serving as Chairman of the Executive Committee of Danaher since 1984. He was also President of the Company from 1984 to 1990. Mr. Rales is also a member of the board of directors of Colfax Corporation and of Fortive Corporation, and is a brother of Steven M. Rales.

Thomas P. Joyce, Jr. has served on Danaher's Board of Directors and as Danaher's President and Chief Executive Officer since September 2014 after serving as Executive Vice President – CEO Designate from April 2014 to September 2014 and as Executive Vice President from 2006 to April 2014.

Matthew R. McGrew has served as Executive Vice President and Chief Financial Officer since January 2019, after serving as Group CFO of Danaher from 2012 until December 2018.

Daniel L. Comas has served as Executive Vice President since January 2019, after serving as Executive Vice President and Chief Financial Officer from 2005 until December 2018.

Rainer M. Blair has served as Executive Vice President since January 2017 after serving as Vice President – Group Executive from March 2014 until January 2017 and as President of Danaher's Sciex business from January 2011 to March 2014.

William K. Daniel II has served as Executive Vice President since 2008.

Joakim Weidemanis has served as Executive Vice President since December 2017 after serving as Vice President – Group Executive from March 2014 until December 2017 and as Group President – Marking and Coding from January 2013 to March 2014.

Brian W. Ellis has served as Senior Vice President – General Counsel and Chief Compliance Officer since joining Danaher in January 2016. Prior to joining Danaher, Mr. Ellis served for over five years in progressively more

responsible positions in the legal department of Medtronic, Inc., a medical device company, including most recently as Vice President and General Counsel of Medtronic's Restorative Therapies Group.

William H. King has served as Senior Vice President – Strategic Development since May 2014 after serving as Vice President – Strategic Development from 2005 to May 2014.

Angela S. Lalor has served as Senior Vice President – Human Resources since joining Danaher in April 2012.

Robert S. Lutz has served as Senior Vice President – Chief Accounting Officer since February 2010.

Daniel A. Raskas has served as Senior Vice President – Corporate Development since February 2010.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the New York Stock Exchange under the symbol DHR. As of February 7, 2019, there were approximately 2,500 holders of record of Danaher's common stock.

Our payment of dividends in the future will be determined by Danaher's Board of Directors and will depend on business conditions, Danaher's earnings and other factors Danaher's Board deems relevant.

Issuer Purchases of Equity Securities

On July 16, 2013, the Company's Board of Directors approved a repurchase program (the "Repurchase Program") authorizing the repurchase of up to 20 million shares of the Company's common stock from time to time on the open market or in privately negotiated transactions. There is no expiration date for the Repurchase Program, and the timing and amount of any shares repurchased under the program will be determined by the Company's management based on its evaluation of market conditions and other factors. The Repurchase Program may be suspended or discontinued at any time. Any repurchased shares will be available for use in connection with the Company's equity compensation plans (or any successor plan) and for other corporate purposes. As of December 31, 2018, 20 million shares remained available for repurchase pursuant to the Repurchase Program. The Company expects to fund any future stock repurchases using the Company's available cash balances or proceeds from the issuance of debt.

Neither the Company nor any "affiliated purchaser" repurchased any shares of Company common stock during 2018, 2017 or 2016.

Recent Issuances of Unregistered Securities

During the fourth quarter of 2018, holders of certain of the Company's Liquid Yield Option Notes due 2021 ("LYONs") converted such LYONs into an aggregate of 97 thousand shares of Danaher common stock, par value \$0.01 per share. In each case, the shares of common stock were issued solely to existing security holders upon conversion of the LYONs pursuant to the exemption from registration provided under Section 3(a)(9) of the Securities Act of 1933, as amended.

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ITEM 6. SELECTED FINANCIAL DATA
(\$ in millions, except per share information)

	2018	2017	2016	2015	2014
Sales	\$ 19,893.0	\$ 18,329.7	\$ 16,882.4	\$ 14,433.7	\$ 12,866.9
Operating profit	3,403.8	2,990.4	2,735.2	2,157.4	2,044.5
Net earnings from continuing operations	2,650.9	2,469.8 ^(a)	2,153.4 ^{(c)(d)}	1,746.7 ^(f)	1,638.7 ^(h)
Earnings from discontinued operations, net of income taxes	—	22.3	400.3	1,610.7 ^(e)	959.7 ^(g)
Net earnings	<u>\$ 2,650.9</u>	<u>\$ 2,492.1 ^(a)</u>	<u>\$ 2,553.7 ^{(c)(d)}</u>	<u>\$ 3,357.4 ^{(e)(f)}</u>	<u>\$ 2,598.4 ^(g)</u>
Net earnings per share from continuing operations:					
Basic	\$ 3.78	\$ 3.55 ^(b)	\$ 3.12 ^{(c)(d)}	\$ 2.50 ^(f)	\$ 2.33 ^(h)
Diluted	\$ 3.74	\$ 3.50 ^(b)	\$ 3.08 ^{(c)(d)}	\$ 2.47 ^(f)	\$ 2.29 ^(h)
Net earnings per share from discontinued operations:					
Basic	\$ —	\$ 0.03	\$ 0.58	\$ 2.31 ^(e)	\$ 1.37 ^(g)
Diluted	\$ —	\$ 0.03	\$ 0.57	\$ 2.27 ^(e)	\$ 1.34 ^(g)
Net earnings per share:					
Basic	\$ 3.78	\$ 3.58 ^(a)	\$ 3.69 ^{(c)(d)} *	\$ 4.81 ^{(e)(f)}	\$ 3.70 ^(g)
Diluted	\$ 3.74	\$ 3.53 ^(a)	\$ 3.65 ^{(c)(d)}	\$ 4.74 ^{(e)(f)}	\$ 3.63 ^(g)
Dividends declared per share	\$ 0.64 ⁽ⁱ⁾	\$ 0.56 ^(j)	\$ 0.57 ^(k)	\$ 0.54 ^(l)	\$ 0.40 ^(m)
Total assets	\$ 47,832.5	\$ 46,648.6	\$ 45,295.3	\$ 48,222.2	\$ 36,991.7
Total debt	\$ 9,740.3	\$ 10,522.1	\$ 12,269.0	\$ 12,870.4	\$ 3,473.4

^(a) Includes \$73 million (\$46 million after-tax or \$0.06 per diluted share) gain on sale of certain marketable equity securities. Refer to Note 14 to the Consolidated Financial Statements included in this Annual Report for additional information.

^(b) Includes \$146 million (\$0.21 per diluted share) of discrete tax benefits associated with the resolution of uncertain tax positions as well as the remeasurement of deferred tax assets and liabilities and the Transition Tax from the TCJA. Refer to Note 13 to the Consolidated Financial Statements included in this Annual Report for additional information.

^(c) Includes \$223 million (\$140 million after-tax or \$0.20 per diluted share) gain on sale of certain marketable equity securities. Refer to Note 14 to the Consolidated Financial Statements included in this Annual Report for additional information.

^(d) Includes \$179 million (\$112 million after-tax or \$0.16 per diluted share) loss on extinguishment of borrowings, net of certain deferred gains. Refer to Note 14 to the Consolidated Financial Statements included in this Annual Report for additional information.

^(e) Includes \$767 million after-tax gain (\$1.08 per diluted share) on disposition of the Company's communications business.

^(f) Includes \$12 million (\$8 million after-tax or \$0.01 per diluted share) gain on sale of certain marketable equity securities.

- (g) Includes \$34 million (\$26 million after-tax or \$0.04 per diluted share) gain on sale of the Company's electric vehicle systems/hybrid product line.
 - (h) Includes \$123 million (\$77 million after-tax or \$0.11 per diluted share) gain on sale of certain marketable equity securities.
 - (i) The Company increased its quarterly dividend rate in 2018 to \$0.16 per share.
 - (j) The Company increased its quarterly dividend rate in 2017 to \$0.14 per share.
 - (k) The Company increased its quarterly dividend rate in the first quarter of 2016 to \$0.16 per share and subsequently reduced its quarterly dividend rate to \$0.125 per share as a result of the Fortive Separation in the third quarter of 2016.
 - (l) The Company increased its quarterly dividend rate in 2015 to \$0.135 per share.
 - (m) The Company increased its quarterly dividend rate in 2014 to \$0.10 per share.
- * Net earnings per share amount does not add due to rounding.

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ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) is designed to provide a reader of Danaher’s financial statements with a narrative from the perspective of Company management. The Company’s MD&A is divided into five sections:

- Overview
- Results of Operations
- Liquidity and Capital Resources
- Critical Accounting Estimates
- New Accounting Standards

This discussion and analysis should be read along with Danaher’s audited financial statements and related Notes thereto as of December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018 included in this Annual Report.

OVERVIEW

General

Refer to “Item 1. Business—General” for a discussion of Danaher’s strategic objectives and methodologies for delivering long-term shareholder value. Danaher is a multinational business with global operations. During 2018, approximately 63% of Danaher’s sales were derived from customers outside the United States. As a diversified, global business, Danaher’s operations are affected by worldwide, regional and industry-specific economic and political factors. Danaher’s geographic and industry diversity, as well as the range of its products, software and services, help limit the impact of any one industry or the economy of any single country on its consolidated operating results. Given the broad range of products manufactured, software and services provided and geographies served, management does not use any indices other than general economic trends to predict the overall outlook for the Company. The Company’s individual businesses monitor key competitors and customers, including to the extent possible their sales, to gauge relative performance and the outlook for the future.

As a result of the Company’s geographic and industry diversity, the Company faces a variety of opportunities and challenges, including rapid technological development (particularly with respect to computing, automation, artificial intelligence, mobile connectivity, communications and digitization) in most of the Company’s served markets, the expansion and evolution of opportunities in high-growth markets, trends and costs associated with a global labor force, consolidation of the Company’s competitors and increasing regulation. The Company operates in a highly competitive business environment in most markets, and the Company’s long-term growth and profitability will depend in particular on its ability to expand its business in high-growth geographies and high-growth market segments, identify, consummate and integrate appropriate acquisitions, develop innovative and differentiated new products and services with higher gross profit margins, expand and improve the effectiveness of the Company’s sales force, continue to reduce costs and improve operating efficiency and quality, and effectively address the demands of an increasingly regulated global environment. The Company is making significant investments, organically and through acquisitions, to address the rapid pace of technological change in its served markets and to globalize its manufacturing, research and development and customer-facing resources (particularly in high-growth markets) in order to be responsive to the Company’s customers throughout the world and improve the efficiency of the Company’s operations.

Business Performance

Consolidated sales for the year ended December 31, 2018 increased 8.5% as compared to 2017. While differences exist among the Company’s businesses, on an overall basis, demand for the Company’s products and services increased on a year-over-year basis in 2018 as compared to 2017. This demand, together with the Company’s continued investments in sales growth initiatives and the other business-specific factors discussed below, contributed

to year-over-year core sales growth of 6.0% (for the definition of “core sales,” refer to “—Results of Operations” below). Geographically, both high-growth and developed markets contributed to year-over-year core sales growth during 2018. Core sales growth rates in high-growth markets grew at a high-single digit rate in 2018 as compared to 2017 led by strength in Asia, particularly China. High-growth markets represented approximately 31% of the Company’s total sales in 2018. Core sales in developed markets grew at a mid-single digit rate in 2018 as compared to 2017 and were driven by North America and Western Europe.

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The Company's net earnings from continuing operations for the year ended December 31, 2018 totaled approximately \$2.7 billion, or \$3.74 per diluted share, compared to approximately \$2.5 billion, or \$3.50 per diluted share for the year ended December 31, 2017.

The Company recorded a net increase to beginning retained earnings of \$3 million as of January 1, 2018 due to the cumulative impact of adopting Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The impact to beginning retained earnings was primarily driven by the capitalization of certain costs to obtain a contract, primarily sales-related commissions, partially offset by the deferral of revenue for unfulfilled performance obligations. The adoption of this ASU did not have a significant impact on the Company's Consolidated Financial Statements as of and for the year ended December 31, 2018 and, as a result, comparisons of revenues and operating profit performance between periods are not affected by the adoption of this ASU. Refer to Note 2 to the accompanying Consolidated Financial Statements.

Acquisitions

During 2018, the Company acquired two businesses for total consideration of approximately \$2.2 billion in cash, net of cash acquired. The businesses acquired complement existing units of the Company's Life Sciences and Environmental & Applied Solutions segments. The aggregate annual sales of these two businesses at the time of their respective acquisitions, in each case based on the company's revenues for its last completed fiscal year prior to the acquisition, were \$313 million.

For a discussion of the Company's 2017 and 2016 acquisition and disposition activity, refer to "Liquidity and Capital Resources—Investing Activities".

Fortive Separation and Proposed Dental Separation

On July 2, 2016, Danaher completed the Separation of its former Test & Measurement segment, Industrial Technologies segment (excluding the product identification businesses) and retail/commercial petroleum business by distributing to Danaher stockholders on a pro rata basis all of the issued and outstanding common stock of Fortive, the entity Danaher incorporated to hold such businesses. To effect the Fortive Separation, Danaher distributed to its stockholders one share of Fortive common stock for every two shares of Danaher common stock outstanding as of June 15, 2016, the record date for the distribution.

During the second quarter of 2016, the Company received net cash distributions of approximately \$3.0 billion from Fortive as consideration for the Company's contribution of assets to Fortive in connection with the Separation ("Fortive Distribution"). Danaher used a portion of the cash distribution proceeds to repay the \$500 million aggregate principal amount of 2.3% senior unsecured notes that matured in June 2016 and to redeem approximately \$1.9 billion in aggregate principal amount of outstanding indebtedness in August 2016 (consisting of the Company's 5.625% senior unsecured notes due 2018, 5.4% senior unsecured notes due 2019 and 3.9% senior unsecured notes due 2021 (collectively the "Redeemed Notes")). Danaher also paid an aggregate of \$188 million in make-whole premiums in connection with the August 2016 redemptions, plus accrued and unpaid interest. The Company used the balance of the Fortive Distribution to fund certain of the Company's regular, quarterly cash dividends to shareholders.

The accounting requirements for reporting the Fortive Separation as a discontinued operation were met when the separation was completed. Accordingly, the accompanying Consolidated Financial Statements for all periods presented reflect this business as a discontinued operation. The Company allocated a portion of the consolidated interest expense and income to discontinued operations based on the ratio of the discontinued business' net assets to the Company's consolidated net assets. Fortive had revenues of approximately \$3.0 billion in 2016 prior to the Fortive Separation.

As a result of the Fortive Separation, the Company incurred \$48 million in Fortive Separation-related costs during the year ended December 31, 2016 which are included in earnings from discontinued operations, net of income taxes in the accompanying Consolidated Statement of Earnings. These Fortive Separation costs primarily relate to professional fees associated with preparation of regulatory filings and Separation activities within finance, tax, legal and information system functions as well as certain investment banking fees incurred upon the Fortive Separation.

In 2017, Danaher recorded a \$22 million income tax benefit related to the release of previously provided reserves associated with uncertain tax positions on certain Danaher tax returns which were jointly filed with Fortive entities.

These reserves were released due to the expiration of statutes of limitations for those returns. All Fortive entity-related balances were included in the income tax benefit related to discontinued operations.

In July 2018, the Company announced its intention to spin-off its Dental business into an independent publicly-traded company. The transaction is expected to be tax-free to the Company's shareholders. The Company is targeting to complete the Dental Separation in the second half of 2019, subject to the satisfaction of certain conditions, including obtaining final

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approval from the Danaher Board of Directors, satisfactory completion of financing, receipt of tax opinions, receipt of favorable rulings from the IRS and receipt of other regulatory approvals.

Sale of Investments

For a discussion of the Company's 2017 and 2016 sales of investments activity, refer to "Liquidity and Capital Resources—Investing Activities".

U.S. Tax Cuts and Jobs Act

On December 22, 2017, the TCJA was enacted, which substantially changed the U.S. tax system, including lowering the corporate tax rate from 35.0% to 21.0% (beginning in 2018). As a result of the TCJA, the Company recognized a provisional tax liability of approximately \$1.2 billion in 2017 for the Transition Tax, which, after the application of available tax credits of approximately \$1.0 billion, is payable over a period of eight years. The net Transition Tax payable as of December 31, 2018 of approximately \$180 million is not expected to significantly impact the Company's cash flows from operations. The Company also remeasured U.S. deferred tax assets and liabilities based on the income tax rates at which the deferred tax assets and liabilities are expected to reverse in the future (generally 21.0%), resulting in an income tax benefit of approximately \$1.2 billion. In 2018, the Company recorded an additional charge related to finalizing the provisional accounting for the enactment of the TCJA of \$6 million. For further discussion of the TCJA, refer to "—Income Taxes."

UK's referendum decision to exit the EU ("Brexit")

In a referendum on June 23, 2016, voters approved for the UK to exit the EU and the UK is expected to depart the EU on March 29, 2019. With the terms of the UK's withdrawal and the nature of its future relationship with the EU still being decided, the Company continues to monitor the status of the negotiations and plan for any impact. The ultimate impact of Brexit on the Company's financial results is uncertain. For additional information, refer to the "Item 1A—Risk Factors" section of this Annual Report.

RESULTS OF OPERATIONS

In this report, references to the non-GAAP measure of core sales (also referred to as core revenues or sales/revenues from existing businesses) refer to sales from continuing operations calculated according to generally accepted accounting principles in the United States ("GAAP") but excluding:

- sales from acquired businesses; and
- the impact of currency translation.

References to sales or operating profit attributable to acquisitions or acquired businesses refer to sales or operating profit, as applicable, from acquired businesses recorded prior to the first anniversary of the acquisition less the amount of sales and operating profit, as applicable, attributable to divested product lines not considered discontinued operations. The portion of revenue attributable to currency translation is calculated as the difference between:

- the period-to-period change in revenue (excluding sales from acquired businesses); and
- the period-to-period change in revenue (excluding sales from acquired businesses) after applying current period foreign exchange rates to the prior year period.

Core sales growth should be considered in addition to, and not as a replacement for or superior to, sales, and may not be comparable to similarly titled measures reported by other companies. Management believes that reporting the non-GAAP financial measure of core sales growth provides useful information to investors by helping identify underlying growth trends in Danaher's business and facilitating comparisons of Danaher's revenue performance with its performance in prior and future periods and to Danaher's peers. Management also uses core sales growth to measure the Company's operating and financial performance. The Company excludes the effect of currency translation from core sales because currency translation is not under management's control, is subject to volatility and can obscure underlying business trends, and excludes the effect of acquisitions and divestiture-related items because the nature, size, timing and number of acquisitions and divestitures can vary dramatically from period-to-period and between the Company and its peers and can also obscure underlying business trends and make comparisons of long-term performance difficult.

Throughout this discussion, references to sales volume refer to the impact of both price and unit sales and references to productivity improvements generally refer to improved cost efficiencies resulting from the ongoing application of DBS.

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Core Revenue

	2018 vs. 2017	2017 vs. 2016
Total sales growth (GAAP)	8.5 %	8.5 %
Less the impact of:		
Acquisitions and other	(2.0 %)	(4.5 %)
Currency exchange rates	(0.5 %)	(0.5 %)
Core revenue growth (non-GAAP)	6.0 %	3.5 %

Core sales grew on a year-over-year basis in both 2018 and 2017. Sales from acquired businesses increased on a year-over-year basis in 2018 due primarily to the acquisition of IDT in the second quarter of 2018 and in 2017 due primarily to the acquisition of Cepheid in the fourth quarter of 2016. Currency translation increased reported sales on a year-over-year basis in 2018 primarily due to the U.S. dollar weakening against other major currencies in the first half of 2018, partially offset by the U.S. dollar strengthening in the second half of 2018. Currency translation increased reported sales on a year-over-year basis in 2017 primarily due to the U.S. dollar weakening against the euro, partially offset by the U.S. dollar strengthening against the Japanese yen and Chinese renminbi.

Operating profit margins were 17.1% for the year ended December 31, 2018 as compared to 16.3% in 2017. The following factors impacted year-over-year operating profit margin comparisons.

2018 vs. 2017 operating profit margin comparisons were favorably impacted by:

- Higher 2018 sales volumes from existing businesses and incremental year-over-year cost savings associated with the continuing productivity improvement initiatives taken in 2018 and 2017, net of incremental year-over-year costs associated with various product development, sales and marketing growth investments and the impact of foreign exchange rates - 70 basis points
- Restructuring, impairment and other related charges related to discontinuing a product line in the second quarter of 2017 related to the Diagnostic segment - 40 basis points
- Trade name impairments and related productivity improvement initiatives in 2017 related to the Dental segment - 5 basis points

2018 vs. 2017 operating profit margin comparisons were unfavorably impacted by:

- The incremental net dilutive effect in 2018 of acquired businesses - 20 basis points
- Costs incurred in the fourth quarter of 2018 related to the anticipated separation of the Dental business - 5 basis points
- Acquisition-related charges consisting of transaction costs and fair value adjustments to inventory for the acquisition of IDT in the second quarter of 2018 - 10 basis points

Operating profit margins were 16.3% for the year ended December 31, 2017 as compared to 16.2% in 2016. The following factors impacted year-over-year operating profit margin comparisons.

2017 vs. 2016 operating profit margin comparisons were favorably impacted by:

- Higher 2017 sales volumes from existing businesses and incremental year-over-year cost savings associated with the continuing productivity improvement initiatives taken in 2017 and 2016, net of incremental year-over-year costs associated with various product development, sales and marketing growth investments in 2017 - 60 basis points

- Acquisition-related charges consisting of transaction costs and fair value adjustments to inventory and deferred revenue for the acquisition of Cepheid in 2016 - 50 basis points

2017 vs. 2016 operating profit margin comparisons were unfavorably impacted by:

- Restructuring, impairment and other related charges related to discontinuing a product line in the second quarter of 2017 related to the Diagnostic segment - 40 basis points
- Trade name impairments and related productivity improvement initiatives in the fourth quarter of 2017 related to the Dental segment - 5 basis points

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- Third quarter 2016 gain on resolution of acquisition-related matters less the fourth quarter 2017 net gain on resolution of acquisition-related matters - 5 basis points
- The incremental net dilutive effect in 2017 of acquired businesses - 50 basis points

Business Segments

Sales by business segment for the years ended December 31 are as follows (\$ in millions):

	2018	2017	2016
Life Sciences	\$ 6,471.4	\$ 5,710.1	\$ 5,365.9
Diagnostics	6,257.6	5,839.9	5,038.3
Dental	2,844.5	2,810.9	2,785.4
Environmental & Applied Solutions	4,319.5	3,968.8	3,692.8
Total	<u>\$ 19,893.0</u>	<u>\$ 18,329.7</u>	<u>\$ 16,882.4</u>

LIFE SCIENCES

The Company's Life Sciences segment offers a broad range of research tools that scientists use to study the basic building blocks of life, including genes, proteins, metabolites and cells, in order to understand the causes of disease, identify new therapies and test new drugs and vaccines. The segment is also a leading provider of filtration, separation and purification technologies to the biopharmaceutical, food and beverage, medical, aerospace, microelectronics and general industrial sectors.

Life Sciences Selected Financial Data

	For the Year Ended December 31		
(\$ in millions)	2018	2017	2016
Sales	\$ 6,471.4	\$ 5,710.1	\$ 5,365.9
Operating profit	1,229.3	1,004.3	818.9
Depreciation	127.4	119.0	126.8
Amortization	343.8	308.9	299.4
Operating profit as a % of sales	19.0 %	17.6 %	15.3 %
Depreciation as a % of sales	2.0 %	2.1 %	2.4 %
Amortization as a % of sales	5.3 %	5.4 %	5.6 %

Core Revenue

	2018 vs. 2017	2017 vs. 2016
Total sales growth (GAAP)	13.5 %	6.5 %
Less the impact of:		
Acquisitions and other	(5.0 %)	(2.0 %)
Currency exchange rates	(1.0 %)	(0.5 %)
Core revenue growth (non-GAAP)	<u>7.5 %</u>	<u>4.0 %</u>

2018 Compared to 2017

Price increases in the segment contributed 0.5% to revenue growth on a year-over-year basis during 2018 as compared with 2017 and are reflected as a component of the change in core revenue growth.

Core sales of the business' broad range of mass spectrometers continued to grow on a year-over-year basis led by strong sales growth in high-growth markets, particularly China and the rest of Asia, and in North America. This growth was led by demand in the clinical, applied and pharmaceutical end-markets and by demand for service offerings. Core sales of microscopy products continued to grow on a year-over-year basis with growth in demand across most major end-markets partially driven by recent new product releases. Geographically, demand for microscopy products increased in North America and high-growth markets, particularly China. Year-over-year core sales for the business' flow cytometry and particle counting products

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continued to grow in 2018 across most major end-markets, led by increases in sales in North America, China and Western Europe. New product launches in 2018 also contributed to the increased demand in these markets. Core sales for filtration, separation and purification technologies grew on a year-over-year basis led by growth in biopharmaceuticals, microelectronics and fluid technology and asset protection end-markets. Geographically, core sales in filtration, separation and purification technologies were led by growth in Western Europe, North America and high-growth markets.

Sales growth from acquisitions is primarily due to the acquisition of IDT in April 2018. IDT provides additional sales and earnings growth opportunities for the segment by expanding the segment's product line diversity, including new product and service offerings in the area of genomics consumables. During 2018, IDT's revenues grew on a year-over-year basis with growth across all major geographies and product lines.

Operating profit margins increased 140 basis points during 2018 as compared to 2017. The following factors impacted year-over-year operating profit margin comparisons.

2018 vs. 2017 operating profit margin comparisons were favorably impacted by:

- Higher 2018 sales volumes from existing businesses and incremental year-over-year cost savings associated with the continuing productivity improvement initiatives taken in 2018 and 2017, net of incremental year-over-year costs associated with various new product development, sales and marketing growth investments - 180 basis points
- 2018 gain on resolution of acquisition-related matters - 20 basis points

2018 vs. 2017 operating profit margin comparisons were unfavorably impacted by:

- The incremental net dilutive effect in 2018 of acquired businesses - 35 basis points
- Acquisition-related charges consisting of transaction costs and fair value adjustments to inventory for the acquisition of IDT in the second quarter of 2018 - 25 basis points

2017 Compared to 2016

During the first quarter of 2017, a product line was transferred from the Life Sciences segment to the Environmental & Applied Solutions segment. While this change is not material to segment results in total, the resulting change in sales growth has been included in the "Acquisitions and other" line in the table above.

Price increases in the segment contributed 0.5% to revenue growth on a year-over-year basis during 2017 as compared with 2016 and are reflected as a component of the change in core revenue growth.

Core sales of the business' broad range of mass spectrometers continued to grow on a year-over-year basis led by strong sales growth in the pharmaceutical market across Asia and North America as well as sales growth in the food and forensics markets across all major regions. This growth was partially offset by continuing declines in demand in the clinical market in North America. Core sales of microscopy products increased on a year-over-year basis with growth in demand across most end-markets particularly in Western Europe and the high-growth markets. Year-over-year sales for the business' flow cytometry and particle counting products grew in 2017, primarily due to new product introductions and were led by increases in sales in North America, Western Europe and China. Core sales for filtration, separation and purification technologies grew on a year-over-year basis led by continued growth in biopharmaceuticals and microelectronics, partially offset by declines in the process, industrial and medical products particularly in the first half of 2017. Geographically, core sales in filtration, separation and purification technologies were primarily led by growth in North America and Asia, partially offset by declines in the Middle East largely due to a major project in 2016 which did not repeat in 2017.

Operating profit margins increased 230 basis points during 2017 as compared to 2016. The following factors impacted year-over-year operating profit margin comparisons.

2017 vs. 2016 operating profit margin comparisons were favorably impacted by:

- Higher 2017 sales volumes from existing businesses and incremental year-over-year cost savings associated with the continuing productivity improvement initiatives taken in 2017 and 2016, net of incremental year-over-year costs associated with various product development, sales and marketing growth investments and the effect of year-over-year changes in currency exchange rates - 205 basis points
- Acquisition-related charges including transaction costs deemed significant, change in control and restructuring payments, and fair value adjustment to acquired inventory and deferred revenue - 10 basis points

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- The incremental net accretive effect in 2017 of acquired businesses and intersegment product line transfers - 20 basis points

2017 vs. 2016 operating profit margin comparisons were unfavorably impacted by:

- Fourth quarter 2017 loss on resolution of acquisition-related matters - 5 basis points

DIAGNOSTICS

The Company's Diagnostics segment offers analytical instruments, reagents, consumables, software and services that hospitals, physicians' offices, reference laboratories and other critical care settings use to diagnose disease and make treatment decisions.

Diagnostics Selected Financial Data

(\$ in millions)	For the Year Ended December 31		
	2018	2017	2016
Sales	\$ 6,257.6	\$ 5,839.9	\$ 5,038.3
Operating profit	1,073.8	871.6	786.4
Depreciation	379.2	368.1	332.1
Amortization	209.8	213.4	149.4
Operating profit as a % of sales	17.2 %	14.9 %	15.6 %
Depreciation as a % of sales	6.1 %	6.3 %	6.6 %
Amortization as a % of sales	3.4 %	3.7 %	3.0 %

Core Revenue

	2018 vs. 2017	2017 vs. 2016
Total sales growth (GAAP)	7.0 %	16.0 %
Less the impact of:		
Acquisitions and other	— %	(12.0 %)
Currency exchange rates	(0.5 %)	— %
Core revenue growth (non-GAAP)	6.5 %	4.0 %

2018 Compared to 2017

Price in the segment negatively impacted sales growth by 0.5% on a year-over-year basis during 2018 as compared with 2017 and is reflected as a component of the change in core revenue growth.

Core sales in the molecular diagnostics business increased on a year-over-year basis, driven by strong growth in both developed and high-growth markets. The molecular diagnostics business experienced particularly strong growth in the infectious disease product line driven in part by the severity of the flu season during the first quarter of 2018. Core sales in the clinical lab business increased on a year-over-year basis due to increased demand in the high-growth markets, led by China, partially offset by lower sales in Western Europe. The increased demand in the clinical lab business was driven by the immunoassay product line. Core sales in the acute care diagnostic business increased, driven by continued strong sales of blood gas and immunoassay product lines across most major geographies, led by the high-growth markets. Core sales in the pathology diagnostics business increased across most major geographies, led by North America, Western Europe and China. Demand for new products in the advanced staining and core histology product lines drove the increased core sales in the pathology diagnostics business.

Operating profit margins increased 230 basis points during 2018 as compared to 2017. The following factors impacted year-over-year operating profit margin comparisons.

2018 vs. 2017 operating profit margin comparisons were favorably impacted by:

- Higher 2018 sales volumes from existing businesses and incremental year-over-year cost savings associated with the continuing productivity improvement initiatives taken in 2018 and 2017, net of incremental year-over-year costs

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associated with various new product development, sales and marketing growth investments and the effect of year-over-year changes in currency exchange rates - 125 basis points

- Restructuring, impairment and other related charges related to discontinuing a product line in 2017 - 130 basis points

2018 vs. 2017 operating profit margin comparisons were unfavorably impacted by:

- 2017 gain on resolution of acquisition-related matters - 25 basis points

2017 Compared to 2016

Price increases in the segment contributed 0.5% to sales growth on a year-over-year basis during 2017 as compared with 2016 and are reflected as a component of the change in core revenue growth.

Core sales in the clinical lab business increased on a year-over-year basis. Geographically, continued strong demand in high-growth markets for the clinical lab business was partially offset by declines in Western Europe and Japan. Increased demand in the immunoassay product line drove the majority of the growth for the year in the clinical lab business. Growth in the acute care diagnostic business was driven by continued strong consumable sales in 2017 across most major geographies. Increased demand for advanced staining and core histology instruments and related consumables across most major geographies drove the majority of the year-over-year core sales growth in the pathology diagnostics business.

The acquisition of Cepheid in November 2016 contributed the majority of the increase in sales from acquisitions. During 2017, Cepheid's revenues compared to the business' 2016 results grew on a year-over-year basis in most major geographies and product lines. As Cepheid is integrated into the Company, a process that will continue over the next several years, the Company has realized and expects to realize cost savings and other business process improvements through the application of DBS.

During 2017, the Company made the strategic decision to discontinue a molecular diagnostic product line in its Diagnostics segment. As a result, the Company recorded \$76 million of pretax restructuring, impairment and other related charges (\$51 million after-tax or \$0.07 per diluted share). These charges included \$49 million of noncash charges for the impairment of certain technology-related intangible assets as well as related inventory and property, plant and equipment with no further use. In addition, the Company incurred \$27 million of cash restructuring costs primarily related to employee severance and related charges. Substantially all restructuring activities related to this discontinued product line were completed in 2017.

Operating profit margins declined 70 basis points during 2017 as compared to 2016. The following factors impacted year-over-year operating profit margin comparisons.

2017 vs. 2016 operating profit margin comparisons were favorably impacted by:

- Higher 2017 sales volumes from existing businesses and incremental year-over-year cost savings associated with the continuing productivity improvement initiatives taken in 2017 and 2016, net of incremental year-over-year costs associated with various new product development, sales and marketing growth investments and the effect of year-over-year changes in currency exchange rates - 35 basis points
- Acquisition-related charges in 2016 associated with the acquisition of Cepheid, including transaction costs deemed significant, change in control and restructuring payments, and fair value adjustments to acquired inventory and deferred revenue - 150 basis points
- 2017 gain on resolution of acquisition-related matters - 25 basis points

2017 vs. 2016 operating profit margin comparisons were unfavorably impacted by:

- Restructuring, impairment and other related charges related to discontinuing a product line in 2017 - 130 basis points

- The incremental net dilutive effect in 2017 of acquired businesses - 150 basis points

Depreciation and amortization increased during 2017 as compared with 2016 primarily due to the impact of recently acquired businesses, primarily Cepheid, and the resulting increase in depreciable and amortizable assets.

DENTAL

The Company's Dental segment offers products and services that are used to diagnose, treat and prevent disease and ailments of the teeth, gums and supporting bone, as well as to improve the aesthetics of the human smile. With leading brand names,

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innovative technology and significant market positions, the Company is a leading worldwide provider of a broad range of dental consumables, equipment and services, and is dedicated to driving technological innovations that help dental professionals improve clinical outcomes and enhance productivity.

Dental Selected Financial Data

(\$ in millions)	For the Year Ended December 31		
	2018	2017	2016
Sales	\$ 2,844.5	\$ 2,810.9	\$ 2,785.4
Operating profit	346.7	400.7	419.4
Depreciation	39.4	39.7	43.8
Amortization	90.6	81.7	83.4
Operating profit as a % of sales	12.2 %	14.3 %	15.1 %
Depreciation as a % of sales	1.4 %	1.4 %	1.6 %
Amortization as a % of sales	3.2 %	2.9 %	3.0 %

Core Revenue

	2018 vs. 2017	2017 vs. 2016
Total sales growth (GAAP)	1.0 %	1.0 %
Less the impact of:		
Currency exchange rates	(0.5 %)	(1.0 %)
Core revenue growth (non-GAAP)	0.5 %	— %

2018 Compared to 2017

Price in the segment negatively impacted sales growth by 0.5% on a year-over-year basis during 2018 as compared with 2017 and is reflected as a component of the change in core revenue growth.

Geographically, year-over-year core revenue growth was driven by growth in the high-growth markets, primarily China and Russia, which was partially offset by declines in North America and Western Europe. Core revenue growth for the specialty consumables business, which consists of implant solutions and orthodontic products, was led by the high-growth markets, primarily China, and North America. Dental equipment and traditional dental consumables core sales declined during 2018, primarily due to declines in North America, offset partially by growth in the high-growth markets, primarily China and Russia. Lower core sales of dental equipment and traditional dental consumables product lines in North America partially offset the core revenue growth in the specialty consumables business, primarily reflecting the impact of inventory reductions at several distribution partners as well as the impact from realignment of distributors and manufacturers in the dental industry. The Company has begun to see stability in the North America end-markets for dental equipment and traditional dental consumables.

Operating profit margins declined 210 basis points during 2018 as compared to 2017. The following factors impacted year-over-year operating profit margin comparisons.

2018 vs. 2017 operating profit margin comparisons were favorably impacted by:

- Trade name impairments and related productivity improvement initiatives in 2017 - 45 basis points

2018 vs. 2017 operating profit margin comparisons were unfavorably impacted by:

- Lower 2018 core sales volumes of traditional dental equipment and consumables, incremental year-over-year costs associated with sales and marketing growth investments, lower overall pricing, and the effect of year-over-year changes in currency exchange rates, net of incremental year-over-year cost savings

associated with the continuing productivity improvement initiatives taken in 2018 and 2017 and higher sales volumes in specialty consumables - 245 basis points

- The incremental net dilutive effect in 2018 of acquired businesses - 10 basis points

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In July 2018, the Company announced its intention to spin-off its Dental business into an independent publicly-traded company. The transaction is expected to be tax-free to the Company's shareholders. The Company is targeting to complete the Dental Separation in the second half of 2019, subject to the satisfaction of certain conditions, including obtaining final approval from the Danaher Board of Directors, satisfactory completion of financing, receipt of tax opinions, receipt of favorable rulings from the IRS and receipt of other regulatory approvals.

2017 Compared to 2016

Price increases in the segment did not have a significant impact on sales growth on a year-over-year basis during 2017 as compared with 2016.

Geographically, year-over-year core revenue growth was strong in China, Russia and other high-growth markets, offset by lower demand in the United States and Western Europe. Strong year-over-year growth continued during 2017 for the specialty consumables business, which consists of implant solutions and orthodontic products. Core sales growth for the specialty consumables business was led by high-growth markets and North America. Dental equipment core sales were essentially flat during 2017, as increased demand in high-growth markets was offset by weaker demand in the United States and Western Europe, particularly later in the year for North America due to the realignment of dental equipment distributors and manufacturers. Demand was lower for traditional dental consumable product lines in North America and Western Europe reflecting inventory destocking by several distribution partners.

Operating profit margins declined 80 basis points during 2017 as compared to 2016. The following factors unfavorably impacted year-over-year operating profit margin comparisons:

- Incremental year-over-year costs associated with various new product development, sales and marketing growth investments, the effect of year-over-year changes in currency exchange rates and unfavorable product mix due to lower sales of dental consumables in 2017, net of incremental year-over-year cost savings associated with the continuing productivity improvement initiatives taken in 2017 and 2016 - 35 basis points
- Trade name impairments and related productivity improvement initiatives in 2017 - 35 basis points
- The incremental net dilutive effect in 2017 of acquired businesses - 10 basis points

ENVIRONMENTAL & APPLIED SOLUTIONS

The Company's Environmental & Applied Solutions segment offers products and services that help protect important resources and keep global food and water supplies safe. The Company's water quality business provides instrumentation, services and disinfection systems to help analyze, treat and manage the quality of ultra-pure, potable, industrial, waste, ground, source and ocean water in residential, commercial, municipal, industrial and natural resource applications. The Company's product identification business provides equipment, software, services and consumables for various color and appearance management, packaging design and quality management, packaging converting, printing, marking, coding and traceability applications for consumer, pharmaceutical and industrial products.

Environmental & Applied Solutions Selected Financial Data

(\$ in millions)	For the Year Ended December 31		
	2018	2017	2016
Sales	\$ 4,319.5	\$ 3,968.8	\$ 3,692.8
Operating profit	988.0	914.6	870.0
Depreciation	47.0	43.4	35.8
Amortization	62.0	56.5	50.9
Operating profit as a % of sales	22.9%	23.0%	23.6%

Depreciation as a % of sales	1.1 %	1.1 %	1.0 %
Amortization as a % of sales	1.4 %	1.4 %	1.4 %

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Core Revenue

	2018 vs. 2017	2017 vs. 2016
Total sales growth (GAAP)	9.0 %	7.5 %
Less the impact of:		
Acquisitions and other	(2.0 %)	(3.0 %)
Currency exchange rates	(1.0 %)	(0.5 %)
Core revenue growth (non-GAAP)	6.0 %	4.0 %

2018 Compared to 2017

Price increases in the segment contributed 1.5% to sales growth on a year-over-year basis during 2018 as compared with 2017 and are reflected as a component of the change in core revenue growth.

Core sales in the segment's water quality businesses grew at a high-single digit rate during 2018 as compared with 2017. Year-over-year core sales in the analytical instrumentation product line increased, led by continued demand in the industrial and municipal end-markets. Geographically, year-over-year core revenue growth in the analytical instrumentation product line was driven by increased demand across all major geographies, led by China, North America and Western Europe. Year-over-year core revenue growth in the business' chemical treatment solutions product line was driven by demand in the commercial and industrial, mining and primary metals end-markets. Geographically, year-over-year core revenue growth in the chemical treatment solutions product line was driven by North America and Latin America. Core sales in the business' ultraviolet water disinfection product line grew on a year-over-year basis due primarily to demand in the municipal and consumer end-markets. Geographically, year-over-year core revenue growth in the ultraviolet water disinfection product line was led by North America and China, partially offset by softer demand in Western Europe.

Core sales in the segment's product identification businesses grew at a mid-single digit rate during 2018 as compared with 2017. Year-over-year core revenue growth for marking and coding equipment and related consumables was driven by demand across all major end-markets and in all major geographies, particularly Western Europe, North America and high-growth markets. Demand for the business' packaging and color solutions decreased slightly year-over-year. Geographically, core sales for packaging and color solutions decreased in North America and high-growth markets, partially offset by increased demand in Western Europe.

Operating profit margins declined 10 basis points during 2018 as compared to 2017. The following factors impacted year-over-year operating profit margin comparisons:

2018 vs. 2017 operating profit margin comparisons were favorably impacted by:

- Higher 2018 sales volumes, incremental year-over-year cost savings associated with the continuing productivity improvement initiatives taken in 2018 and 2017, and improved pricing, net of incremental year-over-year costs associated with various new product development and sales and marketing growth investments - 35 basis points

2018 vs. 2017 operating profit margin comparisons were unfavorably impacted by:

- The incremental net dilutive effect in 2018 of acquired businesses - 45 basis points

2017 Compared to 2016

During the first quarter of 2017, a product line was transferred from the Life Sciences segment to the Environmental & Applied Solutions segment. While this change is not material to segment results in total, the resulting change in sales growth has been included in the "Acquisitions and other" line in the table above.

Price increases in the segment contributed 1.0% to sales growth on a year-over-year basis during 2017 as compared with 2016 and are reflected as a component of the change in core revenue growth.

Core sales in the segment's water quality businesses grew at a low-single digit rate during 2017 as compared with 2016. Year-over-year core sales in the analytical instrumentation product line grew, as increased demand in the industrial and municipal end-markets was partially offset by lower demand in the environmental end-markets. Geographically, year-over-year core revenue growth in the analytical instrumentation product line was driven by increased demand in China, Western Europe and North America, partially offset by lower demand in the Middle East and Latin America. Year-over-year core revenue growth in the business' chemical treatment solutions product line was due primarily to an expansion of the customer base in the United

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States, driven by higher demand in food, steel and oil and gas-related end-markets. Core sales in the business' ultraviolet water disinfection product line grew on a year-over-year basis due primarily to higher demand in municipal and industrial end-markets in North America, Western Europe and Asia.

Core sales in the segment's product identification businesses grew at a mid-single digit rate during 2017 as compared with 2016. Continued strong year-over-year demand for marking and coding equipment and related consumables in most major geographies, led by North America and Western Europe, drove the majority of the core revenue growth. Demand for the business' packaging and color solutions also increased year-over-year. Geographically, core revenue growth for packaging and color solutions was led by North America, Western Europe and Asia.

Operating profit margins declined 60 basis points during 2017 as compared to 2016. The following factors impacted year-over-year operating profit margin comparisons:

2017 vs. 2016 operating profit margin comparisons were favorably impacted by:

- Higher 2017 sales volumes, incremental year-over-year cost savings associated with the continuing productivity improvement initiatives taken in 2017 and 2016, improved pricing and the effect of year-over-year changes in currency exchange rates, net of incremental year-over-year costs associated with various new product development and sales and marketing growth investments - 5 basis points

2017 vs. 2016 operating profit margin comparisons were unfavorably impacted by:

- The incremental net dilutive effect in 2017 of acquired businesses - 65 basis points

COST OF SALES AND GROSS PROFIT

(\$ in millions)	For the Year Ended December 31		
	2018	2017	2016
Sales	\$ 19,893.0	\$ 18,329.7	\$ 16,882.4
Cost of sales	(8,785.9)	(8,137.2)	(7,547.8)
Gross profit	\$ 11,107.1	\$ 10,192.5	\$ 9,334.6
Gross profit margin	55.8 %	55.6 %	55.3 %

The year-over-year increase in cost of sales during 2018 as compared with 2017 is due primarily to the impact of higher year-over-year sales volumes, including sales from recently acquired businesses, partially offset by incremental year-over-year cost savings associated with the continued productivity improvement actions taken in 2018 and 2017 and charges associated with the Company's strategic decision to discontinue a product line in its Diagnostics segment in 2017. Cost of goods sold also increased as a result of tariffs in 2018, and tariffs are estimated to have a modest impact on cost of goods sold in 2019.

The year-over-year increase in cost of sales during 2017 as compared with 2016, is due primarily to the impact of higher year-over-year sales volumes, including sales from recently acquired businesses and the impact of restructuring, impairment and other related charges associated with the Company's strategic decision to discontinue a product line in its Diagnostics segment. This increase in cost of sales was partially offset by year-over-year cost savings at recently acquired businesses, incremental year-over-year cost savings associated with the continued productivity improvement actions taken in 2017 and 2016, and the year-over-year decrease in acquisition-related charges associated with fair value adjustments to acquired inventory which decreased cost of sales by \$21 million during 2017 as compared to 2016.

The year-over-year increase in gross profit margins during 2018 as compared with 2017 is due primarily to the favorable impact of higher year-over-year sales volumes, including sales from recently acquired businesses, increased leverage of certain manufacturing costs and incremental year-over-year cost savings associated with the continuing productivity improvements taken in 2018 and 2017. Gross margin improvements were partially offset by the impact of foreign exchange rates in 2018.

The year-over-year increase in gross profit margins during 2017 as compared with 2016 is due primarily to the favorable impact of higher year-over-year sales volumes, incremental year-over-year cost savings associated with the continuing productivity improvements taken in 2017 and 2016. In addition, the acquisition-related charges associated with fair value adjustments to acquired inventory and deferred revenue were higher in 2016 than 2017, which improved gross profit margins by 10 basis points during 2017 as compared with 2016.

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OPERATING EXPENSES

(\$ in millions)	For the Year Ended December 31		
	2018	2017	2016
Sales	\$ 19,893.0	\$ 18,329.7	\$ 16,882.4
Selling, general and administrative (“SG&A”) expenses	(6,472.1)	(6,073.3)	(5,624.3)
Research and development (“R&D”) expenses	(1,231.2)	(1,128.8)	(975.1)
SG&A as a % of sales	32.5 %	33.1 %	33.3 %
R&D as a % of sales	6.2 %	6.2 %	5.8 %

SG&A expenses as a percentage of sales declined 60 basis points on a year-over-year basis for 2018 compared with 2017. The decline was driven by increased leverage of the Company’s general and administrative cost base resulting from higher 2018 sales volumes, continuing productivity improvements taken in 2018 and 2017, and the impact of the restructuring, impairment and other related charges incurred in 2017 associated with the Company’s strategic decision to discontinue a product line in its Diagnostics segment. The decline in SG&A expenses as a percentage of sales was partially offset by higher relative spending levels at recently acquired companies and continued investments in sales and marketing growth initiatives.

SG&A expenses as a percentage of sales declined 20 basis points on a year-over-year basis for 2017 compared with 2016. The decline was driven by increased leverage of the Company’s general and administrative cost base resulting from higher 2017 sales volumes, continuing productivity improvements taken in 2017 and 2016 as well as the benefit of lower acquisition charges in 2017 compared to 2016, particularly change in control payments and restructuring costs in connection with the acquisition of Cepheid. The decline in SG&A expenses as a percentage of sales was partially offset by restructuring, impairment and other related charges associated with the Company’s strategic decision to discontinue a product line in its Diagnostics segment, higher relative spending levels at recently acquired companies, primarily Cepheid, and continued investments in sales and marketing growth initiatives.

R&D expenses (consisting principally of internal and contract engineering personnel costs) as a percentage of sales remained consistent in 2018 as compared with 2017 as year-over-year increases in spending in the Company’s new product development initiatives corresponded to the increase in sales. R&D expenses as a percentage of sales increased in 2017 as compared to 2016 due primarily to higher R&D expenses as a percentage of sales in the businesses most recently acquired, primarily Cepheid, as well as year-over-year increases in spending in the Company’s new product development initiatives.

NONOPERATING INCOME (EXPENSE)

As described in Note 1 and Note 11, in the first quarter of 2018, the Company adopted ASU No. 2017-07, *Compensation— Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The ASU requires the Company to disaggregate the service cost component from the other components of net periodic benefit costs and requires the Company to present the other components of net periodic benefit cost in other income, net. The ASU also requires application on a retrospective basis. The other components of net periodic benefit costs included in other income, net for the years ended December 31, 2018, 2017 and 2016 were net gains of \$37 million, \$31 million and \$16 million, respectively.

During 2017, the Company received \$138 million of cash proceeds and recorded \$22 million in short-term other receivables from the sale of certain marketable equity securities during 2017. The Company recorded a pretax gain related to this sale of \$73 million (\$46 million after-tax or \$0.06 per diluted share).

During 2016, the Company received cash proceeds of \$265 million from the sale of certain marketable equity securities and recorded a pretax gain related to this sale of \$223 million (\$140 million after-tax or \$0.20 per diluted share).

During 2016, the Company also paid \$188 million of make-whole premiums associated with the early extinguishment of the Redeemed Notes. The Company recorded a loss on extinguishment of these borrowings, net of certain deferred gains, of \$179 million (\$112 million after-tax or \$0.16 per diluted share).

INTEREST COSTS

Interest expense of \$157 million for 2018 was \$5 million lower than in 2017, due primarily to the decrease in interest costs as a result of the repayment of certain outstanding borrowings in the third quarter of 2018 and the second and fourth quarters of 2017, lower average outstanding U.S. commercial paper borrowings during 2018 compared to 2017, and the impact of foreign currency exchange rates in 2018 as compared to 2017, partially offset by the cost of additional non-U.S. debt issued during

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2017. For a further description of the Company's debt as of December 31, 2018 refer to Note 10 to the Consolidated Financial Statements. Interest expense of \$163 million in 2017 was \$21 million lower than the 2016 interest expense of \$184 million due primarily to the decrease in interest costs as a result of the early extinguishment of certain outstanding borrowings in the third quarter of 2016 using the proceeds from the Fortive Distribution and lower commercial paper borrowings in 2017 compared to 2016, partially offset by the cost of additional long-term debt refinancing relating to the acquisition of Cepheid.

In January 2019, the Company entered into approximately \$1.9 billion of cross-currency swap derivative contracts on its U.S. dollar-denominated bonds to effectively convert the Company's U.S. dollar-denominated bonds to obligations denominated in Danish kroner, Japanese yen, euro and Swiss franc. Based on the interest rates of the swaps and current currency exchange rates, the Company expects these contracts to effectively reduce the Company's interest expense in 2019 by approximately \$35 million versus the stated interest rates on the U.S. dollar denominated debt.

INCOME TAXES

General

Income tax expense and deferred tax assets and liabilities reflect management's assessment of future taxes expected to be paid on items reflected in the Company's Consolidated Financial Statements. The Company records the tax effect of discrete items and items that are reported net of their tax effects in the period in which they occur.

The Company's effective tax rate can be affected by changes in the mix of earnings in countries with different statutory tax rates (including as a result of business acquisitions and dispositions), changes in the valuation of deferred tax assets and liabilities, accruals related to contingent tax liabilities and period-to-period changes in such accruals, the results of audits and examinations of previously filed tax returns (as discussed below), the expiration of statutes of limitations, the implementation of tax planning strategies, tax rulings, court decisions, settlements with tax authorities and changes in tax laws and regulations, including the TCJA and legislative policy changes that may result from the OECD's initiative on Base Erosion and Profit Shifting. For a description of the tax treatment of earnings that are planned to be reinvested indefinitely outside the United States, refer to "—Liquidity and Capital Resources—Cash and Cash Requirements" below.

The amount of income taxes the Company pays is subject to ongoing audits by federal, state and foreign tax authorities, which often result in proposed assessments. Management performs a comprehensive review of its global tax positions on a quarterly basis. Based on these reviews, the results of discussions and resolutions of matters with certain tax authorities, tax rulings and court decisions and the expiration of statutes of limitations, reserves for contingent tax liabilities are accrued or adjusted as necessary. For a discussion of risks related to these and other tax matters, refer to "Item 1A. Risk Factors".

On December 22, 2017, the TCJA was enacted, substantially changing the U.S. tax system and affecting the Company in a number of ways. Notably, the TCJA:

- established a flat corporate income tax rate of 21.0% on U.S. earnings;
- imposed a one-time tax on unremitted cumulative non-U.S. earnings of foreign subsidiaries, which we refer to in this Annual Report as the Transition Tax;
- imposes a new minimum tax on certain non-U.S. earnings, irrespective of the territorial system of taxation, and generally allows for the repatriation of future earnings of foreign subsidiaries without incurring additional U.S. taxes by transitioning to a territorial system of taxation;
- subjects certain payments made by a U.S. company to a related foreign company to certain minimum taxes (Base Erosion Anti-Abuse Tax);
- eliminated certain prior tax incentives for manufacturing in the United States and creates an incentive for U.S. companies to sell, lease or license goods and services abroad by allowing for a reduction in taxes owed on earnings related to such sales;

- allows the cost of investments in certain depreciable assets acquired and placed in service after September 27, 2017 to be immediately expensed; and
- reduces deductions with respect to certain compensation paid to specified executive officers.

While the changes from the TCJA were generally effective beginning in 2018, GAAP accounting for income taxes requires the effect of a change in tax laws or rates to be recognized in income from continuing operations for the period that includes the enactment date. Due to the complexities involved in accounting for the enactment of the TCJA, SEC Staff Accounting Bulletin No. 118 (“SAB No. 118”) allowed the Company to record provisional amounts in earnings for the year ended December 31,

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2017. Where reasonable estimates could be made, the provisional accounting was based on such estimates. When no reasonable estimate could be made, SAB No. 118 required the accounting to be based on the tax law in effect before the TCJA. The Company was required to complete its tax accounting for the TCJA when it had obtained, prepared and analyzed the information to complete the income tax accounting but no later than December 22, 2018.

Accordingly, during 2018, the Company completed its accounting for the tax effects of the enactment of the TCJA based on the Company's interpretation of the new tax regulations and related guidance issued by the U.S. Department of the Treasury and the IRS.

- The Transition Tax is based on the Company's post-1986 earnings and profits that were previously deferred from U.S. income taxes. In the year ended December 31, 2017, the Company recorded a provision amount for the Transition Tax expense resulting in an increase in income tax expense of approximately \$1.2 billion. During 2018, the Company finalized the calculations of the Transition Tax liability and increased the provisional amount recorded in 2017 by \$40 million, with the increase included as a component of income tax expense from continuing operations in 2018. Regulations allow the Company to reduce the Transition Tax payable by applying available foreign tax credits and other tax attributes. The Company has elected to pay the net Transition Tax payable over an eight-year period as permitted by the TCJA. As of December 31, 2018, the remaining Transition Tax balance to be paid over the next seven years is approximately \$180 million.
- In connection with finalizing the calculation of tax credits available to reduce the Transition Tax and other U.S. taxable income, the Company recorded an additional provision of \$13 million related to net unrealizable credits which is included as a component of income tax expense from continuing operations in 2018.
- U.S. deferred tax assets and liabilities were remeasured as of December 31, 2017 based upon the tax rates at which the assets and liabilities are expected to reverse in the future, which is generally 21.0%, resulting in an income tax benefit of approximately \$1.2 billion in 2017. Upon finalizing the provisional accounting for the remeasurement of U.S. deferred tax assets and liabilities in 2018, the Company recorded an additional tax benefit of \$47 million, which is included as a component of income tax expense from continuing operations.
- The TCJA imposes tax on U.S. shareholders for global intangible low-taxed income ("GILTI") earned by certain foreign subsidiaries. The Company is required to make an accounting policy election of either: (1) treating taxes due on future amounts included in U.S. taxable income related to GILTI as a current period tax expense when incurred (the "period cost method"); or (2) factoring such amounts into the Company's measurement of its deferred tax expense (the "deferred method"). As of December 31, 2017, the Company was still analyzing its global income and did not record a GILTI-related deferred tax amount. In 2018, the Company elected the period cost method for its accounting for GILTI.

Due to the complexity and recent issuance of these tax regulations, management's interpretations of the impact of these rules could be subject to challenge by the taxing authorities.

Year-Over-Year Changes in the Tax Provision and Effective Tax Rate

	Year Ended December 31		
	2018	2017	2016
Effective tax rate from continuing operations	19.5 %	16.0 %	17.5 %

The Company's effective tax rate for 2018, 2017 and 2016 differs from the U.S. federal statutory rates of 21.0% for 2018 and 35.0% for 2017 and 2016, due principally to the Company's earnings outside the United States that are indefinitely reinvested and taxed at rates different than the U.S. federal statutory rate. In addition:

- The effective tax rate of 19.5% in 2018 includes 70 basis points of tax benefits primarily related to the release of reserves upon the expiration of statutes of limitation, audit settlements and release of valuation

allowance in a certain foreign tax jurisdiction. These tax benefits were partially offset by additional provisions related to completing the accounting for the enactment of the TCJA as summarized above and tax costs directly related to reorganization activities associated with preparing for the Dental Separation.

- The effective tax rate of 16.0% in 2017 includes 500 basis points of net tax benefits due to the revaluation of deferred tax liabilities from 35.0% to 21.0% due to the TCJA and the release of reserves upon statute of limitation expiration, partially offset by income tax expense related to the Transition Tax on foreign earnings due to the TCJA and changes in estimates associated with prior period uncertain tax positions.

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- The effective tax rate of 17.5% in 2016 includes 350 basis points of net tax benefits from permanent foreign exchange losses and the release of reserves upon the expiration of statutes of limitation and audit settlements, partially offset by income tax expense related to repatriation of earnings and legal entity realignments associated with the Fortive Separation and changes in estimates associated with prior period uncertain tax positions.

The Company conducts business globally, and files numerous consolidated and separate income tax returns in the U.S. federal, state and foreign jurisdictions. The non-U.S. countries in which the Company has a significant presence include China, Denmark, Germany, Singapore, Switzerland and the United Kingdom. The Company believes that a change in the statutory tax rate of any individual foreign country would not have a material effect on the Company's Consolidated Financial Statements given the geographic dispersion of the Company's taxable income.

The Company and its subsidiaries are routinely examined by various domestic and international taxing authorities. The IRS has completed substantially all of the examinations of the Company's federal income tax returns through 2011 and is currently examining certain of the Company's federal income tax returns for 2012 through 2015. In addition, the Company has subsidiaries in Austria, Belgium, Canada, China, Denmark, Finland, France, Germany, Hong Kong, India, Italy, Japan, New Zealand, Sweden, Switzerland, the United Kingdom and various other countries, states and provinces that are currently under audit for years ranging from 2004 through 2017.

In the fourth quarter of 2018, the IRS proposed significant adjustments to the Company's taxable income for the years 2012 through 2015 with respect to the deferral of tax on certain premium income related to the Company's self-insurance programs. The proposed adjustments would increase the Company's taxable income over the 2012 through 2015 period by approximately \$960 million. In addition, as of December 31, 2018, the IRS has notified the Company that it is considering additional taxable income adjustments related to other aspects of the Company's self-insurance programs for the years 2012 through 2015. These additional proposed adjustments would increase the Company's taxable income by approximately \$1.7 billion. Management believes the positions the Company has taken in its U.S. tax returns are in accordance with the relevant tax laws, intends to vigorously defend these positions and is currently considering all of its alternatives. Due to the enactment of the TCJA in 2017 and the resulting reduction in the U.S. corporate tax rate for years after 2017, the Company revalued its deferred tax liabilities related to the temporary differences associated with this deferred premium income from 35.0% to 21.0%. If the Company is not successful in defending these assessments, the taxes owed to the IRS may be computed under the previous 35.0% statutory tax rate and the Company may be required to revalue the related deferred tax liabilities from 21.0% to 35.0%, which in addition to any interest due on the amounts assessed, would require a charge to future earnings. The ultimate resolution of this matter is uncertain, could take many years and could result in a material adverse impact to the Company's Consolidated Financial Statements, including its cash flows and effective tax rate.

Tax authorities in Denmark have raised significant issues related to interest accrued by certain of the Company's subsidiaries. On December 10, 2013, the Company received assessments from the Danish tax authority ("SKAT") totaling approximately DKK 1.6 billion (approximately \$247 million based on exchange rates as of December 31, 2018) including interest through December 31, 2018, imposing withholding tax relating to interest accrued in Denmark on borrowings from certain of the Company's subsidiaries for the years 2004 through 2009. The Company is currently in discussions with SKAT and anticipates receiving an assessment for years 2010 through 2012 totaling approximately DKK 954 million (approximately \$146 million based on exchange rates as of December 31, 2018) including interest through December 31, 2018. Management believes the positions the Company has taken in Denmark are in accordance with the relevant tax laws and is vigorously defending its positions. The Company appealed these assessments with the National Tax Tribunal in 2014 and intends on pursuing this matter through the European Court of Justice should this appeal be unsuccessful. The ultimate resolution of this matter is uncertain, could take many years, and could result in a material adverse impact to the Company's Consolidated Financial Statements, including its cash flows and effective tax rate.

After considering the effect of the TCJA, the Company expects its 2019 effective tax rate to be approximately 19.5%. Any future legislative changes in the United States including new regulations related to the TCJA or potential tax reform in other jurisdictions, could cause the Company's effective tax rate to differ from this estimate. Refer to Note 13 to the Consolidated Financial Statements for additional information related to income taxes.

DISCONTINUED OPERATIONS

As further discussed in Note 4 to the Consolidated Financial Statements, discontinued operations include the results of the Fortive businesses which were disposed of during the third quarter of 2016.

In 2017, Danaher recorded a \$22 million income tax benefit related to the release of previously provided reserves associated with uncertain tax positions on certain Danaher tax returns which were jointly filed with Fortive entities. These reserves were released due to the expiration of statutes of limitations for those returns. All Fortive entity-related balances were included in

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the income tax benefit related to discontinued operations.

In 2016, earnings from discontinued operations, net of income taxes, were \$400 million and reflected the operating results of the Fortive businesses prior to the Fortive Separation.

COMPREHENSIVE INCOME

Comprehensive income decreased by approximately \$1.5 billion in 2018 as compared to 2017, primarily due to a loss from foreign currency translation adjustments in 2018 compared to a gain in 2017 and a loss from pension and postretirement plan benefit adjustments as compared to a gain in 2017, partially offset by higher net earnings from continuing operations and a decrease in unrealized losses on available-for-sale securities in 2018 compared to 2017. The Company recorded a foreign currency translation loss of \$632 million for 2018 compared to a translation gain of \$976 million for 2017. The Company recorded a pension and postretirement plan benefit loss of \$13 million for 2018 compared to a gain of \$71 million for 2017. These negative impacts were partially offset by higher net earnings in 2018 compared to 2017.

Comprehensive income increased by approximately \$1.7 billion in 2017 as compared to 2016, primarily due to increased earnings from continuing operations, an increased gain from foreign currency translation adjustments compared to 2016, pension and postretirement plan benefit adjustments and the decrease in unrealized losses on available-for-sale securities, partially offset by lower net earnings attributable to discontinued operations in 2017 compared to 2016. The Company recorded a foreign currency translation gain of \$976 million for 2017 compared to a translation loss of \$517 million for 2016. The Company recorded a pension and postretirement plan benefit gain of \$71 million in 2017 compared to a loss of \$58 million in 2016.

INFLATION

The effect of inflation on the Company's revenues and net earnings was not significant in any of the years ended December 31, 2018, 2017 or 2016.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to market risk from changes in interest rates, foreign currency exchange rates, equity prices and commodity prices as well as credit risk, each of which could impact its Consolidated Financial Statements. The Company generally addresses its exposure to these risks through its normal operating and financing activities. The Company may periodically use derivative financial instruments to manage foreign exchange risks. In addition, the Company's broad-based business activities help to reduce the impact that volatility in any particular area or related areas may have on its operating profit as a whole.

Interest Rate Risk

The Company manages interest cost using a mixture of fixed-rate and variable-rate debt. A change in interest rates on long-term debt impacts the fair value of the Company's fixed-rate long-term debt but not the Company's earnings or cash flow because the interest on such debt is fixed. Generally, the fair market value of fixed-rate debt will increase as interest rates fall and decrease as interest rates rise. As of December 31, 2018, an increase of 100 basis points in interest rates would have decreased the fair value of the Company's fixed-rate long-term debt (excluding the LYONs, which have not been included in this calculation as the value of this convertible debt is primarily derived from the value of its underlying common stock) by \$460 million.

As of December 31, 2018, the Company's variable-rate debt obligations consisted primarily of U.S. dollar and euro-based commercial paper borrowings (refer to Note 10 to the Consolidated Financial Statements for information regarding the Company's outstanding commercial paper balances as of December 31, 2018). As a result, the Company's primary interest rate exposure results from changes in short-term interest rates. As these shorter duration obligations mature, the Company may issue additional short-term commercial paper obligations to refinance all or part of these borrowings. In 2018, the average annual interest rate associated with outstanding commercial paper borrowings was approximately negative 18 basis points. A hypothetical increase of this average to negative eight basis points would have increased the Company's annual interest expense by \$3 million. The hypothetical increase used is the actual amount by which the Company's commercial paper interest rates fluctuated during 2018.

In January 2019, the Company entered into approximately \$1.9 billion of cross-currency swap derivative contracts on its U.S. dollar denominated bonds to effectively convert the Company's U.S. dollar denominated bonds to obligations denominated in Danish kroner, Japanese yen, euro and Swiss franc. Based on the interest rates of the swaps and current currency exchange

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rates, the Company expects these contracts to reduce the Company's interest expense in 2019 by approximately \$35 million versus the stated interest rates on the U.S. dollar denominated debt.

Currency Exchange Rate Risk

The Company faces transactional exchange rate risk from transactions with customers in countries outside the United States and from intercompany transactions between affiliates. Transactional exchange rate risk arises from the purchase and sale of goods and services in currencies other than Danaher's functional currency or the functional currency of its applicable subsidiary. The Company also faces translational exchange rate risk related to the translation of financial statements of its foreign operations into U.S. dollars, Danaher's functional currency. Costs incurred and sales recorded by subsidiaries operating outside of the United States are translated into U.S. dollars using exchange rates effective during the respective period. As a result, the Company is exposed to movements in the exchange rates of various currencies against the U.S. dollar. In particular, the Company has more sales in European currencies than it has expenses in those currencies. Therefore, when European currencies strengthen or weaken against the U.S. dollar, operating profits are increased or decreased, respectively. The effect of a change in currency exchange rates on the Company's net investment in international subsidiaries is reflected in the accumulated other comprehensive income (loss) component of stockholders' equity.

Currency exchange rates positively impacted 2018 reported sales by 0.5% on a year-over-year basis, primarily as a result of the U.S. dollar weakening against other major currencies in the first half of 2018. The U.S. dollar strengthened in the second half of 2018 which mitigated some of the benefit recorded in early 2018. If the exchange rates in effect as of December 31, 2018 were to prevail throughout 2019, currency exchange rates would adversely impact 2019 estimated sales by 1.5% relative to the Company's performance in 2018. Strengthening of the U.S. dollar against other major currencies would adversely impact the Company's sales and results of operations on an overall basis. Any weakening of the U.S. dollar against other major currencies would positively impact the Company's sales and results of operations.

The Company has generally accepted the exposure to exchange rate movements without using derivative financial instruments to manage this transactional exchange risk. Both positive and negative movements in currency exchange rates against the U.S. dollar will therefore continue to affect the reported amount of sales and net earnings in the Company's Consolidated Financial Statements. In addition, the Company has assets and liabilities held in foreign currencies. The Company may also use foreign currency-denominated debt and cross-currency swaps to partially hedge its net investments in foreign operations against adverse movements in exchange rates. A 10% depreciation in major currencies relative to the U.S. dollar as of December 31, 2018 would have reduced foreign currency-denominated net assets and stockholders' equity by \$860 million. In 2019, the Company entered into approximately \$1.9 billion of cross-currency swap derivative contracts on its U.S. dollar-denominated bonds to hedge its net investment in foreign operations against adverse changes in the exchange rates between the U.S. dollar and the Danish kroner, Japanese yen, euro and the Swiss franc. These contracts effectively convert the Company's U.S. dollar-denominated bonds to obligations denominated in Danish kroner, Japanese yen, euro and Swiss franc, and will partially offset the impact of changes in currency rates on foreign currency-denominated net assets in future periods.

Equity Price Risk

The Company's investment portfolio has in the past included publicly-traded equity securities that are sensitive to fluctuations in market price. However, during 2017 the Company sold substantially all of its available-for-sale marketable equity securities. The Company also holds investments in non-marketable equity instruments in privately held companies that may be impacted by equity price risks or other factors. These non-marketable equity investments are accounted for under the Fair Value Alternative method with changes in fair value recorded in earnings. Volatility in the equity markets or other fair value considerations could affect the value of these investments and require charges or gains to be recognized in earnings.

Commodity Price Risk

For a discussion of risks relating to commodity prices, refer to "Item 1A. Risk Factors."

Credit Risk

The Company is exposed to potential credit losses in the event of nonperformance by counterparties to its financial instruments. Financial instruments that potentially subject the Company to credit risk consist of cash and temporary investments, receivables from customers and derivatives. The Company places cash and temporary investments with

various high-quality financial institutions throughout the world and exposure is limited at any one institution. Although the Company typically does not obtain collateral or other security to secure these obligations, it does regularly monitor the third-party depository institutions that hold its cash and cash equivalents. The Company's emphasis is primarily on safety and liquidity of principal and secondarily on maximizing yield on those funds.

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In addition, concentrations of credit risk arising from receivables from customers are limited due to the diversity of the Company's customers. The Company's businesses perform credit evaluations of their customers' financial conditions as appropriate and also obtain collateral or other security when appropriate.

The Company enters into derivative transactions infrequently and such transactions are generally insignificant to the Company's financial condition and results of operations. These transactions are typically entered into with high-quality financial institutions and exposure at any one institution is limited.

LIQUIDITY AND CAPITAL RESOURCES

Management assesses the Company's liquidity in terms of its ability to generate cash to fund its operating, investing and financing requirements. The Company continues to generate substantial cash from operating activities and believes that its operating cash flow and other sources of liquidity will be sufficient to allow it to continue investing in existing businesses, consummating strategic acquisitions and investments, paying interest and servicing debt and managing its capital structure on a short and long-term basis.

Following is an overview of the Company's cash flows and liquidity for the years ended December 31:

Overview of Cash Flows and Liquidity

(\$ in millions)	2018	2017	2016
Total operating cash flows provided by continuing operations	\$ 4,022.0	\$ 3,477.8	\$ 3,087.5
Cash paid for acquisitions	\$ (2,173.3)	\$ (385.8)	\$ (4,880.1)
Payments for additions to property, plant and equipment	(655.7)	(619.6)	(589.6)
Proceeds from sales of property, plant and equipment	6.3	32.6	9.8
Payments for purchases of investments	(148.9)	—	—
Proceeds from sales of investments	22.2	137.9	264.8
All other investing activities	—	(8.5)	21.9
Total investing cash used in discontinued operations	—	—	(69.8)
Net cash used in investing activities	\$ (2,949.4)	\$ (843.4)	\$ (5,243.0)
Proceeds from the issuance of common stock	\$ 96.0	\$ 68.8	\$ 164.5
Payment of dividends	(433.4)	(378.3)	(399.8)
Payment for purchase of noncontrolling interest	—	(64.4)	—
Make-whole premiums to redeem borrowings prior to maturity	—	—	(188.1)
Net proceeds from (repayments of) borrowings (maturities of 90 days or less)	65.7	(3,778.5)	2,218.1
Proceeds from borrowings (maturities longer than 90 days)	—	1,782.1	3,240.9
Repayments of borrowings (maturities longer than 90 days)	(507.8)	(668.4)	(2,480.6)
All other financing activities	(17.9)	(59.8)	(27.0)
Cash distributions to Fortive, net	—	—	(485.3)
Net cash (used in) provided by financing activities	\$ (797.4)	\$ (3,098.5)	\$ 2,042.7

- Operating cash flows from continuing operations increased \$544 million, or 16%, during 2018 as compared to 2017, due primarily to higher net earnings, which included higher noncash charges for depreciation and amortization, the impact of a noncash gain from the sale of marketable equity securities in 2017, and lower cash used for funding trade accounts receivable, inventories and trade accounts payable in 2018 compared to 2017. This increase was partially offset by higher cash used for payments for various employee-related liabilities, customer funding and accrued expenses during 2018.

- Net cash used in investing activities during 2018 consisted primarily of cash paid for acquisitions, additions to property, plant and equipment and payments for purchases of investments. The Company acquired two businesses during 2018 for total consideration (including assumed debt and net of cash acquired) of approximately \$2.2 billion.

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Payments for additions to property, plant and equipment increased \$36 million in 2018 compared to 2017 and included investments in operating assets, and new facilities across the Company. In addition, in 2018, the Company invested \$149 million in non-marketable equity securities.

- The Company repaid the \$500 million aggregate principal amount of 2018 U.S. Notes (plus accrued interest) upon their maturity in September 2018 using available cash and proceeds from the issuance of commercial paper.
- As of December 31, 2018, the Company held \$788 million of cash and cash equivalents.

Operating Activities

Cash flows from operating activities can fluctuate significantly from period-to-period as working capital needs and the timing of payments for income taxes, restructuring activities and productivity improvement initiatives, pension funding and other items impact reported cash flows.

Operating cash flows from continuing operations were approximately \$4.0 billion for 2018, an increase of \$544 million, or 16%, as compared to 2017. The year-over-year change in operating cash flows from 2017 to 2018 was primarily attributable to the following factors:

- 2018 operating cash flows benefited from higher net earnings in 2018 as compared to 2017. Net earnings in 2017 also included a \$73 million gain on sale of marketable equity securities for which the proceeds were reflected in the investing activities section of the accompanying Consolidated Statement of Cash Flows, and therefore, did not contribute to operating cash flows.
- Net earnings from continuing operations for 2018 reflected an increase of \$69 million of depreciation and amortization expense as compared to 2017. Amortization expense primarily relates to the amortization of intangible assets acquired in connection with acquisitions and increased due to recently acquired businesses. Depreciation expense relates to both the Company's manufacturing and operating facilities as well as instrumentation leased to customers under operating-type lease arrangements and increased due primarily to the impact of increased capital expenditures. Depreciation and amortization are noncash expenses that decrease earnings without a corresponding impact to operating cash flows.
- The aggregate of trade accounts receivable, inventories and trade accounts payable provided \$24 million in operating cash flows during 2018, compared to \$243 million of operating cash flows used in 2017. The amount of cash flow generated from or used by the aggregate of trade accounts receivable, inventories and trade accounts payable depends upon how effectively the Company manages the cash conversion cycle, which effectively represents the number of days that elapse from the day it pays for the purchase of raw materials and components to the collection of cash from its customers and can be significantly impacted by the timing of collections and payments in a period.
- The aggregate of prepaid expenses and other assets, deferred income taxes and accrued expenses and other liabilities used \$114 million in operating cash flows during 2018, compared to \$110 million used in 2017. The timing of various employee-related liabilities, customer funding and accrued expenses drove the majority of this change.

Operating cash flows from continuing operations were approximately \$3.5 billion for 2017, an increase of \$390 million, or 13%, as compared to 2016. This increase was primarily attributable to the increase in net earnings from continuing operations in 2017 as compared to 2016.

Investing Activities

Cash flows relating to investing activities consist primarily of cash used for acquisitions and capital expenditures, including instruments leased to customers, cash used for investments and cash proceeds from divestitures of businesses or assets.

Net cash used in investing activities was approximately \$2.9 billion during 2018 compared to \$843 million and approximately \$5.2 billion of net cash used in 2017 and 2016, respectively.

Acquisitions, Divestitures and Sale of Investments

2018 Acquisitions and Sale of Investments

For a discussion of the Company's 2018 acquisitions refer to "—Overview." In addition, in 2018, the Company invested \$149 million in non-marketable equity securities and partnerships. The Company received cash proceeds of \$22 million from the collection of short-term other receivables related to the sale of certain marketable equity securities during 2017.

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2017 Acquisitions and Sale of Investments

During 2017, the Company acquired ten businesses for total consideration of \$386 million in cash, net of cash acquired. The businesses acquired complement existing units of the Life Sciences, Dental and Environmental & Applied Solutions segments. The aggregate annual sales of these ten businesses at the time of their respective acquisitions, in each case based on the company's revenues for its last completed fiscal year prior to the acquisition, were \$160 million.

The Company received \$138 million of cash proceeds and recorded \$22 million in short-term other receivables from the sale of certain marketable equity securities during 2017. The Company recorded a pretax gain related to this sale of \$73 million (\$46 million after-tax or \$0.06 per diluted share).

2016 Acquisitions, Divestitures and Sale of Investments

For a discussion of the Company's 2016 Separation of its former Test & Measurement segment, Industrial Technologies segment (excluding the product identification businesses) and retail/commercial petroleum business, refer to "—Overview."

On November 4, 2016, Copper Merger Sub, Inc., a California corporation and an indirect, wholly-owned subsidiary of the Company acquired all of the outstanding shares of common stock of Cepheid, a California corporation, for \$53.00 per share in cash, for a total purchase price of approximately \$4.0 billion, net of assumed debt and acquired cash (the "Cepheid Acquisition"). Cepheid is now part of the Company's Diagnostics segment. Cepheid generated revenues of \$539 million in 2015. The Company initially financed the Cepheid acquisition price with available cash and proceeds from the issuance of U.S. dollar and euro-denominated commercial paper.

In addition to the Cepheid Acquisition, during 2016 the Company acquired seven businesses for total consideration of \$882 million in cash, net of cash acquired. The businesses acquired complement existing units of each of the Company's four segments. The aggregate annual sales of these seven businesses at the time of their respective acquisitions, in each case based on the company's revenues for its last completed fiscal year prior to the acquisition, were \$237 million.

In addition, during 2016, the Company received cash proceeds of \$265 million from the sale of certain marketable equity securities and recorded a pretax gain related to this sale of \$223 million (\$140 million after-tax or \$0.20 per diluted share).

Capital Expenditures

Capital expenditures are made primarily for increasing capacity, replacing equipment, supporting new product development, improving information technology systems and the manufacture of instruments that are used in operating-type lease arrangements that certain of the Company's businesses enter into with customers. Capital expenditures totaled \$656 million in 2018, \$620 million in 2017 and \$590 million in 2016. The increase in capital spending in both 2018 and 2017 was due to increased investments in operating assets and new facilities across the Company. In 2019, the Company expects capital spending to be approximately \$750 million, though actual expenditures will ultimately depend on business conditions.

Financing Activities

Cash flows from financing activities consist primarily of cash flows associated with the issuance and repayments of commercial paper and other debt, issuances and repurchases of common stock, excess tax benefits from stock-based compensation and payments of cash dividends to shareholders. Financing activities used cash of \$797 million during 2018 compared to approximately \$3.1 billion of cash used during 2017. The year-over-year decrease in cash used in financing activities was due primarily to lower net repayments of commercial paper borrowings in 2018, as the Company decreased its commercial paper borrowings in 2017 after increasing commercial paper borrowings for the Cepheid acquisition. The Company issued commercial paper early in 2018 to pay for a portion of the acquisition price of IDT and repaid substantially all of such commercial paper borrowings later in 2018. The cash outflow in 2017 for the net repayment of commercial paper was partially offset by proceeds from the issuance of long-term notes. In both 2018 and 2017, the Company repaid long-term debt, with slightly lower repayments in 2018 compared to 2017, as the Company repaid the \$500 million aggregate principal amount of 2018 U.S. Notes with accrued interest upon their maturity in September 2018.

Financing activities used cash of approximately \$3.1 billion during 2017 compared to approximately \$2.0 billion of cash provided during 2016. Cash provided by financing activities in 2017 primarily related to higher net repayments of commercial paper borrowings in 2017 as compared to 2016 (as the Company increased its commercial paper borrowings in 2016 for the Cepheid acquisition) as well as lower proceeds from the issuance of debt in 2017 as compared to 2016. These impacts were partially offset by lower repayments of long-term debt in 2017 as compared to 2016 as the Company used a portion of the proceeds from the Fortive Distribution to repay outstanding long-term indebtedness in August 2016.

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Total debt was approximately \$9.7 billion and \$10.5 billion as of December 31, 2018 and 2017, respectively. The Company had the ability to incur approximately an additional \$1.5 billion of indebtedness in direct borrowings or under the outstanding commercial paper facility based on the amounts available under the Company's \$4.0 billion credit facility which were not being used to backstop outstanding commercial paper balances as of December 31, 2018. The Company has classified the 2019 Euronotes and approximately \$2.5 billion of its borrowings outstanding under the commercial paper programs as of December 31, 2018 as long-term debt in the accompanying Consolidated Balance Sheet as the Company had the intent and ability, as supported by availability under the Credit Facility, to refinance these borrowings for at least one year from the balance sheet date. As commercial paper obligations mature, the Company may issue additional short-term commercial paper obligations to refinance all or part of these borrowings.

Under the Company's U.S. and euro-denominated commercial paper program, the notes are typically issued at a discount from par, generally based on the ratings assigned to the Company by credit rating agencies at the time of the issuance and prevailing market rates measured by reference to LIBOR or EURIBOR. Additionally, the Company's floating rate senior unsecured notes due 2022 pay interest based upon the three-month EURIBOR plus 0.3%. In July 2017, the head of the United Kingdom Financial Conduct Authority announced the desire to phase out the use of LIBOR by the end of 2021. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, is considering replacing U.S. dollar LIBOR with the Secured Overnight Financing Rate, or SOFR, a new index calculated by short-term repurchase agreements, backed by Treasury securities. The Company has evaluated the immediate impact of the transition from LIBOR and does not expect the transition to be material.

Refer to Note 10 to the Consolidated Financial Statements for information regarding the Company's financing activities and indebtedness, including the Company's outstanding debt as of December 31, 2018, and the Company's commercial paper program and related credit facility.

Shelf Registration Statement

The Company has filed a "well-known seasoned issuer" shelf registration statement on Form S-3 with the SEC that registers an indeterminate amount of debt securities, common stock, preferred stock, warrants, depositary shares, purchase contracts and units for future issuance. The Company expects to use net proceeds realized by the Company from future securities sales off this shelf registration statement for general corporate purposes, including without limitation repayment or refinancing of debt or other corporate obligations, acquisitions, capital expenditures, share repurchases and dividends and/or working capital.

Stock Repurchase Program

Please see "Issuer Purchases of Equity Securities" in Item 5 of Part II of this Annual Report for a description of the Company's stock repurchase program.

Dividends

The Company declared a regular quarterly dividend of \$0.16 per share that was paid on January 25, 2019 to holders of record on December 28, 2018. Aggregate cash payments for dividends during 2018 were \$433 million. Dividend payments were higher in 2018 as compared to 2017 due to increases in the quarterly dividend rate effective with respect to the dividend paid in the second quarter of 2017 and with respect to the dividend paid in the second quarter of 2018.

Cash and Cash Requirements

As of December 31, 2018, the Company held \$788 million of cash and cash equivalents that were invested in highly liquid investment-grade debt instruments with a maturity of 90 days or less with an approximate weighted average annual interest rate of 1.3%. Of this amount, \$38 million was held within the United States and \$750 million was held outside of the United States. The Company will continue to have cash requirements to support working capital needs, capital expenditures, acquisitions and investments, pay interest and service debt, pay taxes and any related interest or penalties, fund its restructuring activities and pension plans as required, pay dividends to shareholders, repurchase shares of the Company's common stock and support other business needs. The Company generally intends to use available cash and internally generated funds to meet these cash requirements, but in the event that additional liquidity is required, particularly in connection with acquisitions, the Company may also borrow under its

commercial paper programs or credit facility, enter into new credit facilities and either borrow directly thereunder or use such credit facilities to backstop additional borrowing capacity under its commercial paper programs and/or issue debt and/or equity in the capital markets. The Company also may from time to time access the capital markets to take advantage of favorable interest rate environments or other market conditions.

While repatriation of some cash held outside the United States may be restricted by local laws, most of the Company's foreign cash could be repatriated to the United States. Following enactment of the TCJA and the associated Transition Tax, in general,

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repatriation of cash to the United States can be completed with no incremental U.S. tax; however, repatriation of cash could subject the Company to non-U.S. jurisdictional taxes on distributions. The cash that the Company's non-U.S. subsidiaries hold for indefinite reinvestment is generally used to finance foreign operations, investments and acquisitions. The income taxes applicable to such earnings are not readily determinable. As of December 31, 2018, the Company continues to assert that principally all of its non-U.S. earnings are indefinitely reinvested and management believes that the Company has sufficient liquidity to satisfy its cash needs, including its cash needs in the United States.

During 2018, the Company contributed \$55 million to its U.S. defined benefit pension plans and \$52 million to its non-U.S. defined benefit pension plans. During 2019, the Company's cash contribution requirements for its U.S. and its non-U.S. defined benefit pension plans are expected to be approximately \$10 million and \$50 million, respectively. The ultimate amounts to be contributed depend upon, among other things, legal requirements, underlying asset returns, the plan's funded status, the anticipated tax deductibility of the contribution, local practices, market conditions, interest rates and other factors.

Contractual Obligations

The following table sets forth, by period due or year of expected expiration, as applicable, a summary of the Company's contractual obligations as of December 31, 2018 under (1) debt obligations, (2) leases, (3) purchase obligations and (4) other long-term liabilities reflected on the Company's Consolidated Balance Sheet. The amounts presented in the "Other long-term liabilities" line in the table below include \$911 million of noncurrent gross unrecognized tax benefits and related interest (and do not include \$75 million of current gross unrecognized tax benefits which are included in the "Accrued expenses and other liabilities" line on the Consolidated Balance Sheet). However, the timing of the long-term portion of these tax liabilities is uncertain, and therefore, they have been included in the "More Than 5 Years" column in the table below. Refer to Note 13 to the Consolidated Financial Statements for additional information on unrecognized tax benefits. Certain of the Company's acquisitions also involve the potential payment of contingent consideration. The table below does not reflect any such obligations, as the timing and amounts of any such payments are uncertain. Refer to "—Off-Balance Sheet Arrangements" for a discussion of other contractual obligations that are not reflected in the table below.

(\$ in millions)	Total	Less Than One Year	1-3 Years	4-5 Years	More Than 5 Years
Debt and leases:					
Debt obligations ^{(a)(b)}	\$ 9,724.8	\$ 50.6	\$ 4,346.5	\$ 1,748.5	\$ 3,579.2
Capital lease obligations ^(b)	15.5	1.2	2.8	11.5	—
Total debt and leases	9,740.3	51.8	4,349.3	1,760.0	3,579.2
Interest payments on debt and capital lease obligations ^(c)	1,105.6	128.9	210.0	158.4	608.3
Operating lease obligations ^(d)	1,009.9	203.0	301.0	218.7	287.2
Other:					
Purchase obligations ^(e)	659.1	610.2	45.7	3.0	0.2
Other long-term liabilities reflected on the Company's Consolidated Balance Sheet ^(f)	5,075.8	—	621.5	515.2	3,939.1
Total	\$ 17,590.7	\$ 993.9	\$ 5,527.5	\$ 2,655.3	\$ 8,414.0

^(a) As described in Note 10 to the Consolidated Financial Statements.

^(b) Amounts do not include interest payments. Interest on debt and capital lease obligations is reflected in a separate line in the table.

^(c) Interest payments on debt are projected for future periods using the interest rates in effect as of December 31, 2018. Certain of these projected interest payments may differ in the future based on changes in market interest rates.

^(d) As described in Note 16 to the Consolidated Financial Statements, certain leases require the Company to pay real estate taxes, insurance, maintenance and other operating expenses associated with the leased premises. These future costs are not included in the table above. As discussed in Note 1 to the Consolidated Financial Statements, the Company adopted ASC 842 related

to lease accounting on January 1, 2019. Future minimum lease payments differ from the future lease liability recognized under ASC 842, as the lease liability recognized under ASC 842 discounts the lease payments while the minimum lease payments are not discounted. Additionally, ASC 842 allows a lessee to elect to combine or separate any non-lease components in an arrangement with the lease components for the calculation of the lease liability while the minimum lease payments exclude any non-lease components.

- (e) Consist of agreements to purchase goods or services that are enforceable and legally binding on the Company and that specify all significant terms, including fixed or minimum quantities to be purchased, fixed, minimum or variable price provisions and the approximate timing of the transaction.
- (f) Primarily consist of obligations under product service and warranty policies and allowances, performance and operating cost guarantees, estimated environmental remediation costs, self-insurance and litigation claims, postretirement benefits, pension obligations, deferred tax

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liabilities and deferred compensation obligations. The timing of cash flows associated with these obligations is based upon management's estimates over the terms of these arrangements and is largely based upon historical experience.

Off-Balance Sheet Arrangements

Guarantees and Related Instruments

The following table sets forth, by period due or year of expected expiration, as applicable, a summary of guarantees and related instruments of the Company as of December 31, 2018.

(\$ in millions)	Amount of Commitment Expiration per Period				
	Total	Less Than One Year	1-3 Years	4-5 Years	More Than 5 Years
Guarantees and related instruments	\$ 667.8	\$ 572.1	\$ 51.2	\$ 21.9	\$ 22.6

Guarantees and related instruments consist primarily of outstanding standby letters of credit, bank guarantees and performance and bid bonds. These have been provided in connection with certain arrangements with vendors, customers, insurance providers, financing counterparties and governmental entities to secure the Company's obligations and/or performance requirements related to specific transactions.

Other Off-Balance Sheet Arrangements

The Company has from time to time divested certain of its businesses and assets. In connection with these divestitures, the Company often provides representations, warranties and/or indemnities to cover various risks and unknown liabilities, such as claims for damages arising out of the use of products or relating to intellectual property matters, commercial disputes, environmental matters or tax matters. In particular, in connection with the 2016 Fortive Separation and the 2015 split-off of the Company's communications business, Danaher entered into separation and distribution and related agreements pursuant to which Danaher agreed to indemnify the other parties against certain damages and expenses that might occur in the future. These indemnification obligations cover a variety of liabilities, including, but not limited to, employee, tax and environmental matters. The Company has not included any such items in the contractual obligations table above because they relate to unknown conditions and the Company cannot estimate the potential liabilities from such matters, but the Company does not believe it is reasonably possible that any such liability will have a material effect on the Company's financial statements. In addition, as a result of these divestitures, as well as restructuring activities, certain properties leased by the Company have been sublet to third-parties. In the event any of these third-parties vacate any of these premises, the Company would be legally obligated under master lease arrangements. The Company believes that the financial risk of default by such sub-lessors is individually and in the aggregate not material to the Company's Consolidated Financial Statements.

In the normal course of business, the Company periodically enters into agreements that require it to indemnify customers, suppliers or other business partners for specific risks, such as claims for injury or property damage arising out of the Company's products, software or services or claims alleging that Company products or services infringe third-party intellectual property. The Company has not included any such indemnification provisions in the contractual obligations table above. Historically, the Company has not experienced significant losses on these types of indemnification obligations.

The Company's Restated Certificate of Incorporation requires it to indemnify to the full extent authorized or permitted by law any person made, or threatened to be made a party to any action or proceeding by reason of his or her service as a director or officer of the Company, or by reason of serving at the request of the Company as a director or officer of any other entity, subject to limited exceptions. Danaher's Amended and Restated By-laws provide for similar indemnification rights. In addition, Danaher has executed with each director and executive officer of Danaher Corporation an indemnification agreement which provides for substantially similar indemnification rights and under which Danaher has agreed to pay expenses in advance of the final disposition of any such indemnifiable proceeding. While the Company maintains insurance for this type of liability, a significant deductible applies to this coverage and any such liability could exceed the amount of the insurance coverage.

Legal Proceedings

Refer to “Item 3. Legal Proceedings” and Note 17 to the Consolidated Financial Statements for information regarding legal proceedings and contingencies, and for a discussion of risks related to legal proceedings and contingencies, refer to “Item 1A. Risk Factors.”

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CRITICAL ACCOUNTING ESTIMATES

Management's discussion and analysis of the Company's financial condition and results of operations is based upon the Company's Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. The Company bases these estimates and judgments on historical experience, the current economic environment and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ materially from these estimates and judgments.

The Company believes the following accounting estimates are most critical to an understanding of its financial statements. Estimates are considered to be critical if they meet both of the following criteria: (1) the estimate requires assumptions about material matters that are uncertain at the time the estimate is made, and (2) material changes in the estimate are reasonably likely from period-to-period. For a detailed discussion on the application of these and other accounting estimates, refer to Note 1 to the Consolidated Financial Statements.

Acquired Intangibles—The Company's business acquisitions typically result in the recognition of goodwill, in-process R&D and other intangible assets, which affect the amount of future period amortization expense and possible impairment charges that the Company may incur. Refer to Notes 1, 3 and 7 to the Consolidated Financial Statements for a description of the Company's policies relating to goodwill, acquired intangibles and acquisitions.

In performing its goodwill impairment testing, the Company estimates the fair value of its reporting units primarily using a market-based approach. In evaluating the estimates derived by the market-based approach, management makes judgments about the relevance and reliability of the multiples by considering factors unique to its reporting units, including operating results, business plans, economic projections, anticipated future cash flows, and transactions and marketplace data as well as judgments about the comparability of the market proxies selected. In certain circumstances the Company also estimates fair value utilizing a discounted cash flow analysis (i.e., an income approach) in order to validate the results of the market approach. The discounted cash flow model requires judgmental assumptions about projected revenue growth, future operating margins, discount rates and terminal values. There are inherent uncertainties related to these assumptions and management's judgment in applying them to the analysis of goodwill impairment.

As of December 31, 2018, the Company had eight reporting units for goodwill impairment testing. Reporting units resulting from recent acquisitions generally present the highest risk of impairment. Management believes the impairment risk associated with these reporting units generally decreases as these businesses are integrated into the Company and better positioned for potential future earnings growth. The Company's annual goodwill impairment analysis in 2018 indicated that in all instances, the fair values of the Company's reporting units exceeded their carrying values and consequently did not result in an impairment charge. The excess of the estimated fair value over carrying value (expressed as a percentage of carrying value for the respective reporting unit) for each of the Company's reporting units as of the annual testing date ranged from approximately 15% to approximately 600%. In order to evaluate the sensitivity of the fair value calculations used in the goodwill impairment test, the Company applied a hypothetical 10% decrease to the fair values of each reporting unit and compared those hypothetical values to the reporting unit carrying values. Based on this hypothetical 10% decrease, the excess of the estimated fair value over carrying value (expressed as a percentage of carrying value for the respective reporting unit) for each of the Company's reporting units ranged from approximately 5% to approximately 530%.

The Company reviews identified intangible assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. The Company also tests intangible assets with indefinite lives at least annually for impairment. Determining whether an impairment loss occurred requires a comparison of the carrying amount to the sum of undiscounted cash flows expected to be generated by the asset. These analyses require management to make judgments and estimates about future revenues, expenses, market conditions and discount rates related to these assets.

If actual results are not consistent with management's estimates and assumptions, goodwill and other intangible assets may be overstated and a charge would need to be taken against net earnings which would adversely affect the Company's Consolidated Financial Statements. Historically, the Company's estimates of goodwill and intangible assets have been materially correct.

Contingent Liabilities—As discussed in "Item 3. Legal Proceedings" and Note 17 to the Consolidated Financial Statements, the Company is, from time to time, subject to a variety of litigation and similar contingent liabilities

incidental to its business (or the business operations of previously owned entities). The Company recognizes a liability for any legal contingency that is known or probable of occurrence and reasonably estimable. These assessments require judgments concerning matters such as litigation developments and outcomes, the anticipated outcome of negotiations, the number of future claims and the cost of both pending and future claims. In addition, because most contingencies are resolved over long periods of time, liabilities may change in the future due to various factors, including those discussed in Note 17 to the Consolidated Financial Statements. If

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the reserves established by the Company with respect to these contingent liabilities are inadequate, the Company would be required to incur an expense equal to the amount of the loss incurred in excess of the reserves, which would adversely affect the Company's financial statements.

Revenue Recognition—On January 1, 2018, the Company adopted ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes nearly all previous revenue recognition guidance. Refer to Note 2 to the Consolidated Financial Statements for additional information on the Company's adoption of this ASU.

The Company derives revenues from the sale of products and services. Revenue is recognized when control over the promised products or services is transferred to the customer in an amount that reflects the consideration that the Company expects to receive in exchange for those goods or services. In determining if control has transferred, the Company considers whether certain indicators of the transfer of control are present, such as the transfer of title, present right to payment, significant risks and rewards of ownership and customer acceptance when acceptance is not a formality. To determine the consideration that the customer owes the Company, the Company must make judgments regarding the amount of customer allowances and rebates, as well as an estimate for product returns. The Company also enters into lease arrangements with customers, which requires the Company to determine whether the arrangements are operating or sales-type leases. Certain of the Company's lease contracts are customized for larger customers and often result in complex terms and conditions that typically require significant judgment in applying the lease accounting criteria. Refer to Note 1 to the Consolidated Financial Statements for a description of the Company's revenue recognition policies.

If the Company's judgments regarding revenue recognition prove incorrect, the Company's reported revenues in particular periods may be incorrect. Historically, the Company's estimates of revenue have been materially correct.

Pension and Other Postretirement Benefits—For a description of the Company's pension and other postretirement benefit accounting practices, refer to Notes 11 and 12 to the Consolidated Financial Statements. Calculations of the amount of pension and other postretirement benefit costs and obligations depend on the assumptions used in the actuarial valuations, including assumptions regarding discount rates, expected return on plan assets, rates of salary increases, health care cost trend rates, mortality rates and other factors. If the assumptions used in calculating pension and other postretirement benefits costs and obligations are incorrect or if the factors underlying the assumptions change (as a result of differences in actual experience, changes in key economic indicators or other factors) the Company's Consolidated Financial Statements could be materially affected. A 50 basis point reduction in the discount rates used for the plans would have increased the U.S. net obligation by \$121 million (\$92 million on an after-tax basis) and the non-U.S. net obligation by \$125 million (\$96 million on an after-tax basis) from the amounts recorded in the Consolidated Financial Statements as of December 31, 2018. A 50 basis point increase in the discount rates used for the plans would have decreased the U.S. net obligation by \$111 million (\$84 million on an after-tax basis) and the non-U.S. net obligation by \$120 million (\$93 million on an after-tax basis) from the amounts recorded in the Consolidated Financial Statements as of December 31, 2018.

For 2018, the estimated long-term rate of return for the U.S. plans is 7.0%, and the Company intends to continue to use an assumption of 7.0% for 2019. The estimated long-term rate of return for the non-U.S. plans was determined on a plan-by-plan basis based on the nature of the plan assets and ranged from 1.0% to 5.8%. If the expected long-term rate of return on plan assets for 2018 was reduced by 50 basis points, pension expense for the U.S. and non-U.S. plans for 2018 would have increased \$10 million (\$8 million on an after-tax basis) and \$6 million (\$5 million on an after-tax basis), respectively.

For a discussion of the Company's 2018 and anticipated 2019 defined benefit pension plan contributions, refer to "—Liquidity and Capital Resources—Cash and Cash Requirements".

Income Taxes—For a description of the Company's income tax accounting policies, refer to Notes 1 and 13 to the Consolidated Financial Statements. The Company establishes valuation allowances for its deferred tax assets if it is more likely than not that some or all of the deferred tax asset will not be realized. This requires management to make judgments and estimates regarding: (1) the timing and amount of the reversal of taxable temporary differences, (2) expected future taxable income, and (3) the impact of tax planning strategies. Future changes to tax rates would also impact the amounts of deferred tax assets and liabilities and could have an adverse impact on the Company's Consolidated Financial Statements.

The Company provides for unrecognized tax benefits when, based upon the technical merits, it is "more likely than not" that an uncertain tax position will not be sustained upon examination. Judgment is required in evaluating tax

positions and determining income tax provisions. The Company re-evaluates the technical merits of its tax positions and may recognize an uncertain tax benefit in certain circumstances, including when: (1) a tax audit is completed; (2) applicable tax laws change, including a tax case ruling or legislative guidance; or (3) the applicable statute of limitations expires.

On December 22, 2017, the TCJA was enacted, which substantially changed the U.S. tax system, including lowering the corporate tax rate from 35.0% to 21.0% (beginning in 2018). While the changes from the TCJA were generally effective

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beginning in 2018, GAAP accounting for income taxes requires the effect of a change in tax laws or rates to be recognized in income from continuing operations for the period that includes the enactment date. Due to the complexities involved in accounting for the enactment of the TCJA, SAB No. 118 allowed the Company to record provisional amounts in earnings for the year ended December 31, 2017. Where reasonable estimates could be made, the provisional accounting was based on such estimates. When no reasonable estimate could be made, SAB No. 118 required the accounting to be based on the tax law in effect before the TCJA. The Company was required to complete its tax accounting for the TCJA when it had obtained, prepared and analyzed the information to complete the income tax accounting but no later than December 22, 2018. The Company completed its accounting for the tax effects of the enactment of the TCJA based on the Company's interpretation of the new tax regulations and related guidance. The net tax effect to adjust the prior year provisional amounts was not material to the Company's financial statements. Due to the complexity and recent issuance of these tax regulations, management's interpretations of the impact of these rules could be subject to challenge by the taxing authorities. Some or all of these judgments are also subject to review by the IRS. If the IRS were to successfully challenge the Company's right to realize some or all of the tax benefit the Company has recorded, or its interpretation of the law regarding certain items, or if the amount of the Transition Tax or other tax liabilities are understated, it could have a material adverse effect on the Company's financial statements.

In addition, certain of the Company's tax returns are currently under review by tax authorities including in Denmark and the United States (refer to "—Results of Operations—Income Taxes" and Note 13 to the Consolidated Financial Statements). Management believes the positions taken in these returns are in accordance with the relevant tax laws. However, the outcome of these audits is uncertain and could result in the Company being required to record charges for prior year tax obligations which could have a material adverse impact to the Company's Consolidated Financial Statements, including its effective tax rate.

An increase of 1.0% in the Company's 2018 nominal tax rate would have resulted in an additional income tax provision for continuing operations for the year ended December 31, 2018 of \$33 million.

NEW ACCOUNTING STANDARDS

For a discussion of the new accounting standards impacting the Company, refer to Note 1 to the Consolidated Financial Statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this item is included under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Management on Danaher Corporation's Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Securities Exchange Act of 1934.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2018. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in "Internal Control-Integrated Framework" (2013 framework). Based on this assessment, management concluded that, as of December 31, 2018, the Company's internal control over financial reporting is effective.

The Company completed the acquisition of Integrated DNA Technologies ("IDT") on April 13, 2018. Since the Company has not yet fully incorporated the internal controls and procedures of IDT into the Company's internal control over financial reporting, management excluded IDT from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2018. IDT constituted less than 5% of the Company's total assets as of December 31, 2018 and approximately 1% of the Company's total revenues for the year then ended.

The Company's independent registered public accounting firm has issued an audit report on the effectiveness of the Company's internal control over financial reporting. This report dated February 20, 2019 appears on page 59 of this Form 10-K.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Danaher Corporation

Opinion on Internal Control over Financial Reporting

We have audited Danaher Corporation and subsidiaries' internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Danaher Corporation and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

As indicated in the accompanying Report of Management on Danaher Corporation's Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Integrated DNA Technologies, which is included in the 2018 consolidated financial statements of the Company and constituted less than 5% of total assets as of December 31, 2018 and approximately 1% of the Company's total revenue for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of Integrated DNA Technologies.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2018 and 2017, the related consolidated statements of earnings, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and financial statement schedule listed in the Index at Item 15(a) and our report dated February 20, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Danaher Corporation's Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Tysons, Virginia
February 20, 2019

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Danaher Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Danaher Corporation and subsidiaries (the Company) as of December 31, 2018 and 2017, the related consolidated statements of earnings, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 20, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2002.

Tysons, Virginia
February 20, 2019

DANAHER CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(\$ and shares in millions, except per share amount)

	As of December 31	
	2018	2017
ASSETS		
Current assets:		
Cash and equivalents	\$ 787.8	\$ 630.3
Trade accounts receivable, less allowance for doubtful accounts of \$120.4 and \$116.1, respectively	3,489.6	3,521.8
Inventories	1,910.1	1,840.8
Prepaid expenses and other current assets	906.3	857.1
Total current assets	7,093.8	6,850.0
Property, plant and equipment, net	2,511.2	2,454.6
Other long-term assets	648.4	538.3
Goodwill	25,906.0	25,138.6
Other intangible assets, net	11,673.1	11,667.1
Total assets	\$ 47,832.5	\$ 46,648.6
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and current portion of long-term debt	\$ 51.8	\$ 194.7
Trade accounts payable	1,712.8	1,509.9
Accrued expenses and other liabilities	3,076.9	3,087.7
Total current liabilities	4,841.5	4,792.3
Other long-term liabilities	5,075.8	5,161.1
Long-term debt	9,688.5	10,327.4
Stockholders' equity:		
Common stock - \$0.01 par value, 2.0 billion shares authorized; 817.9 and 812.5 issued; 701.5 and 696.6 outstanding, respectively	8.2	8.1
Additional paid-in capital	5,834.3	5,538.2
Retained earnings	25,163.0	22,806.1
Accumulated other comprehensive income (loss)	(2,791.1)	(1,994.2)
Total Danaher stockholders' equity	28,214.4	26,358.2
Noncontrolling interests	12.3	9.6
Total stockholders' equity	28,226.7	26,367.8
Total liabilities and stockholders' equity	\$ 47,832.5	\$ 46,648.6

See the accompanying Notes to the Consolidated Financial Statements.

DANAHER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(\$ and shares in millions, except per share amounts)

	Year Ended December 31		
	2018	2017	2016
Sales	\$ 19,893.0	\$ 18,329.7	\$ 16,882.4
Cost of sales	(8,785.9)	(8,137.2)	(7,547.8)
Gross profit	11,107.1	10,192.5	9,334.6
Operating costs:			
Selling, general and administrative expenses	(6,472.1)	(6,073.3)	(5,624.3)
Research and development expenses	(1,231.2)	(1,128.8)	(975.1)
Operating profit	3,403.8	2,990.4	2,735.2
Nonoperating income (expense):			
Other income, net	37.2	103.6	239.1
Loss on early extinguishment of borrowings	—	—	(178.8)
Interest expense	(157.4)	(162.7)	(184.4)
Interest income	9.2	7.5	0.2
Earnings from continuing operations before income taxes	3,292.8	2,938.8	2,611.3
Income taxes	(641.9)	(469.0)	(457.9)
Net earnings from continuing operations	2,650.9	2,469.8	2,153.4
Earnings from discontinued operations, net of income taxes	—	22.3	400.3
Net earnings	\$ 2,650.9	\$ 2,492.1	\$ 2,553.7
Net earnings per share from continuing operations:			
Basic	\$ 3.78	\$ 3.55	\$ 3.12
Diluted	\$ 3.74	\$ 3.50	\$ 3.08
Net earnings per share from discontinued operations:			
Basic	\$ —	\$ 0.03	\$ 0.58
Diluted	\$ —	\$ 0.03	\$ 0.57
Net earnings per share:			
Basic	\$ 3.78	\$ 3.58	\$ 3.69 *
Diluted	\$ 3.74	\$ 3.53	\$ 3.65
Average common stock and common equivalent shares outstanding:			
Basic	700.6	695.8	691.2
Diluted	710.2	706.1	699.8

* Net earnings per share amount does not add due to rounding.

See the accompanying Notes to the Consolidated Financial Statements.

DANAHER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(\$ in millions)

	Year Ended December 31		
	2018	2017	2016
Net earnings	\$ 2,650.9	\$ 2,492.1	\$ 2,553.7
Other comprehensive income (loss), net of income taxes:			
Foreign currency translation adjustments	(632.2)	976.1	(517.3)
Pension and postretirement plan benefit adjustments	(12.7)	71.0	(58.2)
Unrealized loss on available-for-sale securities	(0.8)	(19.6)	(114.8)
Total other comprehensive income (loss), net of income taxes	(645.7)	1,027.5	(690.3)
Comprehensive income	\$ 2,005.2	\$ 3,519.6	\$ 1,863.4

See the accompanying Notes to the Consolidated Financial Statements.

DANAHER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(\$ and shares in millions)

	Common Stock		Additional Paid- in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests
	Shares	Amount				
Balance, January 1, 2016	801.6	\$ 8.0	\$ 4,981.2	\$ 21,012.3	\$ (2,311.2)	\$ 73.7
Net earnings for the year	—	—	—	2,553.7	—	—
Other comprehensive income (loss)	—	—	—	—	(690.3)	—
Dividends declared	—	—	—	(393.6)	—	—
Common stock-based award activity	5.8	0.1	322.6	—	—	—
Common stock issued in connection with LYONs' conversions	0.3	—	9.1	—	—	—
Distribution of Fortive Corporation	—	—	—	(2,468.9)	(20.2)	—
Change in noncontrolling interests	—	—	—	—	—	0.3
Balance, December 31, 2016	807.7	8.1	5,312.9	20,703.5	(3,021.7)	74.0
Net earnings for the year	—	—	—	2,492.1	—	—
Other comprehensive income (loss)	—	—	—	—	1,027.5	—
Dividends declared	—	—	—	(389.5)	—	—
Common stock-based award activity	4.8	—	214.1	—	—	—
Common stock issued in connection with LYONs' conversions	—	—	12.4	—	—	—
Change in noncontrolling interests	—	—	(1.2)	—	—	(64.4)
Balance, December 31, 2017	812.5	8.1	5,538.2	22,806.1	(1,994.2)	9.6
Adoption of accounting standards	—	—	—	154.5	(151.2)	—
Balance, January 1, 2018	812.5	8.1	5,538.2	22,960.6	(2,145.4)	9.6
Net earnings for the year	—	—	—	2,650.9	—	—
Other comprehensive income (loss)	—	—	—	—	(645.7)	—
Dividends declared	—	—	—	(448.5)	—	—
Common stock-based award activity	4.6	0.1	252.8	—	—	—
Common stock issued in connection with acquisitions	0.2	—	23.9	—	—	—
Common stock issued in connection with LYONs' conversions	0.6	—	19.4	—	—	—
Change in noncontrolling interests	—	—	—	—	—	2.7
Balance, December 31, 2018	817.9	\$ 8.2	\$ 5,834.3	\$ 25,163.0	\$ (2,791.1)	\$ 12.3

See the accompanying Notes to the Consolidated Financial Statements.

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DANAHER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(\$ in millions)

	Year Ended December 31		
	2018	2017	2016
Cash flows from operating activities:			
Net earnings	\$ 2,650.9	\$ 2,492.1	\$ 2,553.7
Less: earnings from discontinued operations, net of income taxes	—	22.3	400.3
Net earnings from continuing operations	2,650.9	2,469.8	2,153.4
Noncash items:			
Depreciation	601.5	577.8	545.0
Amortization	706.2	660.5	583.1
Stock-based compensation expense	151.4	139.4	129.8
Restructuring and impairment charges	2.1	56.1	12.0
Pretax loss on early extinguishment of borrowings	—	—	178.8
Pretax gain on sales of investments	—	(72.8)	(223.4)
Change in deferred income taxes	(195.1)	(426.9)	(383.9)
Change in trade accounts receivable, net	(58.3)	(161.4)	(183.1)
Change in inventories	(143.3)	(27.4)	9.4
Change in trade accounts payable	225.8	(54.4)	78.1
Change in prepaid expenses and other assets	89.7	4.4	(62.4)
Change in accrued expenses and other liabilities	(8.9)	312.7	250.7
Total operating cash provided by continuing operations	4,022.0	3,477.8	3,087.5
Total operating cash provided by discontinued operations	—	—	434.3
Net cash provided by operating activities	4,022.0	3,477.8	3,521.8
Cash flows from investing activities:			
Cash paid for acquisitions	(2,173.3)	(385.8)	(4,880.1)
Payments for additions to property, plant and equipment	(655.7)	(619.6)	(589.6)
Proceeds from sales of property, plant and equipment	6.3	32.6	9.8
Payments for purchases of investments	(148.9)	—	—
Proceeds from sales of investments	22.2	137.9	264.8
All other investing activities	—	(8.5)	21.9
Total investing cash used in continuing operations	(2,949.4)	(843.4)	(5,173.2)
Total investing cash used in discontinued operations	—	—	(69.8)
Net cash used in investing activities	(2,949.4)	(843.4)	(5,243.0)
Cash flows from financing activities:			
Proceeds from the issuance of common stock	96.0	68.8	164.5
Payment of dividends	(433.4)	(378.3)	(399.8)
Payment for purchase of noncontrolling interest	—	(64.4)	—
Make-whole premiums to redeem borrowings prior to maturity	—	—	(188.1)
Net proceeds from (repayments of) borrowings (maturities of 90 days or less)	65.7	(3,778.5)	2,218.1
Proceeds from borrowings (maturities longer than 90 days)	—	1,782.1	3,240.9
Repayments of borrowings (maturities longer than 90 days)	(507.8)	(668.4)	(2,480.6)
All other financing activities	(17.9)	(59.8)	(27.0)
Total financing cash (used in) provided by continuing operations	(797.4)	(3,098.5)	2,528.0
Cash distributions to Fortive Corporation, net	—	—	(485.3)
Net cash (used in) provided by financing activities	(797.4)	(3,098.5)	2,042.7
Effect of exchange rate changes on cash and equivalents	(117.7)	130.7	(148.6)

Net change in cash and equivalents	157.5	(333.4)	172.9
Beginning balance of cash and equivalents	630.3	963.7	790.8
Ending balance of cash and equivalents	<u>\$ 787.8</u>	<u>\$ 630.3</u>	<u>\$ 963.7</u>

Supplemental disclosure:

Distribution of noncash net assets to Fortive Corporation	\$ —	\$ —	\$ (1,983.6)
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See the accompanying Notes to the Consolidated Financial Statements.

DANAHER CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business—Danaher Corporation (“Danaher” or the “Company”) designs, manufactures and markets professional, medical, industrial and commercial products and services, which are typically characterized by strong brand names, innovative technology and major market positions. The Company operates in four business segments: Life Sciences; Diagnostics; Dental; and Environmental & Applied Solutions.

The Company’s Life Sciences segment offers a broad range of research tools that scientists use to study the basic building blocks of life, including genes, proteins, metabolites and cells, in order to understand the causes of disease, identify new therapies and test new drugs and vaccines. The segment is also a leading provider of filtration, separation and purification technologies to the biopharmaceutical, food and beverage, medical, aerospace, microelectronics and general industrial sectors.

The Company’s Diagnostics segment offers analytical instruments, reagents, consumables, software and services that hospitals, physicians’ offices, reference laboratories and other critical care settings use to diagnose disease and make treatment decisions.

The Company’s Dental segment offers products and services that are used to diagnose, treat and prevent disease and ailments of the teeth, gums and supporting bone, as well as to improve the aesthetics of the human smile. With leading brand names, innovative technology and significant market positions, the Company is a leading worldwide provider of a broad range of dental consumables, equipment and services, and is dedicated to driving technological innovations that help dental professionals improve clinical outcomes and enhance productivity.

The Company’s Environmental & Applied Solutions segment offers products and services that help protect important resources and keep global food and water supplies safe. The Company’s water quality business provides instrumentation, services and disinfection systems to help analyze, treat and manage the quality of ultra-pure, potable, industrial, waste, ground, source and ocean water in residential, commercial, municipal, industrial and natural resource applications. The Company’s product identification business provides equipment, software, services and consumables for various color and appearance management, packaging design and quality management, packaging converting, printing, marking, coding and traceability applications for consumer, pharmaceutical and industrial products.

Refer to Notes 3 and 4 for a discussion of significant acquisitions and discontinued operations.

Accounting Principles—The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”). The Consolidated Financial Statements include the accounts of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation. The Consolidated Financial Statements also reflect the impact of noncontrolling interests. Noncontrolling interests do not have a significant impact on the Company’s consolidated results of operations, therefore earnings attributable to noncontrolling interests are not presented separately in the Company’s Consolidated Statements of Earnings. Earnings attributable to noncontrolling interests have been reflected in selling, general and administrative expenses and were insignificant in all periods presented. Reclassifications of certain prior year amounts have been made to conform to the current year presentation.

Use of Estimates—The preparation of these financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. The Company bases these estimates on historical experience, the current economic environment and on various other assumptions that are believed to be reasonable under the circumstances. However, uncertainties associated with these estimates exist and actual results may differ materially from these estimates.

Cash and Equivalents—The Company considers all highly liquid investments with a maturity of three months or less at the date of purchase to be cash equivalents.

Accounts Receivable and Allowances for Doubtful Accounts—All trade accounts, contract and finance receivables are reported on the accompanying Consolidated Balance Sheets adjusted for any write-offs and net of allowances for doubtful accounts. The allowances for doubtful accounts represent management’s best estimate of the credit losses

expected from the Company's trade accounts, contract and finance receivable portfolios. Determination of the allowances requires management to exercise judgment about the timing, frequency and severity of credit losses that could materially affect the provision for credit losses and, therefore, net earnings. The Company regularly performs detailed reviews of its portfolios to determine if an impairment has occurred and evaluates the collectability of receivables based on a combination of various financial and qualitative factors that may affect customers' ability to pay, including customers' financial condition, collateral, debt-servicing ability, past

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payment experience and credit bureau information. In circumstances where the Company is aware of a specific customer's inability to meet its financial obligations, a specific reserve is recorded against amounts due to reduce the recognized receivable to the amount reasonably expected to be collected. Additions to the allowances for doubtful accounts are charged to current period earnings, amounts determined to be uncollectible are charged directly against the allowances, while amounts recovered on previously written-off accounts increase the allowances. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional reserves would be required. The Company does not believe that trade accounts receivable represent significant concentrations of credit risk because of the diversified portfolio of individual customers and geographical areas. The Company recorded \$36 million, \$33 million and \$33 million of expense associated with doubtful accounts for the years ended December 31, 2018, 2017 and 2016, respectively.

Included in the Company's trade accounts receivable and other long-term assets as of December 31, 2018 and 2017 are \$219 million and \$213 million of net aggregate financing receivables, respectively. All financing receivables are evaluated for impairment based on individual customer credit profiles.

Inventory Valuation—Inventories include the costs of material, labor and overhead. Domestic inventories are stated at the lower of cost or market primarily using the first-in, first-out ("FIFO") method with certain businesses applying the last-in, first-out method ("LIFO") to value inventory. Inventories held outside the United States are stated at the lower of cost or market primarily using the FIFO method.

Property, Plant and Equipment—Property, plant and equipment are carried at cost. The provision for depreciation has been computed principally by the straight-line method based on the estimated useful lives of the depreciable assets as follows:

Category	Useful Life
Buildings	30 years
Leased assets and leasehold improvements	Amortized over the lesser of the economic life of the asset or the term of the lease
Machinery and equipment	3 – 10 years
Customer-leased instruments	5 – 7 years

Estimated useful lives are periodically reviewed and, when appropriate, changes to estimates are made prospectively.

Investments—Investments over which the Company has a significant influence but not a controlling interest, are accounted for using the equity method of accounting which requires the Company to record its initial investment at cost and adjust the balance each period for the Company's share of the investee's income or loss and dividends paid. The Company also invests in innovative start-up companies where the Company has neither control of nor significant influence over the investee. Beginning in 2018 with the adoption of Accounting Standards Update ("ASU") No. 2016-01, the Company measures these non-marketable equity securities at fair value and recognizes changes in fair value in net earnings. For securities without readily available fair values, the Company has elected the measurement alternative to record these investments at cost and to adjust for impairments and observable price changes with a same or similar security from the same issuer within net earnings (the "Fair Value Alternative"). Additionally, the Company is a limited partner in a partnership that invests in start-up companies. While the partnership records these investments at fair value, the Company's investment in the partnership is accounted for under the equity method of accounting. The Company made minority investments in non-marketable equity securities and equity method investments totaling \$149 million in 2018. No significant realized or unrealized gains or losses were recorded in 2018 with respect to these investments.

Other Assets—Other assets principally include noncurrent financing receivables, noncurrent deferred tax assets and other investments.

Fair Value of Financial Instruments—The Company's financial instruments consist primarily of cash and cash equivalents, trade accounts receivable, investments in equity securities, available-for-sale debt securities, nonqualified deferred compensation plans, obligations under trade accounts payable and short and long-term debt. Due to their short-term nature, the carrying values for cash and cash equivalents, trade accounts receivable and trade

accounts payable approximate fair value. Refer to Note 8 for the fair values of the Company's investments in equity securities, available-for-sale debt securities and other obligations.

Goodwill and Other Intangible Assets—Goodwill and other intangible assets result from the Company's acquisition of existing businesses. In accordance with accounting standards related to business combinations, goodwill is not amortized; however, certain finite-lived identifiable intangible assets, primarily customer relationships and acquired technology, are amortized over their estimated useful lives. Intangible assets with indefinite lives are not amortized. In-process research and development

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("IPR&D") is initially capitalized at fair value and when the IPR&D project is complete, the asset is considered a finite-lived intangible asset and amortized over its estimated useful life. If an IPR&D project is abandoned, an impairment loss equal to the value of the intangible asset is recorded in the period of abandonment. The Company reviews identified intangible assets and goodwill for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. The Company also tests intangible assets with indefinite lives and goodwill at least annually for impairment. Refer to Notes 3 and 7 for additional information about the Company's goodwill and other intangible assets.

Revenue Recognition—On January 1, 2018, the Company adopted Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*, using the modified retrospective method for all contracts. Results for reporting periods beginning January 1, 2018 are presented under ASC 606, while prior period amounts were not adjusted and continue to be reported in accordance with the Company's historic accounting under ASC 605, *Revenue Recognition*.

The Company recorded a net increase to beginning retained earnings of \$3 million as of January 1, 2018 due to the cumulative impact of adopting ASC 606. The impact to beginning retained earnings was primarily driven by the capitalization of certain costs to obtain a contract, primarily sales-related commissions, partially offset by the deferral of revenue for unfulfilled performance obligations. The adoption of ASC 606 did not have a significant impact on the Company's Consolidated Financial Statements as of and for the year ended December 31, 2018 and, as a result, comparisons of revenues and operating profit performance between periods are not affected by the adoption of this standard. Refer to Note 2 for additional disclosures required by ASC 606.

The Company derives revenues primarily from the sale of Life Sciences, Diagnostics, Dental and Environmental & Applied Solutions products and services. Revenue is recognized when control of the promised products or services is transferred to the Company's customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products or services (the transaction price). A performance obligation is a promise in a contract to transfer a distinct product or service to a customer and is the unit of account under ASC 606. For equipment, consumables, spare parts and most software licenses sold by the Company, control transfers to the customer at a point in time. To indicate the transfer of control, the Company must have a present right to payment, legal title must have passed to the customer, the customer must have the significant risks and rewards of ownership, and where acceptance is not a formality, the customer must have accepted the product or service. The Company's principal terms of sale are FOB Shipping Point, or equivalent, and, as such, the Company primarily transfers control and records revenue for product sales upon shipment. Sales arrangements with delivery terms that are not FOB Shipping Point are not recognized upon shipment and the transfer of control for revenue recognition is evaluated based on the associated shipping terms and customer obligations. If a performance obligation to the customer with respect to a sales transaction remains to be fulfilled following shipment (typically installation or acceptance by the customer), revenue recognition for that performance obligation is deferred until such commitments have been fulfilled. Returns for products sold are estimated and recorded as a reduction of revenue at the time of sale. Customer allowances and rebates, consisting primarily of volume discounts and other short-term incentive programs, are recorded as a reduction of revenue at the time of sale because these allowances reflect a reduction in the transaction price. Product returns, customer allowances and rebates are estimated based on historical experience and known trends. For extended warranty, service, post contract support ("PCS"), software-as-a-service ("SaaS") and other long-term contracts, control transfers to the customer over the term of the arrangement. Revenue for extended warranty, service, PCS, SaaS and certain software licenses is recognized based upon the period of time elapsed under the arrangement. Revenue for other long-term contracts is generally recognized based upon the cost-to-cost measure of progress, provided that the Company meets the criteria associated with transferring control of the good or service over time.

Certain of the Company's revenues relate to operating-type lease ("OTL") arrangements. Leases are outside the scope of ASC 606 and are therefore accounted for in accordance with ASC 840, *Leases*. Equipment lease revenue for OTL agreements is recognized on a straight-line basis over the life of the lease, and the cost of customer-leased equipment is recorded within property, plant and equipment in the accompanying Consolidated Balance Sheets and depreciated over the equipment's estimated useful life. The depreciation expense is reflected in cost of sales in the accompanying Consolidated Statements of Earnings. The OTLs are generally not cancellable until after an initial term and may or may not require the customer to purchase a minimum number of consumables or tests throughout the contract term. Certain of the Company's lease contracts are customized for larger customers and often result in complex terms and conditions that typically require significant judgment in applying the criteria used to evaluate

whether the arrangement should be considered an OTL or a sales-type lease (“STL”). An STL results in earlier recognition of equipment revenue as compared to an OTL.

For a contract with multiple performance obligations, the Company allocates the contract’s transaction price to each performance obligation on a relative standalone selling price basis using the Company’s best estimate of the standalone selling price of each distinct product or service in the contract. The primary method used to estimate standalone selling price is the price observed in standalone sales to customers; however, when prices in standalone sales are not available the Company may use third-party pricing for similar products or services or estimate the standalone selling price. Allocation of the transaction price is determined at the contracts’ inception. The Company does not adjust transaction price for the effects of a significant

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financing component when the period between the transfer of the promised good or service to the customer and payment for that good or service by the customer is expected to be one year or less. This allocation approach also applies to contracts that include a lease component.

Shipping and Handling—Shipping and handling costs are included as a component of cost of sales. Revenue derived from shipping and handling costs billed to customers is included in sales.

Advertising—Advertising costs are expensed as incurred.

Research and Development—The Company conducts research and development activities for the purpose of developing new products, enhancing the functionality, effectiveness, ease of use and reliability of the Company's existing products and expanding the applications for which uses of the Company's products are appropriate. Research and development costs are expensed as incurred.

Income Taxes—The Company's income tax expense represents the tax liability for the current year, the tax benefit or expense for the net change in deferred tax liabilities and assets during the year, as well as reserves for unrecognized tax benefits and return to provision adjustments. Deferred tax liabilities and assets are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted rates expected to be in effect during the year in which the differences reverse. Deferred tax assets generally represent items that can be used as a tax deduction or credit in the Company's tax return in future years for which the tax benefit has already been reflected on the Company's Consolidated Statements of Earnings. The Company establishes valuation allowances for its deferred tax assets if it is more likely than not that some or all of the deferred tax asset will not be realized. Deferred tax liabilities generally represent items that have already been taken as a deduction on the Company's tax return but have not yet been recognized as an expense in the Company's Consolidated Statements of Earnings. The effect on deferred tax assets and liabilities due to a change in tax rates is recognized in income tax expense in the period that includes the enactment date. The Company provides for unrecognized tax benefits when, based upon the technical merits, it is "more likely than not" that an uncertain tax position will not be sustained upon examination. Judgment is required in evaluating tax positions and determining income tax provisions. The Company re-evaluates the technical merits of its tax positions and may recognize an uncertain tax benefit in certain circumstances, including when: (1) a tax audit is completed; (2) applicable tax laws change, including a tax case ruling or legislative guidance; or (3) the applicable statute of limitations expires. The Company recognizes potential accrued interest and penalties associated with unrecognized tax positions in income tax expense. Refer to Note 13 for additional information and discussion of the impact of the enactment of the Tax Cuts and Jobs Act ("TCJA") in the United States.

Productivity Improvement and Restructuring—The Company periodically initiates productivity improvement and restructuring activities to appropriately position the Company's cost base relative to prevailing economic conditions and associated customer demand as well as in connection with certain acquisitions. Costs associated with productivity improvement and restructuring actions can include one-time termination benefits and related charges in addition to facility closure, contract termination and other related activities. The Company records the cost of the productivity improvement and restructuring activities when the associated liability is incurred. Refer to Note 15 for additional information.

Foreign Currency Translation—Exchange rate adjustments resulting from foreign currency transactions are recognized in net earnings, whereas effects resulting from the translation of financial statements are reflected as a component of accumulated other comprehensive income (loss) within stockholders' equity. Assets and liabilities of subsidiaries operating outside the United States with a functional currency other than U.S. dollars are translated into U.S. dollars using year-end exchange rates and income statement accounts are translated at weighted average rates. Net foreign currency transaction gains or losses were not material in any of the years presented. The Company uses its foreign currency-denominated debt to partially hedge its net investments in foreign operations against adverse movements in exchange rates. In January 2019, the Company entered into cross-currency swap arrangements whereby existing U.S. dollar-denominated borrowings were effectively converted to foreign currency borrowings to partially hedge additional amounts of its net investments in foreign operations against adverse movements in exchange rates.

Derivative Financial Instruments—The Company is neither a dealer nor a trader in derivative instruments. The Company has generally accepted the exposure to transactional exchange rate movements without using derivative instruments to manage this risk, although the Company from time to time partially hedges its net investments in foreign operations against adverse movements in exchange rates through foreign currency-denominated debt and

cross-currency swaps. The Company will periodically enter into foreign currency forward contracts not exceeding 12 months to mitigate a portion of its foreign currency exchange risk and forward starting swaps to mitigate interest rate risk related to the Company's debt. When utilized, the derivative instruments are recorded on the Consolidated Balance Sheets as either an asset or liability measured at fair value. To the extent the foreign currency forward contract or forward starting swap qualifies as an effective hedge, changes in fair value are recognized in accumulated other comprehensive income (loss) in stockholders' equity. Changes in the value of the foreign

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currency denominated debt and cross-currency swaps designated as hedges of the Company's net investment in foreign operations based on spot rates are recognized in accumulated other comprehensive income (loss) in stockholders' equity and offset changes in the value of the Company's foreign currency denominated operations. The Company's use of foreign currency forward contracts and forward starting swaps during 2018, 2017 and 2016 and as of the years then ended was not significant. In January 2019, the Company entered into approximately \$1.9 billion of cross-currency swap derivative contracts on its U.S. dollar-denominated bonds to effectively convert the Company's U.S. dollar-denominated bonds to obligations denominated in Danish kroner, Japanese yen, euro and Swiss franc.

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Accumulated Other Comprehensive Income (Loss)—Foreign currency translation adjustments are generally not adjusted for income taxes as they relate to indefinite investments in non-U.S. subsidiaries. The changes in accumulated other comprehensive income (loss) by component are summarized below (\$ in millions):

	Foreign Currency Translation Adjustments	Pension & Postretirement Plan Benefit Adjustments	Unrealized Gain (Loss) on Available-For- Sale Securities Adjustments	Total
Balance, January 1, 2016	\$ (1,797.4)	\$ (647.3)	\$ 133.5	\$ (2,311.2)
Other comprehensive income (loss) before reclassifications:				
(Decrease) increase	(517.3)	(115.4)	39.6	(593.1)
Income tax impact	—	38.9	(14.8)	24.1
Other comprehensive income (loss) before reclassifications, net of income taxes	(517.3)	(76.5)	24.8	(569.0)
Amounts reclassified from accumulated other comprehensive income (loss):				
Increase (decrease)	—	28.0 ^(a)	(223.4) ^(b)	(195.4)
Income tax impact	—	(9.7)	83.8	74.1
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes	—	18.3	(139.6)	(121.3)
Net current period other comprehensive income (loss), net of income taxes	(517.3)	(58.2)	(114.8)	(690.3)
Distribution of Fortive Corporation	(83.5)	63.3 ^(c)	—	(20.2)
Balance, December 31, 2016	(2,398.2)	(642.2)	18.7	(3,021.7)
Other comprehensive income (loss) before reclassifications:				
Increase	976.1	62.4	41.7	1,080.2
Income tax impact	—	(13.4)	(15.7)	(29.1)
Other comprehensive income (loss) before reclassifications, net of income taxes	976.1	49.0	26.0	1,051.1
Amounts reclassified from accumulated other comprehensive income (loss):				
Increase (decrease)	—	28.7 ^(a)	(72.8) ^(b)	(44.1)
Income tax impact	—	(6.7)	27.2	20.5
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes	—	22.0	(45.6)	(23.6)
Net current period other comprehensive income (loss), net of income taxes	976.1	71.0	(19.6)	1,027.5
Balance, December 31, 2017	(1,422.1)	(571.2)	(0.9)	(1,994.2)
Adoption of accounting standards	(43.8)	(107.2)	(0.2)	(151.2)
Balance, January 1, 2018	(1,465.9)	(678.4)	(1.1)	(2,145.4)
Other comprehensive income (loss) before reclassifications:				
Decrease	(632.2)	(44.9)	(1.1)	(678.2)
Income tax impact	—	9.2	0.3	9.5
Other comprehensive income (loss) before reclassifications, net of income taxes	(632.2)	(35.7)	(0.8)	(668.7)
Amounts reclassified from accumulated other comprehensive income (loss):				
Increase	—	30.3 ^(a)	—	30.3
Income tax impact	—	(7.3)	—	(7.3)
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes	—	23.0	—	23.0
	(632.2)	(12.7)	(0.8)	(645.7)

Net current period other comprehensive income (loss),
net of income taxes

Balance, December 31, 2018	<u>\$ (2,098.1)</u>	<u>\$ (691.1)</u>	<u>\$ (1.9)</u>	<u>\$ (2,791.1)</u>
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- (a) This accumulated other comprehensive income (loss) component is included in the computation of net periodic pension and postretirement cost (refer to Notes 11 and 12 for additional details).
- (b) Included in other income in the accompanying Consolidated Statements of Earnings (refer to Note 14 for additional details).
- (c) This accumulated other comprehensive income (loss) component included an income tax impact of \$21 million.

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Accounting for Stock-Based Compensation—The Company accounts for stock-based compensation by measuring the cost of employee services received in exchange for all equity awards granted, including stock options, restricted stock units (“RSUs”) and performance stock units (“PSUs”), based on the fair value of the award as of the grant date. Equity-based compensation expense is recognized net of an estimated forfeiture rate on a straight-line basis over the requisite service period of the award, except that in the case of RSUs, compensation expense is recognized using an accelerated attribution method. Refer to Note 18 for additional information on the stock-based compensation plans in which certain employees of the Company participate.

Pension and Postretirement Benefit Plans—The Company measures its pension and postretirement plans’ assets and its obligations that determine the respective plan’s funded status as of the end of the Company’s fiscal year, and recognizes an asset for a plan’s overfunded status or a liability for a plan’s underfunded status in its balance sheet. Changes in the funded status of the plans are recognized in the year in which the changes occur and reported in comprehensive income (loss). Refer to Notes 11 and 12 for additional information on the Company’s pension and postretirement plans including a discussion of the actuarial assumptions, the Company’s policy for recognizing the associated gains and losses and the method used to estimate service and interest cost components.

Accounting Standards Recently Adopted—In March 2018, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2018-05, *Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118*, which allowed SEC registrants to record provisional amounts in earnings for the year ended December 31, 2017 due to the complexities involved in accounting for the enactment of the TCJA. The Company recognized the estimated income tax effects of the TCJA in its 2017 Consolidated Financial Statements in accordance with SEC Staff Accounting Bulletin No. 118 (“SAB No. 118”). The provisional amounts recorded in 2017 were adjusted to final estimates in 2018 in connection with filing tax returns for 2017. Refer to Note 13 for further information regarding the impact of these provisions for both 2017 and 2018.

In February 2018, the FASB issued ASU No. 2018-02, *Income Statement-Reporting Comprehensive Income (Topic 220) Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, to address a specific consequence of the TCJA by allowing a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the TCJA’s reduction of the U.S. federal corporate income tax rate. The ASU is effective for all entities for annual periods beginning after December 15, 2018, with early adoption permitted, and is to be applied either in the period of adoption or retrospectively to each period in which the effect of the change in the U.S. federal corporate income tax rate in the TCJA is recognized. The Company early adopted this ASU on January 1, 2018 and as a result recorded a net increase to beginning retained earnings and decrease to accumulated other comprehensive income (loss) of \$151 million to reclassify the income tax effects of the TCJA on the Company’s U.S. pension plans, available-for-sale debt securities and certain foreign currency losses. The ASU also requires the Company to disclose its policy on accounting for income tax effects in accumulated other comprehensive income (loss). In general, the Company applies the individual item approach with respect to available-for-sale debt securities and the portfolio approach with respect to pension, postretirement benefit plan obligations and currency translation matters.

In May 2017, the FASB issued ASU No. 2017-09, *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting*, which provided clarity on which changes to the terms or conditions of share-based payment awards require an entity to apply the modification accounting provisions required in Topic 718. The adoption of this ASU on January 1, 2018 did not have a significant impact on the Company’s Consolidated Financial Statements.

In March 2017, the FASB issued ASU No. 2017-07, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* (“ASU No. 2017-07”), which requires employers to disaggregate the service cost component from other components of net periodic benefit costs and to disclose the amounts of net periodic benefit costs that are included in each income statement line item. The standard requires employers to report the service cost component in the same line item as other compensation costs and to report the other components of net periodic benefit costs (which include interest costs, expected return on plan assets, amortization of prior service cost or credits and actuarial gains and losses) separately and outside a subtotal of operating income. The service cost component of net periodic pension cost is included in cost of sales and selling, general and administrative expenses in the accompanying Consolidated Statements of Earnings and the other components of net periodic pension cost are included in nonoperating income (expense). The income statement guidance requires application on a retrospective basis. The ASU was adopted by the Company on January 1, 2018 and as a result, operating profit decreased and other income, net increased by \$31 million and \$16 million for the

years ended December 31, 2017 and 2016, respectively. Refer to Notes 11 and 12 for further information on the implementation of this ASU.

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. The ASU amends guidance on the classification and measurement of financial instruments, including significant revisions in accounting related to the classification and measurement of investments in equity securities and presentation of certain fair value changes for financial liabilities when the Fair Value Alternative is elected. The ASU requires equity securities

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to be measured at fair value with changes in fair value recognized through net earnings and amends certain disclosure requirements associated with the fair value of financial instruments. In the period of adoption, the Company is required to reclassify the unrealized gains/losses on equity securities within accumulated other comprehensive income (loss) to retained earnings. In February 2018, the FASB issued ASU No. 2018-03, *Technical Corrections and Improvements to Financial Instruments—Overall (Subtopic 825-10)*, which clarified certain aspects of the previously issued ASU. The ASU was adopted by the Company on January 1, 2018 and did not have a material effect on the Company's Consolidated Financial Statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes nearly all existing revenue recognition guidance. The core principle of the ASU is that revenue should be recognized to depict the transfer of promised 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. In July 2015, the FASB deferred the effective date of the standard by one year which resulted in the new standard being effective for the Company at the beginning of its first quarter of fiscal year 2018. In addition, during March, April, May and December 2016 and September and November 2017, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, ASU No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*, ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*, ASU No. 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*, ASU No. 2017-13, *Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842)*, and ASU No. 2017-14, *Income Statement—Reporting Comprehensive Income (Topic 220), Revenue Recognition (Topic 605), and Revenue from Contracts with Customers (Topic 606)* respectively, which clarified the guidance on certain items such as reporting revenue as a principal versus agent, identifying performance obligations, accounting for intellectual property licenses, assessing collectability, presentation of sales taxes, impairment testing for contract costs, disclosure of performance obligations, and provided additional implementation guidance. Refer to the discussion above in “—Revenue Recognition” and to Note 2 for additional disclosures required by ASC 606.

Accounting Standards Not Yet Adopted—In August 2018, the FASB issued ASU No. 2018-14, *Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*, which amends ASC 715 to add, remove and clarify disclosure requirements related to defined benefit pension and other postretirement plans. The ASU is effective for public entities for fiscal years beginning after December 15, 2020, with early adoption permitted. Management has not yet completed its assessment of the impact of the new standard on the Company's Consolidated Financial Statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820)*, which modifies the disclosures on fair value measurements by removing the requirement to disclose the amount and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy and the policy for timing of such transfers. The ASU expands the disclosure requirements for Level 3 fair value measurements, primarily focused on changes in unrealized gains and losses included in other comprehensive income (loss). The ASU is effective for public entities for fiscal years beginning after December 15, 2019, with early adoption permitted. Management has not yet completed its assessment of the impact of the new standard on the Company's Consolidated Financial Statements.

In August 2017, the FASB issued No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*, which expands and refines hedge accounting for both financial and non-financial risk components, aligns the recognition and presentation of the effects of hedging instruments and hedge items in the financial statements, and includes certain targeted improvements to ease the application of current guidance related to the assessment of hedge effectiveness. The ASU is effective for public entities for fiscal years beginning after December 15, 2018. In January 2019, the Company entered into approximately \$1.9 billion of cross-currency swap derivative contracts to hedge its net investment in foreign operations against adverse changes in the exchange rates between the U.S. dollar and the Danish kroner, Japanese yen, euro and the Swiss franc.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which amends the impairment model by requiring entities to use a forward-looking approach based on expected losses rather than incurred losses to estimate credit losses on certain types of financial instruments, including trade receivables. This may result in the earlier recognition of allowances for losses. The ASU is effective for public entities for fiscal years beginning after December 15, 2019, with early adoption permitted. In November 2018, the FASB issued ASU No. 2018-19, *Codification Improvements to Topic*

326, *Financial Instruments—Credit Losses*, which provided additional implementation guidance on the previously issued ASU. Management has not yet completed its assessment of the impact of the new standard on the Company's Consolidated Financial Statements. Currently, the Company believes that the most notable impact of this ASU will relate to its processes around the assessment of the adequacy of its allowance for doubtful accounts on trade accounts receivable and the recognition of credit losses.

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In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize a right-of-use (“ROU”) asset and a lease liability for all leases with terms greater than 12 months. The standard also requires disclosures by lessees and lessors about the amount, timing and uncertainty of cash flows arising from leases. The accounting applied by a lessor is largely unchanged from that applied under the current standard. The standard must be adopted using a modified retrospective transition approach and provides for certain practical expedients. The ASU is effective for public entities for fiscal years beginning after December 15, 2018, with early adoption permitted. In September 2017, January 2018, July 2018 and December 2018, the FASB issued ASU No. 2017-13, *Revenue Recognition (Topic 605)*, *Revenue from Contracts with Customers (Topic 606)*, *Leases (Topic 840)*, and *Leases (Topic 842)*, ASU No. 2018-01, *Leases (Topic 842)*, *Land Easement Practical Expedient for Transition to Topic 842*, ASU No. 2018-10, *Codification Improvements to Topic 842, Leases*, ASU No. 2018-11, *Leases (Topic 842)*, *Targeted Improvements* and ASU No. 2018-20, *Leases (Topic 842)*, *Narrow-Scope Improvements for Lessors*, which provided additional implementation guidance on the previously issued ASU. The Company has implemented a new lease system and the related processes and controls for the accounting for leases in accordance with the ASU. On January 1, 2019, the Company adopted this ASU using the modified retrospective method for all lease arrangements at the beginning of the period of adoption. Results for reporting periods beginning January 1, 2019 will be presented under ASC 842, while prior period amounts will not be adjusted and will continue to be reported in accordance with the Company’s historic accounting under ASC 840, *Leases*. As of January 1, 2019, the standard had a material impact on the Company’s Consolidated Balance Sheet, but is expected to have an insignificant impact on the Company’s consolidated net earnings and cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while the accounting for finance leases remained substantially unchanged. For leases that commenced before the effective date of Topic 842, the Company elected the permitted practical expedients to not reassess the following: (i) whether any expired or existing contracts contain leases; (ii) the lease classification for any expired or existing leases; and (iii) capitalization of initial direct costs for any existing leases.

As a result of the cumulative impact of adopting ASC 842, the Company will record operating lease ROU assets of approximately \$1.0 billion and operating lease liabilities of approximately \$1.0 billion as of January 1, 2019, primarily related to real estate and automobile leases.

NOTE 2. REVENUE

The following table presents the Company’s revenues disaggregated by geographical region and revenue type for the year ended December 31, 2018 (\$ in millions). Sales taxes and other usage-based taxes are excluded from revenues. The Company defines high-growth markets as developing markets of the world experiencing extended periods of accelerated growth in gross domestic product and infrastructure which include Eastern Europe, the Middle East, Africa, Latin America and Asia (with the exception of Japan and Australia). The Company defines developed markets as all markets of the world that are not high-growth markets.

	Life Sciences	Diagnostics	Dental	Environmental & Applied Solutions	Total
Geographical region:					
North America	\$ 2,295.6	\$ 2,403.4	\$ 1,350.4	\$ 1,770.7	\$ 7,820.1
Western Europe	1,846.7	1,155.4	659.6	1,059.1	4,720.8
Other developed markets	570.0	379.1	179.9	125.7	1,254.7
High-growth markets	1,759.1	2,319.7	654.6	1,364.0	6,097.4
Total	<u>\$ 6,471.4</u>	<u>\$ 6,257.6</u>	<u>\$ 2,844.5</u>	<u>\$ 4,319.5</u>	<u>\$ 19,893.0</u>
Revenue type:					
Recurring	\$ 4,131.8	\$ 5,272.0	\$ 2,039.8	\$ 2,280.0	\$ 13,723.6
Nonrecurring	2,339.6	985.6	804.7	2,039.5	6,169.4
Total	<u>\$ 6,471.4</u>	<u>\$ 6,257.6</u>	<u>\$ 2,844.5</u>	<u>\$ 4,319.5</u>	<u>\$ 19,893.0</u>

The Company sells equipment to customers as well as consumables, spare parts, software licenses and services, some of which customers purchase on a recurring basis. Consumables are typically critical to the use of the equipment and

are typically used on a one-time or limited basis, requiring frequent replacement in the customer's operating cycle. Examples of these consumables include reagents used in diagnostic tests, filters used in filtration, separation and purification processes and cartridges for marking and coding equipment. Additionally, some of the Company's consumables are used on a standalone basis, such as dental implants and water treatment solutions. The Company separates its goods and services between those sold

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on a recurring basis and those sold on a nonrecurring basis. Recurring revenue includes revenue from consumables, services, spare parts, software licenses recognized over time, SaaS licenses, sales-and-usage based royalties and OTLs. Nonrecurring revenue includes sales from equipment, software licenses recognized at a point in time and STLs. OTLs and STLs are included in the above revenue amounts. For the year ended December 31, 2018, revenue accounted for under *Topic 840, Leases* was \$402 million.

Remaining Performance Obligations

ASC 606 requires disclosure of remaining performance obligations that represent the aggregate transaction price allocated to performance obligations with an original contract term greater than one year which are fully or partially unsatisfied at the end of the period. Remaining performance obligations include noncancelable purchase orders, the non-lease portion of minimum purchase commitments under long-term consumable supply arrangements, extended warranty, service and PCS contracts, SaaS and other long-term contracts. These remaining performance obligations do not include revenue from contracts with customers with an original term of one year or less, revenue from long-term consumable supply arrangements with no minimum purchase requirements or revenue expected from purchases made in excess of the minimum purchase requirements or revenue from equipment leased to customers. While the remaining performance obligation disclosure is similar in concept to backlog, the definition of remaining performance obligations excludes leases and contracts that provide the customer with the right to cancel or terminate for convenience with no substantial penalty, even if historical experience indicates the likelihood of cancellation or termination is remote. Additionally, the Company has elected to exclude contracts with customers with an original term of one year or less from remaining performance obligations while these contracts are included within backlog.

As of December 31, 2018, the aggregate amount of the transaction price allocated to remaining performance obligations was approximately \$1.9 billion. The Company expects to recognize revenue on approximately 43% of the remaining performance obligations over the next 12 months, 27% recognized over the subsequent 12 months, and the remainder recognized thereafter.

Contract Balances

The timing of revenue recognition, billings and cash collections results in billed trade accounts receivable, unbilled receivables (contract assets) and deferred revenue, customer deposits and billings in excess of revenue recognized (contract liabilities) on the Consolidated Balance Sheets. In addition, the Company defers certain costs incurred to obtain a contract (contract costs).

Contract assets—Most of the Company's long-term contracts are billed as work progresses in accordance with the contract terms and conditions, either at periodic intervals or upon achievement of certain milestones. Often this results in billing occurring subsequent to revenue recognition resulting in contract assets. Contract assets are generally classified as other current assets in the Consolidated Balance Sheet. The balance of contract assets as of December 31, 2018 and at the date of adoption of ASC 606 were \$82 million and \$114 million, respectively.

Contract liabilities—The Company often receives cash payments from customers in advance of the Company's performance resulting in contract liabilities. These contract liabilities are classified as either current or long-term in the Consolidated Balance Sheet based on the timing of when the Company expects to recognize revenue. As of December 31, 2018 and at the date of adoption of ASC 606, contract liabilities were \$799 million and \$783 million, respectively, and are included within accrued expenses and other liabilities and other long-term liabilities in the accompanying Consolidated Balance Sheet. The increase in the contract liability balance during the year ended December 31, 2018 is primarily as a result of cash payments received in advance of satisfying performance obligations and acquisitions, partially offset by revenue recognized during the period that was included in the contract liability balance at the date of adoption and foreign currency exchange. Revenue recognized during the year ended December 31, 2018 that was included in the contract liability balance at the date of adoption was \$657 million.

Contract costs—The Company capitalizes certain direct incremental costs incurred to obtain a contract, typically sales-related commissions, where the amortization period for the related asset is greater than one year. These costs are amortized over the contract term or a longer period, generally the expected life of the customer relationship if renewals are expected and the renewal commission is not commensurate with the initial commission. Contract costs are classified as current or long-term other assets in the Consolidated Balance Sheet based on the timing of when the Company expects to recognize the expense and are generally amortized into earnings on a straight-line basis (which is consistent with the transfer of control for the related goods or services). Management assesses these costs for impairment at least quarterly and as "triggering" events occur that indicate it is more likely than not that an

impairment exists. The balance of contract costs as of December 31, 2018 and at the date of adoption were not significant. Amortization expense for the year ended December 31, 2018, was also not significant. The costs to obtain a contract where the amortization period for the related asset is one year or less are expensed as incurred and recorded within selling, general and administrative expenses in the accompanying Consolidated Statements of Earnings.

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Contract assets, liabilities and costs are reported on the accompanying Consolidated Balance Sheet on a contract-by-contract basis.

NOTE 3. ACQUISITIONS

The Company continually evaluates potential acquisitions that either strategically fit with the Company's existing portfolio or expand the Company's portfolio into a new and attractive business area. The Company has completed a number of acquisitions that have been accounted for as purchases and have resulted in the recognition of goodwill in the Company's Consolidated Financial Statements. This goodwill arises because the purchase prices for these businesses reflect a number of factors including the future earnings and cash flow potential of these businesses, the multiple to earnings, cash flow and other factors at which similar businesses have been purchased by other acquirers, the competitive nature of the processes by which the Company acquired the businesses, the avoidance of the time and costs which would be required (and the associated risks that would be encountered) to enhance the Company's existing product offerings to key target markets and enter into new and profitable businesses and the complementary strategic fit and resulting synergies these businesses bring to existing operations.

The Company makes an initial allocation of the purchase price at the date of acquisition based upon its understanding of the fair value of the acquired assets and assumed liabilities. The Company obtains this information during due diligence and through other sources. In the months after closing, as the Company obtains additional information about these assets and liabilities, including through tangible and intangible asset appraisals, and learns more about the newly acquired business, it is able to refine the estimates of fair value and more accurately allocate the purchase price. Only items identified as of the acquisition date are considered for subsequent adjustment. The Company is continuing to evaluate certain pre-acquisition contingencies associated with certain of its 2018 acquisitions and is also in the process of obtaining valuations of certain property, plant and equipment, acquired intangible assets and certain acquisition-related liabilities in connection with these acquisitions. The Company will make appropriate adjustments to the purchase price allocation prior to completion of the measurement period, as required.

The following briefly describes the Company's acquisition activity for the three years ended December 31, 2018.

On April 13, 2018, the Company acquired Integrated DNA Technologies, Inc. ("IDT"), a privately-held manufacturer of custom DNA and RNA oligonucleotides serving customers in the academic and biopharmaceutical research, biotechnology, agriculture, clinical diagnostics and pharmaceutical development end-markets, for a purchase price of approximately \$2.1 billion, net of cash acquired. IDT had revenues of approximately \$260 million in 2017, and is now part of the Company's Life Sciences segment.

The Company financed the acquisition of IDT with available cash and proceeds from the issuance of commercial paper. The Company preliminarily recorded approximately \$1.2 billion of goodwill related to the IDT acquisition. The acquisition of IDT provides additional sales and earnings growth opportunities for the Company's Life Sciences segment by expanding the segment's product line diversity, including new product and service offerings in the area of genomics consumables, and through the potential future acquisition of complementary businesses.

In addition to the IDT acquisition, during 2018, the Company acquired one other business for total consideration of \$95 million in cash, net of cash acquired. The business acquired complements an existing unit of the Environmental & Applied Solutions segment. The aggregate annual sales of this business at the time of its acquisition, based on the company's revenues for its last completed fiscal year prior to the acquisition, were \$53 million. The Company preliminarily recorded an aggregate of \$63 million of goodwill related to this acquisition.

During 2017, the Company acquired ten businesses for total consideration of \$386 million in cash, net of cash acquired. The businesses acquired complement existing units of the Life Sciences, Dental and Environmental & Applied Solutions segments. The aggregate annual sales of these ten businesses at the time of their respective acquisitions, in each case based on the company's revenues for its last completed fiscal year prior to the acquisition, were \$160 million. The Company recorded an aggregate of \$268 million of goodwill related to these acquisitions.

On November 4, 2016, Copper Merger Sub, Inc., a California corporation and an indirect, wholly-owned subsidiary of the Company acquired all of the outstanding shares of common stock of Cepheid, a California corporation, for \$53.00 per share in cash, for a total purchase price of approximately \$4.0 billion, net of assumed debt and acquired cash (the "Cepheid Acquisition"). Cepheid is a leading global molecular diagnostics company that develops, manufactures and markets accurate and easy to use molecular systems and tests and is now part of the Company's Diagnostics segment. Cepheid generated revenues of \$539 million in 2015.

The Company initially financed the Cepheid acquisition price with available cash and proceeds from the issuance of U.S. dollar and euro-denominated commercial paper. The Company recorded approximately \$2.6 billion of goodwill related to the

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Cepheid Acquisition. As Cepheid is integrated into the Company, a process that will continue over the next several years, the Company expects to realize significant cost synergies through the application of the Danaher Business System (“DBS”) and the combined purchasing power of the Company and Cepheid.

In addition to the Cepheid Acquisition, during 2016 the Company acquired seven businesses for total consideration of \$882 million in cash, net of cash acquired. The businesses acquired complement existing units of each of the Company’s four segments. The aggregate annual sales of these seven businesses at the time of their respective acquisitions, in each case based on the company’s revenues for its last completed fiscal year prior to the acquisition, were \$237 million. The Company recorded an aggregate of \$478 million of goodwill related to these acquisitions.

The following summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition (\$ in millions):

	2018	2017	2016
Trade accounts receivable	\$ 41.1	\$ 21.6	\$ 97.8
Inventories	14.8	21.3	204.8
Property, plant and equipment	88.4	9.1	161.8
Goodwill	1,275.4	267.6	3,061.8
Other intangible assets, primarily customer relationships, trade names and technology	850.7	155.1	1,867.0
In-process research and development	—	—	65.0
Trade accounts payable	(6.7)	(9.9)	(50.7)
Other assets and liabilities, net	(66.5)	(75.0)	(518.0)
Assumed debt	—	—	(1.0)
Attributable to noncontrolling interest	—	(4.0)	—
Net assets acquired	2,197.2	385.8	4,888.5
Less: noncash consideration	(23.9)	—	(8.4)
Net cash consideration	\$ 2,173.3	\$ 385.8	\$ 4,880.1

The following summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition for the individually significant acquisition in 2018 discussed above, and the other 2018 acquisitions separately (\$ in millions):

	IDT	Other	Total
Trade accounts receivable	\$ 36.0	\$ 5.1	\$ 41.1
Inventories	14.8	—	14.8
Property, plant and equipment	88.2	0.2	88.4
Goodwill	1,212.6	62.8	1,275.4
Other intangible assets, primarily customer relationships, trade names and technology	811.0	39.7	850.7
Trade accounts payable	(5.5)	(1.2)	(6.7)
Other assets and liabilities, net	(55.0)	(11.5)	(66.5)
Net assets acquired	2,102.1	95.1	2,197.2
Less: noncash consideration	(23.9)	—	(23.9)
Net cash consideration	\$ 2,078.2	\$ 95.1	\$ 2,173.3

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The following summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition for the individually significant acquisition in 2016 discussed above, and all of the other 2016 acquisitions as a group (\$ in millions):

	Cepheid	Others	Total
Trade accounts receivable	\$ 61.4	\$ 36.4	\$ 97.8
Inventories	165.8	39.0	204.8
Property, plant and equipment	144.5	17.3	161.8
Goodwill	2,584.0	477.8	3,061.8
Other intangible assets, primarily customer relationships, trade names and technology	1,480.0	387.0	1,867.0
In-process research and development	65.0	—	65.0
Trade accounts payable	(41.2)	(9.5)	(50.7)
Other assets and liabilities, net	(452.4)	(65.6)	(518.0)
Assumed debt	(1.0)	—	(1.0)
Net assets acquired	4,006.1	882.4	4,888.5
Less: noncash consideration	(8.4)	—	(8.4)
Net cash consideration	\$ 3,997.7	\$ 882.4	\$ 4,880.1

During 2018, the Company incurred acquisition-related transaction costs and change in control payments of \$15 million associated with the IDT acquisition. In addition, the Company's earnings for 2018 reflect the pretax impact of \$1 million of nonrecurring acquisition date fair value adjustments to inventory related to the IDT acquisition.

During 2016, primarily in connection with the Cepheid Acquisition, the Company incurred \$61 million of pretax transaction-related costs, primarily banking fees, legal fees, amounts paid to other third-party advisers and change in control costs. In addition, the Company's earnings for 2016 reflect the impact of additional pretax charges of \$23 million associated with fair value adjustments to acquired inventory and deferred revenue primarily related to the Cepheid Acquisition.

Transaction-related costs and acquisition-related fair value adjustments attributable to other acquisitions were not material for the years ended December 31, 2018, 2017 and 2016.

Acquisition of Noncontrolling Interest

In the first quarter of 2017, Danaher acquired the remaining noncontrolling interest associated with one of its prior business combinations for consideration of \$64 million. Danaher recorded the increase in ownership interests as a transaction within stockholders' equity. As a result of this transaction, noncontrolling interests were reduced by \$63 million reflecting the carrying value of the interest with the \$1 million difference charged to additional paid-in capital.

Pro Forma Financial Information (Unaudited)

The unaudited pro forma information for the periods set forth below gives effect to the 2018 and 2017 acquisitions as if they had occurred as of January 1, 2017. The pro forma information is presented for informational purposes only and is not necessarily indicative of the results of operations that actually would have been achieved had the acquisitions been consummated as of that time (\$ in millions except per share amounts):

	2018	2017
Sales	\$ 19,995.7	\$ 18,744.7
Net earnings from continuing operations	2,652.9	2,449.8
Diluted net earnings per share from continuing operations	3.74	3.47

The 2018 unaudited pro forma earnings set forth above were adjusted to exclude the \$1 million pretax impact of nonrecurring acquisition date fair value adjustments to inventory related to the 2018 acquisition of IDT and 2017

unaudited pro forma earnings set forth above were adjusted to include the impact of this same fair value adjustment as if the acquisition had occurred on January 1, 2017.

In addition, the acquisition-related transaction costs and change in control payments of \$15 million in 2018 associated with the IDT acquisition were excluded from pro forma earnings in both 2018 and 2017.

NOTE 4. DISCONTINUED OPERATIONS AND DENTAL SEPARATION

Fortive Corporation Separation

On July 2, 2016 (the “Distribution Date”), Danaher completed the separation (the “Fortive Separation”) of its former Test & Measurement segment, Industrial Technologies segment (excluding the product identification businesses) and retail/commercial petroleum business by distributing to Danaher stockholders on a pro rata basis all of the issued and outstanding common stock of Fortive Corporation (“Fortive”), the entity Danaher incorporated to hold such businesses. To effect the Fortive Separation, Danaher distributed to its stockholders one share of Fortive common stock for every two shares of Danaher common stock outstanding as of June 15, 2016, the record date for the distribution. Fractional shares of Fortive common stock that otherwise would have been distributed were aggregated and sold into the public market and the proceeds distributed to Danaher stockholders.

In preparation for the Fortive Separation, in June 2016 Fortive issued approximately \$3.4 billion in debt securities (refer to Note 10). The proceeds from these borrowings were used to fund the approximately \$3.0 billion net cash distributions Fortive made to Danaher prior to the Distribution Date (“Fortive Distribution”). Danaher used a portion of the cash distribution proceeds to repay the \$500 million aggregate principal amount of 2.3% senior unsecured notes that matured in June 2016 and to redeem approximately \$1.9 billion in aggregate principal amount of outstanding indebtedness in August 2016 (consisting of the Company’s 5.625% senior unsecured notes due 2018, 5.4% senior unsecured notes due 2019 and 3.9% senior unsecured notes due 2021, collectively the “Redeemed Notes”). Danaher also paid an aggregate of \$188 million in make-whole premiums in connection with the August 2016 redemptions, plus accrued and unpaid interest. The Company used the balance of the Fortive Distribution to fund certain of the Company’s regular, quarterly cash dividends to shareholders.

The accounting requirements for reporting the Fortive Separation as a discontinued operation were met when the separation was completed. Accordingly, the accompanying Consolidated Financial Statements for all periods presented reflect this business as a discontinued operation. The Company allocated a portion of the consolidated interest expense and income to discontinued operations based on the ratio of the discontinued business’ net assets to the Company’s consolidated net assets. Fortive had revenues of approximately \$3.0 billion in 2016 prior to the Fortive Separation.

As a result of the Fortive Separation, the Company incurred \$48 million in Fortive Separation-related costs during the year ended December 31, 2016 which are included in earnings from discontinued operations, net of income taxes in the accompanying Consolidated Statement of Earnings. These Fortive Separation costs primarily relate to professional fees associated with preparation of regulatory filings and Separation activities within finance, tax, legal and information system functions as well as certain investment banking fees incurred upon the Fortive Separation.

In connection with the Fortive Separation, Danaher and Fortive entered into various agreements to effect the Fortive Separation and provide a framework for their relationship after the Fortive Separation, including a transition services agreement, an employee matters agreement, a tax matters agreement, an intellectual property matters agreement and a DBS license agreement. These agreements provide for the allocation between Danaher and Fortive of assets, employees, liabilities and obligations (including investments, property and employee benefits and tax-related assets and liabilities) attributable to periods prior to, at and after Fortive’s separation from Danaher and govern certain relationships between Danaher and Fortive after the Fortive Separation. In addition, Danaher is also party to various commercial agreements with Fortive entities. The amount billed for transition services provided under the above agreements as well as sales and purchases to and from Fortive were not material to the Company’s results of operations for the years ended December 31, 2018, 2017 and 2016.

In 2017, Danaher recorded a \$22 million income tax benefit related to the release of previously provided reserves associated with uncertain tax positions on certain Danaher tax returns which were jointly filed with Fortive entities. These reserves were released due to the expiration of statutes of limitations for those returns. All Fortive entity-related balances were included in the income tax benefit related to discontinued operations.

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The key components of income from discontinued operations for the years ended December 31 were as follows (\$ in millions):

	2017	2016
Sales	\$ —	\$ 3,029.8
Cost of sales	—	(1,566.4)
Selling, general and administrative expenses	—	(696.0)
Research and development expenses	—	(190.4)
Interest expense	—	(19.7)
Income from discontinued operations before income taxes	—	557.3
Income taxes	22.3	(157.0)
Earnings from discontinued operations, net of income taxes	<u>\$ 22.3</u>	<u>\$ 400.3</u>

Dental Separation

In July 2018, the Company announced its intention to spin-off its Dental business into an independent publicly-traded company (the “Dental Separation”). The Dental business had sales for the year ended December 31, 2018 of approximately \$2.8 billion. The transaction is expected to be tax-free to the Company’s shareholders. The Company is targeting to complete the Dental Separation in the second half of 2019, subject to the satisfaction of certain conditions, including obtaining final approval from the Danaher Board of Directors, satisfactory completion of financing, receipt of tax opinions, receipt of favorable rulings from the Internal Revenue Service (“IRS”) and receipt of other regulatory approvals.

NOTE 5. INVENTORIES

The classes of inventory as of December 31 are summarized as follows (\$ in millions):

	2018	2017
Finished goods	\$ 1,031.2	\$ 982.5
Work in process	313.9	309.7
Raw materials	565.0	548.6
Total	<u>\$ 1,910.1</u>	<u>\$ 1,840.8</u>

As of December 31, 2018 and 2017, the difference between inventories valued at LIFO and the value of that same inventory if the FIFO method had been used was not significant. The liquidation of LIFO inventory did not have a significant impact on the Company’s results of operations in any period presented.

NOTE 6. PROPERTY, PLANT AND EQUIPMENT

The classes of property, plant and equipment as of December 31 are summarized as follows (\$ in millions):

	2018	2017
Land and improvements	\$ 176.5	\$ 155.6
Buildings	1,047.8	1,009.5
Machinery and equipment	2,482.3	2,239.5
Customer-leased equipment	1,632.9	1,569.4
Gross property, plant and equipment	5,339.5	4,974.0
Less: accumulated depreciation	(2,828.3)	(2,519.4)
Property, plant and equipment, net	<u>\$ 2,511.2</u>	<u>\$ 2,454.6</u>

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NOTE 7. GOODWILL AND OTHER INTANGIBLE ASSETS

As discussed in Note 3, goodwill arises from the purchase price for acquired businesses exceeding the fair value of tangible and intangible assets acquired less assumed liabilities and noncontrolling interests. Management assesses the goodwill of each of its reporting units for impairment at least annually at the beginning of the fourth quarter and as “triggering” events occur that indicate that it is more likely than not that an impairment exists. The Company elected to bypass the optional qualitative goodwill assessment allowed by applicable accounting standards and performed a quantitative impairment test for all reporting units as this was determined to be the most effective method to assess for impairment across a large spectrum of reporting units.

The Company estimates the fair value of its reporting units primarily using a market approach, based on current trading multiples of earnings before interest, taxes, depreciation and amortization (“EBITDA”) for companies operating in businesses similar to each of the Company’s reporting units, in addition to recent available market sale transactions of comparable businesses. In certain circumstances the Company also estimates fair value utilizing a discounted cash flow analysis (i.e., an income approach) in order to validate the results of the market approach. If the estimated fair value of the reporting unit is less than its carrying value, the Company must perform additional analysis to determine if the reporting unit’s goodwill has been impaired.

As of December 31, 2018, the Company had eight reporting units for goodwill impairment testing. As of the date of the 2018 annual impairment test, the carrying value of the goodwill included in each individual reporting unit ranged from \$511 million to approximately \$13.3 billion. No goodwill impairment charges were recorded for the years ended December 31, 2018, 2017 and 2016 and no “triggering” events have occurred subsequent to the performance of the 2018 annual impairment test. The factors used by management in its impairment analysis are inherently subject to uncertainty. If actual results are not consistent with management’s estimates and assumptions, goodwill and other intangible assets may be overstated and a charge would need to be taken against net earnings.

The following is a rollforward of the Company’s goodwill by segment (\$ in millions):

	Life Sciences	Diagnostics	Dental	Environmental & Applied Solutions	Total
Balance, January 1, 2017	\$ 11,610.3	\$ 6,903.0	\$ 3,215.6	\$ 2,098.0	\$ 23,826.9
Attributable to 2017 acquisitions	95.5	—	2.8	169.3	267.6
Adjustments due to finalization of purchase price allocations	(19.1)	(39.6) ^(a)	8.8	—	(49.9)
Foreign currency translation and other	648.8	216.1	142.8	86.3	1,094.0
Balance, December 31, 2017	12,335.5	7,079.5	3,370.0	2,353.6	25,138.6
Attributable to 2018 acquisitions	1,212.6	—	—	62.8	1,275.4
Adjustments due to finalization of purchase price allocations	2.8	—	—	4.7	7.5
Foreign currency translation and other	(239.9)	(153.9)	(44.5)	(77.2)	(515.5)
Balance, December 31, 2018	<u>\$ 13,311.0</u>	<u>\$ 6,925.6</u>	<u>\$ 3,325.5</u>	<u>\$ 2,343.9</u>	<u>\$ 25,906.0</u>

^(a) This adjustment is primarily related to finalization of the Cepheid purchase price allocations.

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Finite-lived intangible assets are amortized over their legal or estimated useful life. The following summarizes the gross carrying value and accumulated amortization for each major category of intangible assets as of December 31 (\$ in millions):

	2018		2017	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Finite-lived intangibles:				
Patents and technology	\$ 2,985.3	\$ (945.2)	\$ 2,363.5	\$ (783.7)
Customer relationships and other intangibles	7,302.8	(2,661.3)	7,354.9	(2,203.6)
Trademarks and trade names	190.7	(28.0)	23.9	(14.0)
Total finite-lived intangibles	10,478.8	(3,634.5)	9,742.3	(3,001.3)
Indefinite-lived intangibles:				
Trademarks and trade names	4,828.8	—	4,926.1	—
Total intangibles	\$ 15,307.6	\$ (3,634.5)	\$ 14,668.4	\$ (3,001.3)

During 2018, the Company acquired finite-lived intangible assets, consisting primarily of technology, with a weighted average life of 18 years. During 2017, the Company acquired finite-lived intangible assets, consisting primarily of customer relationships, with a weighted average life of nine years. Refer to Note 3 for additional information on the intangible assets acquired.

Total intangible amortization expense in 2018, 2017 and 2016 was \$706 million, \$661 million and \$583 million, respectively. Based on the intangible assets recorded as of December 31, 2018, amortization expense is estimated to be \$720 million during 2019, \$709 million during 2020, \$694 million during 2021, \$673 million during 2022 and \$665 million during 2023.

NOTE 8. FAIR VALUE MEASUREMENTS

Accounting standards define fair value based on an exit price model, establish a framework for measuring fair value where the Company's assets and liabilities are required to be carried at fair value and provide for certain disclosures related to the valuation methods used within a valuation hierarchy as established within the accounting standards. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets in markets that are not active, or other observable characteristics for the asset or liability, including interest rates, yield curves and credit risks, or inputs that are derived principally from, or corroborated by, observable market data through correlation. Level 3 inputs are unobservable inputs based on the Company's assumptions. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

A summary of financial assets and liabilities that are measured at fair value on a recurring basis were as follows (\$ in millions):

	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
December 31, 2018:				
Assets:				
Available-for-sale debt securities	\$ —	\$ 38.3	\$ —	\$ 38.3
Investment in equity securities	—	—	148.9	148.9
Liabilities:				
Deferred compensation plans	—	60.9	—	60.9
December 31, 2017:				
Assets:				

Available-for-sale debt securities	\$	—	\$	45.4	\$	—	\$	45.4
Liabilities:								
Deferred compensation plans		—		62.9		—		62.9

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Available-for-sale debt securities, which are included in other long-term assets in the accompanying Consolidated Balance Sheets, are measured at fair value using quoted prices reported by investment brokers and dealers based on the underlying terms of the security and comparison to similar securities traded on an active market. As of December 31, 2018, available-for-sale debt securities primarily include U.S. Treasury Notes and corporate debt securities, which are valued based on the terms of the instruments in comparison with similar terms on the active market.

The Company has established nonqualified deferred compensation programs that permit officers, directors and certain management employees to defer a portion of their compensation, on a pretax basis, until after their termination of employment (or board service, as applicable). All amounts deferred under such plans are unfunded, unsecured obligations of the Company and are presented as a component of the Company's compensation and benefits accrual included in other long-term liabilities in the accompanying Consolidated Balance Sheets (refer to Note 9). Participants may choose among alternative earnings rates for the amounts they defer, which are primarily based on investment options within the Company's 401(k) program. Changes in the deferred compensation liability under these programs are recognized based on changes in the fair value of the participants' accounts, which are based on the applicable earnings rates. Amounts unilaterally contributed to participant accounts by the Company are deemed invested in the Company's common stock and future distributions of such contributions will be made solely in shares of common stock. As a result, Company contributions to this program are not reflected in the above amounts.

The Company's investments in equity securities are measured at fair value and are adjusted for observable transactions for identical or similar investments of the same issuer or impairment. These securities are classified as Level 3 in the fair value hierarchy because the Company estimates the fair value based on the measurement alternative to record these investments at cost and to adjust for impairments and observable price changes with a same or similar security from the same issuer within net earnings (the "Fair Value Alternative"). The investments in equity securities includes investments that the Company has made as a limited partner in a partnership for which the underlying investments are recorded on a fair value basis.

Fair Value of Financial Instruments

The carrying amounts and fair values of the Company's financial instruments as of December 31 were as follows (\$ in millions):

	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Available-for-sale debt securities	\$ 38.3	\$ 38.3	\$ 45.4	\$ 45.4
Investment in equity securities	148.9	148.9	—	—
Liabilities:				
Notes payable and current portion of long-term debt	51.8	51.8	194.7	194.7
Long-term debt	9,688.5	9,990.6	10,327.4	10,847.1

As of December 31, 2018 investments in non-marketable equity securities were categorized as Level 3. As of December 31, 2018 and 2017, available-for-sale debt securities were categorized as Level 2 and short and long-term borrowings were categorized as Level 1.

The fair value of long-term borrowings was based on quoted market prices. The difference between the fair value and the carrying amounts of long-term borrowings (other than the Company's Liquid Yield Option Notes due 2021 (the "LYONs")) is attributable to changes in market interest rates and/or the Company's credit ratings subsequent to the incurrence of the borrowing. In the case of the LYONs, differences in the fair value from the carrying value are attributable to changes in the price of the Company's common stock due to the LYONs' conversion features. The fair values of borrowings with original maturities of one year or less, as well as cash and cash equivalents, trade accounts receivable, net and trade accounts payable approximate their carrying amounts due to the short-term maturities of these instruments.

Refer to Note 11 for information related to the fair value of the Company sponsored defined benefit pension plan assets.

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NOTE 9. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities as of December 31 were as follows (\$ in millions):

	2018		2017	
	Current	Noncurrent	Current	Noncurrent
Compensation and benefits	\$ 1,026.8	\$ 236.9	\$ 961.0	\$ 236.2
Pension and postretirement benefits	75.2	961.9	95.8	1,052.0
Taxes, income and other	292.4	3,577.7	386.4	3,543.6
Deferred revenue	685.2	113.8	666.0	104.9
Sales and product allowances	167.8	2.0	155.7	2.0
Other	829.5	183.5	822.8	222.4
Total	<u>\$ 3,076.9</u>	<u>\$ 5,075.8</u>	<u>\$ 3,087.7</u>	<u>\$ 5,161.1</u>

NOTE 10. FINANCING

The components of the Company's debt as of December 31 were as follows (\$ in millions):

	2018	2017
U.S. dollar-denominated commercial paper	\$ 72.8	\$ 436.9
Euro-denominated commercial paper (€2.1 billion and €1.7 billion, respectively)	2,377.5	1,993.9
1.65% senior unsecured notes due 2018 (the "2018 U.S. Notes")	—	499.2
1.0% senior unsecured notes due 2019 (€600.0 million aggregate principal amount) (the "2019 Euronotes")	687.0	718.4
2.4% senior unsecured notes due 2020 (the "2020 U.S. Notes")	498.5	497.7
5.0% senior unsecured notes due 2020 (the "2020 Assumed Pall Notes")	386.7	394.6
Zero-coupon LYONs due 2021	56.2	69.1
0.352% senior unsecured notes due 2021 (¥30.0 billion aggregate principal amount) (the "2021 Yen Notes")	273.2	265.5
1.7% senior unsecured notes due 2022 (€800.0 million aggregate principal amount) (the "2022 Euronotes")	913.2	955.6
Floating rate senior unsecured notes due 2022 (€250.0 million aggregate principal amount) (the "Floating Rate 2022 Euronotes")	285.7	299.1
0.5% senior unsecured bonds due 2023 (CHF 540.0 million aggregate principal amount) (the "2023 CHF Bonds")	550.7	555.5
2.5% senior unsecured notes due 2025 (€800.0 million aggregate principal amount) (the "2025 Euronotes")	912.6	955.6
3.35% senior unsecured notes due 2025 (the "2025 U.S. Notes")	496.8	496.3
0.3% senior unsecured notes due 2027 (¥30.8 billion aggregate principal amount) (the "2027 Yen Notes")	279.9	272.2
1.2% senior unsecured notes due 2027 (€600.0 million aggregate principal amount) (the "2027 Euronotes")	682.0	714.1
1.125% senior unsecured bonds due 2028 (CHF 210.0 million aggregate principal amount) (the "2028 CHF Bonds")	218.1	220.3
0.65% senior unsecured notes due 2032 (¥53.2 billion aggregate principal amount) (the "2032 Yen Notes")	483.4	470.2
4.375% senior unsecured notes due 2045 (the "2045 U.S. Notes")	499.3	499.3
Other	66.7	208.6
Total debt	9,740.3	10,522.1
Less: currently payable	51.8	194.7
Long-term debt	<u>\$ 9,688.5</u>	<u>\$ 10,327.4</u>

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Debt discounts, premiums and debt issuance costs totaled \$19 million and \$25 million as of December 31, 2018 and 2017, respectively, and have been netted against the aggregate principal amounts of the related debt in the components of debt table above.

Commercial Paper Programs and Credit Facilities

In 2015, the Company entered into a \$4.0 billion unsecured multi-year revolving credit facility with a syndicate of banks that expires on July 10, 2020, subject to a one-year extension option at the request of the Company with the consent of the lenders (the “Credit Facility”). In 2018, the Company also entered into a \$1.0 billion 364-day unsecured revolving credit facility with a syndicate of banks that was scheduled to expire in March 2019 (the “364-Day Facility”), to provide additional liquidity support for issuances under the Company’s U.S. and euro-denominated commercial paper programs. The increase in the size of the Company’s commercial paper programs provided necessary capacity for the Company to use proceeds from the issuance of commercial paper to fund the purchase price for the IDT acquisition. The Company terminated the 364-Day Facility on November 6, 2018. No borrowings were outstanding under the 364-Day Facility at any time, nor under the Credit Facility at any time from inception through December 31, 2018. Total fees incurred by the Company related to the 364-Day Facility and its termination were not significant.

Under the Company’s U.S. and euro-denominated commercial paper programs, the Company or a subsidiary of the Company, as applicable, may issue and sell unsecured, short-term promissory notes. The notes are typically issued at a discount from par, generally based on the ratings assigned to the Company by credit rating agencies at the time of the issuance and prevailing market rates measured by reference to LIBOR or EURIBOR. The Credit Facility provides liquidity support for issuances under the Company’s commercial paper programs, and can also be used for working capital and other general corporate purposes. The availability of the Credit Facility as a standby liquidity facility to repay maturing commercial paper is an important factor in maintaining the existing credit ratings of the Company’s commercial paper programs. The Company expects to limit any borrowings under the Credit Facility to amounts that would leave sufficient available borrowing capacity under such facility to allow the Company to borrow, if needed, to repay all of the outstanding commercial paper as it matures. As commercial paper obligations mature, the Company may issue additional short-term commercial paper obligations to refinance all or part of these borrowings. As of December 31, 2018, borrowings outstanding under the Company’s U.S. and euro commercial paper programs had a weighted average annual interest rate of negative 0.2% and a weighted average remaining maturity of approximately 37 days. As of December 31, 2018, the Company has classified approximately \$2.5 billion of its borrowings outstanding under the commercial paper programs as well as the 2019 Euronotes as long-term debt in the accompanying Consolidated Balance Sheet as the Company had the intent and ability, as supported by availability under the Credit Facility referenced above, to refinance these borrowings for at least one year from the balance sheet date.

Under the Credit Facility, borrowings (other than bid loans) bear interest at a rate equal to (at the Company’s option) either (1) a LIBOR-based rate (the “LIBOR-Based Rate”), or (2) the highest of (a) the Federal funds rate plus 0.5%, (b) the prime rate and (c) the LIBOR-Based Rate plus 1%, plus a specified margin that varies according to the Company’s long-term debt credit rating. In addition to certain initial fees the Company paid with respect to the Credit Facility at inception of the facility, the Company is obligated to pay an annual commitment or facility fee under the Credit Facility that varies according to the Company’s long-term debt credit rating. The Credit Facility requires the Company to maintain a consolidated leverage ratio (as defined in the respective facility) of 0.65 to 1.00 or less, and also contains customary representations, warranties, conditions precedent, events of default, indemnities and affirmative and negative covenants. As of December 31, 2018, no borrowings were outstanding under the Credit Facility and the Company was in compliance with all covenants under the facility. The nonperformance by any member of the Credit Facility syndicate would reduce the maximum capacity of the Credit Facility by such member’s commitment amount.

The Company’s ability to access the commercial paper market, and the related costs of these borrowings, is affected by the strength of the Company’s credit rating and market conditions. Any downgrade in the Company’s credit rating would increase the cost of borrowings under the Company’s commercial paper program and the Credit Facility, and could limit or preclude the Company’s ability to issue commercial paper. If the Company’s access to the commercial paper market is adversely affected due to a credit downgrade, change in market conditions or otherwise, the Company expects it would rely on a combination of available cash, operating cash flow and the Credit Facility to provide short-term funding. In such event, the cost of borrowings under the Credit Facility could be higher than the cost of commercial paper borrowings.

In addition to the Credit Facility, the Company has also entered into reimbursement agreements with various commercial banks to support the issuance of letters of credit.

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Long-Term Indebtedness

The following summarizes the key terms for the Company's long-term debt as of December 31, 2018:

	Outstanding Balance as of December 31, 2018	Stated Annual Interest Rate	Issue Price (as % of Principal Amount)	Issue Date	Maturity Date	Interest Payment Dates (in arrears)
2019 Euronotes ⁽¹⁾	\$ 687.0	1.0 %	99.696 %	July 8, 2015	July 8, 2019	July 8
2020 U.S. Notes ⁽³⁾	498.5	2.4 %	99.757 %	September 15, 2015	September 15, 2020	March 15 and September 15
2020 Assumed Pall Notes ⁽⁵⁾	386.7	5.0 %	not applicable	not applicable	June 15, 2020	June 15 and December 15
2021 LYONs	56.2	see below	not applicable	January 22, 2001	January 22, 2021	January 22 and July 22
2021 Yen Notes ⁽⁴⁾	273.2	0.352 %	100 %	February 28, 2016	March 16, 2021	September 16
2022 Euronotes ⁽¹⁾	913.2	1.7 %	99.651 %	July 8, 2015	January 4, 2022	January 4
Floating Rate 2022 Euronotes ⁽⁶⁾	285.7	three- month EURIBOR + 0.3%	100.147 %	June 30, 2017	June 30, 2022	March 30, June 30, September 30 and December 31
2023 CHF Bonds ⁽²⁾	550.7	0.5 %	100.924 %	December 8, 2015	December 8, 2023	December 8
2025 Euronotes ⁽¹⁾	912.6	2.5 %	99.878 %	July 8, 2015	July 8, 2025	July 8
2025 U.S. Notes ⁽³⁾	496.8	3.35 %	99.857 %	September 15, 2015	September 15, 2025	March 15 and September 15
2027 Yen Notes ⁽⁷⁾	279.9	0.3 %	100 %	May 11, 2017	May 11, 2027	May 11 and November 11
2027 Euronotes ⁽⁶⁾	682.0	1.2 %	99.682 %	June 30, 2017	June 30, 2027	June 30
2028 CHF Bonds ⁽²⁾	218.1	1.125 %	102.870 %	December 8, 2015 and December 8, 2017	December 8, 2028	December 8
2032 Yen Notes ⁽⁷⁾	483.4	0.65 %	100 %	May 11, 2017	May 11, 2032	May 11 and November 11
2045 U.S. Notes ⁽³⁾	499.3	4.375 %	99.784 %	September 15, 2015	September 15, 2045	March 15 and September 15
U.S. dollar and euro-denominated commercial paper	2,450.3	various	various	various	various	various
Other	66.7	various	various	various	various	various
Total debt	<u>\$ 9,740.3</u>					

⁽¹⁾ The net proceeds, after underwriting discounts and commissions and offering expenses, of approximately €2.2 billion (approximately \$2.4 billion based on currency exchange rates as of the date of issuance) from these notes were used to pay a portion of the purchase price for the acquisition of Pall Corporation in 2015 (the "Pall Acquisition").

⁽²⁾ The net proceeds, including the related premium, and after underwriting discounts and commissions and offering expenses, of CHF 758 million (\$739 million based on currency exchange rates as of date of pricing) from these bonds were used to repay a portion of the commercial paper issued to finance the Pall Acquisition and the CHF 100 million aggregate principal amount of the 0.0% senior unsecured bonds (the "2017 CHF Bonds") that matured in December 2017.

⁽³⁾ The net proceeds, after underwriting discounts and commissions and offering expenses, of approximately \$2.0 billion from these notes were used to repay a portion of the commercial paper issued to finance the Pall Acquisition.

⁽⁴⁾ The net proceeds, after offering expenses, of approximately ¥29.9 billion (\$262 million based on currency exchange rates as of the date of issuance) from these notes were used to repay a portion of the commercial paper borrowings issued to finance the Pall Acquisition.

⁽⁵⁾ In connection with the Pall Acquisition, the Company acquired senior unsecured notes previously issued by Pall with an aggregate principal amount of \$375 million. In accordance with accounting for business combinations, these notes were

recorded at their fair value of \$417 million on the date of acquisition and for accounting purposes, interest charges on these notes recorded in the Company's Consolidated Statement of Earnings reflect an effective interest rate of approximately 2.9% per year.

- ⁽⁶⁾ The net proceeds at issuance, after offering expenses, of €843 million (\$940 million based on currency exchange rates as of the date of pricing) from these notes were used to partially repay commercial paper borrowings.
- ⁽⁷⁾ The net proceeds at issuance, after offering expenses, of approximately ¥83.6 billion (\$744 million based on currency exchange rates as of the date of pricing) from these notes were used to partially repay commercial paper borrowings.

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LYONs

In 2001, the Company issued \$830 million (value at maturity) in LYONs. The net proceeds to the Company were \$505 million, of which approximately \$100 million was used to pay down debt and the balance was used for general corporate purposes, including acquisitions. The LYONs originally carry a yield to maturity of 2.375% (with contingent interest payable as described below). Pursuant to the terms of the indenture that governs the Company's LYONs, effective as of the record date of the distribution of the Fortive shares, the conversion ratio of the LYONs was adjusted so that each \$1,000 of principal amount at maturity may be converted into 38.1998 shares of Danaher common stock at any time on or before the maturity date of January 22, 2021.

During the year ended December 31, 2018, holders of certain of the Company's LYONs converted such LYONs into an aggregate of approximately 585 thousand shares of the Company's common stock, par value \$0.01 per share. The Company's deferred tax liability associated with the book and tax basis difference in the converted LYONs of \$5 million was transferred to additional paid-in capital as a result of the conversions.

As of December 31, 2018, an aggregate of approximately 22 million shares of the Company's common stock had been issued upon conversion of LYONs. As of December 31, 2018, the accreted value of the outstanding LYONs was lower than the traded market value of the underlying common stock issuable upon conversion. The Company may redeem all or a portion of the LYONs for cash at any time at scheduled redemption prices.

Under the terms of the LYONs, the Company pays contingent interest to the holders of LYONs during any six-month period from January 23 to July 22 and from July 23 to January 22 if the average market price of a LYON for a specified measurement period equals 120% or more of the sum of the issue price and accrued original issue discount for such LYON. The amount of contingent interest to be paid with respect to any quarterly period is equal to the higher of either 0.0315% of the bonds' average market price during the specified measurement period or the amount of the cash dividend paid on Danaher's common stock during such quarterly period multiplied by the number of shares issuable upon conversion of a LYON. The Company paid \$2 million, \$2 million and \$1 million of contingent interest on the LYONs for each of the years ended December 31, 2018, 2017 and 2016, respectively. Except for the contingent interest described above, the Company will not pay interest on the LYONs prior to maturity.

Long-Term Debt Repayments

The \$500 million aggregate principal amount of 2018 U.S. Notes were repaid with accrued interest upon their maturity in September 2018 using available cash and proceeds from commercial paper borrowings.

The €500 million aggregate principal amount of the floating rate senior unsecured notes due 2017 were repaid with accrued interest upon their maturity in June 2017 and the 2017 CHF Bonds were repaid upon their maturity in December 2017.

Covenants and Redemption Provisions Applicable to Notes

With respect to the 2020 Assumed Pall Notes; the 2027 and 2032 Yen Notes; the 2019, 2022, 2025 and 2027 Euronotes; and the 2020, 2025 and 2045 U.S. Notes, at any time prior to the applicable maturity date (or in certain cases three months prior to the maturity date), the Company may redeem the applicable series of notes in whole or in part, by paying the principal amount and the "make-whole" premium specified in the applicable indenture or comparable governing document, plus accrued and unpaid interest (and in the case of the Yen Notes, net of certain swap-related gains or losses as applicable). With respect to each of the 2023 and 2028 CHF Bonds at any time after 85% or more of the applicable bonds have been redeemed or purchased and canceled, the Company may redeem some or all of the remaining bonds for their principal amount plus accrued and unpaid interest. With respect to the 2021, 2027 and 2032 Yen Notes; the 2019, 2022, Floating Rate 2022, 2025 and 2027 Euronotes; and the 2023 and 2028 CHF Bonds, the Company may redeem such notes and bonds upon the occurrence of specified, adverse changes in tax laws, or interpretations under such laws, at a redemption price equal to the principal amount of the bonds to be redeemed.

If a change of control triggering event occurs with respect to any of the 2020 Assumed Pall Notes; the 2021, 2027 and 2032 Yen Notes; the 2019, 2022, Floating Rate 2022, 2025 and 2027 Euronotes; the 2020, 2025 and 2045 U.S. Notes; or the 2023 and 2028 CHF Bonds, each holder of such notes may require the Company to repurchase some or all of such notes and bonds at a purchase price equal to 101% (100% in the case of the 2027 and 2032 Yen Notes) of the principal amount of the notes and bonds, plus accrued and unpaid interest (and in the case of the Yen Notes,

certain swap-related losses as applicable). A change of control triggering event means the occurrence of both a change of control and a rating event, each as defined in the applicable indenture or comparable governing document. Except in connection with a change of control triggering event, the Company does not have any credit rating downgrade triggers that would accelerate the maturity of a material amount of outstanding debt. Each holder of the 2027 and 2032 Yen Notes may also require the Company to repurchase some or all of its

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notes at a purchase price equal to 100% of the principal amount of the notes, plus accrued and unpaid interest and certain swap-related losses as applicable, in certain circumstances whereby such holder comes into violation of economic sanctions laws as a result of holding such notes.

The respective indentures or comparable governing documents under which the above-described notes and bonds were issued contain customary covenants including, for example, limits on the incurrence of secured debt and sale/leaseback transactions. None of these covenants are considered restrictive to the Company's operations and as of December 31, 2018, the Company was in compliance with all of its debt covenants.

Guarantors of Debt

The Company has guaranteed long-term debt and commercial paper issued by certain of its wholly-owned subsidiaries. The 2019 Euronotes, 2022 Euronotes, Floating Rate 2022 Euronotes, 2025 Euronotes and 2027 Euronotes were issued by DH Europe Finance S.A. ("Danaher International"). The 2023 CHF Bonds and 2028 CHF Bonds were issued by DH Switzerland Finance S.A. ("Danaher Switzerland"). The 2021 Yen Notes, 2027 Yen Notes and 2032 Yen Notes were issued by DH Japan Finance S.A. ("Danaher Japan"). Each of Danaher International, Danaher Switzerland and Danaher Japan are wholly-owned finance subsidiaries of Danaher Corporation. All of the securities issued by each of these entities, as well as the 2020 Assumed Pall Notes, are fully and unconditionally guaranteed by the Company and these guarantees rank on parity with the Company's unsecured and unsubordinated indebtedness.

Other

The Company's minimum principal payments for the next five years are as follows (\$ in millions):

2019	\$ 51.8
2020	4,021.8
2021	327.5
2022	1,211.9
2023	548.1
Thereafter	3,579.2

The Company made interest payments of \$140 million, \$130 million and \$212 million in 2018, 2017 and 2016, respectively.

NOTE 11. PENSION BENEFIT PLANS

The Company has noncontributory defined benefit pension plans which cover certain of its U.S. employees. During 2012, all remaining benefit accruals under the U.S. plans ceased. Defined benefit plans from acquisitions subsequent to 2012 are ceased as soon as practical. The Company also has noncontributory defined benefit pension plans which cover certain of its non-U.S. employees, and under certain of these plans, benefit accruals continue. In general, the Company's policy is to fund these plans based on considerations relating to legal requirements, underlying asset returns, the plan's funded status, the anticipated tax deductibility of the contribution, local practices, market conditions, interest rates and other factors.

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The following sets forth the funded status of the U.S. and non-U.S. plans as of the most recent actuarial valuations using measurement dates of December 31 (\$ in millions):

	U.S. Pension Benefits		Non-U.S. Pension Benefits	
	2018	2017	2018	2017
Change in pension benefit obligation:				
Benefit obligation at beginning of year	\$ (2,612.9)	\$ (2,558.1)	\$ (1,571.8)	\$ (1,493.0)
Service cost	(6.7)	(7.3)	(35.5)	(32.7)
Interest cost	(81.0)	(82.3)	(25.1)	(25.5)
Employee contributions	—	—	(9.3)	(8.2)
Benefits and other expenses paid	179.0	181.8	51.4	58.3
Acquisitions and other	—	—	(3.6)	—
Actuarial gain (loss)	145.2	(139.9)	68.9	51.4
Amendments, settlements and curtailments	31.4	(7.1)	26.5	10.5
Foreign exchange rate impact	—	—	56.2	(132.6)
Benefit obligation at end of year	(2,345.0)	(2,612.9)	(1,442.3)	(1,571.8)
Change in plan assets:				
Fair value of plan assets at beginning of year	2,004.9	1,868.2	1,199.3	1,042.9
Actual (loss) return on plan assets	(72.1)	265.3	(19.9)	74.6
Employer contributions	55.1	53.2	52.4	44.7
Employee contributions	—	—	9.3	8.2
Amendments and settlements	(30.6)	—	(28.2)	(3.7)
Benefits and other expenses paid	(179.0)	(181.8)	(51.4)	(58.3)
Acquisitions and other	—	—	1.9	—
Foreign exchange rate impact	—	—	(45.0)	90.9
Fair value of plan assets at end of year	1,778.3	2,004.9	1,118.4	1,199.3
Funded status	\$ (566.7)	\$ (608.0)	\$ (323.9)	\$ (372.5)

Weighted average assumptions used to determine benefit obligations at date of measurement:

	U.S. Plans		Non-U.S. Plans	
	2018	2017	2018	2017
Discount rate	4.3 %	3.6 %	2.0 %	1.8 %
Rate of compensation increase	4.0 %	4.0 %	2.3 %	2.2 %

Components of net periodic pension benefit (cost):

	U.S. Pension Benefits		Non-U.S. Pension Benefits	
	2018	2017	2018	2017
(\$ in millions)				
Service cost	\$ (6.7)	\$ (7.3)	\$ (35.5)	\$ (32.7)
Interest cost	(81.0)	(82.3)	(25.1)	(25.5)
Expected return on plan assets	132.0	130.5	46.9	42.4
Amortization of prior service (cost) credit	(0.9)	—	0.5	0.3
Amortization of net loss	(31.3)	(24.9)	(6.0)	(7.8)
Curtailment and settlement gains recognized	—	—	4.9	0.5
Net periodic pension benefit (cost)	\$ 12.1	\$ 16.0	\$ (14.3)	\$ (22.8)

In the first quarter of 2018, the Company adopted ASU No. 2017-07, which requires the Company to disaggregate the service cost component from other components of net periodic benefit costs and report the service cost component in the same line

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item as other compensation costs and the other components of net periodic benefit costs (which include interest costs, expected return on plan assets, amortization of prior service cost or credits and actuarial gains and losses) separately and outside a subtotal of operating income. As this ASU requires application on a retrospective basis, the Company reclassified the prior period presentation of the noncontributory defined benefit pension plans for the adoption of this ASU, resulting in a decrease in operating profit and an increase in other income, net of \$33 million and \$19 million for the years ended December 31, 2017 and 2016, respectively. The net periodic benefit cost of the noncontributory defined benefit pension plans incurred during the years ended December 31, 2018 and 2017 are reflected in the following captions in the accompanying Consolidated Statements of Earnings (\$ in millions):

	Year Ended December 31		
	2018	2017	2016
Service cost:			
Cost of sales	\$ (11.4)	\$ (8.2)	\$ (9.8)
Selling, general and administrative expenses	(30.8)	(31.8)	(35.6)
Total service cost	(42.2)	(40.0)	(45.4)
Other net periodic pension costs:			
Nonoperating income (expense), net	40.0	33.2	19.2
Total	<u>\$ (2.2)</u>	<u>\$ (6.8)</u>	<u>\$ (26.2)</u>

Weighted average assumptions used to determine net periodic pension (cost) benefit at date of measurement:

	U.S. Plans		Non-U.S. Plans	
	2018	2017	2018	2017
Discount rate	3.6 %	4.1 %	1.8 %	1.8 %
Expected long-term return on plan assets	7.0 %	7.0 %	3.9 %	3.9 %
Rate of compensation increase	4.0 %	4.0 %	2.3 %	2.9 %

The discount rate reflects the market rate on December 31 of the prior year for high-quality fixed-income investments with maturities corresponding to the Company's benefit obligations and is subject to change each year. For non-U.S. plans, rates appropriate for each plan are determined based on investment-grade instruments with maturities approximately equal to the average expected benefit payout under the plan. During 2018, the Company updated the mortality assumptions used to estimate the projected benefit obligation to reflect updated mortality tables.

Included in accumulated other comprehensive income (loss) as of December 31, 2018 are the following amounts that have not yet been recognized in net periodic pension cost: unrecognized prior service cost of \$7 million (\$5 million, net of tax) and unrecognized actuarial losses of approximately \$919 million (\$695 million, net of tax). The unrecognized losses and prior service cost, net, is calculated as the difference between the actuarially determined projected benefit obligation and the value of the plan assets less accrued pension costs as of December 31, 2018. The prior service cost and actuarial losses included in accumulated other comprehensive income (loss) and expected to be recognized in net periodic pension costs during the year ending December 31, 2019 is \$0.7 million (\$0.5 million, net of tax) and \$30 million (\$23 million, net of tax), respectively. No plan assets are expected to be returned to the Company during the year ending December 31, 2019.

Selection of Expected Rate of Return on Assets

For the years ended December 31, 2018, 2017 and 2016, the Company used an expected long-term rate of return assumption of 7.0% for its U.S. defined benefit pension plan. The Company intends to use an expected long-term rate of return assumption of 7.0% for 2019 for its U.S. plan. This expected rate of return reflects the asset allocation of the plan, and is based primarily on broad, publicly-traded equity and fixed-income indices and forward-looking estimates of active portfolio and investment management. Long-term rate of return on asset assumptions for the non-U.S. plans were determined on a plan-by-plan basis based on the composition of assets and ranged from 1.0% to 5.8% in both 2018 and 2017, with a weighted average rate of return assumption of 3.9% in both 2018 and 2017.

Plan Assets

The U.S. plan's goal is to maintain between 60% and 70% of its assets in equity portfolios, which are invested in individual equity securities or funds that are expected to mirror broad market returns for equity securities or in assets with characteristics

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similar to equity investments, such as venture capital funds and partnerships. Asset holdings are periodically rebalanced when equity holdings are outside this range. The balance of the U.S. plan asset portfolio is invested in bond funds, real estate funds, various absolute and real return funds and private equity funds. Non-U.S. plan assets are invested in various insurance contracts, equity and debt securities as determined by the administrator of each plan. The value of the plan assets directly affects the funded status of the Company's pension plans recorded in the Consolidated Financial Statements.

The Company has some investments that are valued using Net Asset Value ("NAV") as the practical expedient. In addition, some of the investments valued using NAV as the practical expedient have limits on their redemption to monthly, quarterly, semiannually or annually and require up to 90 days prior written notice. These investments valued using NAV consist of mutual funds, common collective trusts, venture capital funds, partnerships, and other private investments, which allow the Company to allocate investments across a broad array of types of funds and diversify the portfolio.

The fair values of the Company's pension plan assets for both the U.S. and non-U.S. plans as of December 31, 2018, by asset category were as follows (\$ in millions):

	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and equivalents	\$ 29.7	\$ —	\$ —	\$ 29.7
Equity securities:				
Common stock	355.7	—	—	355.7
Preferred stock	4.6	—	—	4.6
Fixed income securities:				
Corporate bonds	—	76.8	—	76.8
Government issued	—	32.8	—	32.8
Mutual funds	284.6	205.2	—	489.8
Insurance contracts	—	168.7	—	168.7
Total	\$ 674.6	\$ 483.5	\$ —	1,158.1
Investments measured at NAV ^(a) :				
Mutual funds				179.8
Insurance contracts				209.1
Common collective trusts				957.8
Venture capital, partnerships and other private investments				391.9
Total assets at fair value				<u>\$ 2,896.7</u>

^(a) The fair value amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the total plan assets.

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The fair values of the Company's pension plan assets for both the U.S. and non-U.S. plans as of December 31, 2017, by asset category were as follows (\$ in millions):

	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and equivalents	\$ 36.0	\$ —	\$ —	\$ 36.0
Equity securities:				
Common stock	444.8	—	—	444.8
Preferred stock	6.7	—	—	6.7
Fixed income securities:				
Corporate bonds	—	113.3	—	113.3
Government issued	—	37.5	—	37.5
Mutual funds	341.5	147.0	—	488.5
Insurance contracts	—	299.4	—	299.4
Total	\$ 829.0	\$ 597.2	\$ —	1,426.2
Investments measured at NAV ^(a) :				
Mutual funds				232.4
Insurance contracts				72.1
Common collective trusts				1,089.8
Venture capital, partnerships and other private investments				383.7
Total assets at fair value				<u>\$ 3,204.2</u>

(a) The fair value amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the total plan assets.

Preferred stock and common stock traded on an active market, as well as mutual funds are valued at the quoted closing price reported on the active market on which the individual securities are traded. Preferred stock, common stock, corporate bonds, U.S. government securities and mutual funds that are not traded on an active market are valued at quoted prices reported by investment brokers and dealers based on the underlying terms of the security and comparison to similar securities traded on an active market. Insurance contracts are valued based upon the quoted prices of the underlying investments with the insurance company.

Common/collective trusts are valued based on the plan's interest, represented by investment units, in the underlying investments held within the trust that are traded in an active market by the trustee.

Venture capital, partnerships and other private investments are valued using the NAV based on the information provided by the asset fund managers, which reflects the plan's share of the fair value of the net assets of the investment. Depending on the nature of the assets, the underlying investments are valued using a combination of either discounted cash flows, earnings and market multiples, third-party appraisals or through reference to the quoted market prices of the underlying investments held by the venture, partnership or private entity where available. Valuation adjustments reflect changes in operating results, financial condition, or prospects of the applicable portfolio company.

The methods described above may produce a fair value estimate that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes the valuation methods are appropriate and consistent with the methods used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Expected Contributions

During 2018, the Company contributed \$55 million to its U.S. defined benefit pension plan and \$52 million to its non-U.S. defined benefit pension plans. During 2019, the Company's cash contribution requirements for its U.S. and

its non-U.S. defined benefit pension plans are expected to be approximately \$10 million and \$50 million, respectively.

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The following sets forth benefit payments, which reflect expected future service, as appropriate, expected to be paid by the plans in the periods indicated (\$ in millions):

	U.S. Pension Plans	Non-U.S. Pension Plans	All Pension Plans
2019	\$ 172.3	\$ 50.2	\$ 222.5
2020	174.1	52.4	226.5
2021	174.8	51.1	225.9
2022	174.3	54.1	228.4
2023	174.2	56.3	230.5
2024 - 2028	814.7	308.7	1,123.4

Other Matters

Substantially all employees not covered by defined benefit plans are covered by defined contribution plans, which generally provide for Company funding based on a percentage of compensation.

A limited number of the Company's subsidiaries participate in multiemployer defined benefit and contribution plans, primarily outside of the United States, that require the Company to periodically contribute funds to the plan. The risks of participating in a multiemployer plan differ from the risks of participating in a single-employer plan in the following respects: (1) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (2) if a participating employer ceases contributing to the plan, the unfunded obligations of the plan may be required to be borne by the remaining participating employers and (3) if the Company elects to stop participating in the plan, the Company may be required to pay the plan an amount based on the unfunded status of the plan. None of the multiemployer plans in which the Company's subsidiaries participate are considered to be quantitatively or qualitatively significant, either individually or in the aggregate. In addition, contributions made to these plans during 2018, 2017 and 2016 were not considered significant, either individually or in the aggregate.

Expense for all defined benefit and defined contribution pension plans amounted to \$187 million, \$177 million and \$177 million for the years ended December 31, 2018, 2017 and 2016, respectively.

NOTE 12. OTHER POSTRETIREMENT EMPLOYEE BENEFIT PLANS

In addition to providing pension benefits, the Company provides certain health care and life insurance benefits for some of its retired employees in the United States. Certain employees may become eligible for these benefits as they reach normal retirement age while working for the Company.

The following sets forth the funded status of the domestic plans as of the most recent actuarial valuations using measurement dates of December 31 (\$ in millions):

	2018	2017
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ (167.3)	\$ (174.6)
Service cost	(0.5)	(0.7)
Interest cost	(5.3)	(5.6)
Amendments, curtailments and other	1.1	(0.4)
Actuarial gain (loss)	9.5	(1.5)
Retiree contributions	(2.6)	(2.9)
Benefits paid	18.6	18.4
Benefit obligation at end of year	(146.5)	(167.3)
Change in plan assets:		
Fair value of plan assets	—	—
Funded status	<u>\$ (146.5)</u>	<u>\$ (167.3)</u>

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As of December 31, 2018 and 2017, \$131 million and \$152 million, respectively, of the total underfunded status of the plan was recognized as long-term accrued postretirement liability since it was not expected to be funded within one year.

Weighted average assumptions used to determine benefit obligations at date of measurement:

	2018	2017
Discount rate	4.2 %	3.5 %
Medical trend rate – initial	6.0 %	6.3 %
Medical trend rate – grading period	19 years	20 years
Medical trend rate – ultimate	4.5 %	4.5 %

Effect of a one-percentage-point change in assumed health care cost trend rates:

(\$ in millions)	1% Increase	1% Decrease
Effect on the total of service and interest cost components	\$ 0.3	\$ (0.2)
Effect on postretirement medical benefit obligation	4.4	(3.7)

The medical trend rate used to determine the postretirement benefit obligation was 6.0% for 2018. The rate decreases gradually to an ultimate rate of 4.5% in 2037 and remains at that level thereafter. The trend rate is a significant factor in determining the amounts reported.

Components of net periodic benefit cost:

(\$ in millions)	2018	2017
Service cost	\$ (0.5)	\$ (0.7)
Interest cost	(5.3)	(5.6)
Amortization of net gain	—	0.1
Amortization of prior service credit	2.5	3.1
Net periodic benefit cost	<u>\$ (3.3)</u>	<u>\$ (3.1)</u>

In the first quarter of 2018, the Company adopted ASU No. 2017-07, which requires the Company to disaggregate the service cost component from other components of net periodic benefit costs and report the service cost component in the same line item as other compensation costs and the other components of net periodic benefit costs (which include interest costs, expected return on plan assets, amortization of prior service cost or credits and actuarial gains and losses) separately and outside a subtotal of operating income. As this ASU requires application on a retrospective basis, the Company reclassified the prior period presentation of the other postretirement employee benefit plans for the adoption of this ASU, resulting in an increase in operating profit and a decrease in other income, net of \$2 million and \$3 million for the years ended December 31, 2017 and 2016, respectively. The net periodic benefit cost of the other postretirement employee benefit plans incurred during the years ended December 31, 2018 and 2017 are reflected in the following captions in the accompanying Consolidated Condensed Statements of Earnings (\$ in millions):

	Year Ended December 31		
	2018	2017	2016
Service cost:			
Cost of sales	\$ (0.1)	\$ (0.1)	\$ (0.2)
Selling, general and administrative expenses	(0.4)	(0.6)	(0.5)
Total service cost	(0.5)	(0.7)	(0.7)
Other net periodic pension costs:			
Nonoperating income (expense), net	(2.8)	(2.4)	(3.5)

Total	\$ (3.3)	\$ (3.1)	\$ (4.2)
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Included in accumulated other comprehensive income (loss) as of December 31, 2018 are the following amounts that have not yet been recognized in net periodic benefit cost: unrecognized prior service credits of \$19 million (\$14 million, net of tax) and

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unrecognized actuarial losses of \$6 million (\$5 million, net of tax). The unrecognized losses and prior service credits, net, is calculated as the difference between the actuarially determined projected benefit obligation and the value of the plan assets less accrued benefit costs as of December 31, 2018. The prior service credits included in accumulated other comprehensive income (loss) and expected to be recognized in net periodic benefit costs during the year ending December 31, 2019 are \$2 million (\$2 million, net of tax). The actuarial losses included in accumulated other comprehensive income (loss) and expected to be recognized in net periodic benefit costs during the year ending December 31, 2019 are not material.

The following sets forth benefit payments, which reflect expected future service, as appropriate, expected to be paid in the periods indicated (\$ in millions):

2019	\$ 15.2
2020	14.5
2021	13.8
2022	13.1
2023	12.3
2024 - 2028	54.1

NOTE 13. INCOME TAXES

Earnings from continuing operations before income taxes for the years ended December 31 were as follows (\$ in millions):

	2018	2017	2016
United States	\$ 914.2	\$ 927.2	\$ 647.7
International	2,378.6	2,011.6	1,963.6
Total	\$ 3,292.8	\$ 2,938.8	\$ 2,611.3

The provision for income taxes from continuing operations for the years ended December 31 were as follows (\$ in millions):

	2018	2017	2016
Current:			
Federal U.S.	\$ 278.8	\$ 448.3	\$ 237.2
Non-U.S.	494.3	457.2	542.9
State and local	63.9	(9.6)	61.7
Deferred:			
Federal U.S.	(157.2)	(424.7)	(237.5)
Non-U.S.	(6.8)	(61.5)	(104.2)
State and local	(31.1)	59.3	(42.2)
Income tax provision	\$ 641.9	\$ 469.0	\$ 457.9

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Noncurrent deferred tax assets and noncurrent deferred tax liabilities are included in other assets and other long-term liabilities, respectively, in the accompanying Consolidated Balance Sheets. Deferred income tax assets and liabilities as of December 31 were as follows (\$ in millions):

	2018	2017
Deferred tax assets:		
Allowance for doubtful accounts	\$ 19.7	\$ 18.6
Inventories	81.2	95.9
Pension and postretirement benefits	222.7	250.6
Environmental and regulatory compliance	22.4	26.8
Other accruals and prepayments	223.7	345.8
Stock-based compensation expense	64.7	63.9
Tax credit and loss carryforwards	894.5	673.4
Valuation allowances	(389.6)	(324.6)
Total deferred tax asset	1,139.3	1,150.4
Deferred tax liabilities:		
Property, plant and equipment	(90.0)	(63.4)
Insurance, including self-insurance	(564.0)	(696.2)
Basis difference in LYONs	(21.6)	(12.9)
Goodwill and other intangibles	(2,774.9)	(2,711.2)
Total deferred tax liability	(3,450.5)	(3,483.7)
Net deferred tax liability	\$ (2,311.2)	\$ (2,333.3)

The Company evaluates the future realizability of tax credits and loss carryforwards considering the anticipated future earnings of the Company's subsidiaries as well as tax planning strategies in the associated jurisdictions. Deferred taxes associated with U.S. entities consist of net deferred tax liabilities of approximately \$2.0 billion as of December 31, 2018 and 2017. Deferred taxes associated with non-U.S. entities consist of net deferred tax liabilities of \$277 million and \$301 million as of December 31, 2018 and 2017, respectively. During 2018, the Company's valuation allowance increased by \$65 million through the tax provision primarily due to changes resulting from additional TCJA guidance and certain tax benefits recognized in 2018 that are not expected to be realized, partially offset by release of valuation allowance in a certain foreign jurisdiction. As of December 31, 2018, the total amount of the basis difference in investments outside the United States for which deferred taxes have not been provided is approximately \$9.5 billion. As of December 31, 2018, the Company had no plans which would subject these basis differences to income taxes in the United States or elsewhere.

On December 22, 2017, the TCJA was enacted, substantially changing the U.S. tax system and affecting the Company in a number of ways. Notably, the TCJA:

- established a flat corporate income tax rate of 21.0% on U.S. earnings;
- imposed a one-time tax on unremitted cumulative non-U.S. earnings of foreign subsidiaries ("Transition Tax");
- imposes a new minimum tax on certain non-U.S. earnings, irrespective of the territorial system of taxation, and generally allows for the repatriation of future earnings of foreign subsidiaries without incurring additional U.S. taxes by transitioning to a territorial system of taxation;
- subjects certain payments made by a U.S. company to a related foreign company to certain minimum taxes (Base Erosion Anti-Abuse Tax);

- eliminated certain prior tax incentives for manufacturing in the United States and creates an incentive for U.S. companies to sell, lease or license goods and services abroad by allowing for a reduction in taxes owed on earnings related to such sales;
- allows the cost of investments in certain depreciable assets acquired and placed in service after September 27, 2017 to be immediately expensed; and
- reduces deductions with respect to certain compensation paid to specified executive officers.

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While the changes from the TCJA were generally effective beginning in 2018, GAAP accounting for income taxes requires the effect of a change in tax laws or rates to be recognized in income from continuing operations for the period that includes the enactment date. Due to the complexities involved in accounting for the enactment of the TCJA, SAB No. 118 allowed the Company to record provisional amounts in earnings for the year ended December 31, 2017. Where reasonable estimates could be made, the provisional accounting was based on such estimates. When no reasonable estimate could be made, SAB No. 118 required the accounting to be based on the tax law in effect before the TCJA. The Company was required to complete its tax accounting for the TCJA when it had obtained, prepared and analyzed the information to complete the income tax accounting but no later than December 22, 2018.

Accordingly, during 2018, the Company completed its accounting for the tax effects of the enactment of the TCJA based on the Company's interpretation of the new tax regulations and related guidance issued by the U.S. Department of the Treasury and the IRS.

- The Transition Tax is based on the Company's post-1986 earnings and profits that were previously deferred from U.S. income taxes. In the year ended December 31, 2017, the Company recorded a provision amount for the Transition Tax expense resulting in an increase in income tax expense of approximately \$1.2 billion. During 2018, the Company finalized the calculations of the Transition Tax liability and increased the provisional amount recorded in 2017 by \$40 million, with the increase included as a component of income tax expense from continuing operations in 2018. Regulations allow the Company to reduce the Transition Tax payable by applying available foreign tax credits and other tax attributes. The Company has elected to pay the net Transition Tax payable over an eight-year period as permitted by the TCJA. As of December 31, 2018, the remaining Transition Tax balance to be paid over the next seven years is approximately \$180 million.
- In connection with finalizing the calculation of tax credits available to reduce the Transition Tax and other U.S. taxable income, the Company recorded an additional provision of \$13 million related to net unrealizable credits which is included as a component of income tax expense from continuing operations in 2018.
- U.S. deferred tax assets and liabilities were remeasured as of December 31, 2017 based upon the tax rates at which the assets and liabilities are expected to reverse in the future, which is generally 21.0%, resulting in an income tax benefit of approximately \$1.2 billion in 2017. Upon finalizing the provisional accounting for the remeasurement of U.S. deferred tax assets and liabilities in 2018, the Company recorded an additional tax benefit of \$47 million, which is included as a component of income tax expense from continuing operations.
- The TCJA imposes tax on U.S. shareholders for global intangible low-taxed income ("GILTI") earned by certain foreign subsidiaries. The Company is required to make an accounting policy election of either: (1) treating taxes due on future amounts included in U.S. taxable income related to GILTI as a current period tax expense when incurred (the "period cost method"); or (2) factoring such amounts into the Company's measurement of its deferred tax expense (the "deferred method"). As of December 31, 2017, the Company was still analyzing its global income and did not record a GILTI-related deferred tax amount. In 2018, the Company elected the period cost method for its accounting for GILTI.

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Due to the complexity and recent issuance of these tax regulations, management's interpretations of the impact of these rules could be subject to challenge by the taxing authorities.

The effective income tax rate from continuing operations for the years ended December 31 varies from the U.S. statutory federal income tax rate as follows:

	Percentage of Pretax Earnings		
	2018	2017	2016
Statutory federal income tax rate	21.0 %	35.0 %	35.0 %
Increase (decrease) in tax rate resulting from:			
State income taxes (net of federal income tax benefit)	0.9 %	0.8 %	0.6 %
)))
Foreign rate differential	(0.3 %	(11.6 %	(10.2 %
)))
Resolution and expiration of statutes of limitation of uncertain tax positions	(1.7 %	(6.5 %	(3.1 %
)))
Permanent foreign exchange losses	— %	(0.6 %	(8.2 %
)))
Research credits, uncertain tax positions and other	(0.6 %	(1.0 %	3.4 %
)))
TCJA - revaluation of U.S. deferred income taxes	(1.4 %	(41.5 %	— %
TCJA - Transition Tax	1.6 %	41.4 %	— %
Effective income tax rate	19.5 %	16.0 %	17.5 %

The Company's effective tax rate for 2018, 2017 and 2016 differs from the U.S. federal statutory rates of 21.0% in 2018 and 35.0% in 2017 and 2016, due principally to the Company's earnings outside the United States that are indefinitely reinvested and taxed at rates different than the U.S. federal statutory rate. In addition:

- The effective tax rate of 19.5% in 2018 includes 70 basis points of tax benefits primarily related to the release of reserves upon the expiration of statutes of limitation, audit settlements and release of valuation allowance in a certain foreign tax jurisdiction. These tax benefits were partially offset by additional provisions related to completing the accounting for the enactment of the TCJA as summarized above and tax costs directly related to reorganization activities associated with preparing for the Dental Separation.
- The effective tax rate of 16.0% in 2017 includes 500 basis points of net tax benefits due to the revaluation of deferred tax liabilities from 35.0% to 21.0% due to the TCJA and the release of reserves upon statute of limitation expiration, partially offset by income tax expense related to the Transition Tax on foreign earnings due to the TCJA and changes in estimates associated with prior period uncertain tax positions.
- The effective tax rate of 17.5% in 2016 includes 350 basis points of net tax benefits from permanent foreign exchange losses and the release of reserves upon the expiration of statutes of limitation and audit settlements, partially offset by income tax expense related to repatriation of earnings and legal entity realignments associated with the Fortive Separation and changes in estimates associated with prior period uncertain tax positions.

The Company made income tax payments related to both continuing and discontinued operations of \$673 million, \$689 million and \$767 million in 2018, 2017 and 2016, respectively. Current income taxes payable related to both continuing and discontinued operations has been reduced by \$57 million, \$85 million, and \$99 million in 2018, 2017 and 2016, respectively, for tax deductions attributable to stock-based compensation, of which, the excess tax benefit over the amount recorded for financial reporting purposes for both continuing and discontinued operations was \$38 million, \$55 million and \$50 million, respectively. The excess tax benefit realized has been recorded as an increase to additional paid-in capital for the year ended December 31, 2016 and is reflected as a financing cash inflow in the accompanying Consolidated Statement of Cash Flows. As a result of the adoption of ASU 2016-09, *Compensation—Stock Compensation*, the excess tax benefits for the years ended December 31, 2018 and 2017 have been recorded as

reductions to the current income tax provision and are reflected as operating cash inflows in the accompanying Consolidated Statements of Cash Flows.

Included in deferred income taxes related to continuing operations as of December 31, 2018 are tax benefits for U.S. and non-U.S. net operating loss carryforwards totaling \$653 million (\$252 million of which the Company does not expect to realize and have corresponding valuation allowances). Certain of the losses can be carried forward indefinitely and others can be carried forward to various dates from 2019 through 2038. In addition, the Company had general business and foreign tax credit carryforwards related to continuing operations of \$241 million (\$89 million of which the Company does not expect to realize and have corresponding valuation allowances) as of December 31, 2018, which can be carried forward to various dates from

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2019 to 2028. In addition, as of December 31, 2018, the Company had \$49 million of valuation allowances related to other deferred tax asset balances that are not more likely than not of being realized.

As of December 31, 2018, gross unrecognized tax benefits related to continuing operations totaled \$986 million (\$988 million, net of the impact of \$117 million of indirect tax benefits offset by \$119 million associated with potential interest and penalties). As of December 31, 2017, gross unrecognized tax benefits related to continuing operations totaled \$737 million (\$736 million, net of the impact of \$104 million of indirect tax benefits offset by \$103 million associated with potential interest and penalties). The Company recognized approximately \$41 million, \$41 million and \$47 million in potential interest and penalties related to both continuing and discontinued operations associated with uncertain tax positions during 2018, 2017 and 2016, respectively. To the extent unrecognized tax benefits (including interest and penalties) are recognized with respect to uncertain tax positions, \$936 million would reduce the tax expense and effective tax rate in future periods. The Company recognized interest and penalties related to unrecognized tax benefits within income taxes in the accompanying Consolidated Statements of Earnings. Unrecognized tax benefits and associated accrued interest and penalties are included in taxes, income and other accrued expenses as detailed in Note 9.

A reconciliation of the beginning and ending amount of unrecognized tax benefits, excluding amounts accrued for potential interest and penalties related to both continuing and discontinued operations, is as follows (\$ in millions):

	2018	2017	2016
Unrecognized tax benefits, beginning of year	\$ 736.8	\$ 992.2	\$ 990.2
Additions based on tax positions related to the current year	43.1	53.0	80.0
Additions for tax positions of prior years	324.3	39.8	154.3
Reductions for tax positions of prior years	(21.9)	(14.5)	(7.0)
Acquisitions, divestitures and other	9.4	13.4	(41.5)
Lapse of statute of limitations	(52.9)	(246.7)	(124.0)
Settlements	(41.8)	(124.8)	(45.3)
Effect of foreign currency translation	(11.0)	24.4	(14.5)
Unrecognized tax benefits, end of year	\$ 986.0	\$ 736.8	\$ 992.2

The Company conducts business globally, and files numerous consolidated and separate income tax returns in the U.S. federal, state and foreign jurisdictions. The non-U.S. countries in which the Company has a significant presence include China, Denmark, Germany, Singapore, Switzerland and the United Kingdom. The Company believes that a change in the statutory tax rate of any individual foreign country would not have a material effect on the Company's Consolidated Financial Statements given the geographic dispersion of the Company's taxable income.

The Company and its subsidiaries are routinely examined by various domestic and international taxing authorities. The IRS has completed substantially all of the examinations of the Company's federal income tax returns through 2011 and is currently examining certain of the Company's federal income tax returns for 2012 through 2015. In addition, the Company has subsidiaries in Austria, Belgium, Canada, China, Denmark, Finland, France, Germany, Hong Kong, India, Italy, Japan, New Zealand, Sweden, Switzerland, the United Kingdom and various other countries, states and provinces that are currently under audit for years ranging from 2004 through 2017.

In the fourth quarter of 2018, the IRS proposed significant adjustments to the Company's taxable income for the years 2012 through 2015 with respect to the deferral of tax on certain premium income related to the Company's self-insurance programs. The proposed adjustments would increase the Company's taxable income over the 2012 through 2015 period by approximately \$960 million. In addition, as of December 31, 2018, the IRS has notified the Company that it is considering additional taxable income adjustments related to other aspects of the Company's self-insurance programs for the years 2012 through 2015. These additional proposed adjustments would increase the Company's taxable income by approximately \$1.7 billion. Management believes the positions the Company has taken in its U.S. tax returns are in accordance with the relevant tax laws, intends to vigorously defend these positions and is currently considering all of its alternatives. Due to the enactment of the TCJA in 2017 and the resulting reduction in the U.S. corporate tax rate for years after 2017, the Company revalued its deferred tax liabilities related to the temporary differences associated with this deferred premium income from 35.0% to 21.0%. If the Company is not successful in defending these assessments, the taxes owed to the IRS may be computed under the previous 35.0% statutory tax rate.

and the Company may be required to revalue the related deferred tax liabilities from 21.0% to 35.0%, which in addition to any interest due on the amounts assessed, would require a charge to future earnings. The ultimate resolution of this matter is uncertain, could take many years and could result in a material adverse impact to the Company's Consolidated Financial Statements, including its cash flows and effective tax rate.

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Tax authorities in Denmark have raised significant issues related to interest accrued by certain of the Company's subsidiaries. On December 10, 2013, the Company received assessments from the Danish tax authority ("SKAT") totaling approximately DKK 1.6 billion (approximately \$247 million based on exchange rates as of December 31, 2018) including interest through December 31, 2018, imposing withholding tax relating to interest accrued in Denmark on borrowings from certain of the Company's subsidiaries for the years 2004 through 2009. The Company is currently in discussions with SKAT and anticipates receiving an assessment for years 2010 through 2012 totaling approximately DKK 954 million (approximately \$146 million based on exchange rates as of December 31, 2018) including interest through December 31, 2018. Management believes the positions the Company has taken in Denmark are in accordance with the relevant tax laws and is vigorously defending its positions. The Company appealed these assessments with the National Tax Tribunal in 2014 and intends on pursuing this matter through the European Court of Justice should this appeal be unsuccessful. The ultimate resolution of this matter is uncertain, could take many years, and could result in a material adverse impact to the Company's Consolidated Financial Statements, including its cash flows and effective tax rate.

Management estimates that it is reasonably possible that the amount of unrecognized tax benefits related to continuing operations may be reduced by approximately \$134 million within 12 months as a result of resolution of worldwide tax matters, payments of tax audit settlements and/or statute of limitations expirations. Future resolution of uncertain tax positions related to discontinued operations may result in additional charges or credits to earnings from discontinued operations in the Consolidated Statements of Earnings (refer to Note 4).

The Company operates in various non-U.S. jurisdictions where income tax incentives and rulings have been granted for specific periods of time. In Switzerland, the Company has various tax rulings and tax holiday arrangements which reduce the overall effective tax rate of the Company. The tax holidays expire between 2019 and 2022. In Singapore, the Company operates under various tax incentive agreements that provide for reduced tax rates. Subject to the Company satisfying certain requirements, the agreements expire in 2022. The Company has satisfied the conditions enumerated in these agreements to date. Included in the accompanying Consolidated Financial Statements are tax benefits of \$70 million, \$62 million, and \$61 million for 2018, 2017, and 2016, respectively, from these rulings and tax holidays.

NOTE 14. NONOPERATING INCOME (EXPENSE)

As described in Notes 1, 11 and 12, in the first quarter of 2018, the Company adopted ASU No. 2017-07. The ASU requires the Company to disaggregate the service cost component from the other components of net periodic benefit costs and requires the Company to present the other components of net periodic benefit cost in other income, net.

The ASU also requires application on a retrospective basis. As a result of adopting this ASU, the Company classified \$37 million, \$31 million and \$16 million of net pension and postretirement benefits as other income as of December 31, 2018, 2017 and 2016, respectively.

The Company received \$138 million of cash proceeds and recorded \$22 million in short-term other receivables from the sale of certain marketable equity securities during 2017. The Company recorded a pretax gain related to this sale of \$73 million (\$46 million after-tax or \$0.06 per diluted share).

During 2016, the Company received cash proceeds of \$265 million from the sale of certain marketable equity securities and recorded a pretax gain related to this sale of \$223 million (\$140 million after-tax or \$0.20 per diluted share).

During 2016, the Company also paid \$188 million of make-whole premiums associated with the early extinguishment of the Redeemed Notes. The Company recorded a loss on extinguishment of these borrowings, net of certain deferred gains, of \$179 million (\$112 million after-tax or \$0.16 per diluted share).

NOTE 15. PRODUCTIVITY IMPROVEMENT AND RESTRUCTURING INITIATIVES

During 2018, the Company recorded pretax productivity improvement and restructuring related charges of \$70 million. Substantially all the activities initiated in 2018 were completed by December 31, 2018, resulting in \$59 million of employee severance and related charges and \$11 million of facility exit and other related charges. The Company expects substantially all cash payments associated with remaining termination benefits will be paid during 2019.

During 2017, the Company made the strategic decision to discontinue a molecular diagnostic product line in its Diagnostics segment. As a result, the Company recorded \$76 million of pretax restructuring, impairment and other related charges (\$51 million after-tax or \$0.07 per diluted share). These charges included \$49 million of noncash charges for the impairment of certain technology-related intangible assets as well as related inventory and property, plant and equipment with no further use. In addition, the Company incurred \$27 million of cash restructuring costs primarily related to employee severance and related charges. Substantially all restructuring activities related to this discontinued product line were completed in 2017.

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In addition to the molecular diagnostic product line discontinuation noted above, during 2017 the Company recorded pretax productivity improvement and restructuring related charges of \$83 million, for a total of \$159 million of pretax productivity improvement and restructuring related charges in 2017. Substantially all of the planned activities related to the 2017 plans were completed by December 31, 2017 resulting in approximately \$78 million of employee severance and related charges and \$81 million of facility exit and other related charges (including noncash charges for the impairment of certain technology-related intangibles as well as related inventory and property, plant and equipment with no further use).

During 2016, the Company recorded pretax productivity improvement and restructuring related charges totaling \$152 million. Substantially all of the planned activities related to the 2016 plans were completed by December 31, 2016 resulting in approximately \$111 million of employee severance and related charges, \$30 million of facility exit and other related charges and \$11 million of charges related to an impairment of a trade name within the Dental segment.

Excluding the discontinuation of the molecular diagnostic product line, the nature of the Company's productivity improvement and restructuring related activities initiated in 2018, 2017 and 2016 were broadly consistent throughout the Company's reportable segments and focused on improvements in operational efficiency through targeted workforce reductions and facility consolidations and closures. These costs were incurred to position the Company to provide superior products and services to its customers in a cost efficient manner, and taking into consideration broad economic considerations.

In conjunction with the closing of facilities, certain inventory was written off as unusable in future operating locations. This inventory consisted primarily of component parts and raw materials, which were either redundant to inventory at the facilities being merged or were not economically feasible to relocate since the inventory was purchased to operate on equipment and tooling which was not being relocated. In addition, asset impairment charges have been recorded to reduce the carrying amounts of the long-lived assets that will be sold or disposed of to their estimated fair values. Charges for the asset impairment reduce the carrying amount of the long-lived assets to their estimated salvage value in connection with the decision to dispose of such assets.

Productivity improvement and restructuring related charges, including those related to the discontinuation of the molecular diagnostics product line, recorded for the years ended December 31 by segment were as follows (\$ in millions):

	2018	2017	2016
Life Sciences	\$ 11.4	\$ 25.4	\$ 40.5
Diagnostics	14.9	85.4	62.2
Dental	23.7	35.8	34.3
Environmental & Applied Solutions	20.0	12.5	15.4
Total	<u>\$ 70.0</u>	<u>\$ 159.1</u>	<u>\$ 152.4</u>

The table below summarizes the Company's accrual balance and utilization by type of productivity improvement and restructuring costs associated with the 2018 and 2017 actions (\$ in millions):

	Employee Severance & Related	Facility Exit & Related	Total
Balance, January 1, 2017	\$ 45.3	\$ 11.8	\$ 57.1
Costs incurred	77.7	81.4	159.1
Paid/settled	(74.0)	(75.9)	(149.9)
Balance, December 31, 2017	49.0	17.3	66.3
Costs incurred	59.4	10.6	70.0
Paid/settled	(68.8)	(20.3)	(89.1)
Balance, December 31, 2018	<u>\$ 39.6</u>	<u>\$ 7.6</u>	<u>\$ 47.2</u>

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The productivity improvement and restructuring related charges incurred during 2018 include cash charges of \$68 million and \$2 million of noncash charges. The productivity improvement and restructuring related charges incurred during 2017 and 2016 include cash charges of \$103 million and \$140 million and \$56 million and \$12 million of noncash charges, respectively. These charges are reflected in the following captions in the accompanying Consolidated Statements of Earnings (\$ in millions):

	2018	2017	2016
Cost of sales	\$ 16.8	\$ 38.0	\$ 25.4
Selling, general and administrative expenses	53.2	121.1	127.0
Total	<u>\$ 70.0</u>	<u>\$ 159.1</u>	<u>\$ 152.4</u>

NOTE 16. LEASES AND COMMITMENTS

The Company's operating leases extend for varying periods of time up to 20 years and, in some cases, contain renewal options that would extend existing terms beyond 20 years. Total rent expense for all operating leases was \$282 million, \$249 million and \$220 million for the years ended December 31, 2018, 2017 and 2016, respectively.

As discussed in Note 1, the Company adopted ASC 842 related to lease accounting on January 1, 2019. Future minimum lease payments differ from the future lease liability recognized under ASC 842, as the lease liability recognized under ASC 842 discounts the lease payments while the minimum lease payments presented below are not discounted. Additionally, ASC 842 allows a lessee to elect to combine or separate any non-lease components in an arrangement with the lease components for the calculation of the lease liability while the minimum lease payments exclude any non-lease components. The Company's future minimum rental payments for all operating leases having initial or remaining noncancelable lease terms in excess of one year are as follows (\$ in millions):

2019	\$ 203.0
2020	167.7
2021	133.3
2022	116.8
2023	101.9
Thereafter	287.2

The Company generally accrues estimated warranty costs at the time of sale. In general, manufactured products are warranted against defects in material and workmanship when properly used for their intended purpose, installed correctly and appropriately maintained. Warranty periods depend on the nature of the product and range from the date of such sale up to the life of the product. The amount of the accrued warranty liability is determined based on historical information such as past experience, product failure rates or number of units repaired, estimated cost of material and labor and in certain instances estimated property damage. The accrued warranty liability is reviewed on a quarterly basis and may be adjusted as additional information regarding expected warranty costs becomes known.

The following is a rollforward of the Company's accrued warranty liability (\$ in millions):

	2018	2017
Balance, January 1	<u>\$ 79.0</u>	<u>\$ 75.8</u>
Accruals for warranties issued during the year	60.6	54.5
Settlements made	(60.0)	(56.6)
Additions due to acquisitions	—	1.7
Effect of foreign currency translation	(2.2)	3.6
Balance, December 31	<u>\$ 77.4</u>	<u>\$ 79.0</u>

NOTE 17. LITIGATION AND CONTINGENCIES

The Company is subject to a variety of litigation and other legal and regulatory proceedings incidental to its business (or the business operations of previously owned entities), including claims or counterclaims for damages arising out of the use of products or services and claims relating to intellectual property matters, employment matters, tax matters, commercial disputes,

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breach of contract claims, competition and sales and trading practices, environmental matters, personal injury, insurance coverage and acquisition or divestiture-related matters, as well as regulatory subpoenas, requests for information, investigations and enforcement. The Company may also become subject to lawsuits as a result of past or future acquisitions or as a result of liabilities retained from, or representations, warranties or indemnities provided in connection with, divested businesses. The types of claims made in lawsuits include claims for compensatory damages, punitive and consequential damages (and in some cases, treble damages) and/or injunctive relief. Based upon the Company's experience, current information and applicable law, it does not believe it is reasonably possible that any amounts it may be required to pay in connection with litigation and other legal and regulatory proceedings in excess of its reserves as of December 31, 2018 will have a material effect on its Consolidated Financial Statements.

While the Company maintains general, products, property, workers' compensation, automobile, cargo, aviation, crime, fiduciary and directors' and officers' liability insurance (and has acquired rights under similar policies in connection with certain acquisitions) up to certain limits that cover certain of these claims, this insurance may be insufficient or unavailable to cover such losses. For general, products and property liability and most other insured risks, the Company purchases outside insurance coverage only for severe losses and must establish and maintain reserves with respect to amounts within the self-insured retention. In addition, while the Company believes it is entitled to indemnification from third-parties for some of these claims, these rights may also be insufficient or unavailable to cover such losses.

The Company records a liability in the Consolidated Financial Statements for loss contingencies when a loss is known or considered probable and the amount can be reasonably estimated. If the reasonable estimate of a known or probable loss is a range, and no amount within the range is a better estimate than any other, the minimum amount of the range is accrued. If a loss does not meet the known or probable level but is reasonably possible it is disclosed and if the loss or range of loss can be reasonably estimated, the estimated loss or range of loss is disclosed. The Company's reserves consist of specific reserves for individual claims and additional amounts for anticipated developments of these claims as well as for incurred but not yet reported claims. The specific reserves for individual known claims are quantified with the assistance of legal counsel and outside risk professionals where appropriate. In addition, outside risk professionals assist in the determination of reserves for incurred but not yet reported claims through evaluation of the Company's specific loss history, actual claims reported and industry trends among statistical and other factors. Reserve estimates may be adjusted as additional information regarding a claim becomes known. Because most contingencies are resolved over long periods of time, liabilities may change in the future due to new developments (including litigation developments, the discovery of new facts, changes in legislation and outcomes of similar cases), changes in assumptions or changes in the Company's strategy. While the Company actively pursues financial recoveries from insurance providers and indemnifying parties, it does not recognize any recoveries until realized or until such time as a sustained pattern of collections is established related to historical matters of a similar nature and magnitude. If the Company's self-insurance and litigation reserves prove inadequate, it would be required to incur an expense equal to the amount of the loss incurred in excess of the reserves, which would adversely affect the Company's Consolidated Financial Statements.

In addition, the Company's operations, products and services are subject to environmental laws and regulations, which impose limitations on the discharge of pollutants into the environment, establish standards for the use, generation, treatment, storage and disposal of hazardous and nonhazardous wastes and impose end-of-life disposal and take-back programs. A number of the Company's operations involve the handling, manufacturing, use or sale of substances that are or could be classified as hazardous materials within the meaning of applicable laws. The Company must also comply with various health and safety regulations in both the United States and abroad in connection with the Company's operations. Compliance with these laws and regulations has not had and, based on current information and the applicable laws and regulations currently in effect, is not expected to have a material effect on the Company's capital expenditures, earnings or competitive position, and the Company does not anticipate material capital expenditures for environmental control facilities.

In addition to environmental compliance costs, the Company from time to time incurs costs related to alleged damages associated with past or current waste disposal practices or other hazardous materials handling practices. For example, generators of hazardous substances found in disposal sites at which environmental problems are alleged to exist, as well as the current and former owners of those sites and certain other classes of persons, are subject to claims brought by state and federal regulatory agencies pursuant to statutory authority. The Company has received notification from the U.S. Environmental Protection Agency, and from state and non-U.S. environmental agencies, that conditions at certain sites where the Company and others previously disposed of hazardous wastes and/or are or were property owners require clean-up and other possible remedial action, including sites where the Company has

been identified as a potentially responsible party under U.S. federal and state environmental laws. The Company has projects underway at a number of current and former facilities, in both the United States and abroad, to investigate and remediate environmental contamination resulting from past operations. Remediation activities generally relate to soil and/or groundwater contamination and may include pre-remedial activities such as fact-finding and investigation, risk assessment, feasibility study and/or design, as well as remediation actions such as contaminant removal, monitoring and/or installation, operation and maintenance of longer-term remediation systems. The

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Company is also from time to time party to personal injury or other claims brought by private parties alleging injury due to the presence of, or exposure to, hazardous substances.

The Company has recorded a provision for environmental investigation and remediation and environmental-related claims with respect to sites owned or formerly owned by the Company and its subsidiaries and third-party sites where the Company has been determined to be a potentially responsible party. The Company generally makes an assessment of the costs involved for its remediation efforts based on environmental studies, as well as its prior experience with similar sites. The ultimate cost of site cleanup is difficult to predict given the uncertainties of the Company's involvement in certain sites, uncertainties regarding the extent of the required cleanup, the availability of alternative cleanup methods, variations in the interpretation of applicable laws and regulations, the possibility of insurance recoveries with respect to certain sites and the fact that imposition of joint and several liability with right of contribution is possible under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 and other environmental laws and regulations. If the Company determines that potential liability for a particular site or with respect to a personal injury claim is known or considered probable and reasonably estimable, the Company accrues the total estimated loss, including investigation and remediation costs, associated with the site or claim. As of December 31, 2018, the Company had a reserve of \$147 million for environmental matters which are known or considered probable and reasonably estimable (of which \$110 million are noncurrent), which reflects the Company's best estimate of the costs to be incurred with respect to such matters.

All reserves have been recorded without giving effect to any possible future third-party recoveries. While the Company actively pursues insurance recoveries, as well as recoveries from other potentially responsible parties, it does not recognize any insurance recoveries for environmental liability claims until realized or until such time as a sustained pattern of collections is established related to historical matters of a similar nature and magnitude.

The Company's Restated Certificate of Incorporation requires it to indemnify to the full extent authorized or permitted by law any person made, or threatened to be made a party to any action or proceeding by reason of his or her service as a director or officer of the Company, or by reason of serving at the request of the Company as a director or officer of any other entity, subject to limited exceptions. Danaher's Amended and Restated By-laws provide for similar indemnification rights. In addition, Danaher has executed with each director and executive officer of Danaher Corporation an indemnification agreement which provides for substantially similar indemnification rights and under which Danaher has agreed to pay expenses in advance of the final disposition of any such indemnifiable proceeding. While the Company maintains insurance for this type of liability, a significant deductible applies to this coverage and any such liability could exceed the amount of the insurance coverage.

As of December 31, 2018, the Company had approximately \$668 million of guarantees consisting primarily of outstanding standby letters of credit, bank guarantees and performance and bid bonds. These guarantees have been provided in connection with certain arrangements with vendors, customers, insurance providers, financing counterparties and governmental entities to secure the Company's obligations and/or performance requirements related to specific transactions. The Company believes that if the obligations under these instruments were triggered, it would not have a material effect on its Consolidated Financial Statements.

NOTE 18. STOCK TRANSACTIONS AND STOCK-BASED COMPENSATION

On July 16, 2013, the Company's Board of Directors approved a repurchase program (the "Repurchase Program") authorizing the repurchase of up to 20 million shares of the Company's common stock from time to time on the open market or in privately negotiated transactions. There is no expiration date for the Repurchase Program, and the timing and amount of any shares repurchased under the program will be determined by the Company's management based on its evaluation of market conditions and other factors. The Repurchase Program may be suspended or discontinued at any time. Any repurchased shares will be available for use in connection with the Company's equity compensation plans (or any successor plan) and for other corporate purposes. As of December 31, 2018, 20 million shares remained available for repurchase pursuant to the Repurchase Program. The Company expects to fund any future stock repurchases using the Company's available cash balances or proceeds from the issuance of debt.

Neither the Company nor any "affiliated purchaser" repurchased any shares of Company common stock during 2018, 2017 or 2016.

Stock options, RSUs and PSUs have been issued to directors, officers and other employees under the Company's 2007 Omnibus Incentive Plan. In addition, in connection with the 2016 Cepheid Acquisition, the Company assumed certain outstanding stock options and RSUs, as applicable, that had been awarded under the stock compensation plan

of the acquired business. This plan (the “Assumed Plan”) operates in a similar manner to the Company’s 2007 Omnibus Incentive Plan, and no further equity awards will be issued under the Assumed Plan. The 2007 Omnibus Incentive Plan provides for the grant of stock options, stock appreciation rights, RSUs, restricted stock, PSUs or any other stock-based award and cash based awards. A total

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of approximately 127 million shares of Danaher common stock have been authorized for issuance under the 2007 Omnibus Incentive Plan. As of December 31, 2018, approximately 58 million shares of the Company's common stock remain available for issuance under the 2007 Omnibus Incentive Plan.

Stock options granted under the 2007 Omnibus Incentive Plan generally vest pro rata over a five-year period and terminate ten years from the grant date, though the specific terms of each grant are determined by the Compensation Committee of the Company's Board (the "Compensation Committee"). The Company's executive officers and certain other employees have been awarded options with different vesting criteria, and options granted to outside directors are fully vested as of the grant date. Option exercise prices for options granted by the Company equal the closing price of the Company's common stock on the NYSE on the date of grant. In connection with the Company's assumption of options issued pursuant to the Assumed Plan, the number of shares underlying each option and exercise price of each option were adjusted to reflect the substitution of the Company's stock for the stock of the applicable acquired company.

RSUs issued under the 2007 Omnibus Incentive Plan provide for the issuance of a share of the Company's common stock at no cost to the holder. The RSUs that have been granted to employees under the 2007 Omnibus Incentive Plan generally provide for time-based vesting over a five-year period, although executive officers and certain other employees have been awarded RSUs with different time-based vesting criteria, and RSUs granted to members of the Company's senior management have also been subject to performance-based vesting criteria. The RSUs that have been granted to directors under the 2007 Omnibus Incentive Plan vest on the earlier of the first anniversary of the grant date or the date of, and immediately prior to, the next annual meeting of the Company's shareholders following the grant date, but the underlying shares are not issued until the earlier of the director's death or the first day of the seventh month following the director's retirement from the Board. Prior to vesting, RSUs granted under the 2007 Omnibus Incentive Plan do not have dividend equivalent rights, do not have voting rights and the shares underlying the RSUs are not considered issued and outstanding. With respect to RSUs granted under the Assumed Plan, in connection with the Company's assumption of these RSUs the number of shares underlying each RSU were adjusted to reflect the substitution of the Company's stock for the stock of the applicable acquired company, and certain of these RSUs have dividend equivalent rights.

In 2015, the Company introduced into its executive officer equity compensation program PSUs that vest based on the Company's total shareholder return ranking relative to the S&P 500 Index over a three-year performance period and are subject to an additional two-year holding period, and are entitled to dividend equivalent rights. The PSUs were issued under the Company's 2007 Omnibus Incentive Plan. PSU's granted under the 2007 Omnibus Incentive Plan have dividend equivalent rights (which are subject to the same vesting and payment restrictions as the related shares), but do not have voting rights and the shares underlying the PSU's are not considered issued and outstanding.

In connection with the Fortive Separation and pursuant to the anti-dilution provisions of the 2007 Omnibus Incentive Plan, the Company made certain adjustments to the exercise price and the number of shares underlying stock-based compensation awards with the intention of preserving the intrinsic value of the awards prior to the Fortive Separation. Accordingly, the number of shares underlying each stock-based award outstanding as of the date of the Fortive Separation was multiplied by a factor of 1.32 and the related exercise price for stock options was divided by a factor of 1.32 which resulted in no increase in the intrinsic value of awards outstanding. The stock-based compensation awards continue to vest over their original vesting period. These adjustments to the Company's stock-based compensation awards did not result in additional compensation expense. Stock-based compensation awards that were held by employees who transferred to Fortive in connection with the Separation were canceled and replaced by awards issued by Fortive.

The equity compensation awards granted by the Company generally vest only if the employee is employed by the Company (or in the case of directors, the director continues to serve on the Company Board) on the vesting date or in other limited circumstances. To cover the exercise of options and vesting of RSUs and PSUs, the Company generally issues new shares from its authorized but unissued share pool, although it may instead issue treasury shares in certain circumstances.

The Company accounts for stock-based compensation by measuring the cost of employee services received in exchange for all equity awards granted based on the fair value of the award as of the grant date. The Company recognizes the compensation expense over the requisite service period (which is generally the vesting period but may be shorter than the vesting period if the employee becomes retirement eligible before the end of the vesting period). The fair value for RSU awards was calculated using the closing price of the Company's common stock on the date of

grant, adjusted for the fact that RSUs (other than certain RSUs granted under the Assumed Plans) do not accrue dividends. The fair value of the PSU awards was calculated using a Monte Carlo pricing model. The fair value of the options granted was calculated using a Black-Scholes Merton option pricing model (“Black-Scholes”).

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The following summarizes the assumptions used in the Black-Scholes model to value options granted during the years ended December 31:

	2018	2017	2016
Risk-free interest rate	2.6 – 3.1%	1.8 – 2.2%	1.2 – 1.8%
Weighted average volatility	21.4 %	17.9 %	24.3 %
Dividend yield	0.6 %	0.7 %	0.6 %
Expected years until exercise	5.0 – 8.0	5.0 – 8.0	5.5 – 8.0

The Black-Scholes model incorporates assumptions to value stock-based awards. The risk-free rate of interest for periods within the contractual life of the option is based on a zero-coupon U.S. government instrument whose maturity period equals or approximates the option's expected term. Expected volatility is based on implied volatility from traded options on the Company's stock and historical volatility of the Company's stock. The dividend yield is calculated by dividing the Company's annual dividend, based on the most recent quarterly dividend rate, by the closing stock price on the grant date. To estimate the option exercise timing used in the valuation model (which impacts the risk-free interest rate and the expected years until exercise), in addition to considering the vesting period and contractual term of the option, the Company analyzes and considers actual historical exercise experience for previously granted options. The Company stratifies its employee population into multiple groups for option valuation and attribution purposes based upon distinctive patterns of forfeiture rates and option holding periods, as indicated by the ranges set forth in the table above for the risk-free interest rate and the expected years until exercise.

The amount of stock-based compensation expense recognized during a period is also based on the portion of the awards that are ultimately expected to vest. The Company estimates pre-vesting forfeitures at the time of grant by analyzing historical data and revises those estimates in subsequent periods if actual forfeitures differ from those estimates. Ultimately, the total expense recognized over the vesting period will equal the fair value of awards that actually vest.

The following summarizes the components of the Company's continuing operations stock-based compensation expense for the years ended December 31 (\$ in millions):

	2018	2017	2016
RSUs/PSUs:			
Pretax compensation expense	\$ 94.7	\$ 90.2	\$ 85.9
Income tax benefit	(19.8)	(27.7)	(25.3)
RSU/PSU expense, net of income taxes	74.9	62.5	60.6
Stock options:			
Pretax compensation expense	56.7	49.2	43.9
Income tax benefit	(12.0)	(15.6)	(13.6)
Stock option expense, net of income taxes	44.7	33.6	30.3
Total stock-based compensation:			
Pretax compensation expense	151.4	139.4	129.8
Income tax benefit	(31.8)	(43.3)	(38.9)
Total stock-based compensation expense, net of income taxes	\$ 119.6	\$ 96.1	\$ 90.9

Stock-based compensation has been recognized as a component of selling, general and administrative expenses in the accompanying Consolidated Statements of Earnings. As of December 31, 2018, \$149 million of total unrecognized compensation cost related to RSUs/PSUs is expected to be recognized over a weighted average period of approximately two years. As of December 31, 2018, \$139 million of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted average period of approximately three years. Future compensation amounts will be adjusted for any changes in estimated forfeitures.

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The following summarizes option activity under the Company's stock plans (in millions, except weighted exercise price and number of years):

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding as of January 1, 2016	24.9	\$ 43.75		
Granted	5.7	67.52		
Exercised	(5.3)	33.45		
Cancelled/forfeited	(1.2)	73.21		
Adjustment due to Fortive Separation ^(a)	(5.2)	50.44		
Outstanding as of December 31, 2016	18.9	50.07		
Granted	4.4	86.14		
Exercised	(3.3)	35.26		
Cancelled/forfeited	(1.2)	70.40		
Outstanding as of December 31, 2017	18.8	59.84		
Granted	4.1	99.51		
Exercised	(3.4)	41.88		
Cancelled/forfeited	(0.9)	80.14		
Outstanding as of December 31, 2018	18.6	70.86	7	\$ 600.8
Vested and expected to vest as of December 31, 2018 ^(b)	18.0	\$ 70.24	7	\$ 592.8
Vested as of December 31, 2018	7.7	\$ 53.19	5	\$ 383.3

^(a) The "Adjustment due to Fortive Separation" reflects the cancellation of options which were outstanding as of July 2, 2016 and held by Fortive employees, which have been converted to Fortive equity awards as part of the Fortive Separation.

^(b) The "expected to vest" options are the net unvested options that remain after applying the forfeiture rate assumption to total unvested options.

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (the difference between the Company's closing stock price on the last trading day of 2018 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on December 31, 2018. The amount of aggregate intrinsic value will change based on the price of the Company's common stock.

Options outstanding as of December 31, 2018 are summarized below (in millions, except price per share and number of years):

Exercise Price	Outstanding			Exercisable	
	Shares	Average Exercise Price	Average Remaining Life (in years)	Shares	Average Exercise Price
\$19.89 to \$39.60	2.1	\$ 34.15	2	2.0	\$ 34.13
\$39.61 to \$56.70	2.5	48.73	4	2.3	48.15
\$56.71 to \$70.75	6.1	64.58	6	2.6	63.64
\$70.76 to \$86.08	3.9	85.13	8	0.7	84.37
\$86.09 to \$101.65	4.0	99.23	9	0.1	95.44

The aggregate intrinsic value of options exercised during the years ended December 31, 2018, 2017 and 2016 was \$202 million, \$162 million and \$210 million, respectively. Exercise of options during the years ended December 31, 2018, 2017 and 2016 resulted in cash receipts of \$133 million, \$117 million and \$161 million, respectively. Upon exercise of the award by the employee, the Company derives a tax deduction measured by the excess of the market

value over the grant price at the date of exercise. The Company realized a tax benefit of \$40 million, \$50 million and \$61 million in 2018, 2017 and 2016, respectively, related to the exercise of employee stock options.

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The following summarizes information on unvested RSU and PSU activity (in millions, except weighted average grant-date fair value):

	Number of RSUs/ PSUs	Weighted Average Grant-Date Fair Value
Unvested as of January 1, 2016	6.1	\$ 53.93
Granted	1.9	66.15
Vested	(1.8)	50.64
Adjustment due to Fortive Separation ^(a)	(1.2)	58.24
Forfeited	(0.5)	28.79
Unvested as of December 31, 2016	4.5	62.16
Granted	1.4	86.04
Vested	(1.5)	58.48
Forfeited	(0.5)	68.83
Unvested as of December 31, 2017	3.9	71.27
Granted	1.5	99.15
Vested	(1.2)	68.37
Forfeited	(0.3)	78.41
Unvested as of December 31, 2018	3.9	82.21

^(a) The “Adjustment due to Fortive Separation” reflects the cancellation of RSUs and PSUs which were outstanding as of July 2, 2016 and held by Fortive employees which have been converted to Fortive equity awards as part of the Fortive Separation.

The Company realized a tax benefit of \$17 million, \$35 million and \$38 million in the years ended December 31, 2018, 2017 and 2016, respectively, related to the vesting of RSUs.

Prior to the adoption of ASU 2016-09 in 2017, the difference between the actual tax benefit realized upon exercise and the tax benefit recorded based on the fair value of the stock award at the time of grant (the “excess tax benefits”) was recorded as an increase to additional paid-in capital and was reflected as a financing cash flow. For the year ended December 31, 2016, the Company recorded an increase to additional paid-in capital and a financing cash flow of \$50 million for the excess tax benefit. As a result of the adoption of ASU 2016-09, the excess tax benefit of \$38 million and \$55 million related to the exercise of employee stock options and vesting of RSUs for the years ended December 31, 2018 and 2017, respectively, has been recorded as a reduction to the current income tax provision and is reflected as an operating cash inflow in the accompanying Consolidated Statements of Cash Flows.

In connection with the exercise of certain stock options and the vesting of RSUs previously issued by the Company, a number of shares sufficient to fund statutory minimum tax withholding requirements has been withheld from the total shares issued or released to the award holder (though under the terms of the applicable plan, the shares are considered to have been issued and are not added back to the pool of shares available for grant). During the year ended December 31, 2018, 400 thousand shares with an aggregate value of \$41 million were withheld to satisfy the requirement. During the year ended December 31, 2017, 600 thousand shares with an aggregate value of \$47 million were withheld to satisfy the requirement. The withholding is treated as a reduction in additional paid-in capital in the accompanying Consolidated Statements of Stockholders’ Equity.

NOTE 19. NET EARNINGS PER SHARE FROM CONTINUING OPERATIONS

Basic net earnings per share (“EPS”) from continuing operations is calculated by dividing net earnings from continuing operations by the weighted average number of common shares outstanding for the applicable period. Diluted net EPS from continuing operations is computed based on the weighted average number of common shares outstanding increased by the number of additional shares that would have been outstanding had the potentially dilutive common shares been issued and reduced by the number of shares the Company could have repurchased with the proceeds from the issuance of the potentially dilutive shares. For the years ended December 31, 2018, 2017 and 2016, 1 million, 4 million and 1 million options to purchase shares, respectively, were not included in the diluted earnings per share calculation as the impact of their inclusion would have been anti-dilutive.

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Information related to the calculation of net earnings from continuing operations per share of common stock is summarized as follows (\$ and shares in millions, except per share amounts):

	Net Earnings from Continuing Operations (Numerator)	Shares (Denominator)	Per Share Amount
For the year ended December 31, 2018			
Basic EPS	\$ 2,650.9	700.6	\$ 3.78
Adjustment for interest on convertible debentures	2.2	—	
Incremental shares from assumed exercise of dilutive options and vesting of dilutive RSUs and PSUs	—	7.2	
Incremental shares from assumed conversion of the convertible debentures	—	2.4	
Diluted EPS	<u>\$ 2,653.1</u>	<u>710.2</u>	<u>\$ 3.74</u>
For the year ended December 31, 2017			
Basic EPS	\$ 2,469.8	695.8	\$ 3.55
Adjustment for interest on convertible debentures	2.1	—	
Incremental shares from assumed exercise of dilutive options and vesting of dilutive RSUs and PSUs	—	7.5	
Incremental shares from assumed conversion of the convertible debentures	—	2.8	
Diluted EPS	<u>\$ 2,471.9</u>	<u>706.1</u>	<u>\$ 3.50</u>
For the year ended December 31, 2016			
Basic EPS	\$ 2,153.4	691.2	\$ 3.12
Adjustment for interest on convertible debentures	1.8	—	
Incremental shares from assumed exercise of dilutive options and vesting of dilutive RSUs and PSUs	—	6.0	
Incremental shares from assumed conversion of the convertible debentures	—	2.6	
Diluted EPS	<u>\$ 2,155.2</u>	<u>699.8</u>	<u>\$ 3.08</u>

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NOTE 20. SEGMENT INFORMATION

The Company operates and reports its results in four separate business segments consisting of the Life Sciences, Diagnostics, Dental and Environmental & Applied Solutions segments. When determining the reportable segments, the Company aggregated operating segments based on their similar economic and operating characteristics. Operating profit represents total revenues less operating expenses, excluding nonoperating income and expense, interest and income taxes. Operating profit amounts in the Other segment consist of unallocated corporate costs and other costs not considered part of management's evaluation of reportable segment operating performance. The identifiable assets by segment are those used in each segment's operations. Intersegment amounts are not significant and are eliminated to arrive at consolidated totals.

Detailed segment data for the years ended December 31 is as follows (\$ in millions):

	2018	2017	2016
Sales:			
Life Sciences	\$ 6,471.4	\$ 5,710.1	\$ 5,365.9
Diagnostics	6,257.6	5,839.9	5,038.3
Dental	2,844.5	2,810.9	2,785.4
Environmental & Applied Solutions	4,319.5	3,968.8	3,692.8
Total	<u>\$ 19,893.0</u>	<u>\$ 18,329.7</u>	<u>\$ 16,882.4</u>
Operating profit:			
Life Sciences	\$ 1,229.3	\$ 1,004.3	\$ 818.9
Diagnostics	1,073.8	871.6	786.4
Dental	346.7	400.7	419.4
Environmental & Applied Solutions	988.0	914.6	870.0
Other	(234.0)	(200.8)	(159.5)
Total	<u>\$ 3,403.8</u>	<u>\$ 2,990.4</u>	<u>\$ 2,735.2</u>
Identifiable assets:			
Life Sciences	\$ 22,122.4	\$ 20,576.8	\$ 19,875.9
Diagnostics	14,031.1	14,359.2	14,159.6
Dental	5,897.3	6,026.8	5,772.2
Environmental & Applied Solutions	4,637.3	4,649.2	4,172.9
Other	1,144.4	1,036.6	1,314.7
Total	<u>\$ 47,832.5</u>	<u>\$ 46,648.6</u>	<u>\$ 45,295.3</u>
Depreciation and amortization:			
Life Sciences	\$ 471.2	\$ 427.9	\$ 426.2
Diagnostics	589.0	581.5	481.5
Dental	130.0	121.4	127.2
Environmental & Applied Solutions	109.0	99.9	86.7
Other	8.5	7.6	6.5
Total	<u>\$ 1,307.7</u>	<u>\$ 1,238.3</u>	<u>\$ 1,128.1</u>

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	2018	2017	2016
Capital expenditures, gross:			
Life Sciences	\$ 140.1	\$ 130.6	\$ 109.7
Diagnostics	380.0	372.6	374.3
Dental	72.2	48.9	49.1
Environmental & Applied Solutions	57.1	60.9	51.0
Other	6.3	6.6	5.5
Total	\$ 655.7	\$ 619.6	\$ 589.6

Operations in Geographical Areas:

	Year Ended December 31		
(\$ in millions)	2018	2017	2016
Sales:			
United States	\$ 7,374.4	\$ 6,837.9	\$ 6,377.4
China	2,357.3	2,011.6	1,799.1
Germany	1,247.0	1,161.6	1,084.6
Japan	918.7	872.1	864.7
All other (each country individually less than 5% of total sales)	7,995.6	7,446.5	6,756.6
Total	\$ 19,893.0	\$ 18,329.7	\$ 16,882.4

Property, plant and equipment, net:			
United States	\$ 1,224.4	\$ 1,126.2	\$ 1,198.4
Germany	198.3	212.4	190.8
United Kingdom	157.0	152.0	140.6
All other (each country individually less than 5% of total property, plant and equipment, net)	931.5	964.0	824.2
Total	\$ 2,511.2	\$ 2,454.6	\$ 2,354.0

Sales by Major Product Group:

	Year Ended December 31		
(\$ in millions)	2018	2017	2016
Analytical and physical instrumentation	\$ 2,437.0	\$ 2,232.9	\$ 2,088.9
Research and medical products	12,686.0	11,512.4	10,366.7
Dental products	2,844.5	2,810.9	2,785.4
Product identification	1,925.5	1,773.5	1,641.4
Total	\$ 19,893.0	\$ 18,329.7	\$ 16,882.4

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NOTE 21. QUARTERLY DATA-UNAUDITED

(\$ in millions, except per share data)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2018:				
Sales	\$ 4,695.4	\$ 4,981.0	\$ 4,853.1	\$ 5,363.5
Gross profit	2,643.6	2,817.1	2,690.5	2,955.9
Operating profit	743.0	867.5	830.7	962.6
Net earnings from continuing operations	566.6	673.8	663.7	746.8
Net earnings	566.6	673.8	663.7	746.8
Net earnings per share from continuing operations:				
Basic	\$ 0.81	\$ 0.96	\$ 0.95	\$ 1.06
Diluted	\$ 0.80	\$ 0.95	\$ 0.93	\$ 1.05 *
Net earnings per share:				
Basic	\$ 0.81	\$ 0.96	\$ 0.95	\$ 1.06
Diluted	\$ 0.80	\$ 0.95	\$ 0.93	\$ 1.05 *
2017:				
Sales	\$ 4,205.7	\$ 4,510.1	\$ 4,528.2	\$ 5,085.7
Gross profit	2,334.3	2,482.3	2,536.8	2,839.1
Operating profit	617.0	676.7	759.2	937.5
Net earnings from continuing operations	483.8	557.3	572.1	856.6
Net earnings from discontinued operations	22.3	—	—	—
Net earnings	506.1	557.3	572.1	856.6
Net earnings per share from continuing operations:				
Basic	\$ 0.70	\$ 0.80	\$ 0.82	\$ 1.23
Diluted	\$ 0.69	\$ 0.79	\$ 0.81	\$ 1.21
Net earnings per share from discontinued operations:				
Basic	\$ 0.03	\$ —	\$ —	\$ —
Diluted	\$ 0.03	\$ —	\$ —	\$ —
Net earnings per share:				
Basic	\$ 0.73	\$ 0.80	\$ 0.82	\$ 1.23
Diluted	\$ 0.72	\$ 0.79	\$ 0.81	\$ 1.21

* Net earnings per share amounts do not add across to the full year amount due to rounding.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

The Company's management, with the participation of the Company's President and Chief Executive Officer, and Executive Vice President and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the Company's President and Chief Executive Officer, and Executive Vice President and Chief Financial Officer, have concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective.

Management's annual report on its internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) and the independent registered public accounting firm's audit report on the effectiveness of Danaher's internal control over financial reporting are included in the Company's financial statements for the year ended December 31, 2018 included in Item 8 of this Annual Report on Form 10-K, under the headings "Report of Management on Danaher Corporation's Internal Control Over Financial Reporting" and "Report of Independent Registered Public Accounting Firm," respectively, and are incorporated herein by reference.

The Company completed the acquisition of IDT on April 13, 2018. Since the Company has not yet fully incorporated the internal controls and procedures of IDT into the Company's internal control over financial reporting, management excluded IDT from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2018. IDT constituted less than 5% of the Company's total assets as of December 31, 2018 and approximately 1% of the Company's total revenues for the year then ended.

There have been no changes in the Company's internal control over financial reporting that occurred during the Company's most recent completed quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Other than the information below, the information required by this Item is incorporated by reference from the sections entitled *Proposal 1—Election of Directors of Danaher, Corporate Governance* and *Other Information—Section 16(a) Beneficial Ownership Reporting Compliance* in the Proxy Statement for the Company's 2019 annual meeting of shareholders and from the information under the caption "Executive Officers of the Registrant" in Part I hereof. No nominee for director was selected pursuant to any arrangement or understanding between the nominee and any person other than the Company pursuant to which such person is or was to be selected as a director or nominee.

Code of Ethics

Danaher has adopted a code of business conduct and ethics for directors, officers (including Danaher's principal executive officer, principal financial officer and principal accounting officer) and employees, known as the Code of Conduct. The Code of Conduct is available in the "Investors—Corporate Governance" section of Danaher's website at www.danaher.com.

Danaher intends to disclose any amendment to the Code of Conduct that relates to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K, and any waiver from a provision of the Code of Conduct granted to any director, principal executive officer, principal financial officer, principal accounting officer, or any of

its other executive officers, in the “Investors—Corporate Governance” section of its website, at www.danaher.com, within four business days following the date of such amendment or waiver.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference from the sections entitled *Director Compensation, Compensation Discussion and Analysis, Compensation Committee Report, Compensation Tables and Information* and *Summary of Employment Agreements and Plans* in the Proxy Statement for the Company's 2019 annual meeting of shareholders (provided that the Compensation Committee Report shall not be deemed to be "filed").

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated by reference from the sections entitled *Beneficial Ownership of Danaher Common Stock by Directors, Officers and Principal Shareholders, Summary of Employment Agreements and Plans* and *Compensation Tables and Information* in the Proxy Statement for the Company's 2019 annual meeting of shareholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated by reference from the sections entitled *Director Independence and Related Person Transactions* in the Proxy Statement for the Company's 2019 annual meeting of shareholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated by reference from the section entitled *Proposal 2—Ratification of Independent Registered Public Accounting Firm* in the Proxy Statement for the Company's 2019 annual meeting of shareholders.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- a) The following documents are filed as part of this report.
- (1) Financial Statements. The financial statements are set forth under “Item 8. Financial Statements and Supplementary Data” of this Annual Report on Form 10-K.
 - (2) Schedules. An index of Exhibits and Schedules is on page 117 of this report. Schedules other than those listed below have been omitted from this Annual Report on Form 10-K because they are not required, are not applicable or the required information is included in the financial statements or the notes thereto.
 - (3) Exhibits. The exhibits listed in the accompanying Exhibit Index are filed or incorporated by reference as part of this Annual Report on Form 10-K.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

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DANAHER CORPORATION
INDEX TO FINANCIAL STATEMENTS, SUPPLEMENTARY DATA AND FINANCIAL STATEMENT
SCHEDULE

	Page Number in Form 10-K
Schedule:	
<u>Valuation and Qualifying Accounts</u>	125

EXHIBIT INDEX

Exhibit Number	Description
2.1	Separation and Distribution Agreement, dated as of July 1, 2016, by and between Danaher Corporation and Fortive Corporation+ Incorporated by reference to Exhibit 2.1 to Amendment No. 1 to Fortive Corporation's Registration Statement on Form 10, filed on March 3, 2016 (Commission File Number: 1-8089)
3.1	Restated Certificate of Incorporation of Danaher Corporation Incorporated by reference from Exhibit 3.1 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended June 29, 2012 (Commission File Number: 1-8089)
3.2	Amended and Restated By-laws of Danaher Corporation Incorporated by reference from Exhibit 3.2 to Danaher Corporation's Current Report on Form 8-K filed December 6, 2016 (Commission File Number: 1-8089)
4.1	Senior Indenture dated as of December 11, 2007 by and between Danaher Corporation and The Bank of New York Trust Company, N.A. as trustee ("Senior Indenture") Incorporated by reference from Exhibit 1.2 to Danaher Corporation's Current Report on Form 8-K filed on December 11, 2007 (Commission File Number: 1-8089)
4.2	Supplemental Indenture to Senior Indenture, dated as of September 15, 2015, by and between Danaher Corporation and The Bank of New York Mellon Trust Company, N.A. as trustee relating to the 2.400% Senior Notes due 2020, 3.350% Senior Notes due 2025 and 4.375% Senior Notes due 2045 Incorporated by reference from Exhibit 4.1 to Danaher Corporation's Current Report on Form 8-K filed September 15, 2015 (Commission File Number: 1-8089)
4.3	Indenture dated as of July 8, 2015, by and between Danaher Corporation, as guarantor, DH Europe Finance S.A., as issuer, and The Bank of New York Mellon Trust Company, N.A. as trustee ("Danaher International Indenture") Incorporated by reference from Exhibit 4.1 to Danaher Corporation's Current Report on Form 8-K filed on July 8, 2015 (Commission File Number: 1-8089)
4.4	First Supplemental Indenture to Danaher International Indenture, dated as of July 8, 2015, by and between Danaher Corporation, as guarantor, DH Europe Finance S.A., as issuer, Incorporated by reference from Exhibit 4.2 to Danaher Corporation's Current Report on Form 8-K filed on July 8, 2015 (Commission File Number: 1-8089)

and The Bank of New York Mellon Trust
Company, N.A. as trustee relating to the
1.000% Senior Notes due 2019, the 1.700%
Senior Notes due 2022 and the 2.500% Senior
Notes due 2025

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4.5	<u>Paying and Calculation Agency Agreement, dated as of July 8, 2015, by and among Danaher International, Danaher Corporation, and The Bank of New York Mellon, London Branch, as paying and calculation agent</u>	Incorporated by reference from Exhibit 4.3 to Danaher Corporation's Current Report on Form 8-K filed on July 8, 2015 (Commission File Number: 1-8089)
4.6	<u>Second Supplemental Indenture to Danaher International Indenture, dated as of June 30, 2017, by and between Danaher Corporation, as guarantor, DH Europe Finance S.A., as issuer, and The Bank of New York Mellon Trust Company, N.A. as trustee relating to the Floating Rate Senior Notes due 2022 and the 1.200% Senior Notes due 2027</u>	Incorporated by reference from Exhibit 4.2 to Danaher Corporation's Current Report on Form 8-K filed on June 30, 2017 (Commission File Number: 1-8089)
4.7	<u>Paying and Calculation Agency Agreement, dated as of June 30, 2017, by and among Danaher International, Danaher Corporation, The Bank of New York Mellon Trust Company, N.A. as trustee and The Bank of New York Mellon, London Branch, as paying and calculation agent</u>	Incorporated by reference from Exhibit 4.3 to Danaher Corporation's Current Report on Form 8-K filed on June 30, 2017 (Commission File Number: 1-8089)
10.1	<u>Danaher Corporation 2007 Omnibus Incentive Plan, as amended and restated*</u>	Incorporated by reference from Exhibit 10.1 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 (Commission File Number: 333-213631)
10.2	<u>Danaher Corporation Non-Employee Directors' Deferred Compensation Plan, as amended, a sub-plan under the 2007 Omnibus Incentive Plan*</u>	Incorporated by reference from Exhibit 10.2 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2008 (Commission File Number: 1-8089)
10.3	<u>Amended Form of Election to Defer under the Danaher Corporation Non-Employee Directors' Deferred Compensation Plan*</u>	Incorporated by reference from Exhibit 10.3 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2008 (Commission File Number: 1-8089)
10.4	<u>Form of Danaher Corporation 2007 Omnibus Incentive Plan Stock Option Agreement for Non-Employee Directors*</u>	
10.5	<u>Form of Danaher Corporation 2007 Omnibus Incentive Plan RSU Agreement for Non-Employee Directors*</u>	
10.6	<u>Form of Danaher Corporation 2007 Omnibus Incentive Plan Stock Option Agreement*</u>	
10.7	<u>Form of Danaher Corporation 2007 Omnibus Incentive Plan RSU Agreement*</u>	
10.8		

[Danaher Corporation & Subsidiaries Amended
and Restated Executive Deferred Incentive
Program*](#)

10.9 [Danaher Corporation Excess Contribution
Program, a sub-plan under the 2007 Omnibus
Incentive Plan, as amended and restated*](#)

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10.10	<u>Danaher Corporation Deferred Compensation Plan*</u>	Incorporated by reference from Exhibit 10.3 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended September 28, 2018 (Commission File Number: 1-8089)
10.11	<u>Danaher Corporation Senior Leader Severance Pay Plan*</u>	Incorporated by reference from Exhibit 10.1 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended March 29, 2013 (Commission File Number: 1-8089)
10.12	<u>Agreement Regarding Competition and Protection of Proprietary Interests by and between Danaher Corporation and Thomas P. Joyce, Jr., dated March 16, 2009* ⁽¹⁾</u>	Incorporated by reference from Exhibit 10.16 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2014 (Commission File Number: 1-8089)
10.13	<u>Amendment to Agreement Regarding Competition and Protection of Proprietary Interests by and between Danaher Corporation and Thomas P. Joyce, Jr., dated September 11, 2014*</u>	Incorporated by reference from Exhibit 10.1 to Danaher Corporation's Current Report on Form 8-K filed on September 15, 2014 (Commission File Number: 1-8089)
10.14	<u>Agreement Regarding Competition and Protection of Proprietary Interests by and between Danaher Corporation and Joakim Weidemanis, dated August 1, 2011*</u>	
10.15	<u>Agreement Regarding Competition and Protection of Proprietary Interests by and between Danaher Corporation and Matthew McGrew dated November 7, 2018*</u>	Incorporated by reference from Exhibit 10.2 to Danaher Corporation's Current Report on Form 8-K filed on November 8, 2018 (Commission File Number: 1-8089)
10.16	<u>Letter Agreement by and between Danaher Corporation and Matthew McGrew, dated November 7, 2018*</u>	Incorporated by reference from Exhibit 10.1 to Danaher Corporation's Current Report on Form 8-K filed on November 8, 2018 (Commission File Number: 1-8089)
10.17	<u>Agreement Regarding Competition and Protection of Proprietary Interests by and between Danaher Corporation and Rainer Blair, dated May 2, 2010*</u>	Incorporated by reference from Exhibit 10.20 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2016 (Commission File Number: 1-8089)
10.18	<u>Description of compensation arrangements for non-management directors*</u>	
10.19	<u>Credit Agreement, dated as of July 10, 2015, among Danaher Corporation, Bank of America, N.A., as Administrative Agent and a Swing Line lender, Citibank, N.A. as Syndication Agent, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., The Bank Of Tokyo - Mitsubishi UFJ, Ltd., BNP Paribas Securities Corp., US Bank National Association, HSBC Securities (USA) Inc. and Wells Fargo</u>	Incorporated by reference from Exhibit 10.1 to Danaher Corporation's Current Report on Form 8-K filed on July 10, 2015 (Commission File Number: 1-8089)

[Securities, LLC as Joint Lead Arrangers and Joint Book Managers, and the other lenders referred to therein](#)

10.20 [Management Agreement dated February 23, 2012 by and between FJ900, Inc. and Joust Capital III, LLC](#) ⁽²⁾

Incorporated by reference from Exhibit 10.25 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2011 (Commission File Number: 1-8089)

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10.21	<u>Interchange Agreement dated July 22, 2011 by and between Danaher Corporation and Joust Capital III, LLC</u> ⁽³⁾	Incorporated by reference from Exhibit 10.10 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended July 1, 2011 (Commission File Number: 1-8089)
10.22	<u>Aircraft Time Sharing Agreement by and between Danaher Corporation and Thomas P. Joyce, Jr., dated May 7, 2014*</u> ⁽⁴⁾	Incorporated by reference from Exhibit 10.2 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended June 27, 2014 (Commission File Number: 1-8089)
10.23	<u>Amendment No. 1 to Aircraft Time Sharing Agreement by and between Danaher Corporation and Thomas P. Joyce, Jr., dated July 1, 2016*</u> ⁽⁴⁾	Incorporated by reference from Exhibit 10.7 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended July 1, 2016 (Commission File Number: 1-8089)
10.24	<u>Form of Director and Officer Indemnification Agreement</u>	Incorporated by reference from Exhibit 10.35 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2008 (Commission File Number: 1-8089)
10.25	<u>Employee Matters Agreement, dated as of July 1, 2016, by and between Danaher Corporation and Fortive Corporation</u>	Incorporated by reference from Exhibit 10.2 to Amendment No. 1 to Fortive Corporation's Registration Statement on Form 10, filed on March 3, 2016 (Commission File Number: 1-37654)
10.26	<u>Tax Matters Agreement, dated as of July 1, 2016, by and between Danaher Corporation and Fortive Corporation</u>	Incorporated by reference from Exhibit 10.3 to Amendment No. 1 to Fortive Corporation's Registration Statement on Form 10, filed on March 3, 2016 (Commission File Number: 1-37654)
10.27	<u>Transition Services Agreement, dated as of July 1, 2016, by and between Danaher Corporation and Fortive Corporation</u>	Incorporated by reference from Exhibit 10.1 to Amendment No. 1 to Fortive Corporation's Registration Statement on Form 10, filed on March 3, 2016 (Commission File Number: 1-37654)
10.28	<u>Intellectual Property Matters Agreement, dated as of July 1, 2016, by and between Danaher Corporation and Fortive Corporation</u>	Incorporated by reference from Exhibit 10.4 to Amendment No. 1 to Fortive Corporation's Registration Statement on Form 10, filed on March 3, 2016 (Commission File Number: 1-37654)
10.29	<u>DBS License Agreement, dated as of July 1, 2016 by and between Danaher Corporation and Fortive Corporation</u>	Incorporated by reference from Exhibit 10.5 to Amendment No. 1 to Fortive Corporation's Registration Statement on Form 10, filed on March 3, 2016 (Commission File Number: 1-37654)
21.1	<u>Subsidiaries of Registrant</u>	

- 23.1 [Consent of Independent Registered Public Accounting Firm](#)
- 31.1 [Certification of Chief Executive Officer Pursuant to Item 601\(b\)\(31\) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)

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31.2	<u>Certification of Chief Financial Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32.1	<u>Certification of Chief Executive Officer, Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
32.2	<u>Certification of Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101.INS	XBRL Instance Document ⁽⁵⁾
101.SCH	XBRL Taxonomy Extension Schema Document ⁽⁵⁾
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document ⁽⁵⁾
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document ⁽⁵⁾
101.LAB	XBRL Taxonomy Extension Label Linkbase Document ⁽⁵⁾
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document ⁽⁵⁾

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Danaher is a party to additional long-term debt instruments under which, in each case, the total amount of debt authorized does not exceed 10% of the total assets of Danaher and its subsidiaries on a consolidated basis. Pursuant to paragraph 4(iii)(A) of Item 601(b) of Regulation S-K, Danaher agrees to furnish a copy of such instruments to the Securities and Exchange Commission upon request.

- + The schedules have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. Danaher will furnish copies of such schedules to the Securities and Exchange Commission upon request.
- * Indicates management contract or compensatory plan, contract or arrangement.
- (1) In accordance with Instruction 2 to Item 601(a)(4) of Regulation S-K, Danaher has entered into an agreement with William K. Daniel II that is substantially identical in all material respects to the form of agreement referenced as Exhibit 10.12 except as to the name of the counterparty.
- (2) In accordance with Instruction 2 to Item 601(a)(4) of Regulation S-K, FJ900, Inc. (a subsidiary of Danaher) has entered into a management agreement with Joust Capital II, LLC that is substantially identical in all material respects to the form of agreement referenced as Exhibit 10.20, except as to the referenced aircraft and the name of the counterparty.
- (3) In accordance with Instruction 2 to Item 601(a)(4) of Regulation S-K, Danaher Corporation or a subsidiary thereof has entered into additional interchange agreements with each of Joust Capital II, LLC and Joust Capital III, LLC that are substantially identical in all material respects to the form of agreement attached as 10.21, except as to the referenced aircraft and, in certain cases, the name of the counterparty.
- (4) In accordance with Instruction 2 to Item 601(a)(4) of Regulation S-K, Danaher Corporation has entered into an aircraft time sharing agreement with Matthew R. McGrew that is substantially identical in all material respects to the forms of agreement referenced as Exhibit 10.22 and Exhibit 10.23, respectively.
- (5) Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2018 and 2017, (ii) Consolidated Statements of Earnings for the years ended December 31, 2018, 2017 and 2016, (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2018, 2017 and 2016, (iv) Consolidated Statements of Stockholders' Equity for the years December 31, 2018, 2017 and 2016, (v) Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016 and (vi) Notes to Consolidated Financial Statements.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

DANAHER CORPORATION

Date: February 20, 2019

By: /s/ THOMAS P. JOYCE, JR.
Thomas P. Joyce, Jr.
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this annual report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated:

Name, Title and Signature

Date

/s/ STEVEN M. RALES

February 20, 2019

Steven M. Rales
Chairman of the Board

/s/ MITCHELL P. RALES

February 20, 2019

Mitchell P. Rales
Chairman of the Executive Committee

/s/ DONALD J. EHRLICH

February 20, 2019

Donald J. Ehrlich
Director

/s/ LINDA HEFNER FILLER

February 20, 2019

Linda Hefner Filler
Director

/s/ THOMAS P. JOYCE, JR.

February 20, 2019

Thomas P. Joyce, Jr.
President, Chief Executive Officer and Director

/s/ TERI LIST-STOLL

February 20, 2019

Teri List-Stoll
Director

/s/ WALTER G. LOHR, JR.

February 20, 2019

Walter G. Lohr, Jr.
Director

/s/ JOHN T. SCHWIETERS

February 20, 2019

John T. Schwieters
Director

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/s/ ALAN G. SPOON

Alan G. Spoon
Director

February 20, 2019

/s/ RAYMOND C. STEVENS, Ph.D.

Raymond C. Stevens
Director

February 20, 2019

/s/ ELIAS A. ZERHOUNI, M.D.

Elias A. Zerhouni, M.D.
Director

February 20, 2019

/s/ MATTHEW R. MCGREW

Matthew R. McGrew
Executive Vice President and Chief Financial
Officer

February 20, 2019

/s/ ROBERT S. LUTZ

Robert S. Lutz
Senior Vice President and Chief Accounting Officer

February 20, 2019

DANAHER CORPORATION AND SUBSIDIARIES
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
(\$ in millions)

Classification	Balance at Beginning of Period ^(a)	Charged to Costs & Expenses	Impact of Currency	Charged to Other Accounts ^(b)	Write-Offs, Write- Downs & Deductions	Balance at End of Period ^(a)
Year ended December 31, 2018:						
Allowances deducted from asset account						
Allowance for doubtful accounts	\$ 118.2	\$ 35.9	\$ (4.5)	\$ 1.3	\$ (29.3)	\$ 121.6
Year ended December 31, 2017:						
Allowances deducted from asset account						
Allowance for doubtful accounts	\$ 103.5	\$ 32.9	\$ 4.5	\$ 3.5	\$ (26.2)	\$ 118.2
Year ended December 31, 2016:						
Allowances deducted from asset account						
Allowance for doubtful accounts	\$ 89.7	\$ 32.5	\$ (0.6)	\$ 2.3	\$ (20.4)	\$ 103.5

^(a) Amounts include allowance for doubtful accounts classified as current and noncurrent.

^(b) Amounts related to businesses acquired, net of amounts related to businesses disposed not included in discontinued operations.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)



**ANNUAL REPORT PURSUANT TO SECTION 13
OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the fiscal year ended December 31, 2017

OR



**TRANSITION REPORT PURSUANT TO
SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 1-8089

DANAHER CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

59-1995548
(I.R.S. Employer
Identification Number)

2200 Pennsylvania Ave. N.W., Suite 800W
Washington, D.C.

(Address of Principal Executive Offices)

20037-1701

(Zip Code)

Registrant's telephone number, including area code: 202-828-0850

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
Common Stock \$.01 par value	New York Stock Exchange
€600,000,000 1.000% Senior Notes due 2019	New York Stock Exchange
€250,000,000 Floating Rate Senior Notes due 2022	New York Stock Exchange
€800,000,000 1.700% Senior Notes due 2022	New York Stock Exchange
€800,000,000 2.500% Senior Notes due 2025	New York Stock Exchange
€600,000,000 1.200% Senior Notes due 2027	New York Stock Exchange

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

NONE

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☒

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 (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically 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 ☒ No ☐

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 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 ☐.

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

Large accelerated filer ☒ Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes ☐ No ☒

As of February 8, 2018, the number of shares of Registrant's common stock outstanding was 697,569,470. The aggregate market value of common stock held by non-affiliates of the Registrant on June 30, 2017 was \$51.7 billion, based upon the closing price of the Registrant's common stock as quoted on the New York Stock Exchange on such date.

EXHIBIT INDEX APPEARS ON PAGE 113

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates certain information by reference from the Registrant's proxy statement for its 2018 annual meeting of shareholders to be filed pursuant to Regulation 14A within 120 days after Registrant's fiscal year-end. With the exception of the sections of the 2018 Proxy Statement specifically incorporated herein by reference, the 2018 Proxy Statement is not deemed to be filed as part of this Form 10-K.

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[Principal Accountant Fees
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INFORMATION RELATING TO FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Annual Report, in other documents we file with or furnish to the Securities and Exchange Commission (“SEC”), in our press releases, webcasts, conference calls, materials delivered to shareholders and other communications, are “forward-looking statements” within the meaning of the U.S. federal securities laws. All statements other than historical factual information are forward-looking statements, including without limitation statements regarding: projections of revenue, expenses, profit, profit margins, tax rates, tax provisions, cash flows, pension and benefit obligations and funding requirements, our liquidity position or other projected financial measures; management’s plans and strategies for future operations, including statements relating to anticipated operating performance, cost reductions, restructuring activities, new product and service developments, competitive strengths or market position, acquisitions and the integration thereof, divestitures, spin-offs, split-offs or other distributions, strategic opportunities, securities offerings, stock repurchases, dividends and executive compensation; growth, declines and other trends in markets we sell into; new or modified laws, regulations and accounting pronouncements; regulatory approvals; outstanding claims, legal and regulatory proceedings, tax audits and assessments and other contingent liabilities; foreign currency exchange rates and fluctuations in those rates; general economic and capital markets conditions; the timing of any of the foregoing; assumptions underlying any of the foregoing; and any other statements that address events or developments that Danaher intends or believes will or may occur in the future. Terminology such as “believe,” “anticipate,” “should,” “could,” “intend,” “will,” “plan,” “expect,” “estimate,” “project,” “target,” “may,” “possible,” “potential,” “forecast” and “positioned” and similar references to future periods are intended to identify forward-looking statements, although not all forward-looking statements are accompanied by such words. Forward-looking statements are based on assumptions and assessments made by our management in light of their experience and perceptions of historical trends, current conditions, expected future developments and other factors they believe to be appropriate. These forward-looking statements are subject to a number of risks and uncertainties, including but not limited to the risks and uncertainties set forth under “Item 1A. Risk Factors” in this Annual Report.

Forward-looking statements are not guarantees of future performance and actual results may differ materially from the results, developments and business decisions contemplated by our forward-looking statements. Accordingly, you should not place undue reliance on any such forward-looking statements. Forward-looking statements speak only as of the date of the report, document, press release, webcast, call, materials or other communication in which they are made. Except to the extent required by applicable law, we do not assume any obligation to update or revise any forward-looking statement, whether as a result of new information, future events and developments or otherwise.

In this Annual Report, the terms “Danaher” or the “Company” refer to Danaher Corporation, Danaher Corporation and its consolidated subsidiaries or the consolidated subsidiaries of Danaher Corporation, as the context requires. Unless otherwise indicated, all financial data in this Annual Report refer to continuing operations only.

PART I

ITEM 1. BUSINESS

General

Danaher Corporation designs, manufactures and markets professional, medical, industrial and commercial products and services, which are typically characterized by strong brand names, innovative technology and major market positions. Danaher’s research and development, manufacturing, sales, distribution, service and administrative facilities are located in more than 60 countries. Danaher’s business consists of four segments: Life Sciences; Diagnostics; Dental; and Environmental & Applied Solutions. Danaher strives to create shareholder value primarily through three strategic priorities:

- enhancing its portfolio in attractive science and technology markets through strategic capital allocation;
- strengthening its competitive advantage through consistent application of the DANAHER BUSINESS SYSTEM (“DBS”) tools; and
- consistently attracting and retaining exceptional talent.

Danaher measures its progress against these strategic priorities over the long-term based primarily on financial metrics relating to revenue growth, profit margin expansion, cash flow and capital returns.

The Company's businesses use a set of growth, lean and leadership tools and processes, known as the DANAHER BUSINESS SYSTEM, which are designed to continuously improve business performance in the critical areas of quality, delivery, cost, growth and innovation. Within the DBS framework, the Company pursues a number of ongoing strategic initiatives relating to

customer insight generation, product development and commercialization, global sourcing of materials and services, manufacturing improvement and sales and marketing impact.

To further these objectives, the Company also acquires businesses that either strategically fit within its existing business portfolio or expand its portfolio into a new and attractive business area. Given the rapid pace of technological development and the specialized expertise typical of Danaher's served markets, acquisitions also provide the Company access to important new technologies and domain expertise. Danaher believes there are many acquisition opportunities available within its targeted markets. The extent to which Danaher consummates and effectively integrates appropriate acquisitions will affect its overall growth and operating results. Danaher also continually assesses the strategic fit of its existing businesses and may dispose of businesses that are deemed not to fit with its strategic plan or are not achieving the desired return on investment.

Danaher Corporation, originally DMG, Inc., was organized in 1969 as a Massachusetts real estate investment trust. In 1978 it was reorganized as a Florida corporation under the name Diversified Mortgage Investors, Inc. which in a second reorganization in 1980 became a subsidiary of a newly created holding company named DMG, Inc. DMG, Inc. adopted the name Danaher in 1984 and was reincorporated as a Delaware corporation in 1986.

Sales in 2017 by geographic destination (geographic destination refers to the geographic area where the final sale to the Company's unaffiliated customer is made) were: North America, 40% (including 37% in the United States); Europe, 28%; Asia/Australia, 24% and all other regions, 8%. For additional information regarding sales by geography, refer to Note 19 to the Consolidated Financial Statements included in this Annual Report.

Reportable Segments

The table below describes the percentage of total annual revenues attributable to each of the four segments over each of the last three years ended December 31, 2017. For additional information regarding sales, operating profit and identifiable assets by segment, refer to Note 19 to the Consolidated Financial Statements included in this Annual Report.

	2017	2016	2015
Life Sciences	31 %	32 %	23 %
Diagnostics	32 %	30 %	33 %
Dental	15 %	16 %	19 %
Environmental & Applied Solutions	22 %	22 %	25 %

LIFE SCIENCES

The Company's Life Sciences segment offers a broad range of research tools that scientists use to study the basic building blocks of life, including genes, proteins, metabolites and cells, in order to understand the causes of disease, identify new therapies and test new drugs and vaccines. The segment, through its Pall Corporation ("Pall") business, is also a leading provider of filtration, separation and purification technologies to the biopharmaceutical, food and beverage, medical, aerospace, microelectronics and general industrial sectors. Sales in 2017 for this segment by geographic destination were: North America, 34%; Europe, 32%; Asia/Australia, 29% and all other regions, 5%.

Danaher established the life sciences business in 2005 through the acquisition of Leica Microsystems and has expanded the business through numerous subsequent acquisitions, including the acquisitions of AB Sciex and Molecular Devices in 2010, Beckman Coulter in 2011, Pall in 2015 and Phenomenex in 2016. The Life Sciences segment consists of the following businesses.

Mass Spectrometry—The mass spectrometry business is a leading global provider of high-end mass spectrometers as well as related consumable chromatography columns and sample preparation extraction products. Mass spectrometry is a technique for identifying, analyzing and quantifying elements, chemical compounds and biological molecules, individually or in complex mixtures. The mass spectrometers utilize various combinations of quadrupole, time-of-flight and ion trap technologies. The business' mass spectrometer systems and related products are used in numerous applications such as drug discovery and clinical development of therapeutics as well as in basic research, clinical testing, food and beverage quality testing and environmental testing. The business' global services network provides implementation, validation, training and maintenance to support customer installations around the world. Typical users of these mass spectrometry and related products include molecular biologists, bioanalytical chemists, toxicologists, and forensic scientists as well as quality assurance and quality control technicians. The business also provides high-performance bioanalytical measurement systems, including microplate readers, automated cellular

screening products and associated reagents, and imaging software. Typical users of these products include biologists and chemists engaged in research and drug discovery, who use these products to determine electrical or chemical activity in cell samples.

Cellular Analysis, Lab Automation and Centrifugation—The business offers workflow instruments and consumables that help researchers analyze genomic, protein and cellular information. Key product areas include sample preparation equipment such as centrifugation and capillary electrophoresis instrumentation and consumables; liquid handling automation instruments and associated consumables; flow cytometry instrumentation and associated antibodies and reagents; and particle characterization instrumentation. Researchers use these products to study biological function in the pursuit of basic research, as well as therapeutic and diagnostic development. Typical users include pharmaceutical and biotechnology companies, universities, medical schools and research institutions and in some cases industrial manufacturers.

Filtration—Danaher entered the filtration, separation and purification technologies segment in 2015 through the acquisition of Pall. Pall is a leading provider of products used to remove solid, liquid and gaseous contaminants from a variety of liquids and gases, consisting primarily of filtration consumables and to a lesser extent systems that incorporate filtration consumables and associated hardware. Pall's core materials and technologies can be applied in many ways to solve complex fluid separation challenges, and are sold across a wide array of applications in two primary business groups:

- Life Sciences. Pall's life sciences technologies facilitate the process of drug discovery, development, regulatory validation and production and are sold to biopharmaceutical, food and beverage and medical customers. In the biopharmaceutical area, the business sells a broad line of filtration and purification technologies, single use bioreactors and associated accessories, hardware and engineered systems primarily to pharmaceutical and biopharmaceutical companies for use in the development and commercialization of chemically synthesized and biologically derived drugs, plasma and vaccines. Biotechnology drugs, plasma and biologically derived vaccines in particular are filtration and purification intensive and represent a significant area of growth for Pall in the biopharmaceutical area. The business also serves the filtration needs of the food and beverage markets, helping customers ensure the quality and safety of their products while lowering operating costs and minimizing waste. In the medical area, hospitals use the Company's breathing circuit and intravenous filters and water filters to help control the spread of infections.
- Industrial. Virtually all of the raw materials, process fluids and waste streams that course through industry are candidates for multiple stages of filtration, separation and purification. In addition, most of the machines used in complex production processes require filtration to protect sensitive parts from degradation due to contamination. Pall's industrial technologies enhance the quality and efficiency of manufacturing processes and prolong equipment life in applications such as semiconductor equipment, airplanes, oil refineries, power generation turbines, petrochemical plants, municipal water plants and mobile mining equipment. Within these end-markets, demand is driven by end-users and original equipment manufacturers ("OEM") seeking to improve product performance, increase production and efficiency, reduce operating costs, extend the life of their equipment, conserve water and meet environmental regulations.

Microscopy—The microscopy business is a leading global provider of professional microscopes designed to capture, manipulate and preserve images and enhance the user's visualization and analysis of microscopic structures. The Company's microscopy products include laser scanning (confocal) microscopes, compound microscopes and related equipment, surgical and other stereo microscopes, and specimen preparation products for electron microscopy. Typical users of these products include research, medical and surgical professionals operating in research and pathology laboratories, academic settings and surgical theaters.

Customers served by the Life Sciences segment select products based on a number of factors, including product quality and reliability, the product's capacity to enhance productivity, innovation (particularly productivity and sensitivity improvements), product performance and ergonomics, access to a service and support network and the other factors described under "—Competition." The life sciences business generally markets its products under the BECKMAN COULTER, LEICA MICROSYSTEMS, MOLECULAR DEVICES, PALL, PHENOMENEX and SCIEX brands. Manufacturing facilities are located in North America, Europe, Asia and Australia. The business sells to customers through direct sales personnel and independent distributors.

DIAGNOSTICS

The Company's Diagnostics segment offers analytical instruments, reagents, consumables, software and services that hospitals, physicians' offices, reference laboratories and other critical care settings use to diagnose disease and make

treatment decisions. Sales in 2017 for this segment by geographic destination were: North America, 39%; Europe, 23%; Asia/Australia, 29% and all other regions, 9%.

Danaher established the diagnostics business in 2004 through the acquisition of Radiometer and expanded the business through numerous subsequent acquisitions, including the acquisitions of Vision Systems in 2006, Genetix in 2009, Beckman Coulter in 2011, Iris International and Aperio Technologies in 2012, HemoCue in 2013, Devicor Medical Products in 2014, the clinical

microbiology business of Siemens Healthcare Diagnostics in 2015 and Cepheid in 2016. The diagnostics business consists of the clinical laboratory (or clinical lab), molecular, critical care and anatomical pathology diagnostics businesses.

Clinical Lab Diagnostics—The clinical lab business is a leading manufacturer and marketer of biomedical testing instruments, systems and related consumables that are used to evaluate and analyze samples made up of body fluids, cells and other substances. The information generated is used to diagnose disease, monitor and guide treatment and therapy, assist in managing chronic disease and assess patient status in hospital, outpatient and physicians' office settings. The business offers the following products:

- chemistry systems use electrochemical detection and chemical reactions with patient samples to detect and quantify substances of diagnostic interest in blood, urine and other body fluids. Commonly performed tests include glucose, cholesterol, triglycerides, electrolytes, proteins and enzymes, as well as tests to detect urinary tract infections and kidney and bladder disease.
- immunoassay systems also detect and quantify biochemicals of diagnostic interest (such as proteins and hormones) in body fluids, particularly in circumstances where more specialized diagnosis is required. Commonly performed immunoassay tests assess thyroid function, screen and monitor for cancer and cardiac risk and provide important information in fertility and reproductive testing.
- hematology and flow cytometry products are used for cellular analysis. The business' hematology systems use principles of physics, optics, electronics and chemistry to separate cells of diagnostic interest and then quantify and characterize them, allowing clinicians to study formed elements in blood (such as red and white blood cells and platelets). The business' flow cytometry products rapidly sort, identify, categorize and characterize multiple types of cells in suspension, allowing clinicians to determine cell types and characteristics and analyze specific cell populations based on molecular differences which is critical to HIV and leukemia diagnosis and monitoring.
- microbiology systems are used for the identification of bacteria and antibiotic susceptibility testing (ID/AST) from human clinical samples, to detect and quantify bacteria related to microbial infections in urine, blood, and other body fluids, and to detect infections such as urinary tract infections, pneumonia and wound infections. The business' technology enables direct testing of clinical isolates to ensure reliable detection of resistance to antibiotics.
- automation systems reduce manual operation and associated cost and errors from the pre-analytical through post-analytical stages including sample barcoding/information tracking, centrifugation, aliquotting, storage and conveyance. These systems along with the analyzers described above are controlled through laboratory level software that enables laboratory managers to monitor samples, results and lab efficiency.
- molecular diagnostics products, which are derived from Danaher's acquisition of Cepheid in 2016, including biomedical testing instruments, systems and related consumables that enable DNA-based testing for organisms and genetic-based diseases in both clinical and non-clinical markets. These products integrate and automate the complicated and time-intensive steps associated with DNA-based testing (including sample preparation and DNA amplification and detection) to allow the testing to be performed in both laboratory and non-laboratory environments with minimal training and infrastructure. These products also include systems which commonly test for health care-associated infections, respiratory disease, sexual health and virology.

Typical users of the segment's clinical lab products include hospitals, physician's offices, veterinary laboratories, reference laboratories and pharmaceutical clinical trial laboratories.

Critical Care Diagnostics—The critical care diagnostics business is a leading worldwide provider of instruments, software and related consumables and services that are used in both laboratory and point-of-care environments to rapidly measure critical parameters, including blood gases, electrolytes, metabolites and cardiac markers, as well as for anemia and high-sensitivity glucose testing. Typical users of these products include hospital central laboratories,

intensive care units, hospital operating rooms, hospital emergency rooms, physician's office laboratories and blood banks.

Anatomical Pathology Diagnostics—The anatomical pathology diagnostics business is a leader in the anatomical pathology industry, offering a comprehensive suite of instrumentation and related consumables used across the entire workflow of a pathology laboratory. The anatomical pathology diagnostics products include chemical and immuno-staining instruments, reagents, antibodies and consumables; tissue embedding, processing and slicing (microtomes) instruments and related reagents and consumables; slide coverslipping and slide/cassette marking instruments; imaging instrumentation including slide scanners, microscopes, cameras; software solutions to store, share and analyze pathology images digitally and minimally invasive, vacuum-assisted breast biopsy collection instruments. Typical users of these products include pathologists, lab managers and researchers.

Customers in the diagnostics industry select products based on a number of factors, including product quality and reliability, the scope of tests that can be performed, the accuracy and speed of the product, the product's ability to enhance productivity, ease of use, total cost of ownership and access to a highly qualified service and support network as well as the other factors described under "—Competition." The diagnostics business generally markets its products under the APERIO, BECKMAN COULTER, CEPHEID, HEMOCUE, IRIS, LEICA BIOSYSTEMS, MAMMATOME, RADIOMETER and SURGIPATH brands. Manufacturing facilities are located in North America, Europe, Asia and Australia. The business sells to customers primarily through direct sales personnel and, to a lesser extent, through independent distributors.

DENTAL

The Company's Dental segment provides products that are used to diagnose, treat and prevent disease and ailments of the teeth, gums and supporting bone, as well as to improve the aesthetics of the human smile. The Company is a leading worldwide provider of a broad range of dental consumables, equipment and services, and is dedicated to driving technological innovations that help dental professionals improve clinical outcomes and enhance productivity. Sales in 2017 for this segment by geographic destination were: North America, 49%; Europe, 30%; Asia/Australia, 15% and all other regions, 6%.

Danaher entered the dental business in 2004 through the acquisitions of KaVo and Gendex and has enhanced its geographic coverage and product and service breadth through subsequent acquisitions, including the acquisition of Sybron Dental Specialties in 2006, PaloDEx Group Oy in 2009 and Nobel Biocare Holding AG ("Nobel Biocare") in 2014. Today, the dental businesses develop, manufacture and market the following dental consumables and dental equipment:

- implant systems, dental prosthetics and associated treatment planning software;
- orthodontic bracket systems and lab products;
- endodontic systems and related consumables;
- restorative materials and instruments including rotary burs, impression materials, bonding agents and cements;
- infection prevention products;
- digital imaging systems and software and other visualization and magnification systems;
- air and electric powered handpieces and associated consumables; and
- treatment units.

Typical customers and users of these products include general dentists, dental specialists, dental hygienists, dental laboratories and other oral health professionals, as well as educational, medical and governmental entities. Dental professionals choose dental products based on a number of factors including product performance, innovation, the product's capacity to enhance productivity and the other factors described under "—Competition." The dental products are marketed primarily under the DEXIS, iCAT, IMPLANT DIRECT, INSTRUMENTARIUM DENTAL, KAVO, KERR, NOBEL BIO CARE, ORMCO, PELTON & CRANE, PENTRON, SOREDEX, SYBRON ENDO and TOTAL CARE brands. Manufacturing facilities are located in North America, Europe, Asia and Latin America. Sales are primarily made through independent distributors and, to a lesser extent, through direct sales personnel.

ENVIRONMENTAL & APPLIED SOLUTIONS

The Company's Environmental & Applied Solutions segment products and services help protect important resources and keep global food and water supplies safe. Sales in 2017 for this segment by geographic destination were: North America, 42%; Europe, 28%; Asia/Australia, 17% and all other regions, 13%. The Company's Environmental & Applied Solutions segment consists of the following lines of business.

Water Quality—The Company's water quality business provides instrumentation, services and disinfection systems to help analyze, treat and manage the quality of ultra-pure, potable, industrial, waste, ground, source and ocean water in residential, commercial, municipal, industrial and natural resource applications. Danaher entered the water quality sector in the late 1990's through the acquisitions of Dr. Lange and Hach Company, and has enhanced the geographic coverage and capabilities of its products and services through subsequent acquisitions, including the acquisition of Trojan Technologies Inc. in 2004 and ChemTreat, Inc. in 2007. The water quality business designs, manufactures and markets:

- a wide range of analytical instruments, software and related consumables and services that detect and measure chemical, physical, and microbiological parameters in ultra-pure, potable, industrial, waste, ground, source and ocean water;

- ultraviolet disinfection systems, which disinfect billions of gallons of municipal, industrial and consumer water every day; and
- industrial water treatment solutions, including chemical treatment solutions intended to address corrosion, scaling and biological growth problems in boiler, cooling water and industrial wastewater applications as well as associated analytical services.

Typical users of these products and services include professionals in municipal drinking water and wastewater treatment plants and industrial process water and wastewater treatment facilities, third-party testing laboratories and environmental field operations. Customers in these industries choose suppliers based on a number of factors including the customer's existing supplier relationships, application expertise, product performance and ease of use, the comprehensiveness of the supplier's product offering, after-sales service and support and the other factors described under "—Competition." The water quality business provides products under a variety of brands, including CHEMTREAT, HACH, MCCROMETER and TROJAN TECHNOLOGIES. Manufacturing facilities are located in North America, Europe, Asia and Latin America. Sales are made through the business' direct sales personnel, e-commerce, independent representatives and independent distributors.

Product Identification—The Company's product identification business provides equipment, software, services and consumables for various color and appearance management, packaging design and quality management, printing, marking, coding and traceability applications for consumer, pharmaceutical and industrial products. Danaher entered the product identification market through the acquisition of Videojet in 2002, and has expanded the product and geographic coverage through various subsequent acquisitions, including the acquisitions of Willett International Limited in 2003, Linx Printing Technologies PLC in 2005, EskoArtwork in 2011, X-Rite in 2012, Laetus in 2015 and Advanced Vision Technology Limited ("AVT") in 2017. The product identification businesses innovate, design, manufacture, and market the following products and services:

- the business provides innovative color and appearance solutions through standards, software, measurement devices and related services. The business' expertise in inspiring, virtualizing, selecting, specifying, formulating and measuring color and appearance helps users improve the quality and relevance of their products and reduces costs.
- the business is a leading global provider of software for online collaboration, three-dimensional virtualization, workflow automation, quality approvals and prepress processes to manage structural design, artwork creation, color and product information for branded packaging and marketing materials. Its packaging solutions help consumer goods manufacturers improve their business processes, shorten time to market, and reduce costs across internal departments and external suppliers.
- the business provides flexographic computer-to-plate imaging equipment, solutions for print process control, press control, quality assurance, and digital finishing systems for the packaging, labels and commercial print industries. Its automation, print process and press control solutions help packaging manufacturers reduce lead time and satisfy their customers' demands for smaller, more frequent print jobs.
- the business provides a variety of equipment and solutions used to give products unique identities by printing date, lot and bar codes and other information on primary and secondary packaging, applying high-quality alphanumeric codes, logos and graphics to a wide range of surfaces at a variety of production line speeds, angles and locations on a product or package. Its vision inspection and track-and-trace solutions also help pharmaceutical and consumer goods manufacturers safeguard the authenticity of their products through supply chains.

Typical users of these products include manufacturers of consumer goods, pharmaceuticals, paints, plastics and textiles, retailers, graphic design firms, and packaging printers and converters. Customers in these industries choose suppliers based on a number of factors, including domain experience, speed and accuracy, ease of connection to the internet and other software systems, equipment uptime and reliable operation without interruption, ease of maintenance, service coverage and the other factors described under "—Competition." The product identification products are primarily marketed under the AVT, ESKO, LAETUS, LINX, MEDIABEACON, PANTONE, VIDEOJET and X-RITE brands. Manufacturing facilities are located in North America, Europe, Latin America, and

Asia. Sales are generally made through the business’ direct sales personnel, independent distributors and e-commerce.

The following discussion includes information common to all of Danaher's segments.

Materials

The Company's manufacturing operations employ a wide variety of raw materials, including metallic-based components, electronic components, chemicals, plastics and other petroleum-based products. Prices of oil and gas also affect the Company's costs for freight and utilities. The Company purchases raw materials from a large number of independent sources around the world. No single supplier is material; although for some components that require particular specifications or regulatory or other qualifications there may be a single supplier or a limited number of suppliers that can readily provide such components. The Company utilizes a number of techniques to address potential disruption in and other risks relating to its supply chain, including in certain cases the use of safety stock, alternative materials and qualification of multiple supply sources. During 2017 the Company had no raw material shortages that had a material effect on the business. For a further discussion of risks related to the materials and components required for the Company's operations, refer to "Item 1A. Risk Factors."

Intellectual Property

The Company owns numerous patents, trademarks, copyrights, trade secrets and licenses to intellectual property owned by others. Although in aggregate the Company's intellectual property is important to its operations, the Company does not consider any single patent, trademark, copyright, trade secret or license (or any related group of any such items) to be of material importance to any segment or to the business as a whole. From time to time the Company engages in litigation to protect its intellectual property rights. For a discussion of risks related to the Company's intellectual property, refer to "Item 1A. Risk Factors." All capitalized brands and product names throughout this document are trademarks owned by, or licensed to, Danaher.

Competition

Although the Company's businesses generally operate in highly competitive markets, the Company's competitive position cannot be determined accurately in the aggregate or by segment since none of its competitors offer all of the same product and service lines or serve all of the same markets as the Company does. Because of the range of the products and services the Company sells and the variety of markets it serves, the Company encounters a wide variety of competitors, including well-established regional competitors, competitors who are more specialized than it is in particular markets, as well as larger companies or divisions of larger companies with substantial sales, marketing, research and financial capabilities. The Company is facing increased competition in a number of its served markets as a result of the entry of new, large companies into certain markets, the entry of competitors based in low-cost manufacturing locations, and increasing consolidation in particular markets. The number of competitors varies by product and service line. Management believes that the Company has a market leadership position in many of the markets it serves. Key competitive factors vary among the Company's businesses and product and service lines, but include the specific factors noted above with respect to each particular business and typically also include price, quality, delivery speed, service and support, innovation, distribution network, breadth of product, service and software offerings and brand name recognition. For a discussion of risks related to competition, refer to "Item 1A. Risk Factors."

Seasonal Nature of Business

General economic conditions impact the Company's business and financial results, and certain of its businesses experience seasonal and other trends related to the industries and end-markets that they serve. For example, European sales are often weaker in the summer months and medical and capital equipment sales are often stronger in the fourth quarter. However, as a whole, the Company is not subject to material seasonality.

Working Capital

The Company maintains an adequate level of working capital to support its business needs. There are no unusual industry practices or requirements relating to working capital items. In addition, the Company's sales and payment terms are generally similar to those of its competitors.

Backlog

The Company defines backlog as firm orders from customers for products and services where the order will be fulfilled in the next 12 months. Backlog as of December 31, 2017 and 2016 was approximately \$2.7 billion and \$2.3 billion, respectively. The Company expects that a large majority of the backlog as of December 31, 2017 will be delivered to customers within three to four months of such date. Given the relatively short delivery periods and rapid inventory turnover that are characteristic of most of the Company's products and the shortening of product life cycles, the Company believes that backlog is indicative of short-term revenue performance but not necessarily a reliable indicator of medium or long-term revenue performance.

Employee Relations

As of December 31, 2017, the Company employed approximately 67,000 persons, of whom approximately 23,000 were employed in the United States and approximately 44,000 were employed outside of the United States. Of the United States employees, approximately 400 were hourly-rated, unionized employees. Outside the United States, the Company has government-mandated collective bargaining arrangements and union contracts in certain countries, particularly in Europe where many of the Company's employees are represented by unions and/or works councils. For a discussion of risks related to employee relations, refer to "Item 1A. Risk Factors."

Research and Development

The following sets forth research and development ("R&D") expenditures for the years ended December 31, by segment and in the aggregate (\$ in millions):

	2017	2016	2015
Life Sciences	\$ 295.5	\$ 277.2	\$ 201.3
Diagnostics	471.2	367.8	351.3
Dental	172.4	142.8	133.8
Environmental & Applied Solutions	189.7	187.3	175.0
Total	\$ 1,128.8	\$ 975.1	\$ 861.4

The Company conducts R&D activities for the purpose of developing new products, enhancing the functionality, effectiveness, ease of use and reliability of its existing products and expanding the applications for which uses of its products are appropriate. The Company's R&D efforts include internal initiatives and those that use licensed or acquired technology. The Company generally conducts R&D activities on a business-by-business basis, primarily in North America, Europe and Asia, although it does conduct certain R&D activities on a centralized basis. The Company anticipates that it will continue to make significant expenditures for R&D as it seeks to provide a continuing flow of innovative products to maintain and improve its competitive position. For a discussion of the risks related to the need to develop and commercialize new products and product enhancements, refer to "Item 1A. Risk Factors." Customer-sponsored R&D was not significant in 2017, 2016 or 2015.

Government Contracts

Although the substantial majority of the Company's revenue in 2017 was from customers other than governmental entities, each of Danaher's segments has agreements relating to the sale of products to government entities. As a result, the Company is subject to various statutes and regulations that apply to companies doing business with governments. For a discussion of risks related to government contracting requirements, refer to "Item 1A. Risk Factors." No material portion of Danaher's business is subject to renegotiation of profits or termination of contracts at the election of a government entity.

Regulatory Matters

The Company faces extensive government regulation both within and outside the United States relating to the development, manufacture, marketing, sale and distribution of its products and services. The following sections describe certain significant regulations that the Company is subject to. These are not the only regulations that the Company's businesses must comply with. For a description of the risks related to the regulations that the Company's businesses are subject to, refer to "Item 1A. Risk Factors."

Environmental Laws and Regulations

For a discussion of the environmental laws and regulations that the Company's operations, products and services are subject to and other environmental contingencies, refer to Note 16 to the Consolidated Financial Statements included in this Annual

Report. For a discussion of risks related to compliance with environmental and health and safety laws and risks related to past or future releases of, or exposures to, hazardous substances, refer to “Item 1A. Risk Factors.”

Medical Device and Other Health Care Regulations

Certain of the products of the Company’s subsidiaries are classified as medical devices under the United States Food, Drug, and Cosmetic Act (the “FDCA”). The FDCA requires these products, when sold in the United States, to be safe and effective for their intended use and to comply with the regulations administered by the United States Food and Drug Administration (“FDA”). These medical device products are also regulated by comparable agencies in other countries where such products are sold.

The FDA’s regulatory requirements include:

- Establishment Registration. The Company’s applicable subsidiaries must register with the FDA each facility where regulated products are developed or manufactured. The FDA periodically inspects these facilities.
- Marketing Authorization. The Company’s applicable subsidiaries must obtain FDA clearance or approval to begin marketing a regulated, non-510(k)-exempted product in the United States. For some products, this clearance is obtained by submitting a 510(k) pre-market notification, which generally provides data on the design and performance of the product to allow the FDA to determine substantial equivalence to a product already in commercial distribution in the United States. Other products must go through a formal pre-market approval process which includes the review of non-clinical laboratory studies, clinical investigations, and information on the design and manufacture of the device as well as the successful completion of a pre-market approval inspection by the FDA.
- Quality Systems. The Company’s applicable subsidiaries are required to establish a quality management system that includes clearly defined processes and procedures for ensuring regulated products are developed, manufactured and distributed in accordance with applicable regulatory requirements and international standards. These subsidiaries also must establish processes and procedures for investigating and responding to customer complaints regarding the performance of regulated products.
- Labeling. The labeling for regulated products must contain specified information and in some cases, the FDA must review and approve the labeling and any quality assurance protocols specified in the labeling. The FDA and other federal, state and non-U.S. regulatory bodies (including the Federal Trade Commission, the Office of the Inspector General of the Department of Health and Human Services, the U.S. Department of Justice, and various state Attorneys General) also monitor the manner in which the Company’s subsidiaries promote and advertise their products. Although physicians may use their medical judgment to employ medical devices for indications other than those cleared or approved by the FDA, the FDA prohibits manufacturers from promoting products for such “off-label” uses.
- Imports and Exports. The FDCA establishes requirements for importing products into and exporting products from the United States. In general, any limitations on importing and exporting products apply only to products that have not received U.S. marketing clearance or approval.
- Postmarket Reporting. After regulated products have been distributed to customers, the Company’s applicable subsidiaries may receive product complaints requiring them to investigate and report to the FDA certain events involving the products. These subsidiaries also must notify the FDA when they conduct recalls (known as field actions) involving their products.

In the European Union (“EU”), a single regulatory approval process exists, and conformity with the applicable legal requirements is represented by the CE mark. To obtain a CE mark, medical devices must meet minimum standards of performance, safety, and quality (known as the Essential Requirements), and then, according to their classification, comply with one or more of a selection of conformity assessment routes. An organization accredited by an EU Member State to certify whether a product meets the Essential Requirements, also known as a Notified Body, assesses the quality management systems of the device’s manufacturer and the device’s conformity to the essential and other requirements within the EU Medical Device or In Vitro Diagnostic (“IVD”) Directives. These EU

Directives are being replaced by new sets of pan-EU regulations, which will reclassify medical device and IVD products and require more of those products to go through a formal Notified Body review of the product's technical files in order to obtain CE marking in the future. Our medical device companies are also subject to quality system audits by Notified Bodies for compliance and certification to the EU standards. The national regulatory agencies of the EU countries (otherwise known as Competent Authorities), generally in the form of their ministries or departments of health, also oversee clinical research for medical devices, can conduct their own compliance audits and are responsible for postmarket surveillance of products once they are placed on the EU market. The Company's applicable

subsidiaries are required to report device failures and injuries potentially related to product use to these authorities in a timely manner.

A number of other countries, including but not limited to Australia, Brazil, Canada, China and Japan, have also adopted or are in the process of adopting regulations and standards for medical devices sold in those countries.

In addition to the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and similar anti-bribery laws, the Company is also subject to various health care related laws regulating fraud and abuse, pricing and sales and marketing practices and the privacy and security of health information, including the United States federal regulations described below. Many states, foreign countries and supranational bodies have also adopted laws and regulations similar to, and in some cases more stringent than, the United States federal regulations discussed above and below.

- The Federal Anti-Kickback Statute prohibits persons from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in exchange for or to induce either the referral of an individual, or the furnishing or arranging for a good or service, for which payment may be made under a federal health care program, such as Medicare or Medicaid.
- The Health Insurance Portability and Accountability Act of 1996 (“HIPAA”) prohibits knowingly and willfully (1) executing a scheme to defraud any health care benefit program, including private payors, or (2) falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for health care benefits, items or services. In addition, HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, also restricts the use and disclosure of patient-identifiable health information, mandates the adoption of standards relating to the privacy and security of patient-identifiable health information and requires the reporting of certain security breaches with respect to such information.
- The Stark Law prohibits health care service providers from seeking reimbursement for providing certain services to a patient who was referred by a physician who has certain types of direct or indirect financial relationships with the service provider.
- The False Claims Act imposes liability on any person or entity that, among other things, knowingly presents, or causes to be presented, a false or fraudulent claim for payment by a federal health care program. The qui tam provisions of the False Claims Act allow a private individual to bring actions on behalf of the federal government alleging that the defendant has submitted a false claim to the federal government, and to share in any monetary recovery.
- The Physician Payments Sunshine Act requires manufacturers of medical devices covered under Medicare and Medicaid to record transfers of value to physicians and teaching hospitals and to report this data to the Centers for Medicare and Medicaid Services for subsequent public disclosure. Similar reporting requirements have also been enacted on the state level, and an increasing number of countries worldwide either have adopted or are considering similar laws requiring transparency of interactions with health care professionals.

In addition:

- certain products of the Company’s subsidiaries utilize radioactive material, and the Company is subject to federal, state, local and non-U.S. regulations governing the management, storage, handling and disposal of these materials; and
- some of the in vitro diagnostic drugs-of-abuse assays and reagents of the Company’s subsidiaries contain small amounts of controlled substances, and as a result some of the Company’s facilities are inspected periodically by the United States Drug Enforcement Administration to ensure that the Company properly handles, stores, and disposes of controlled substances in the manufacture of those products.

For a discussion of risks related to regulation by the FDA and comparable agencies of other countries, and the other regulatory regimes referenced above, refer to “Item 1A. Risk Factors.”

Export/Import Compliance

The Company is required to comply with various U.S. export/import control and economic sanctions laws, including:

- the International Traffic in Arms Regulations administered by the U.S. Department of State, Directorate of Defense Trade Controls, which, among other things, imposes license requirements on the export from the United States of defense articles and defense services listed on the U.S. Munitions List;

- the Export Administration Regulations administered by the U.S. Department of Commerce, Bureau of Industry and Security, which, among other things, impose licensing requirements on the export, in-country transfer and re-export of certain dual-use goods, technology and software (which are items that have both commercial and military, or proliferation applications);
- the regulations administered by the U.S. Department of Treasury, Office of Foreign Assets Control, which implement economic sanctions imposed against designated countries, governments and persons based on United States foreign policy and national security considerations; and
- the import regulatory activities of the U.S. Customs and Border Protection and other U.S. government agencies.

Other nations' governments have implemented similar export/import control and economic sanction regulations, which may affect the Company's operations or transactions subject to their jurisdictions. For a discussion of risks related to export/import control and economic sanctions laws, refer to "Item 1A. Risk Factors."

International Operations

The Company's products and services are available worldwide, and its principal markets outside the United States are in Europe and Asia. The Company also has operations around the world, and this geographic diversity allows the Company to draw on the skills of a worldwide workforce, provides greater stability to its operations, allows the Company to drive economies of scale, provides revenue streams that may help offset economic trends that are specific to individual economies and offers the Company an opportunity to access new markets for products. In addition, the Company believes that future growth depends in part on its ability to continue developing products and sales models that successfully target emerging markets (also referred to in this Annual Report as "high-growth markets"). The Company defines high-growth markets as developing markets of the world generally experiencing rapid growth in gross domestic product and infrastructure which includes Eastern Europe, the Middle East, Africa, Latin America and Asia (with the exception of Japan and Australia).

The table below describes annual revenue derived from customers outside the United States as a percentage of total annual revenue for the years ended December 31, by segment and in the aggregate, based on geographic destination:

	2017	2016	2015
Life Sciences	67 %	68 %	64 %
Diagnostics	63 %	63 %	63 %
Dental	55 %	54 %	54 %
Environmental & Applied Solutions	61 %	61 %	60 %
Total	63 %	62 %	61 %

The table below describes property, plant and equipment, net, located outside the United States as of December 31, as a percentage of total property, plant and equipment, net, by segment and in the aggregate:

	2017	2016	2015
Life Sciences	61 %	48 %	41 %
Diagnostics	56 %	51 %	54 %
Dental	48 %	51 %	57 %
Environmental & Applied Solutions	35 %	39 %	39 %
Total	54 %	49 %	48 %

For additional information related to revenues and long-lived assets by country, refer to Note 19 to the Consolidated Financial Statements included in this Annual Report and for information regarding deferred taxes by geography, refer to Note 12 to the Consolidated Financial Statements included in this Annual Report.

The manner in which the Company's products and services are sold outside the United States differs by business and by region. Most of the Company's sales in non-U.S. markets are made by its subsidiaries located outside the United

States, though the Company also sells directly from the United States into non-U.S. markets through various representatives and distributors and, in some cases, directly. In countries with low sales volumes, the Company generally sells through representatives and distributors.

Financial information about the Company's international operations is contained in Note 19 to the Consolidated Financial Statements included in this Annual Report and information about the effects of foreign currency fluctuations on its business is set forth in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations." For a discussion of risks related to the Company's non-U.S. operations and foreign currency exchange, refer to "Item 1A. Risk Factors."

Major Customers

No customer accounted for more than 10% of consolidated sales in 2017, 2016 or 2015.

Available Information

The Company maintains an internet website at www.danaher.com. The Company makes available free of charge on the website its annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after filing such material with, or furnishing such material to, the SEC. Danaher's internet site and the information contained on or connected to that site are not incorporated by reference into this Form 10-K.

ITEM 1A. RISK FACTORS

You should carefully consider the risks and uncertainties described below, together with the information included elsewhere in this Annual Report on Form 10-K and other documents we file with the SEC. The risks and uncertainties described below are those that we have identified as material, but are not the only risks and uncertainties facing us. Our business is also subject to general risks and uncertainties that affect many other companies, such as market conditions, economic conditions, geopolitical events, changes in laws, regulations or accounting rules, fluctuations in interest rates, terrorism, wars or conflicts, major health concerns, natural disasters or other disruptions of expected business conditions. Additional risks and uncertainties not currently known to us or that we currently believe are immaterial also may impair our business, including our results of operations, liquidity and financial condition.

Conditions in the global economy, the markets we serve and the financial markets may adversely affect our business and financial statements.

Our business is sensitive to general economic conditions. Slower global economic growth, actual or anticipated default on sovereign debt, volatility in the currency and credit markets, high levels of unemployment or underemployment, reduced levels of capital expenditures, changes or anticipation of potential changes in government fiscal, tax, trade and monetary policies, changes in capital requirements for financial institutions, government deficit reduction and budget negotiation dynamics, sequestration, austerity measures and other challenges that affect the global economy adversely affect the Company and its distributors, customers and suppliers, including having the effect of:

- reducing demand for our products and services (in this Annual Report, references to products and services also includes software), limiting the financing available to our customers and suppliers, increasing order cancellations and resulting in longer sales cycles and slower adoption of new technologies;
- increasing the difficulty in collecting accounts receivable and the risk of excess and obsolete inventories;
- increasing price competition in our served markets;
- supply interruptions, which could disrupt our ability to produce our products;
- increasing the risk of impairment of goodwill and other long-lived assets, and the risk that we may not be able to fully recover the value of other assets such as real estate and tax assets; and
- increasing the risk that counterparties to our contractual arrangements will become insolvent or otherwise unable to fulfill their contractual obligations which, in addition to increasing the risks identified above, could result in preference actions against us.

Although we have been able to access the commercial paper and other capital markets through the date of this report, there can be no assurances that such markets will remain available to us or that the lenders participating in our revolving credit facility will be able to provide financing in accordance with their contractual obligations.

If growth in the global economy or in any of the markets we serve slows for a significant period, if there is significant deterioration in the global economy or such markets or if improvements in the global economy do not benefit the markets we serve, our business and financial statements could be adversely affected.

Our growth could suffer if the markets into which we sell our products and services decline, do not grow as anticipated or experience cyclical.

Our growth depends in part on the growth of the markets which we serve, and visibility into our markets is limited (particularly for markets into which we sell through distribution). Our quarterly sales and profits depend substantially on the volume and timing of orders received during the fiscal quarter, which are difficult to forecast. Any decline or lower than expected growth in our served markets could diminish demand for our products and services, which would adversely affect our financial statements. Certain of our businesses operate in industries that may experience periodic, cyclical downturns. In addition, in certain of our businesses demand depends on customers' capital spending budgets as well as government funding policies, and matters of public policy and government budget dynamics as well as product and economic cycles can affect the spending decisions of these entities. Demand for our products and services is also sensitive to changes in customer order patterns, which may be affected by announced price changes, changes in incentive programs, new product introductions and customer inventory levels. Any of these factors could adversely affect our growth and results of operations in any given period.

We face intense competition and if we are unable to compete effectively, we may experience decreased demand and decreased market share. Even if we compete effectively, we may be required to reduce prices for our products and services.

Our businesses operate in industries that are intensely competitive and have been subject to increasing consolidation. Because of the range of the products and services we sell and the variety of markets we serve, we encounter a wide variety of competitors; refer to "Item 1. Business—Competition" for additional details. In order to compete effectively, we must retain longstanding relationships with major customers and continue to grow our business by establishing relationships with new customers, continually developing new products and services to maintain and expand our brand recognition and leadership position in various product and service categories and penetrating new markets, including high-growth markets. In addition, significant shifts in industry market share can occur in connection with product problems, safety alerts and publications about products, reflecting the competitive significance of product quality, product efficacy and quality systems in our industry. Our failure to compete effectively and/or pricing pressures resulting from competition may adversely impact our financial statements, and our expansion into new markets may result in greater-than-expected risks, liabilities and expenses.

Our growth depends in part on the timely development and commercialization, and customer acceptance, of new and enhanced products and services based on technological innovation.

We generally sell our products and services in industries that are characterized by rapid technological changes, frequent new product introductions and changing industry standards. If we do not develop innovative new and enhanced products and services on a timely basis, our offerings will become obsolete over time and our competitive position and financial statements will suffer. Our success will depend on several factors, including our ability to:

- correctly identify customer needs and preferences and predict future needs and preferences;
- allocate our R&D funding to products and services with higher growth prospects;
- anticipate and respond to our competitors' development of new products and services and technological innovations;
- differentiate our offerings from our competitors' offerings and avoid commoditization;
- innovate and develop new technologies and applications, and acquire or obtain rights to third-party technologies that may have valuable applications in our served markets;
- obtain adequate intellectual property rights with respect to key technologies before our competitors do;
-

successfully commercialize new technologies in a timely manner, price them competitively and cost-effectively manufacture and deliver sufficient volumes of new products of appropriate quality on time;

- obtain necessary regulatory approvals of appropriate scope (including with respect to medical device products by demonstrating satisfactory clinical results where applicable, as well as achieving third-party reimbursement); and
- stimulate customer demand for and convince customers to adopt new technologies.

If we fail to accurately predict future customer needs and preferences or fail to produce viable technologies, we may invest heavily in R&D of products and services that do not lead to significant revenue, which would adversely affect our profitability.

Even if we successfully innovate and develop new and enhanced products and services, we may incur substantial costs in doing so, and our profitability may suffer. In addition, promising new offerings may fail to reach the market or realize only limited commercial success because of real or perceived efficacy or safety concerns, failure to achieve positive clinical outcomes, uncertainty over third-party reimbursement or entrenched patterns of clinical practice. Competitors may also develop after-market services and parts for our products which attract customers and adversely affect our return on investment for new products.

Our reputation, ability to do business and financial statements may be impaired by improper conduct by any of our employees, agents or business partners.

We cannot provide assurance that our internal controls and compliance systems will always protect us from acts committed by employees, agents or business partners of ours (or of businesses we acquire or partner with) that would violate U.S. and/or non-U.S. laws, including the laws governing payments to government officials, bribery, fraud, kickbacks and false claims, pricing, sales and marketing practices, conflicts of interest, competition, export and import compliance, money laundering and data privacy. In particular, the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business, and we operate in many parts of the world that have experienced governmental corruption to some degree. Any such improper actions or allegations of such acts could damage our reputation and subject us to civil or criminal investigations in the United States and in other jurisdictions and related shareholder lawsuits, could lead to substantial civil and criminal, monetary and nonmonetary penalties and could cause us to incur significant legal and investigatory fees. In addition, the government may seek to hold us liable as a successor for violations committed by companies in which we invest or that we acquire. We also rely on our suppliers to adhere to our supplier standards of conduct, and material violations of such standards of conduct could occur that could have a material effect on our business, reputation and financial statements.

Certain of our businesses are subject to extensive regulation by the U.S. FDA and by comparable agencies of other countries, as well as laws regulating fraud and abuse in the health care industry and the privacy and security of health information. Failure to comply with those regulations could adversely affect our reputation, ability to do business and financial statements.

Certain of our products are medical devices and other products that are subject to regulation by the U.S. FDA, by other federal and state governmental agencies, by comparable agencies of other countries and regions and by regulations governing hazardous materials and drugs-of abuse (or the manufacture and sale of products containing any such materials). We cannot guarantee that we will be able to obtain regulatory clearance (such as 510(k) clearance) or approvals for our new products or modifications to (or additional indications or uses of) existing products within our anticipated timeframe or at all, and if we do obtain such clearance or approval it may be time-consuming, costly and subject to restrictions. Our ability to obtain such regulatory clearances or approvals will depend on many factors, for example our ability to obtain the necessary clinical trial results, and the process for obtaining such clearances or approvals could change over time and may require the withdrawal of products from the market until such clearances are obtained. Even after initial regulatory clearance or approval, if safety issues arise we may be required to amend conditions for use of a product, such as providing additional warnings on the product's label or narrowing its approved intended use, which could reduce the product's market acceptance. Failure to obtain required regulatory clearances or approvals before marketing our products (or before implementing modifications to or promoting additional indications or uses of our products), other violations of these regulations, real or perceived efficacy or safety concerns or trends of adverse events with respect to our products (even after obtaining clearance for distribution) and unfavorable or inconsistent clinical data from existing or future clinical trials can lead to FDA Form 483 Inspectional Observations, warning letters, notices to customers, declining sales, loss of customers, loss of market share, recalls, seizures of adulterated or misbranded products, injunctions, administrative detentions, refusals to permit importations, partial or total shutdown of production facilities or the implementation of operating restrictions, narrowing of permitted uses for a product, suspension or withdrawal of approvals and pre-market notification rescissions. We are also subject to various laws regulating fraud and abuse, pricing and sales and marketing practices in the health care industry and the privacy and security of health information, including the federal regulations described in "Item 1. Business—Regulatory Matters."

Failure to comply with applicable regulations could result in the adverse effects referenced below under "Our businesses are subject to extensive regulation; failure to comply with those regulations could adversely affect our financial statements and our business, including our reputation." Compliance with regulations may also require us to incur significant expenses.

The health care industry and related industries that we serve have undergone, and are in the process of undergoing, significant changes in an effort to reduce costs, which could adversely affect our financial statements.

The health care industry and related industries that we serve have undergone, and are in the process of undergoing, significant changes in an effort to reduce costs, including the following:

- many of our customers, and the end-users to whom our customers supply products, rely on government funding of and reimbursement for health care products and services and research activities. The U.S. Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act (collectively, the “PPACA”), health care austerity measures in other countries and other potential health care reform changes and government austerity measures may reduce the amount of government funding or reimbursement available to customers or end-users of our products and services and/or the volume of medical procedures using our products and services. For example, the Protecting Access to Medicare Act of 2014, or PAMA, introduced a multi-year pricing program for services payable under the Clinical Laboratory Fee Schedule (“CLFS”) that is designed to bring Medicare allowable amounts in line with the amounts paid by private payers. It is unclear whether and to what extent these new rates will affect overall pricing and reimbursement for clinical laboratory testing services, but if our customers conclude that Medicare reimbursement for these services is inadequate, it could in turn adversely impact the prices at which we sell our products. Other countries also control the price of health care products, directly or indirectly, through reimbursement, payment, pricing or coverage limitations or through compulsory licensing. Global economic uncertainty or deterioration can also adversely impact government funding and reimbursement.
- the PPACA imposes on medical device manufacturers, such as Danaher, a 2.3% excise tax on U.S. sales of certain medical devices. The excise tax has been suspended until the end of 2019, but the Company would be subject to the tax beginning in 2020.
- governmental and private health care providers and payors around the world are increasingly utilizing managed care for the delivery of health care services, forming group purchasing organizations and integrated health delivery networks and pursuing consolidation to improve their purchasing leverage and using competitive bid processes to procure health care products and services.

These changes as well as other impacts from market demand, government regulations, third-party coverage and reimbursement policies and societal pressures have increased our tax liabilities and may cause participants in the health care industry and related industries that we serve to purchase fewer of our products and services, reduce the prices they are willing to pay for our products or services, reduce the amounts of reimbursement and funding available for our products and services from governmental agencies or third-party payors, reduce the volume of medical procedures that use our products and services, affect the acceptance rate of new technologies and products and increase our compliance and other costs. In addition, we may be unable to enter into contracts with group purchasing organizations and integrated health networks on terms acceptable to us, and even if we do enter into such contracts they may be on terms that negatively affect our current or future profitability. All of the factors described above could adversely affect our business and financial statements.

Any inability to consummate acquisitions at our historical rate and at appropriate prices could negatively impact our growth rate and stock price.

Our ability to grow revenues, earnings and cash flow at or above our historic rates depends in part upon our ability to identify and successfully acquire and integrate businesses at appropriate prices and realize anticipated synergies. We may not be able to consummate acquisitions at rates similar to the past, which could adversely impact our growth rate and our stock price. Promising acquisitions are difficult to identify and complete for a number of reasons, including high valuations, competition among prospective buyers, the availability of affordable funding in the capital markets and the need to satisfy applicable closing conditions and obtain antitrust and other regulatory approvals on acceptable terms. In addition, competition for acquisitions may result in higher purchase prices. Changes in accounting or regulatory requirements or instability in the credit markets could also adversely impact our ability to consummate acquisitions.



Our acquisition of businesses, investments, joint ventures and strategic relationships could negatively impact our financial statements.

As part of our business strategy we acquire businesses, make investments and enter into joint ventures and other strategic relationships in the ordinary course, and we also from time to time complete more significant transactions; refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations” (“MD&A”) for additional details. Acquisitions, investments, joint ventures and strategic relationships involve a number of financial, accounting, managerial, operational, legal, compliance and other risks and challenges, including the following, any of which could adversely affect our business and our financial statements:

- any business, technology, service or product that we acquire or invest in could under-perform relative to our expectations and the price that we paid or not perform in accordance with our anticipated timetable, or we could fail to make any such business profitable.
- we may incur or assume significant debt in connection with our acquisitions, investments, joint ventures or strategic relationships, which could also cause a deterioration of Danaher’s credit ratings, result in increased borrowing costs and interest expense and diminish our future access to the capital markets.
- acquisitions, investments, joint ventures or strategic relationships could cause our financial results to differ from our own or the investment community’s expectations in any given period, or over the long-term.
- pre-closing and post-closing earnings charges could adversely impact operating results in any given period, and the impact may be substantially different from period-to-period.
- acquisitions, investments, joint ventures or strategic relationships could create demands on our management, operational resources and financial and internal control systems that we are unable to effectively address.
- we could experience difficulty in integrating personnel, operations and financial and other controls and systems and retaining key employees and customers.
- we may be unable to achieve cost savings or other synergies anticipated in connection with an acquisition, investment, joint venture or strategic relationship.
- we may assume unknown liabilities, known contingent liabilities that become realized, known liabilities that prove greater than anticipated, internal control deficiencies or exposure to regulatory sanctions resulting from the acquired company’s or investee’s activities and the realization of any of these liabilities or deficiencies may increase our expenses, adversely affect our financial position or cause us to fail to meet our public financial reporting obligations.
- in connection with acquisitions and joint ventures, we often enter into post-closing financial arrangements such as purchase price adjustments, earn-out obligations and indemnification obligations, which may have unpredictable financial results.
- as a result of our acquisitions and investments, we have recorded significant goodwill and other assets on our balance sheet and if we are not able to realize the value of these assets, we may be required to incur impairment charges.
- we may have interests that diverge from those of our joint venture partners or other strategic partners and we may not be able to direct the management and operations of the joint venture or other strategic relationship in the manner we believe is most appropriate, exposing us to additional risk.
- investing in or making loans to early-stage companies often entails a high degree of risk, and we may not achieve the strategic, technological, financial or commercial benefits we anticipate; we may lose our

investment or fail to recoup our loan; or our investment may be illiquid for a greater-than-expected period of time.

The indemnification provisions of acquisition agreements by which we have acquired companies may not fully protect us and as a result we may face unexpected liabilities.

Certain of the acquisition agreements by which we have acquired companies require the former owners to indemnify us against certain liabilities related to the operation of the company before we acquired it. In most of these agreements, however, the liability of the former owners is limited and certain former owners may be unable to meet their indemnification responsibilities. We cannot assure you that these indemnification provisions will protect us fully or at all, and as a result we may face unexpected liabilities that adversely affect our financial statements.

Divestitures or other dispositions could negatively impact our business, and contingent liabilities from businesses that we have sold could adversely affect our financial statements.

We continually assess the strategic fit of our existing businesses and may divest, spin-off, split-off or otherwise dispose of businesses that are deemed not to fit with our strategic plan or are not achieving the desired return on investment. For example, we split-off our communications business in 2015 and spun-off our Fortive business in 2016. Transactions such as these pose risks and challenges that could negatively impact our business and financial statements. For example, when we decide to sell or otherwise dispose of a business or assets, we may be unable to do so on satisfactory terms within our anticipated timeframe or at all, and even after reaching a definitive agreement to sell or dispose a business the sale is typically subject to satisfaction of pre-closing conditions which may not become satisfied. In addition, divestitures or other dispositions may dilute the Company's earnings per share, have other adverse financial and accounting impacts and distract management, and disputes may arise with buyers. In addition, we have retained responsibility for and/or have agreed to indemnify buyers against some known and unknown contingent liabilities related to a number of businesses we have sold or disposed. The resolution of these contingencies has not had a material effect on our financial statements but we cannot be certain that this favorable pattern will continue.

We could incur significant liability if the 2016 spin-off of Fortive Corporation ("Fortive") or the 2015 split-off of our communications business is determined to be a taxable transaction.

In July 2015, the Company consummated the split-off of the majority of its former communications business to Danaher shareholders who elected to exchange Danaher shares for ownership interests in the communications business, and the subsequent merger of the communications business with a subsidiary of NetScout. Danaher shareholders who participated in the exchange offer tendered 26 million shares of Danaher common stock (approximately \$2.3 billion on the date of tender) and received 62.5 million shares of NetScout common stock which represented approximately 60% of the shares of NetScout common stock outstanding following the combination.

On July 2, 2016, Danaher completed the separation (the "Separation") of its former Test & Measurement segment, Industrial Technologies segment (excluding the product identification businesses) and retail/commercial petroleum business by distributing to Danaher stockholders on a pro rata basis all of the issued and outstanding common stock of Fortive, the entity Danaher incorporated to hold such businesses. To effect the Separation, Danaher distributed to its stockholders one share of Fortive common stock for every two shares of Danaher common stock outstanding as of June 15, 2016, the record date for the distribution.

We have received opinions from outside tax counsel to the effect that each of the Fortive Separation in 2016 and the split-off of our communications business in 2015 qualifies as a transaction that is described in Sections 355(a) and 368(a)(1)(D) of the Internal Revenue Code. These opinions rely on certain facts, assumptions, representations and undertakings regarding the past and future conduct of the companies' respective businesses and other matters. If any of these facts, assumptions, representations or undertakings are incorrect or not satisfied, our stockholders and we may not be able to rely on the respective opinion of tax counsel and could be subject to significant tax liabilities. Notwithstanding the opinion of tax counsel we have received, the Internal Revenue Service ("IRS") could determine on audit that either or both separations are taxable if it determines that any of these facts, assumptions, representations or undertakings are not correct or have been violated or if it disagrees with the conclusions in the respective opinion. If either transaction is determined to be taxable for U.S. federal income tax purposes, our stockholders that are subject to U.S. federal income tax and we could incur significant U.S. federal income tax liabilities.

Potential indemnification liabilities pursuant to the 2016 spin-off of Fortive and the 2015 split-off of our communications business could materially and adversely affect our business and financial statements.

We entered into a separation and distribution agreement and related agreements with Fortive to govern the Separation and the relationship between the two companies going forward. We entered into similar agreements with NetScout Systems, Inc. in connection with the split-off of our communications business. These agreements provide for specific indemnity and liability obligations of each party and could lead to disputes between us. If we are required to indemnify the other parties under the circumstances set forth in these agreements, we may be subject to substantial liabilities. In addition, with respect to the liabilities for which the other parties have agreed to indemnify us under these agreements, there can be no assurance that the indemnity rights we have against such other parties will be sufficient to protect us against the full amount of the liabilities, or that such other parties will be able to fully satisfy its indemnification obligations. It is also possible that a court could disregard the allocation of assets and liabilities

agreed to between Danaher and such other parties and require Danaher to assume responsibility for obligations allocated to such other parties. Each of these risks could negatively affect our business and financial statements.

A significant disruption in, or breach in security of, our information technology systems or violation of data privacy laws could adversely affect our business, reputation and financial statements.

We rely on information technology systems, some of which are managed by third-parties, to process, transmit and store electronic information (including sensitive data such as confidential business information and personally identifiable data relating to employees, customers, other business partners and patients), and to manage or support a variety of critical business processes and activities (such as receiving and fulfilling orders, billing, collecting and making payments, shipping products, providing services and support to customers and fulfilling contractual obligations). In addition, some of our remote monitoring products and services incorporate software and information technology that may house personal data and some products or software we sell to customers may connect to our systems for maintenance or other purposes. These systems, products and services may be damaged, disrupted or shut down due to attacks by computer hackers, computer viruses, ransomware, human error or malfeasance, power outages, hardware failures, telecommunication or utility failures, catastrophes or other unforeseen events, and in any such circumstances our system redundancy and other disaster recovery planning may be ineffective or inadequate. Attacks may also target hardware, software and information installed, stored or transmitted in our products after such products have been purchased and incorporated into third-party products, facilities or infrastructure. Security breaches of systems provided or enabled by us, regardless of whether the breach is attributable to a vulnerability in our products or services, could result in the misappropriation, destruction or unauthorized disclosure of confidential information or personal data belonging to us or to our employees, partners, customers or suppliers. Like most multinational corporations, our information technology systems have been subject to computer viruses, malicious codes, unauthorized access and other cyber-attacks and we expect the sophistication and frequency of such attacks to continue to increase. Unauthorized tampering, adulteration or interference with our products may also adversely affect product functionality and result in loss of data, risk to patient safety and product recalls or field actions. Any of the attacks, breaches or other disruptions or damage described above could interrupt our operations or the operations of our customers and partners, delay production and shipments, result in theft of our and our customers' intellectual property and trade secrets, damage customer and business partner relationships and our reputation or result in defective products or services, legal claims and proceedings, liability and penalties under privacy laws and increased costs for security and remediation, each of which could adversely affect our business, reputation and financial statements.

If we are unable to maintain reliable information technology systems and appropriate controls with respect to global data privacy and security requirements and prevent data breaches, we may suffer regulatory consequences in addition to business consequences. As a global organization, we are subject to data privacy and security laws, regulations, and customer-imposed controls in numerous jurisdictions as a result of having access to and processing confidential, personal and/or sensitive data in the course of our business. For example, in the United States, HIPAA privacy and security rules require certain of our operations to maintain controls to protect the availability and confidentiality of patient health information, individual states regulate data breach and security requirements and multiple governmental bodies assert authority over aspects of the protection of personal privacy. European laws require us to have an approved legal mechanism to transfer personal data out of Europe, and the new EU General Data Protection Regulation, which takes effect in May 2018, will impose significantly stricter requirements in how we collect and process personal data. Several countries, such as China and Russia, have passed laws that require personal data relating to their citizens to be maintained on local servers and impose additional data transfer restrictions. Government enforcement actions can be costly and interrupt the regular operation of our business, and data breaches or violations of data privacy laws can result in fines, reputational damage and civil lawsuits, any of which may adversely affect our business, reputation and financial statements.

Our operations, products and services expose us to the risk of environmental, health and safety liabilities, costs and violations that could adversely affect our business, reputation and financial statements.

Our operations, products and services are subject to environmental laws and regulations, which impose limitations on the discharge of pollutants into the environment, establish standards for the use, generation, treatment, storage and disposal of hazardous and nonhazardous wastes and impose end-of-life disposal and take-back programs. We must also comply with various health and safety regulations in the United States and abroad in connection with our operations. We cannot assure you that our environmental, health and safety compliance program (or the compliance programs of businesses we acquire) have been or will at all times be effective. Failure to comply with any of these laws could result in civil and criminal, monetary and nonmonetary penalties and damage to our reputation. In addition, we cannot provide assurance that our costs of complying with current or future environmental protection and health and safety laws will not exceed our estimates or adversely affect our financial statements.

In addition, we may incur costs related to remedial efforts or alleged environmental damage associated with past or current waste disposal practices or other hazardous materials handling practices. We are also from time to time party to personal injury, property damage or other claims brought by private parties alleging injury or damage due to the presence of or exposure to hazardous substances. We may also become subject to additional remedial, compliance or personal injury costs due to future

events such as changes in existing laws or regulations, changes in agency direction or enforcement policies, developments in remediation technologies, changes in the conduct of our operations and changes in accounting rules. For additional information regarding these risks, refer to Note 16 to the Consolidated Financial Statements included in this Annual Report. We cannot assure you that our liabilities arising from past or future releases of, or exposures to, hazardous substances will not exceed our estimates or adversely affect our reputation and financial statements or that we will not be subject to additional claims for personal injury or remediation in the future based on our past, present or future business activities. However, based on the information we currently have we do not believe that it is reasonably possible that any amounts we may be required to pay in connection with environmental matters in excess of our reserves as of December 31, 2017 will have a material effect on our financial statements.

Our businesses are subject to extensive regulation; failure to comply with those regulations could adversely affect our financial statements and our business, including our reputation.

In addition to the environmental, health, safety, health care, medical device, anticorruption, data privacy and other regulations noted elsewhere in this Annual Report, our businesses are subject to extensive regulation by U.S. and non-U.S. governmental and self-regulatory entities at the supranational, federal, state, local and other jurisdictional levels, including the following:

- we are required to comply with various import laws and export control and economic sanctions laws, which may affect our transactions with certain customers, business partners and other persons and dealings between our employees and between our subsidiaries. In certain circumstances, export control and economic sanctions regulations may prohibit the export of certain products, services and technologies. In other circumstances, we may be required to obtain an export license before exporting the controlled item. Compliance with the various import laws that apply to our businesses can restrict our access to, and increase the cost of obtaining, certain products and at times can interrupt our supply of imported inventory.
- we also have agreements to sell products and services to government entities and are subject to various statutes and regulations that apply to companies doing business with government entities. The laws governing government contracts differ from the laws governing private contracts. For example, many government contracts contain pricing and other terms and conditions that are not applicable to private contracts. Our agreements with government entities may be subject to termination, reduction or modification at the convenience of the government or in the event of changes in government requirements, reductions in federal spending and other factors, and we may underestimate our costs of performing under the contract. In certain cases, a governmental entity may require us to pay back amounts it has paid to us. Government contracts that have been awarded to us following a bid process could become the subject of a bid protest by a losing bidder, which could result in loss of the contract. We are also subject to investigation and audit for compliance with the requirements governing government contracts.

These are not the only regulations that our businesses must comply with. The regulations we are subject to have tended to become more stringent over time and may be inconsistent across jurisdictions. We, our representatives and the industries in which we operate may at times be under review and/or investigation by regulatory authorities. Failure to comply (or any alleged or perceived failure to comply) with the regulations referenced above or any other regulations could result in civil and criminal, monetary and nonmonetary penalties, and any such failure or alleged failure (or becoming subject to a regulatory enforcement investigation) could also damage our reputation, disrupt our business, limit our ability to manufacture, import, export and sell products and services, result in loss of customers and disbarment from selling to certain federal agencies and cause us to incur significant legal and investigatory fees. Compliance with these and other regulations may also affect our returns on investment, require us to incur significant expenses or modify our business model or impair our flexibility in modifying product, marketing, pricing or other strategies for growing our business. Our products and operations are also often subject to the rules of industrial standards bodies such as the International Standards Organization, and failure to comply with these rules could result in withdrawal of certifications needed to sell our products and services and otherwise adversely impact our business and financial statements. For additional information regarding these risks, refer to “Item 1. Business—Regulatory Matters.”

Our restructuring actions could have long-term adverse effects on our business.

In recent years, we have implemented significant restructuring activities across our businesses to adjust our cost structure, and we may engage in similar restructuring activities in the future. These restructuring activities and our

regular ongoing cost reduction activities (including in connection with the integration of acquired businesses) reduce our available talent, assets and other resources and could slow improvements in our products and services, adversely affect our ability to respond to customers, limit our ability to increase production quickly if demand for our products increases and trigger adverse public attention. In addition, delays in implementing planned restructuring activities or other productivity improvements, unexpected costs or

failure to meet targeted improvements may diminish the operational or financial benefits we expect to realize from such actions. Any of the circumstances described above could adversely impact our business and financial statements.

We may be required to recognize impairment charges for our goodwill and other intangible assets.

As of December 31, 2017, the net carrying value of our goodwill and other intangible assets totaled approximately \$36.8 billion. In accordance with generally accepted accounting principles, we periodically assess these assets to determine if they are impaired. Significant negative industry or economic trends, disruptions to our business, inability to effectively integrate acquired businesses, unexpected significant changes or planned changes in use of our assets, changes in the structure of our business, divestitures, market capitalization declines, or increases in associated discount rates may impair our goodwill and other intangible assets. Any charges relating to such impairments would adversely affect our results of operations in the periods recognized.

Foreign currency exchange rates may adversely affect our financial statements.

Sales and purchases in currencies other than the U.S. dollar expose us to fluctuations in foreign currencies relative to the U.S. dollar and may adversely affect our financial statements. Increased strength of the U.S. dollar increases the effective price of our products sold in U.S. dollars into other countries, which may require us to lower our prices or adversely affect sales to the extent we do not increase local currency prices. Decreased strength of the U.S. dollar could adversely affect the cost of materials, products and services we purchase overseas. Sales and expenses of our non-U.S. businesses are also translated into U.S. dollars for reporting purposes and the strengthening or weakening of the U.S. dollar could result in unfavorable translation effects. In addition, certain of our businesses may invoice customers in a currency other than the business' functional currency, and movements in the invoiced currency relative to the functional currency could also result in unfavorable translation effects. The Company also faces exchange rate risk from its investments in subsidiaries owned and operated in foreign countries.

Changes in our tax rates or exposure to additional income tax liabilities or assessments could affect our profitability. In addition, audits by tax authorities could result in additional tax payments for prior periods.

We are subject to income taxes in the U.S. and in various non-U.S. jurisdictions. On December 22, 2017, the Tax Cuts and Jobs Act ("TCJA") was enacted. The TCJA significantly revises the U.S. federal corporate income tax law by, among other things, lowering the corporate income tax rate to 21% (beginning in 2018), implementing a territorial tax system, and imposing a one-time tax on unremitted cumulative non-U.S. earnings of foreign subsidiaries ("Transition Tax"). The U.S. Treasury Department and IRS have not yet issued regulations with respect to the TCJA.

Due to the potential for changes to tax laws and regulations or changes to the interpretation thereof (including regulations and interpretations pertaining to the TCJA), the ambiguity of tax laws and regulations, the subjectivity of factual interpretations, the complexity of our intercompany arrangements, uncertainties regarding the geographic mix of earnings in any particular period, and other factors, our estimates of effective tax rate and income tax assets and liabilities may be incorrect and our financial statements could be adversely affected; please refer to MD&A for a discussion of additional factors that may adversely affect our effective tax rate and decrease our profitability in any period. For example, our estimate of the net one-time charge we have incurred related to the TCJA could differ materially from our actual liability, due to, among other things, further refinement of our calculations, changes in interpretations and assumptions that we have made, additional guidance that may be issued by the U.S. Treasury Department and IRS, and actions we may take as a result of the TCJA. The impact of the factors referenced in the first sentence of this paragraph may be substantially different from period-to-period.

In addition, the amount of income taxes we pay is subject to ongoing audits by U.S. federal, state and local tax authorities and by non-U.S. tax authorities, such as the audits described in MD&A and the Company's financial statements. If audits result in payments or assessments different from our reserves, our future results may include unfavorable adjustments to our tax liabilities and our financial statements could be adversely affected. Any further significant changes to the tax system in the United States or in other jurisdictions (including changes in the taxation of international income as further described below) could adversely affect our financial statements.

Changes in tax law relating to multinational corporations could adversely affect our tax position.

The U.S. Congress, government agencies in non-U.S. jurisdictions where we and our affiliates do business, and the Organisation for Economic Co-operation and Development ("OECD") have recently focused on issues related to the taxation of multinational corporations. One example is in the area of "base erosion and profit shifting," where profits

are claimed to be earned for tax purposes in low-tax jurisdictions, or payments are made between affiliates from a jurisdiction with high tax rates to a jurisdiction with lower tax rates. The OECD has released several components of its comprehensive plan to create an agreed set of international rules for addressing base erosion and profit shifting. As a result, the tax laws in the United States

and other countries in which we do business could change on a prospective or retroactive basis, and any such changes could adversely affect our business and financial statements.

We are subject to a variety of litigation and other legal and regulatory proceedings in the course of our business that could adversely affect our business and financial statements.

We are subject to a variety of litigation and other legal and regulatory proceedings incidental to our business (or the business operations of previously owned entities), including claims or counterclaims for damages arising out of the use of products or services and claims relating to intellectual property matters, employment matters, tax matters, commercial disputes, competition and sales and trading practices, environmental matters, personal injury, insurance coverage and acquisition or divestiture-related matters, as well as regulatory investigations or enforcement. We may also become subject to lawsuits as a result of past or future acquisitions or as a result of liabilities retained from, or representations, warranties or indemnities provided in connection with, divested businesses. The types of claims made in lawsuits include claims for compensatory damages, punitive and consequential damages (and in some cases, treble damages) and/or injunctive relief. The defense of these lawsuits may divert our management's attention, we may incur significant expenses in defending these lawsuits, and we may be required to pay damage awards or settlements or become subject to equitable remedies that could adversely affect our operations and financial statements. Moreover, any insurance or indemnification rights that we may have may be insufficient or unavailable to protect us against such losses. In addition, developments in proceedings in any given period may require us to adjust the loss contingency estimates that we have recorded in our financial statements, record estimates for liabilities or assets previously not susceptible of reasonable estimates or pay cash settlements or judgments. Any of these developments could adversely affect our financial statements in any particular period. We cannot assure you that our liabilities in connection with litigation and other legal and regulatory proceedings will not exceed our estimates or adversely affect our financial statements and business. However, based on our experience, current information and applicable law, we do not believe that it is reasonably possible that any amounts we may be required to pay in connection with litigation and other legal and regulatory proceedings in excess of our reserves as of December 31, 2017 will have a material effect on our financial statements.

If we do not or cannot adequately protect our intellectual property, or if third-parties infringe our intellectual property rights, we may suffer competitive injury or expend significant resources enforcing our rights.

We own numerous patents, trademarks, copyrights, trade secrets and other intellectual property and licenses to intellectual property owned by others, which in aggregate are important to our business. The intellectual property rights that we obtain, however, may not be sufficiently broad or otherwise may not provide us a significant competitive advantage, and patents may not be issued for pending or future patent applications owned by or licensed to us. In addition, the steps that we and our licensors have taken to maintain and protect our intellectual property may not prevent it from being challenged, invalidated, circumvented, designed-around or becoming subject to compulsory licensing, particularly in countries where intellectual property rights are not highly developed or protected. In some circumstances, enforcement may not be available to us because an infringer has a dominant intellectual property position or for other business reasons, or countries may require compulsory licensing of our intellectual property. We also rely on nondisclosure and noncompetition agreements with employees, consultants and other parties to protect, in part, trade secrets and other proprietary rights. There can be no assurance that these agreements will adequately protect our trade secrets and other proprietary rights and will not be breached, that we will have adequate remedies for any breach, that others will not independently develop substantially equivalent proprietary information or that third-parties will not otherwise gain access to our trade secrets or other proprietary rights. Our failure to obtain or maintain intellectual property rights that convey competitive advantage, adequately protect our intellectual property or detect or prevent circumvention or unauthorized use of such property and the cost of enforcing our intellectual property rights could adversely impact our business, including our competitive position, and financial statements.

Third-parties may claim that we are infringing or misappropriating their intellectual property rights and we could suffer significant litigation expenses, losses or licensing expenses or be prevented from selling products or services.

From time to time, we receive notices from third-parties alleging intellectual property infringement or misappropriation. Any dispute or litigation regarding intellectual property could be costly and time-consuming due to the complexity of many of our technologies and the uncertainty of intellectual property litigation. Our intellectual property portfolio may not be useful in asserting a counterclaim, or negotiating a license, in response to a claim of infringement or misappropriation. In addition, as a result of such claims of infringement or misappropriation, we could lose our rights to critical technology, be unable to license critical technology or sell critical products and services, be required to pay substantial damages or license fees with respect to the infringed rights or be required to

redesign our products at substantial cost, any of which could adversely impact our business, including our competitive position, and financial statements. Even if we successfully defend against claims of infringement or misappropriation, we may incur significant costs and diversion of management attention and resources, which could adversely affect our business and financial statements.

The U.S. government has certain rights to use and disclose some of the intellectual property that we license and could exclusively license it to a third-party if we fail to achieve practical application of the intellectual property.

Certain technology licensed by us under agreements with third-party licensors may be subject to government rights. Government rights in inventions conceived or reduced to practice under a government-funded program may include a nonexclusive, royalty-free worldwide license to practice or have practiced such inventions for any governmental purpose. In addition, the U.S. government has the right to require us or our licensors (as applicable) to grant licenses which would be exclusive under any of such inventions to a third-party if they determine that: (1) adequate steps have not been taken to commercialize such inventions in a particular field of use; (2) such action is necessary to meet public health or safety needs; or (3) such action is necessary to meet requirements for public use under federal regulations. Further, the government rights include the right to use and disclose, without limitation, technical data relating to licensed technology that was developed in whole or in part at government expense.

Defects and unanticipated use or inadequate disclosure with respect to our products or services (including software), or allegations thereof, could adversely affect our business, reputation and financial statements.

Manufacturing or design defects or “bugs” in, unanticipated use of, safety or quality issues (or the perception of such issues) with respect to, “off label” use of, or inadequate disclosure of risks relating to the use of products and services that we make or sell (including items that we source from third-parties) can lead to personal injury, death, property damage, loss of profits or other liability. These events could lead to recalls or safety alerts, result in the removal of a product or service from the market and result in product liability or similar claims being brought against us. Recalls, removals and product liability and similar claims (regardless of their validity or ultimate outcome) can result in significant costs, as well as negative publicity and damage to our reputation that could reduce demand for our products and services. Our business can also be affected by studies of the utilization, safety and efficacy of medical device products and components that are conducted by industry participants, government agencies and others. Any of the above can result in the discontinuation of marketing of such products in one or more countries, and may give rise to claims for damages from persons who believe they have been injured as a result of product issues.

The manufacture of many of our products is a highly exacting and complex process, and if we directly or indirectly encounter problems manufacturing products, our reputation, business and financial statements could suffer.

The manufacture of many of our products is a highly exacting and complex process, due in part to strict regulatory requirements. Problems may arise during manufacturing for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials, natural disasters and environmental factors, and if not discovered before the product is released to market could result in recalls and product liability exposure. Because of the time required to approve and license certain regulated manufacturing facilities and other stringent regulations of the FDA and similar agencies regarding the manufacture of certain of our products, an alternative manufacturer may not be available on a timely basis to replace such production capacity. Any of these manufacturing problems could result in significant costs, liability and lost revenue, as well as negative publicity and damage to our reputation that could reduce demand for our products.

Our indebtedness may limit our operations and our use of our cash flow, and any failure to comply with the covenants that apply to our indebtedness could adversely affect our liquidity and financial statements.

As of December 31, 2017, we had approximately \$10.5 billion in outstanding indebtedness. In addition, as of December 31, 2017, we had the ability to incur an additional \$1.6 billion of indebtedness in direct borrowings or under the outstanding commercial paper facility based on the amounts available under the Company’s \$4.0 billion credit facility which were not being used to backstop outstanding commercial paper balances. Our debt level and related debt service obligations can have negative consequences, including (1) requiring us to dedicate significant cash flow from operations to the payment of principal and interest on our debt, which reduces the funds we have available for other purposes such as acquisitions and capital investment; (2) reducing our flexibility in planning for or reacting to changes in our business and market conditions; and (3) exposing us to interest rate risk since a portion of our debt obligations are at variable rates. We may incur significantly more debt in the future, particularly to finance acquisitions, and there can be no assurance that our cost of funding will not substantially increase.

Our current revolving credit facility and long-term debt obligations also impose certain restrictions on us; for more information refer to MD&A. If we breach any of these restrictions and do not obtain a waiver from the lenders, subject to applicable cure periods the outstanding indebtedness (and any other indebtedness with cross-default provisions) could be declared immediately due and payable, which would adversely affect our liquidity and financial statements. In addition, any failure to maintain the credit ratings assigned to us by independent rating agencies would

adversely affect our cost of funds and could adversely affect our liquidity and access to the capital markets. If we add new debt, the risks described above could increase.

Adverse changes in our relationships with, or the financial condition, performance, purchasing patterns or inventory levels of, key distributors and other channel partners could adversely affect our financial statements.

Certain of our businesses sell a significant amount of their products to or through key distributors and other channel partners that have valuable relationships with customers and end-users. Some of these distributors and other partners also sell our competitors' products or compete with us directly, and if they favor competing products for any reason they may fail to market our products effectively. Adverse changes in our relationships with these distributors and other partners, reduction or discontinuation of their purchases from us or adverse developments in their financial condition, performance or purchasing patterns, could adversely affect our business and financial statements. The levels of inventory maintained by our distributors and other channel partners, and changes in those levels, can also significantly impact our results of operations in any given period. In addition, the consolidation of distributors and customers in certain of our served industries could adversely impact our business and financial statements.

Certain of our businesses rely on relationships with collaborative partners and other third-parties for development, supply and marketing of certain products and potential products, and such collaborative partners or other third-parties could fail to perform sufficiently.

We believe that for certain of our businesses, success in penetrating target markets depends in part on their ability to develop and maintain collaborative relationships with other companies. Relying on collaborative relationships is risky because, among other things, our collaborative partners may (1) not devote sufficient resources to the success of our collaborations; (2) fail to obtain regulatory approvals necessary to continue the collaborations in a timely manner; (3) be acquired by other companies and terminate our collaborative partnership or become insolvent; (4) compete with us; (5) disagree with us on key details of the collaborative relationship; (6) have insufficient capital resources; and (7) decline to renew existing collaborations on acceptable terms. Because these and other factors may be beyond our control, the development or commercialization of our products involved in collaborative partnerships may be delayed or otherwise adversely affected. If we or any of our collaborative partners terminate a collaborative arrangement, we may be required to devote additional resources to product development and commercialization or we may need to cancel some development programs, which could adversely affect our business and financial statements.

Our financial results are subject to fluctuations in the cost and availability of commodities that we use in our operations.

As discussed in "Item 1. Business—Materials," our manufacturing and other operations employ a wide variety of components, raw materials and other commodities. Prices for and availability of these components, raw materials and other commodities have fluctuated significantly in the past. Any sustained interruption in the supply of these items could adversely affect our business. In addition, due to the highly competitive nature of the industries that we serve, the cost-containment efforts of our customers and the terms of certain contracts we are party to, if commodity prices rise we may be unable to pass along cost increases through higher prices. If we are unable to fully recover higher commodity costs through price increases or offset these increases through cost reductions, or if there is a time delay between the increase in costs and our ability to recover or offset these costs, our margins and profitability could decline and our financial statements could be adversely affected.

If we cannot adjust our manufacturing capacity or the purchases required for our manufacturing activities to reflect changes in market conditions and customer demand, our profitability may suffer. In addition, our reliance upon sole or limited sources of supply for certain materials, components and services could cause production interruptions, delays and inefficiencies.

We purchase materials, components and equipment from third-parties for use in our manufacturing operations. Our income could be adversely impacted if we are unable to adjust our purchases to reflect changes in customer demand and market fluctuations, including those caused by seasonality or cyclicity. During a market upturn, suppliers may extend lead times, limit supplies or increase prices. If we cannot purchase sufficient products at competitive prices and quality and on a timely enough basis to meet increasing demand, we may not be able to satisfy market demand, product shipments may be delayed, our costs may increase or we may breach our contractual commitments and incur liabilities. Conversely, in order to secure supplies for the production of products, we sometimes enter into noncancelable purchase commitments with vendors, which could impact our ability to adjust our inventory to reflect declining market demands. If demand for our products is less than we expect, we may experience additional excess and obsolete inventories and be forced to incur additional charges and our profitability may suffer.

In addition, some of our businesses purchase certain requirements from sole or limited source suppliers for reasons of quality assurance, regulatory requirements, cost effectiveness, availability or uniqueness of design. If these or other

suppliers encounter financial, operating or other difficulties or if our relationship with them changes, we might not be able to quickly establish or qualify replacement sources of supply. The supply chains for our businesses could also be disrupted by supplier capacity constraints, bankruptcy or exiting of the business for other reasons, decreased availability of key raw materials or

commodities and external events such as natural disasters, pandemic health issues, war, terrorist actions, governmental actions and legislative or regulatory changes. Any of these factors could result in production interruptions, delays, extended lead times and inefficiencies.

Because we cannot always immediately adapt our production capacity and related cost structures to changing market conditions, our manufacturing capacity may at times exceed or fall short of our production requirements. Any or all of these problems could result in the loss of customers, provide an opportunity for competing products to gain market acceptance and otherwise adversely affect our financial statements.

Changes in governmental regulations may reduce demand for our products or services or increase our expenses.

We compete in markets in which we and our customers must comply with supranational, federal, state, local and other jurisdictional regulations, such as regulations governing health and safety, the environment, food and drugs, privacy and electronic communications. We develop, configure and market our products and services to meet customer needs created by these regulations. These regulations are complex, change frequently, have tended to become more stringent over time and may be inconsistent across jurisdictions. Any significant change in any of these regulations (or in the interpretation or application thereof) could reduce demand for, increase our costs of producing or delay the introduction of new or modified products and services, or could restrict our existing activities, products and services. For example, a number of our products and services are marketed to the pharmaceutical and related industries for use in discovering and developing drugs and therapies. Changes in the U.S. FDA's regulation of the drug discovery and development process could have an adverse effect on the demand for these products and services. In addition, in certain of our markets our growth depends in part upon the introduction of new regulations. In these markets, the delay or failure of governmental and other entities to adopt or enforce new regulations, the adoption of new regulations which our products and services are not positioned to address or the repeal of existing regulations, could adversely affect demand. In addition, regulatory deadlines may result in substantially different levels of demand for our products and services from period-to-period.

Work stoppages, union and works council campaigns and other labor disputes could adversely impact our productivity and results of operations.

We have a number of U.S. collective bargaining units and various non-U.S. collective labor arrangements. We are subject to potential work stoppages, union and works council campaigns and other labor disputes, any of which could adversely impact our financial statements and business, including our productivity and reputation.

International economic, political, legal, compliance and business factors could negatively affect our financial statements.

In 2017, approximately 63% of our sales were derived from customers outside the United States. In addition, many of our manufacturing operations, suppliers and employees are located outside the United States. Since our growth strategy depends in part on our ability to further penetrate markets outside the United States and increase the localization of our products and services, we expect to continue to increase our sales and presence outside the United States, particularly in the high-growth markets. Our international business (and particularly our business in high-growth markets) is subject to risks that are customarily encountered in non-U.S. operations, including:

- interruption in the transportation of materials to us and finished goods to our customers;
- differences in terms of sale, including payment terms;
- local product preferences and product requirements;
- changes in a country's or region's political or economic conditions, such as the devaluation of particular currencies;
- trade protection measures, embargoes and import or export restrictions and requirements;
- unexpected changes in laws or regulatory requirements, including changes in tax laws;
- capital controls and limitations on ownership and on repatriation of earnings and cash;

- the potential for nationalization of enterprises;
- changes in medical reimbursement policies and programs;
- limitations on legal rights and our ability to enforce such rights;
- difficulty in staffing and managing widespread operations;

- differing labor regulations;
- difficulties in implementing restructuring actions on a timely or comprehensive basis; and
- differing protection of intellectual property.

Any of these risks could negatively affect our financial statements and business, including our growth rate.

Significant developments stemming from the current U.S. administration or the United Kingdom's referendum on membership in the EU could have an adverse effect on us.

Changes, potential changes or uncertainties in U.S. social, political, regulatory and economic conditions or laws and policies governing the health care system and drug prices, foreign trade, manufacturing, and development and investment in the territories and countries where we or our customers operate, stemming from the current U.S. administration, could adversely affect our business and financial statements. For example, the current U.S. administration has called for substantial changes to trade agreements, such as the North American Free Trade Agreement ("NAFTA"), has increased tariffs on certain goods imported into the United States and has raised the possibility of imposing significant, additional tariff increases.

Additionally, on June 23, 2016, the United Kingdom held a referendum and voted in favor of leaving the EU. This referendum has caused and may continue to cause political and economic uncertainty, including significant volatility in global stock markets and currency exchange rate fluctuations. Although it is unknown what the full terms of the United Kingdom's future relationship with the EU will be, it is possible that there will be greater restrictions on imports and exports between the United Kingdom and other countries, including the United States, and increased regulatory complexities. Any of these factors could adversely affect customer demand, our relationships with customers and suppliers and our business and financial statements.

If we suffer loss to our facilities, supply chains, distribution systems or information technology systems due to catastrophe or other events, our operations could be seriously harmed.

Our facilities, supply chains, distribution systems and information technology systems are subject to catastrophic loss due to fire, flood, earthquake, hurricane, public health crisis, war, terrorism or other natural or man-made disasters. If any of these facilities, supply chains or systems were to experience a catastrophic loss, it could disrupt our operations, delay production and shipments, result in defective products or services, damage customer relationships and our reputation and result in legal exposure and large repair or replacement expenses. The third-party insurance coverage that we maintain will vary from time to time in both type and amount depending on cost, availability and our decisions regarding risk retention, and may be unavailable or insufficient to protect us against such losses.

Our defined benefit pension plans are subject to financial market risks that could adversely affect our financial statements.

The performance of the financial markets and interest rates impact our defined benefit pension plan expenses and funding obligations. Significant changes in market interest rates, decreases in the fair value of plan assets, investment losses on plan assets and changes in discount rates may increase our funding obligations and adversely impact our financial statements. In addition, upward pressure on the cost of providing health care coverage to current employees and retirees may increase our future funding obligations and adversely affect our financial statements.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Danaher's corporate headquarters are located in Washington, D.C. in a facility that the Company leases. As of December 31, 2017, the Company had facilities in over 60 countries, including approximately 248 significant manufacturing and distribution facilities. 111 of these facilities are located in the United States in over 25 states and 137 are located outside the United States in over 31 other countries, primarily in Europe and to a lesser extent in Asia, the rest of North America, South America and Australia. These facilities cover approximately 22 million square feet, of which approximately 11 million square feet are owned and approximately 11 million square feet are leased. Particularly outside the United States, facilities often serve more than one business segment and may be used for

multiple purposes, such as administration, sales, manufacturing, warehousing and/or distribution. The number of significant manufacturing and distribution facilities by business segment is:

- Life Sciences, 76;
- Diagnostics, 77;

- Dental, 43; and
- Environmental & Applied Solutions, 52.

The Company considers its facilities suitable and adequate for the purposes for which they are used and does not anticipate difficulty in renewing existing leases as they expire or in finding alternative facilities. The Company believes its properties and equipment have been well-maintained. Refer to Note 15 to the Consolidated Financial Statements included in this Annual Report for additional information with respect to the Company's lease commitments.

ITEM 3. LEGAL PROCEEDINGS

In September 2016, the U.S. Environmental Protection Agency ("EPA") issued a Notice of Violation to the Richmond, Illinois facility of Leica Biosystems Richmond, Inc. ("Leica Biosystems"), an indirect subsidiary of the Company, alleging that the facility violated certain provisions of the Clean Air Act and related regulations pertaining to permitting requirements, emissions limitations and the installation and use of proper controls. In December 2017, Leica Biosystems and the EPA reached an agreement in principle on an agency administrative settlement whereby all of Leica Biosystems' alleged violations would be settled for a payment of approximately \$175,000 and certain injunctive relief. The parties expect to reflect the terms of the agreement in principle in an administrative order to be negotiated. The Company does not believe that the final resolution of this matter will have a material adverse effect on the Company's results of operations, cash flow or financial condition.

For additional information regarding legal proceedings, refer to the section titled "Legal Proceedings" in MD&A.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below are the names, ages, positions and experience of Danaher's executive officers as of February 8, 2018. All of Danaher's executive officers hold office at the pleasure of Danaher's Board of Directors. Unless otherwise stated, the positions indicated are Danaher positions.

Name	Age	Position	Officer Since
Steven M. Rales	66	Chairman of the Board	1984
Mitchell P. Rales	61	Chairman of the Executive Committee	1984
Thomas P. Joyce, Jr.	57	Chief Executive Officer and President	2002
Daniel L. Comas	54	Executive Vice President and Chief Financial Officer	1996
Rainer M. Blair	53	Executive Vice President	2014
William K. Daniel II	53	Executive Vice President	2006
Joakim Weidemanis	48	Executive Vice President	2017
Brian W. Ellis	51	Senior Vice President – General Counsel	2016
William H. King	50	Senior Vice President – Strategic Development	2005
Angela S. Lalor	52	Senior Vice President – Human Resources	2012
Robert S. Lutz	60	Senior Vice President – Chief Accounting Officer	2002
Daniel A. Raskas	51	Senior Vice President – Corporate Development	2004

Steven M. Rales is a co-founder of Danaher and has served on Danaher's Board of Directors since 1983, serving as Danaher's Chairman of the Board since 1984. He was also CEO of the Company from 1984 to 1990. Mr. Rales is also a member of the board of directors of Fortive Corporation, and is a brother of Mitchell P. Rales.

Mitchell P. Rales is a co-founder of Danaher and has served on Danaher's Board of Directors since 1983, serving as Chairman of the Executive Committee of Danaher since 1984. He was also President of the Company from 1984 to 1990. Mr. Rales is also a member of the board of directors of Colfax Corporation and of Fortive Corporation, and is a brother of Steven M. Rales.

Thomas P. Joyce, Jr. has served on Danaher's Board of Directors and as Danaher's President and Chief Executive Officer since September 2014 after serving as Executive Vice President – CEO Designate from April 2014 to September 2014 and as Executive Vice President from 2006 to April 2014.

Daniel L. Comas has served as Executive Vice President and Chief Financial Officer since 2005.

Rainer M. Blair has served as Executive Vice President since January 2017 after serving as Vice President – Group Executive from March 2014 until January 2017 and as President of Danaher’s Sciex business from January 2011 to March 2014.

William K. Daniel II has served as Executive Vice President since 2008.

Joakim Weidemanis has served as Executive Vice President since December 2017 after serving as Vice President – Group Executive from March 2014 until December 2017 and as Group President – Marking and Coding from January 2013 to March 2014.

Brian W. Ellis has served as Senior Vice President – General Counsel since joining Danaher in January 2016. Prior to joining Danaher, Mr. Ellis served for over five years in progressively more responsible positions in the legal department of Medtronic, Inc., a medical device company, including most recently as Vice President and General Counsel of Medtronic’s Restorative Therapies Group.

William H. King has served as Senior Vice President – Strategic Development since May 2014 after serving as Vice President – Strategic Development from 2005 to May 2014.

Angela S. Lalor has served as Senior Vice President – Human Resources since joining Danaher in April 2012.

Robert S. Lutz has served as Senior Vice President – Chief Accounting Officer since February 2010.

Daniel A. Raskas has served as Senior Vice President – Corporate Development since February 2010.

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PART II

ITEM 5. MARKET FOR THE REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the New York Stock Exchange under the symbol DHR. As of February 8, 2018, there were approximately 2,500 holders of record of Danaher’s common stock. The high and low common stock prices per share as reported on the New York Stock Exchange, and the dividends declared per share, in each case for the periods described below, were as follows:

	2017			2016 ^(d)		
	High	Low	Dividends Per Share	High	Low	Dividends Per Share
First quarter	\$ 88.01	\$ 78.22	\$ 0.14 ^(a)	\$ 95.89	\$ 81.25	\$ 0.16 ^(b)
Second quarter	87.00	81.36	0.14	102.79	92.45	0.16
Third quarter	88.62	78.97	0.14	82.64	76.15	0.125 ^(c)
Fourth quarter	95.16	83.81	0.14	81.30	75.71	0.125

^(a) The Company increased its quarterly dividend rate in the first quarter of 2017 to \$0.14 per share.

^(b) The Company increased its quarterly dividend rate in the first quarter of 2016 to \$0.16 per share.

^(c) Subsequent to the Separation of Fortive, the Company reduced its quarterly dividend rate to \$0.125 per share.

^(d) The stock prices in the above table on or prior to July 2, 2016, the date of the Fortive Separation, have not been adjusted for the Separation.

Our payment of dividends in the future will be determined by Danaher’s Board of Directors and will depend on business conditions, Danaher’s earnings and other factors Danaher’s Board deems relevant. For a description of the distribution of the issued and outstanding common stock of Fortive pursuant to the Separation, refer to Note 3 to the Consolidated Financial Statements included in this Annual Report.

Issuer Purchases of Equity Securities

On July 16, 2013, the Company’s Board of Directors approved a repurchase program (the “Repurchase Program”) authorizing the repurchase of up to 20 million shares of the Company’s common stock from time to time on the open market or in privately negotiated transactions. There is no expiration date for the Repurchase Program, and the timing and amount of any shares repurchased under the program will be determined by the Company’s management based on its evaluation of market conditions and other factors. The Repurchase Program may be suspended or discontinued at any time. Any repurchased shares will be available for use in connection with the Company’s equity compensation plans (or any successor plan) and for other corporate purposes. As of December 31, 2017, 20 million shares remained available for repurchase pursuant to the Repurchase Program. The Company expects to fund any future stock repurchases using the Company’s available cash balances or proceeds from the issuance of debt.

Except in connection with the disposition of the Company’s communications business to NetScout Systems, Inc. (“NetScout”) in 2015, neither the Company nor any “affiliated purchaser” repurchased any shares of Company common stock during 2017, 2016 or 2015. Refer to Note 3 to the Consolidated Financial Statements included in this Annual Report for a discussion of the 26 million shares of Danaher common stock tendered to and repurchased by the Company in connection with the disposition of the Company’s communications business to NetScout.

Recent Issuances of Unregistered Securities

During the fourth quarter of 2017, holders of certain of the Company’s Liquid Yield Option Notes due 2021 (“LYONs”) converted such LYONs into an aggregate of one thousand shares of Danaher common stock, par value \$0.01 per share. In each case, the shares of common stock were issued solely to existing security holders upon

conversion of the LYONs pursuant to the exemption from registration provided under Section 3(a)(9) of the Securities Act of 1933, as amended.

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ITEM 6. SELECTED FINANCIAL DATA
(\$ in millions, except per share information)

	2017	2016	2015	2014	2013
Sales	\$ 18,329.7	\$ 16,882.4	\$ 14,433.7	\$ 12,866.9	\$ 12,360.9
Operating profit	3,021.2	2,750.9	2,162.2	2,045.0	1,929.9
Net earnings from continuing operations	2,469.8 (a)(b)	2,153.4 (c)(d)	1,746.7 (f)	1,638.7 (h)	1,742.9 (i)
Earnings from discontinued operations, net of income taxes	22.3	400.3	1,610.7 (e)	959.7 (g)	952.1
Net earnings	\$ 2,492.1 (a)(b)	\$ 2,553.7 (c)(d)	\$ 3,357.4 (e)(f)	\$ 2,598.4 (g)(h)	\$ 2,695.0 (i)
Net earnings per share from continuing operations:					
Basic	\$ 3.55 (a)(b)	\$ 3.12 (c)(d)	\$ 2.50 (f)	\$ 2.33 (h)	\$ 2.50 (i)
Diluted	\$ 3.50 (a)(b)	\$ 3.08 (c)(d)	\$ 2.47 (f)	\$ 2.29 (h)	\$ 2.46 (i)
Net earnings per share from discontinued operations:					
Basic	\$ 0.03	\$ 0.58	\$ 2.31 (e)	\$ 1.37 (g)	\$ 1.37
Diluted	\$ 0.03	\$ 0.57	\$ 2.27 (e)	\$ 1.34 (g)	\$ 1.34
Net earnings per share:					
Basic	\$ 3.58 (a)(b)	\$ 3.69 (c)(d) *	\$ 4.81 (e)(f)	\$ 3.70 (g)(h)	\$ 3.87 (i)
Diluted	\$ 3.53 (a)(b)	\$ 3.65 (c)(d)	\$ 4.74 (e)(f)	\$ 3.63 (g)(h)	\$ 3.80 (i)
Dividends declared per share	\$ 0.56 (j)	\$ 0.57 (k)	\$ 0.54 (l)	\$ 0.40 (m)	\$ 0.10
Total assets	\$ 46,648.6	\$ 45,295.3	\$ 48,222.2	\$ 36,991.7	\$ 34,672.2
Total debt	\$ 10,522.1	\$ 12,269.0	\$ 12,870.4	\$ 3,473.4	\$ 3,499.0

(a) Includes \$73 million (\$46 million after-tax or \$0.06 per diluted share) gain on sale of certain marketable equity securities. Refer to Note 13 to the Consolidated Financial Statements included in this Annual Report for additional information.

(b) Includes \$146 million (\$0.21 per diluted share) of discrete tax benefits associated with the resolution of uncertain tax positions as well as the remeasurement of deferred tax assets and liabilities and the Transition Tax from the Tax Cuts and Jobs Act. Refer to Note 12 to the Consolidated Financial Statements included in this Annual Report for additional information.

(c) Includes \$223 million (\$140 million after-tax or \$0.20 per diluted share) gain on sale of certain marketable equity securities. Refer to Note 13 to the Consolidated Financial Statements included in this Annual Report for additional information.

(d) Includes \$179 million (\$112 million after-tax or \$0.16 per diluted share) loss on extinguishment of borrowings, net of certain deferred gains. Refer to Note 13 to the Consolidated Financial Statements included in this Annual Report for additional information.

(e) Includes \$767 million after-tax gain (\$1.08 per diluted share) on disposition of the Company's communications business. Refer to Note 3 to the Consolidated Financial Statements included in this Annual Report for additional information.

(f) Includes \$12 million (\$8 million after-tax or \$0.01 per diluted share) gain on sale of certain marketable equity securities. Refer to Note 13 to the Consolidated Financial Statements included in this Annual Report for additional information.

- (g) Includes \$34 million (\$26 million after-tax or \$0.04 per diluted share) gain on sale of the Company's electric vehicle systems/hybrid product line.
 - (h) Includes \$123 million (\$77 million after-tax or \$0.11 per diluted share) gain on sale of certain marketable equity securities.
 - (i) Includes \$230 million (\$144 million after-tax or \$0.20 per diluted share) gain on sale of the Company's investment in the Apex Tool Group, LLC joint venture and \$202 million (\$125 million after-tax or \$0.18 per diluted share) gain on sale of certain marketable equity securities.
 - (j) The Company increased its quarterly dividend rate in 2017 to \$0.14 per share.
 - (k) The Company increased its quarterly dividend rate in the first quarter of 2016 to \$0.16 per share and subsequently reduced its quarterly dividend rate to \$0.125 per share as a result of the Separation of Fortive in the third quarter of 2016.
 - (l) The Company increased its quarterly dividend rate in 2015 to \$0.135 per share.
 - (m) The Company increased its quarterly dividend rate in 2014 to \$0.10 per share.
- * Net earnings per share amount does not add due to rounding.

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ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) is designed to provide a reader of Danaher’s financial statements with a narrative from the perspective of Company management. The Company’s MD&A is divided into five sections:

- Overview
- Results of Operations
- Liquidity and Capital Resources
- Critical Accounting Estimates
- New Accounting Standards

This discussion and analysis should be read along with Danaher’s audited financial statements and related Notes thereto as of December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017 included in this Annual Report.

OVERVIEW

General

Refer to “Item 1. Business—General” for a discussion of Danaher’s strategic objectives and methodologies for delivering long-term shareholder value. Danaher is a multinational business with global operations. During 2017, approximately 63% of Danaher’s sales were derived from customers outside the United States. As a diversified, global business, Danaher’s operations are affected by worldwide, regional and industry-specific economic and political factors. Danaher’s geographic and industry diversity, as well as the range of its products, software and services, help limit the impact of any one industry or the economy of any single country on its consolidated operating results. Given the broad range of products manufactured, software and services provided and geographies served, management does not use any indices other than general economic trends to predict the overall outlook for the Company. The Company’s individual businesses monitor key competitors and customers, including to the extent possible their sales, to gauge relative performance and the outlook for the future.

As a result of the Company’s geographic and industry diversity, the Company faces a variety of opportunities and challenges, including rapid technological development (particularly with respect to computing, automation, artificial intelligence, mobile connectivity, communications and digitization) in most of the Company’s served markets, the expansion and evolution of opportunities in high-growth markets, trends and costs associated with a global labor force, consolidation of the Company’s competitors and increasing regulation. The Company operates in a highly competitive business environment in most markets, and the Company’s long-term growth and profitability will depend in particular on its ability to expand its business in high-growth geographies and high-growth market segments, identify, consummate and integrate appropriate acquisitions, develop innovative and differentiated new products and services with higher gross profit margins, expand and improve the effectiveness of the Company’s sales force, continue to reduce costs and improve operating efficiency and quality, and effectively address the demands of an increasingly regulated global environment. The Company is making significant investments, organically and through acquisitions, to address the rapid pace of technological change in its served markets and to globalize its manufacturing, research and development and customer-facing resources (particularly in high-growth markets) in order to be responsive to the Company’s customers throughout the world and improve the efficiency of the Company’s operations.

Business Performance

Consolidated sales for the year ended December 31, 2017 increased 8.5% as compared to 2016. While differences exist among the Company’s businesses, on an overall basis, demand for the Company’s products and services increased on a year-over-year basis in 2017 as compared to 2016. This demand, together with the Company’s continued investments in sales growth initiatives and the other business-specific factors discussed below, contributed

to year-over-year core sales growth of 3.5% (for the definition of “core sales,” refer to “—Results of Operations” below). Geographically, both high-growth and developed markets contributed to year-over-year core sales growth during 2017. The Company defines high-growth markets as developing markets of the world experiencing rapid growth in gross domestic product and infrastructure which includes Eastern Europe, the Middle East, Africa, Latin America and Asia (with the exception of Japan and Australia). Core sales growth rates in high-growth markets grew at a high-single digit rate in 2017 as compared to 2016 led by strength in China, India, Eastern Europe and Latin America, partially offset by weakness in the Middle East. High-growth markets represented

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approximately 30% of the Company's total sales in 2017. Core sales in developed markets grew at a low-single digit rate in 2017 as compared to 2016 and were driven by North America and Western Europe.

The Company's income from continuing operations for the year-ended December 31, 2017 totaled approximately \$2.5 billion, or \$3.50 per diluted share, compared to approximately \$2.2 billion, or \$3.08 per diluted share for the year ended December 31, 2016.

During 2017, the Company made the strategic decision to discontinue a molecular diagnostic product line in its Diagnostics segment. As a result, the Company recorded \$76 million of pretax restructuring, impairment and other related charges (\$51 million after-tax or \$0.07 per diluted share). These charges included \$49 million of noncash charges for the impairment of certain technology-related intangible assets as well as related inventory and property, plant and equipment with no further use. In addition, the Company incurred \$27 million of cash restructuring costs primarily related to employee severance and related charges. Substantially all restructuring activities related to this discontinued product line were completed in 2017.

Acquisitions

During 2017, the Company acquired ten businesses for total consideration of \$386 million in cash, net of cash acquired. The businesses acquired complement existing units of the Company's Life Sciences, Dental and Environmental & Applied Solutions segments. The aggregate annual sales of these ten businesses at the time of their respective acquisitions, in each case based on the company's revenues for its last completed fiscal year prior to the acquisition, were \$160 million.

For a discussion of the Company's 2016 and 2015 acquisition and disposition activity, refer to "Liquidity and Capital Resources—Investing Activities".

Fortive Separation

On July 2, 2016, Danaher completed the Separation of its former Test & Measurement segment, Industrial Technologies segment (excluding the product identification businesses) and retail/commercial petroleum business by distributing to Danaher stockholders on a pro rata basis all of the issued and outstanding common stock of Fortive, the entity Danaher incorporated to hold such businesses. To effect the Separation, Danaher distributed to its stockholders one share of Fortive common stock for every two shares of Danaher common stock outstanding as of June 15, 2016, the record date for the distribution.

During the second quarter of 2016, the Company received net cash distributions of approximately \$3.0 billion from Fortive as consideration for the Company's contribution of assets to Fortive in connection with the Separation ("Fortive Distribution"). Danaher used a portion of the cash distribution proceeds to repay the \$500 million aggregate principal amount of 2.3% senior unsecured notes that matured in June 2016 and to redeem approximately \$1.9 billion in aggregate principal amount of outstanding indebtedness in August 2016 (consisting of the Company's 5.625% senior unsecured notes due 2018, 5.4% senior unsecured notes due 2019 and 3.9% senior unsecured notes due 2021 (collectively the "Redeemed Notes")). Danaher also paid an aggregate of \$188 million in make-whole premiums in connection with the August 2016 redemptions, plus accrued and unpaid interest. The Company used the balance of the Fortive Distribution to fund certain of the Company's regular, quarterly cash dividends to shareholders.

The accounting requirements for reporting the Separation of Fortive as a discontinued operation were met when the Separation was completed. Accordingly, the accompanying Consolidated Financial Statements for all periods presented reflect this business as a discontinued operation. The Company allocated a portion of the consolidated interest expense and income to discontinued operations based on the ratio of the discontinued business' net assets to the Company's consolidated net assets. Fortive had revenues of approximately \$3.0 billion in 2016 prior to the Separation and approximately \$6.2 billion in 2015.

As a result of the Separation, the Company incurred \$48 million in Separation-related costs during the year ended December 31, 2016 which are included in earnings from discontinued operations, net of income taxes in the accompanying Consolidated Statement of Earnings. These Separation costs primarily relate to professional fees associated with preparation of regulatory filings and Separation activities within finance, tax, legal and information system functions as well as certain investment banking fees incurred upon the Separation.

In 2017, Danaher recorded a \$22 million income tax benefit related to the release of previously provided reserves associated with uncertain tax positions on certain Danaher tax returns which were jointly filed with Fortive entities.

These reserves were released due to the expiration of statutes of limitations for those returns. All Fortive entity-related balances were included in the income tax benefit related to discontinued operations.

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Sale of Investments

The Company received \$138 million of cash proceeds and recorded \$22 million in short-term other receivables from the sale of certain marketable equity securities during 2017. The Company recorded a pretax gain related to this sale of \$73 million (\$46 million after-tax or \$0.06 per diluted share).

For a discussion of the Company's 2016 and 2015 sales of investments activity, refer to "Liquidity and Capital Resources—Investing Activities".

U.S. Tax Cuts and Jobs Act

On December 22, 2017, the TCJA was enacted, which substantially changes the U.S. tax system, including lowering the corporate tax rate from 35% to 21% (beginning in 2018), and affected the Company in a number of ways. As a result of the TCJA, the Company recognized a provisional tax liability of approximately \$1.2 billion in 2017 for the Transition Tax, which is payable over a period of eight years. The Company also remeasured U.S. deferred tax assets and liabilities based on the income tax rates at which the deferred tax assets and liabilities are expected to reverse in the future (generally 21%), resulting in an income tax benefit of approximately \$1.2 billion. After considering the effect of the TCJA, the Company expects its 2018 effective tax rate to be in the range of 20% to 21%. The Company does not expect the Transition Tax to significantly impact the Company's cash flows from operations due to the payment period of eight years and the Company's ability to use available credits to reduce the required payments. For further discussion of the TCJA, refer to "—Income Taxes."

RESULTS OF OPERATIONS

In this report, references to the non-GAAP measure of core sales (also referred to as core revenues or sales from existing businesses) refer to sales from continuing operations calculated according to generally accepted accounting principles in the United States ("GAAP") but excluding:

- sales from acquired businesses; and
- the impact of currency translation.

References to sales or operating profit attributable to acquisitions or acquired businesses refer to sales or operating profit, as applicable, from acquired businesses recorded prior to the first anniversary of the acquisition less the amount of sales and operating profit, as applicable, attributable to divested product lines not considered discontinued operations. The portion of revenue attributable to currency translation is calculated as the difference between:

- the period-to-period change in revenue (excluding sales from acquired businesses); and
- the period-to-period change in revenue (excluding sales from acquired businesses) after applying current period foreign exchange rates to the prior year period.

Core sales growth should be considered in addition to, and not as a replacement for or superior to, sales, and may not be comparable to similarly titled measures reported by other companies. Management believes that reporting the non-GAAP financial measure of core sales growth provides useful information to investors by helping identify underlying growth trends in Danaher's business and facilitating comparisons of Danaher's revenue performance with its performance in prior and future periods and to Danaher's peers. Management also uses core sales growth to measure the Company's operating and financial performance. The Company excludes the effect of currency translation from core sales because currency translation is not under management's control, is subject to volatility and can obscure underlying business trends, and excludes the effect of acquisitions and divestiture-related items because the nature, size, timing and number of acquisitions and divestitures can vary dramatically from period-to-period and between the Company and its peers and can also obscure underlying business trends and make comparisons of long-term performance difficult.

Throughout this discussion, references to sales volume refer to the impact of both price and unit sales and references to productivity improvements generally refer to improved cost efficiencies resulting from the ongoing application of DBS.

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Revenue Performance

	2017 vs. 2016	2016 vs. 2015
Total sales growth (GAAP)	8.5 %	17.0 %
Less the impact of:		
Acquisitions and other	) (4.5 %	) (15.0 %
Currency exchange rates	) (0.5 %	1.0 %
Core revenue growth (non-GAAP)	3.5 %	3.0 %

Core sales grew on a year-over-year basis in both 2017 and 2016. Sales from acquired businesses increased on a year-over-year basis in both years primarily due to the acquisitions of Cepheid in the fourth quarter of 2016 and Pall in the third quarter of 2015. Currency translation increased reported sales on a year-over-year basis in 2017 primarily due to the U.S. dollar weakening against the euro, partially offset by the U.S. dollar strengthening against the Japanese yen and Chinese renminbi. Currency translation reduced reported sales on a year-over-year basis in 2016 as the U.S. dollar was, on average, stronger against other major currencies.

Operating profit margins were 16.5% for the year ended December 31, 2017 as compared to 16.3% in 2016. The following factors impacted year-over-year operating profit margin comparisons.

2017 vs. 2016 operating profit margin comparisons were favorably impacted by:

- Higher 2017 sales volumes from existing businesses and incremental year-over-year cost savings associated with the continuing productivity improvement initiatives taken in 2017 and 2016, net of incremental year-over-year costs associated with various product development, sales and marketing growth investments - 70 basis points
- Acquisition-related charges in 2016 - 50 basis points

2017 vs. 2016 operating profit margin comparisons were unfavorably impacted by:

- Restructuring, impairment and other related charges related to discontinuing a product line in the second quarter of 2017 related to the Diagnostic segment - 40 basis points
- Trade name impairments and related productivity improvement initiatives in the fourth quarter of 2017 related to the Dental segment - 5 basis points
- Third quarter 2016 gain on resolution of acquisition-related matters less the impact of fourth quarter 2017 net gain on resolution of acquisition-related matters - 5 basis points
- The incremental net dilutive effect in 2017 of acquired businesses - 50 basis points

Operating profit margins were 16.3% for the year ended December 31, 2016 as compared to 15.0% in 2015. The following factors impacted year-over-year operating profit margin comparisons.

2016 vs. 2015 operating profit margin comparisons were favorably impacted by:

- Higher 2016 sales volumes from existing businesses and incremental year-over-year cost savings associated with the continuing productivity improvement initiatives taken in 2016 and 2015, net of incremental year-over-year costs associated with various product development, sales and marketing growth investments and the effect of a stronger U.S. dollar in 2016 - 115 basis points

Acquisition-related charges in 2015 associated with the acquisition of Pall, including transaction costs deemed significant (the Company deems acquisition-related transaction costs incurred in a given period to be significant, generally relating to the Company's larger acquisitions, if it determines that such costs exceed the range of acquisition-related transaction costs typical for the Company in a given period), change in control payments, and fair value adjustments to acquired inventory and deferred revenue, net of the positive impact of freezing pension benefits - 90 basis points

- Acquisition-related charges in the first quarter of 2015 associated with the acquisition of Nobel Biocare, primarily related to fair value adjustments to acquired inventory - 15 basis points
- 2016 gains on resolution of acquisition-related matters - 10 basis points

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2016 vs. 2015 operating profit margin comparisons were unfavorably impacted by:

- Acquisition-related charges in 2016 associated primarily with the acquisition of Cepheid, including transaction costs deemed significant, change in control and restructuring payments, and fair value adjustments to acquired inventory and deferred revenue - 50 basis points
- The incremental net dilutive effect in 2016 of acquired businesses - 50 basis points

Business Segments

Sales by business segment for the years ended December 31 are as follows (\$ in millions):

	2017	2016	2015
Life Sciences	\$ 5,710.1	\$ 5,365.9	\$ 3,314.6
Diagnostics	5,839.9	5,038.3	4,832.5
Dental	2,810.9	2,785.4	2,736.8
Environmental & Applied Solutions	3,968.8	3,692.8	3,549.8
Total	<u>\$ 18,329.7</u>	<u>\$ 16,882.4</u>	<u>\$ 14,433.7</u>

LIFE SCIENCES

The Company's Life Sciences segment offers a broad range of research tools that scientists use to study the basic building blocks of life, including genes, proteins, metabolites and cells, in order to understand the causes of disease, identify new therapies and test new drugs and vaccines. The segment, through its Pall business, is also a leading provider of filtration, separation and purification technologies to the biopharmaceutical, food and beverage, medical, aerospace, microelectronics and general industrial sectors.

Life Sciences Selected Financial Data

(\$ in millions)	For the Year Ended December 31		
	2017	2016	2015
Sales	\$ 5,710.1	\$ 5,365.9	\$ 3,314.6
Operating profit	1,004.3	818.9	329.2
Depreciation	119.0	126.8	77.3
Amortization	308.9	299.4	132.8
Operating profit as a % of sales	17.6 %	15.3 %	9.9 %
Depreciation as a % of sales	2.1 %	2.4 %	2.3 %
Amortization as a % of sales	5.4 %	5.6 %	4.0 %

Revenue Performance

	2017 vs. 2016	2016 vs. 2015
Total sales growth (GAAP)	6.5 %	62.0 %
Less the impact of:		
Acquisitions and other	) (2.0 %	) (59.0 %
Currency exchange rates	) (0.5 %	) 0.5 %
Core revenue growth (non-GAAP)	<u>4.0 %</u>	<u>3.5 %</u>

2017 Compared to 2016

During the first quarter of 2017, a product line was transferred from the Life Sciences segment to the Environmental & Applied Solutions segment. While this change is not material to segment results in total, the resulting change in sales growth has been included in the “Acquisitions and other” line in the table above.

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Price increases in the segment contributed 0.5% to revenue growth on a year-over-year basis during 2017 as compared with 2016 and are reflected as a component of the change in core revenue growth.

Core sales of the business' broad range of mass spectrometers continued to grow on a year-over-year basis led by strong sales growth in the pharmaceutical market across Asia and North America as well as sales growth in the food and forensics markets across all major regions. This growth was partially offset by continuing declines in demand in the clinical market in North America. Core sales of microscopy products increased on a year-over-year basis with growth in demand across most end-markets particularly in Western Europe and the high-growth markets. Year-over-year sales for the business' flow cytometry and particle counting products grew in 2017, primarily due to new product introductions and were led by increases in sales in North America, Western Europe and China. Core sales for filtration, separation and purification technologies grew on a year-over-year basis led by continued growth in biopharmaceuticals and microelectronics, partially offset by declines in the process, industrial and medical products particularly in the first half of 2017. Geographically, core sales in filtration, separation and purification technologies were primarily led by growth in North America and Asia, partially offset by declines in the Middle East largely due to a major project in 2016 which did not repeat in 2017.

Operating profit margins increased 230 basis points during 2017 as compared to 2016. The following factors impacted year-over-year operating profit margin comparisons.

2017 vs. 2016 operating profit margin comparisons were favorably impacted by:

- Higher 2017 sales volumes from existing businesses and incremental year-over-year cost savings associated with the continuing productivity improvement initiatives taken in 2017 and 2016, net of incremental year-over-year costs associated with various new product development, sales and marketing growth investments and the effect of year-over-year changes in currency exchange rates - 205 basis points
- Acquisition-related charges in 2016, including transaction costs deemed significant, change in control and restructuring payments, and fair value adjustments to acquired inventory and deferred revenue - 10 basis points
- The incremental net accretive effect in 2017 of acquired businesses and intersegment product line transfers - 20 basis points

2017 vs. 2016 operating profit margin comparisons were unfavorably impacted by:

- Fourth quarter 2017 loss on resolution of acquisition-related matters - 5 basis points

2016 Compared to 2015

Price increases in the segment did not have a significant impact on sales growth on a year-over-year basis during 2016 as compared with 2015.

Core sales of the business' broad range of mass spectrometers continued to grow on a year-over-year basis led by strong core sales growth in the pharmaceutical market in China and India as well as the services businesses. This growth was partially offset by declines in the overall market in Japan and softness in demand in the clinical end-market in North America. Core sales of microscopy products were essentially flat on a year-over-year basis with growth in demand in North America and China offset by declines in Japan. Year-over-year demand for the business' flow cytometry and particle counting products grew in 2016, led by increases in demand in North America, Western Europe and China.

The acquisition of Pall in August 2015 contributed the majority of the increase in sales from acquisitions. During the year ended December 31, 2016, Pall's revenues grew on a year-over-year basis compared to the business' 2015 results, led by continued growth in the life sciences business primarily due to demand for biopharmaceutical solutions including single-use technologies, partially offset by soft demand in the industrial business as a result of overall market weakness.

Operating profit margins increased 540 basis points during 2016 as compared to 2015. The following factors impacted year-over-year operating profit margin comparisons.

2016 vs. 2015 operating profit margin comparisons were favorably impacted by:

- Higher 2016 sales volumes from existing businesses and incremental year-over-year cost savings associated with the continuing productivity improvement initiatives taken in 2016 and 2015, net of incremental year-over-year costs associated with various product development, sales and marketing growth investments and the effect of a stronger U.S. dollar in 2016 - 175 basis points

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- Acquisition-related charges in 2015 associated with the acquisition of Pall, including transaction costs deemed significant, change in control payments, and fair value adjustments to acquired inventory and deferred revenue, net of the positive impact of freezing pension benefits - 390 basis points

2016 vs. 2015 operating profit margin comparisons were unfavorably impacted by:

- Acquisition-related charges in 2016, including transaction costs deemed significant, change in control and restructuring payments, and fair value adjustments to acquired inventory and deferred revenue - 10 basis points
- The incremental net dilutive effect in 2016 of acquired businesses (including Pall) - 15 basis points

Depreciation and amortization expense increased during 2016 as compared to 2015 due primarily to the impact of recently acquired businesses, particularly Pall, and the resulting increase in depreciable and amortizable assets.

DIAGNOSTICS

The Company's Diagnostics segment offers analytical instruments, reagents, consumables, software and services that hospitals, physicians' offices, reference laboratories and other critical care settings use to diagnose disease and make treatment decisions.

Diagnostics Selected Financial Data

(\$ in millions)	For the Year Ended December 31		
	2017	2016	2015
Sales	\$ 5,839.9	\$ 5,038.3	\$ 4,832.5
Operating profit	871.6	786.4	746.2
Depreciation	368.1	332.1	314.9
Amortization	213.4	149.4	134.8
Operating profit as a % of sales	14.9 %	15.6 %	15.4 %
Depreciation as a % of sales	6.3 %	6.6 %	6.5 %
Amortization as a % of sales	3.7 %	3.0 %	2.8 %

Revenue Performance

	2017 vs. 2016	2016 vs. 2015
Total sales growth (GAAP)	16.0 %	4.5 %
Less the impact of:		
Acquisitions and other	) (12.0 %	) (3.0 %
Currency exchange rates	— %	1.0 %
Core revenue growth (non-GAAP)	4.0 %	2.5 %

2017 Compared to 2016

Price increases in the segment contributed 0.5% to sales growth on a year-over-year basis during 2017 as compared with 2016 and are reflected as a component of the change in core revenue growth.

Core sales in the clinical lab business increased on a year-over-year basis. Geographically, continued strong demand in high-growth markets for the clinical lab business was partially offset by declines in Western Europe and Japan. Increased demand in the immunoassay product line drove the majority of the growth for the year in the clinical lab business. Growth in the acute care diagnostic business was driven by continued strong consumable sales in 2017 across most major geographies. Increased demand for advanced staining and core histology instruments and related

consumables across most major geographies drove the majority of the year-over-year core sales growth in the pathology diagnostics business.

The acquisition of Cepheid in November 2016 contributed the majority of the increase in sales from acquisitions. During 2017, Cepheid's revenues compared to the business' 2016 results grew on a year-over-year basis in most major geographies and product lines. As Cepheid is integrated into the Company, a process that will continue over the next several years, the Company has realized and expects to realize cost savings and other business process improvements through the application of DBS.

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During 2017, the Company made the strategic decision to discontinue a molecular diagnostic product line in its Diagnostics segment. As a result, the Company recorded \$76 million of pretax restructuring, impairment and other related charges (\$51 million after-tax or \$0.07 per diluted share). These charges included \$49 million of noncash charges for the impairment of certain technology-related intangible assets as well as related inventory and property, plant and equipment with no further use. In addition, the Company incurred \$27 million of cash restructuring costs primarily related to employee severance and related charges. Substantially all restructuring activities related to this discontinued product line were completed in 2017.

Operating profit margins declined 70 basis points during 2017 as compared to 2016. The following factors impacted year-over-year operating profit margin comparisons.

2017 vs. 2016 operating profit margin comparisons were favorably impacted by:

- Higher 2017 sales volumes from existing businesses and incremental year-over-year cost savings associated with the continuing productivity improvement initiatives taken in 2017 and 2016, net of incremental year-over-year costs associated with various new product development, sales and marketing growth investments and the effect of year-over-year changes in currency exchange rates - 35 basis points
- Acquisition-related charges in 2016 associated with the acquisition of Cepheid, including transaction costs deemed significant, change in control and restructuring payments, and fair value adjustments to acquired inventory and deferred revenue - 150 basis points
- 2017 gain on resolution of acquisition-related matters - 25 basis points

2017 vs. 2016 operating profit margin comparisons were unfavorably impacted by:

- Restructuring, impairment and other related charges related to discontinuing a product line in 2017 - 130 basis points
- The incremental net dilutive effect in 2017 of acquired businesses - 150 basis points

Depreciation and amortization increased during 2017 as compared with 2016 primarily due to the impact of recently acquired businesses, primarily Cepheid, and the resulting increase in depreciable and amortizable assets.

2016 Compared to 2015

Price increases in the segment contributed 0.5% to sales growth on a year-over-year basis during 2016 as compared with 2015 and are reflected as a component of the change in core revenue growth.

Geographically, demand in the clinical lab business increased on a year-over-year basis led by continuing strong demand in high-growth markets, particularly China, partially offset by declines in North America. Increased demand in the immunoassay products drove the majority of growth for the year in the clinical business. Continued strong consumable sales in 2016 particularly in China, Western Europe, North America and Japan drove the majority of the year-over-year sales growth in the acute care diagnostic business. Increased demand for advanced staining consumables, particularly in North America and China, and core histology instruments across most major geographies, but particularly in China, drove the majority of the year-over-year sales growth in the pathology diagnostics business.

Operating profit margins increased 20 basis points during 2016 as compared to 2015. The following factors impacted year-over-year operating profit margin comparisons.

2016 vs. 2015 operating profit margin comparisons were favorably impacted by:

- Higher 2016 sales volumes from existing businesses and incremental year-over-year cost savings associated with the continuing productivity improvement initiatives taken in 2016 and 2015, net of incremental year-over-year costs associated with various product development, sales and marketing growth investments and the effect of a stronger U.S. dollar in 2016 - 200 basis points

2016 vs. 2015 operating profit margin comparisons were unfavorably impacted by:

- Acquisition-related charges in 2016 associated with the acquisition of Cepheid, including transaction costs deemed significant, change in control and restructuring payments, and fair value adjustments to acquired inventory and deferred revenue - 150 basis points
- The incremental net dilutive effect in 2016 of acquired businesses - 30 basis points

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Amortization increased during 2016 as compared with 2015 primarily due to the impact of recently acquired businesses including Cepheid and the resulting increase in amortizable assets.

DENTAL

The Company's Dental segment provides products that are used to diagnose, treat and prevent disease and ailments of the teeth, gums and supporting bone, as well as to improve the aesthetics of the human smile. The Company is a leading worldwide provider of a broad range of dental consumables, equipment and services, and is dedicated to driving technological innovations that help dental professionals improve clinical outcomes and enhance productivity.

Dental Selected Financial Data

(\$ in millions)	For the Year Ended December 31		
	2017	2016	2015
Sales	\$ 2,810.9	\$ 2,785.4	\$ 2,736.8
Operating profit	400.7	419.4	370.4
Depreciation	39.7	43.8	50.0
Amortization	81.7	83.4	82.0
Operating profit as a % of sales	14.3 %	15.1 %	13.5 %
Depreciation as a % of sales	1.4 %	1.6 %	1.8 %
Amortization as a % of sales	2.9 %	3.0 %	3.0 %

Revenue Performance

	2017 vs. 2016	2016 vs. 2015
Total sales growth (GAAP)	1.0 %	2.0 %
Less the impact of:		
Acquisitions and other	— %	) (0.5 %)
Currency exchange rates	) (1.0 %)	0.5 %
Core revenue growth (non-GAAP)	— %	2.0 %

2017 Compared to 2016

Price increases in the segment did not have a significant impact on sales growth on a year-over-year basis during 2017 as compared with 2016.

Geographically, year-over-year core revenue growth was strong in China, Russia and other high-growth markets, offset by lower demand in the United States and Western Europe. Strong year-over-year growth continued during 2017 for the specialty consumables business, which consists of implant solutions and orthodontic products. Core sales growth for the specialty consumables business was led by high-growth markets and North America. Dental equipment core sales were essentially flat during 2017, as increased demand in high-growth markets was offset by weaker demand in the United States and Western Europe, particularly later in the year for North America due to the realignment of dental equipment distributors and manufacturers. Demand was lower for traditional dental consumable product lines in North America and Western Europe reflecting inventory destocking by several distribution partners. While the impact of inventory destocking in the consumables business began to lessen late in 2017, the recent realignment of distributors and manufacturers in the dental industry, primarily in North America, may have a continued negative impact on revenues in the near-term.

Operating profit margins declined 80 basis points during 2017 as compared to 2016. The following factors unfavorably impacted year-over-year operating profit margin comparisons:

-

Incremental year-over-year costs associated with various new product development, sales and marketing growth investments, the effect of year-over-year changes in currency exchange rates and unfavorable product mix due to lower sales of dental consumables in 2017, net of incremental year-over-year cost savings associated with the continuing productivity improvement initiatives taken in 2017 and 2016 - 35 basis points

- Trade name impairments and related productivity improvement initiatives in 2017 - 35 basis points

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- The incremental net dilutive effect in 2017 of acquired businesses - 10 basis points

2016 Compared to 2015

Price increases in the segment contributed 0.5% to sales growth on a year-over-year basis during 2016 as compared with 2015 and are reflected as a component of the change in core revenue growth.

Geographically, year-over-year core revenue growth was strong in China and other high-growth markets, with low-single digit growth in the United States partially offset by lower demand in Western Europe. Continued strong year-over-year demand for implant solutions, particularly in China and North America, and increased demand for orthodontic products, primarily in China and Russia, drove growth during 2016. Dental equipment core sales also increased during 2016, primarily in high-growth markets and North America partially offset by weaker demand in Western Europe. Lower demand for dental consumable product lines in North America and the Middle East partially offset this year-over-year growth in 2016.

Operating profit margins increased 160 basis points during 2016 as compared to 2015. The following factors impacted year-over-year operating profit margin comparisons.

2016 vs. 2015 operating profit margin comparisons were favorably impacted by:

- Higher 2016 sales volumes from existing businesses and incremental year-over-year cost savings associated with the continuing productivity improvement initiatives taken in 2016 and 2015, net of incremental year-over-year costs associated with various product development, sales and marketing growth investments and the effect of a stronger U.S. dollar in 2016 - 90 basis points
- Acquisition-related charges in the first quarter of 2015 associated with the acquisition of Nobel Biocare, primarily related to fair value adjustments to acquired inventory - 80 basis points

2016 vs. 2015 operating profit margin comparisons were unfavorably impacted by:

- The incremental net dilutive effect in 2016 of acquired businesses - 10 basis points

ENVIRONMENTAL & APPLIED SOLUTIONS

The Company's Environmental & Applied Solutions segment products and services help protect important resources and keep global food and water supplies safe. The Company's water quality business provides instrumentation, services and disinfection systems to help analyze, treat and manage the quality of ultra-pure, potable, industrial, waste, ground, source and ocean water in residential, commercial, municipal, industrial and natural resource applications. The Company's product identification business provides equipment, software, services and consumables for various color and appearance management, packaging design and quality management, printing, marking, coding and traceability applications for consumer, pharmaceutical and industrial products.

Environmental & Applied Solutions Selected Financial Data

(\$ in millions)	For the Year Ended December 31		
	2017	2016	2015
Sales	\$ 3,968.8	\$ 3,692.8	\$ 3,549.8
Operating profit	914.6	870.0	866.6
Depreciation	43.4	35.8	35.0
Amortization	56.5	50.9	47.2
Operating profit as a % of sales	23.0 %	23.6 %	24.4 %
Depreciation as a % of sales	1.1 %	1.0 %	1.0 %
Amortization as a % of sales	1.4 %	1.4 %	1.3 %

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Revenue Performance

	2017 vs. 2016	2016 vs. 2015
Total sales growth (GAAP)	7.5 %	4.0 %
Less the impact of:		
Acquisitions and other	) (3.0 %)	) (2.5 %)
Currency exchange rates	) (0.5 %)	1.5 %
Core revenue growth (non-GAAP)	4.0 %	3.0 %

2017 Compared to 2016

During the first quarter of 2017, a product line was transferred from the Life Sciences segment to the Environmental & Applied Solutions segment. While this change is not material to segment results in total, the resulting change in sales growth has been included in the “Acquisitions and other” line in the table above.

Price increases in the segment contributed 1.0% to sales growth on a year-over-year basis during 2017 as compared with 2016 and are reflected as a component of the change in core revenue growth.

Core sales in the segment’s water quality businesses grew at a low-single digit rate during 2017 as compared with 2016. Year-over-year core sales in the analytical instrumentation product line grew, as increased demand in the industrial and municipal end-markets was partially offset by lower demand in the environmental end-markets. Geographically, year-over-year core revenue growth in the analytical instrumentation product line was driven by increased demand in China, Western Europe and North America, partially offset by lower demand in the Middle East and Latin America. Year-over-year core revenue growth in the business’ chemical treatment solutions product line was due primarily to an expansion of the customer base in the United States, driven by higher demand in food, steel and oil and gas-related end-markets. Core sales in the business’ ultraviolet water disinfection product line grew on a year-over-year basis due primarily to higher demand in municipal and industrial end-markets in North America, Western Europe and Asia.

Core sales in the segment’s product identification businesses grew at a mid-single digit rate during 2017 as compared with 2016. Continued strong year-over-year demand for marking and coding equipment and related consumables in most major geographies, led by North America and Western Europe, drove the majority of the core revenue growth. Demand for the business’ packaging and color solutions also increased year-over-year. Geographically, core revenue growth for packaging and color solutions was led by North America, Western Europe and Asia.

Operating profit margins declined 60 basis points during 2017 as compared to 2016. The following factors impacted year-over-year operating profit margin comparisons.

2017 vs. 2016 operating profit margin comparisons were favorably impacted by:

- Higher 2017 sales volumes, incremental year-over-year cost savings associated with the continuing productivity improvement initiatives taken in 2017 and 2016, improved pricing and the effect of year-over-year changes in currency exchange rates, net of incremental year-over-year costs associated with various new product development and sales and marketing growth investments - 5 basis points

2017 vs. 2016 operating profit margin comparisons were unfavorably impacted by:

- The incremental net dilutive effect in 2017 of acquired businesses - 65 basis points

2016 Compared to 2015

Price increases in the segment contributed 1.0% to sales growth on a year-over-year basis during 2016 as compared with 2015 and are reflected as a component of the change in core revenue growth.

Core sales in the segment's water quality businesses grew at a low-single digit rate during 2016 as compared with 2015. Year-over-year core sales in the analytical instrumentation product line grew, as increases in sales to the U.S. municipal end-market and Western Europe were partially offset by lower demand in Eastern Europe and China. Year-over-year core revenue growth in the business' chemical treatment solutions product line was due primarily to an expansion of the customer base in the United States. Chemical treatment solutions saw an improvement in commodity oriented end-markets in Latin America in the fourth quarter of 2016 after declining growth in the earlier portion of 2016. Core sales in the business' ultraviolet water disinfection

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product line grew on a year-over-year basis due primarily to higher demand in municipal and industrial end-markets in Western Europe, China and Australia.

Core sales in the segment's product identification businesses grew at a mid-single digit rate during 2016 as compared with 2015. Continued strong year-over-year demand for marking and coding equipment and related consumables in most major geographies, led by North America, Western Europe and Latin America, drove the majority of the core revenue growth. Demand for the business' packaging and color solutions was flat year-over-year, as core revenue growth in the second half of the year was offset by weakness in the first half of the year. Geographically, increased demand in the high-growth markets was offset by weaker demand in North America and Europe.

Operating profit margins declined 80 basis points during 2016 as compared to 2015. The following factors unfavorably impacted year-over-year operating profit margin comparisons.

- The incremental net dilutive effect in 2016 of acquired businesses - 75 basis points
- Incremental year-over-year costs associated with various product development, sales and marketing growth investments and the effect of a stronger U.S. dollar in 2016, net of higher 2016 sales volumes from existing businesses and incremental year-over-year cost savings associated with the continuing productivity improvement initiatives taken in 2016 and 2015 - 5 basis points

COST OF SALES AND GROSS PROFIT

(\$ in millions)	For the Year Ended December 31		
	2017	2016	2015
Sales	\$ 18,329.7	\$ 16,882.4	\$ 14,433.7
Cost of sales	(8,137.2)	(7,547.8)	(6,662.6)
Gross profit	\$ 10,192.5	\$ 9,334.6	\$ 7,771.1
Gross profit margin	55.6 %	55.3 %	53.8 %

The year-over-year increase in cost of sales during 2017 as compared with 2016 is due primarily to the impact of higher year-over-year sales volumes, including sales from recently acquired businesses and the impact of restructuring, impairment and other related charges associated with the Company's strategic decision to discontinue a product line in its Diagnostics segment. This increase in cost of sales was partially offset by year-over-year cost savings at recently acquired businesses, incremental year-over-year cost savings associated with the continued productivity improvement actions taken in 2017 and 2016, and the year-over-year decrease in acquisition-related charges associated with fair value adjustments to acquired inventory which decreased cost of sales by \$21 million during 2017 as compared to 2016.

The year-over-year increase in cost of sales during 2016 as compared with 2015, is due primarily to the impact of higher year-over-year sales volumes, including sales from recently acquired businesses. This increase in cost of sales was partially offset by year-over-year cost savings at recently acquired businesses, particularly Pall, incremental year-over-year cost savings associated with the continued productivity improvement actions taken in 2016 and 2015, and the year-over-year decrease in acquisition-related charges associated with fair value adjustments to acquired inventory which decreased cost of sales by \$85 million during 2016 as compared to 2015.

The year-over-year increase in gross profit margins during 2017 as compared with 2016 is due primarily to the favorable impact of higher year-over-year sales volumes and incremental year-over-year cost savings associated with the continuing productivity improvements taken in 2017 and 2016. In addition, the acquisition-related charges associated with fair value adjustments to acquired inventory and deferred revenue were higher in 2016 than 2017, which improved gross profit margins by 10 basis points during 2017 as compared with 2016.

The year-over-year increase in gross profit margins during 2016 as compared with 2015 is due primarily to the favorable impact of higher year-over-year sales volumes, incremental year-over-year cost savings associated with the continuing productivity improvements taken in 2016 and 2015 and improved gross profit margins on a year-over-year basis at recently acquired businesses, particularly Pall. In addition, the acquisition-related charges associated

with fair value adjustments to acquired inventory and deferred revenue were higher in 2015 than 2016, which improved gross profit margins by 50 basis points during 2016 as compared with 2015.

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OPERATING EXPENSES

(\$ in millions)	For the Year Ended December 31		
	2017	2016	2015
Sales	\$ 18,329.7	\$ 16,882.4	\$ 14,433.7
Selling, general and administrative (“SG&A”) expenses	(6,042.5)	(5,608.6)	(4,747.5)
Research and development (“R&D”) expenses	(1,128.8)	(975.1)	(861.4)
SG&A as a % of sales	33.0 %	33.2 %	32.9 %
R&D as a % of sales	6.2 %	5.8 %	6.0 %

SG&A expenses as a percentage of sales declined 20 basis points on a year-over-year basis for 2017 compared with 2016. The decline was driven by increased leverage of the Company’s general and administrative cost base resulting from higher 2017 sales volumes, continuing productivity improvements taken in 2017 and 2016 as well as the benefit of lower acquisition charges in 2017 compared to 2016, particularly change in control payments and restructuring costs in connection with the acquisition of Cepheid. The decline in SG&A expenses as a percentage of sales was partially offset by restructuring, impairment and other related charges associated with the Company’s strategic decision to discontinue a product line in its Diagnostics segment, higher relative spending levels at recently acquired companies, primarily Cepheid, and continued investments in sales and marketing growth initiatives.

SG&A expenses as a percentage of sales increased 30 basis points on a year-over-year basis for 2016 compared with 2015. The increase in SG&A expenses as a percentage of sales from 2015 to 2016 was driven by continued investments in sales and marketing growth initiatives and higher relative spending levels at recently acquired businesses. Change in control payments and restructuring costs in connection with the acquisition of Cepheid, as well as associated transaction costs, also increased SG&A expenses as a percentage of sales by 35 basis points during 2016. These increases were partially offset by the benefit of increased leverage of the Company’s general and administrative cost base resulting from higher 2016 sales, lower year-over-year costs associated continuing productivity improvement initiatives and incremental year-over-year cost savings associated with the continuing productivity improvements taken in 2016 and 2015 as well as the benefit of lower Pall acquisition charges (change in control payments to Pall employees in connection with the acquisition of Pall, as well as associated transaction costs and amortization charges associated with acquisition-related intangible assets, net of the positive impact of freezing pension benefits) in 2016 compared to 2015.

R&D expenses (consisting principally of internal and contract engineering personnel costs) as a percentage of sales increased in 2017 as compared with 2016 due primarily to higher R&D expenses as a percentage of sales in the businesses most recently acquired, primarily Cepheid, as well as year-over-year increases in spending in the Company’s new product development initiatives. R&D expenses as a percentage of sales declined in 2016 as compared to 2015 due primarily to lower R&D expenses as a percentage of sales in the businesses most recently acquired, particularly Pall, as well as year-over-year differences in the timing of investments in the Company’s new product development initiatives.

NONOPERATING INCOME (EXPENSE)

The Company received \$138 million of cash proceeds and recorded \$22 million in short-term other receivables from the sale of certain marketable equity securities during 2017. The Company recorded a pretax gain related to this sale of \$73 million (\$46 million after-tax or \$0.06 per diluted share).

During 2016, the Company received cash proceeds of \$265 million from the sale of certain marketable equity securities and recorded a pretax gain related to this sale of \$223 million (\$140 million after-tax or \$0.20 per diluted share).

During 2016, the Company also paid \$188 million of make-whole premiums associated with the early extinguishment of the Redeemed Notes. The Company recorded a loss on extinguishment of these borrowings, net of certain deferred gains, of \$179 million (\$112 million after-tax or \$0.16 per diluted share).

During 2015, the Company received cash proceeds of \$43 million from the sale of certain marketable equity securities and recorded a pretax gain related to these sales of \$12 million (\$8 million after-tax or \$0.01 per diluted share).

INTEREST COSTS

Interest expense of \$163 million for 2017 was \$22 million lower than in 2016, due primarily to the decrease in interest costs as a result of the early extinguishment of certain outstanding borrowings in the third quarter of 2016 using the proceeds from the Fortive Distribution and due to lower commercial paper borrowings in 2017 compared to 2016, partially offset by the cost of

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additional long-term debt refinancing relating to the acquisition of Cepheid. For a further description of the Company's debt as of December 31, 2017 refer to Note 9 to the Consolidated Financial Statements. Interest expense of \$184 million in 2016 was \$45 million higher than the 2015 interest expense of \$140 million due primarily to the higher interest costs associated with the debt issued in the second half of 2015 in connection with the 2015 acquisition of Pall, partially offset by decreases in interest costs as a result of the early extinguishment of the Redeemed Notes in the third quarter of 2016 using the proceeds from the Fortive Distribution.

INCOME TAXES

General

Income tax expense and deferred tax assets and liabilities reflect management's assessment of future taxes expected to be paid on items reflected in the Company's Consolidated Financial Statements. The Company records the tax effect of discrete items and items that are reported net of their tax effects in the period in which they occur.

The Company's effective tax rate can be affected by changes in the mix of earnings in countries with different statutory tax rates (including as a result of business acquisitions and dispositions), changes in the valuation of deferred tax assets and liabilities, accruals related to contingent tax liabilities and period-to-period changes in such accruals, the results of audits and examinations of previously filed tax returns (as discussed below), the expiration of statutes of limitations, the implementation of tax planning strategies, tax rulings, court decisions, settlements with tax authorities and changes in tax laws and regulations, including the TCJA and legislative policy changes that may result from the OECD's initiative on Base Erosion and Profit Shifting. For a description of the tax treatment of earnings that are planned to be reinvested indefinitely outside the United States, refer to "—Liquidity and Capital Resources – Cash and Cash Requirements" below.

The amount of income taxes the Company pays is subject to ongoing audits by federal, state and foreign tax authorities, which often result in proposed assessments. Management performs a comprehensive review of its global tax positions on a quarterly basis. Based on these reviews, the results of discussions and resolutions of matters with certain tax authorities, tax rulings and court decisions and the expiration of statutes of limitations, reserves for contingent tax liabilities are accrued or adjusted as necessary. For a discussion of risks related to these and other tax matters, refer to "Item 1A. Risk Factors".

On December 22, 2017, the TCJA was enacted, substantially changing the U.S. tax system and affecting the Company in a number of ways. Notably, the TCJA:

- establishes a flat corporate income tax rate of 21.0% on U.S. earnings;
- imposes a one-time tax on unremitted cumulative non-U.S. earnings of foreign subsidiaries, which we refer to in this Annual Report as the Transition Tax;
- imposes a new minimum tax on certain non-U.S. earnings, irrespective of the territorial system of taxation, and generally allows for the repatriation of future earnings of foreign subsidiaries without incurring additional U.S. taxes by transitioning to a territorial system of taxation;
- subjects certain payments made by a U.S. company to a related foreign company to certain minimum taxes (Base Erosion Anti-Abuse Tax);
- eliminates certain prior tax incentives for manufacturing in the United States and creates an incentive for U.S. companies to sell, lease or license goods and services abroad by allowing for a reduction in taxes owed on earnings related to such sales;
- allows the cost of investments in certain depreciable assets acquired and placed in service after September 27, 2017 to be immediately expensed; and
-

reduces deductions with respect to certain compensation paid to specified executive officers.

While the changes from the TCJA are generally effective beginning in 2018, U.S. GAAP accounting for income taxes requires the effect of a change in tax laws or rates to be recognized in income from continuing operations for the period that includes the enactment date. Due to the complexities involved in accounting for the enactment of the TCJA, the SEC Staff Accounting Bulletin No. 118 (“SAB No. 118”) allowed the Company to record provisional amounts in earnings for the year ended December 31, 2017. Where reasonable estimates can be made, the provisional accounting should be based on such estimates. When no reasonable estimate can be made, the provisional accounting may be based on the tax law in effect before the TCJA. The Company is required to complete its tax accounting for the TCJA within a one year period when it has obtained, prepared, and analyzed the information to complete the income tax accounting.

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The Company has not completed its accounting for the tax effects of enactment of the TCJA; however, as described below, the Company has made reasonable estimates of the effects of the TCJA on its Consolidated Financial Statements which are included as a component of income tax expense from continuing operations:

- **Deferred tax assets and liabilities:** U.S. deferred tax assets and liabilities were remeasured based on the rates at which they are expected to reverse in the future, which is generally 21.0%, resulting in an income tax benefit of approximately \$1.2 billion. The Company will continue to analyze certain aspects of the TCJA which could potentially affect the tax basis of the reported amounts. Additionally, the Company's U.S. tax returns for 2017 will be filed during the fourth quarter of 2018 and any changes to the tax positions for temporary differences compared to the estimates used will result in an adjustment of the estimated tax benefit recorded as of December 31, 2017.
- **Transition Tax effects:** The Transition Tax is based on the Company's total post-1986 earnings and profits that were previously deferred from U.S. income taxes. The Company recorded a provisional amount for the Transition Tax expense resulting in an increase in income tax expense of approximately \$1.2 billion. The Company will continue to evaluate the TCJA and any future guidance from the U.S. Treasury Department and IRS in the determination of the Transition Tax which could result in adjustment of the estimate recorded as of December 31, 2017.
- **Indefinite reinvestment:** As of December 31, 2017, the Company held \$593 million of cash and approximately \$656 million of cash equivalents (as defined by the TCJA, including trade accounts receivable net of trade accounts payable balances and certain accrued expenses) outside the United States. While repatriation of some cash held outside the United States may be restricted by local laws, most of the Company's foreign cash could be repatriated to the United States. Following enactment of the TCJA and the associated Transition Tax, in general, repatriation of cash to the United States can be completed with no incremental U.S. tax; however, repatriation of cash could subject the Company to non-U.S. jurisdictional taxes on distributions. The cash that the Company's non-U.S. subsidiaries hold for indefinite reinvestment is generally used to finance foreign operations and investments, including acquisitions. The income taxes applicable to such earnings are not readily determinable or practicable. The Company continues to evaluate the impact of the TCJA on its election to indefinitely reinvest certain of its non-U.S. earnings.

The Company will continue to analyze the effects of the TCJA on its Consolidated Financial Statements and operations. Additional impacts from the enactment of the TCJA will be recorded as they are identified during the measurement period as provided for in SAB No. 118, which extends up to one year from the enactment date.

Year-Over-Year Changes in the Tax Provision and Effective Tax Rate

The Company's effective tax rate related to continuing operations for the years ended December 31, 2017, 2016 and 2015 was 16.0%, 17.5% and 14.4%, respectively.

The Company's effective tax rate for each of 2017, 2016 and 2015 differs from the U.S. federal statutory rate of 35.0% due principally to the Company's earnings outside the United States that are indefinitely reinvested and taxed at rates lower than the U.S. federal statutory rate. In addition:

- The effective tax rate of 16.0% in 2017 includes 500 basis points of net tax benefits related to the revaluation of net U.S. deferred tax liabilities from 35.0% to 21.0% due to the TCJA and release of reserves upon statute of limitation expiration, partially offset by income tax expense related to the Transition Tax on foreign earnings due to the TCJA and changes in estimates associated with prior period uncertain tax positions.
- The effective tax rate of 17.5% in 2016 includes 350 basis points of net tax benefits from permanent foreign exchange losses and the release of reserves upon the expiration of statutes of limitation and audit settlements, partially offset by income tax expense related to repatriation of earnings and legal entity realignments associated with the Separation and changes in estimates associated with prior period uncertain tax positions.

- The effective tax rate of 14.4% in 2015 includes 290 basis points of net tax benefits from permanent foreign exchange losses, releases of valuation allowances related to foreign operating losses and the release of reserves upon the expiration of statutes of limitation, partially offset by changes in estimates associated with prior period uncertain tax positions.

The Company conducts business globally, and files numerous consolidated and separate income tax returns in the U.S. federal, state and foreign jurisdictions. The countries in which the Company has a material presence that have had significantly lower statutory tax rates than the United States include China, Denmark, Germany, Singapore, Switzerland and the United Kingdom. The Company's ability to obtain a tax benefit from lower statutory tax rates outside of the United States depends on its levels of taxable income in these foreign countries and the amount of foreign earnings which are indefinitely reinvested in those

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countries. The Company believes that a change in the statutory tax rate of any individual foreign country would not have a material effect on the Company's Consolidated Financial Statements given the geographic dispersion of the Company's taxable income.

The Company and its subsidiaries are routinely examined by various domestic and international taxing authorities. The IRS has completed substantially all of the examinations of the Company's federal income tax returns through 2011 and is currently examining certain of the Company's federal income tax returns for 2012 through 2015. In addition, the Company has subsidiaries in Austria, Belgium, Canada, China, Denmark, Finland, France, Germany, Hong Kong, India, Italy, Japan, New Zealand, Sweden, Switzerland, the United Kingdom and various other countries, states and provinces that are currently under audit for years ranging from 2004 through 2015.

Tax authorities in Denmark have raised significant issues related to interest accrued by certain of the Company's subsidiaries. On December 10, 2013, the Company received assessments from the Danish tax authority ("SKAT") totaling approximately DKK 1.5 billion (approximately \$245 million based on exchange rates as of December 31, 2017) including interest through December 31, 2017, imposing withholding tax relating to interest accrued in Denmark on borrowings from certain of the Company's subsidiaries for the years 2004-2009. The Company is currently in discussions with SKAT and anticipates receiving an assessment for years 2010-2012 totaling approximately DKK 895 million (approximately \$144 million based on exchange rates as of December 31, 2017) including interest through December 31, 2017. Management believes the positions the Company has taken in Denmark are in accordance with the relevant tax laws and is vigorously defending its positions. The Company appealed these assessments with the National Tax Tribunal in 2014 and intends on pursuing this matter through the European Court of Justice should this appeal be unsuccessful. The ultimate resolution of this matter is uncertain, could take many years, and could result in a material adverse impact to the Company's financial statements, including its effective tax rate.

After considering the effect of the TCJA, the Company expects its 2018 effective tax rate to be in the range of 20% to 21%. Any future legislative changes in the United States including regulations related to the TCJA or potential tax reform in other jurisdictions, could cause the Company's effective tax rate to differ from this estimate. Refer to Note 12 to the Consolidated Financial Statements for additional information related to income taxes.

DISCONTINUED OPERATIONS

As further discussed in Note 3 to the Consolidated Financial Statements, discontinued operations includes the results of the Fortive businesses which were disposed of during the third quarter of 2016 as well as the results of the Company's former communications business which was disposed of during the third quarter of 2015. All periods presented have been restated to reflect the Fortive and communications businesses within discontinued operations.

In 2017, Danaher recorded a \$22 million income tax benefit related to the release of previously provided reserves associated with uncertain tax positions on certain Danaher tax returns which were jointly filed with Fortive entities. These reserves were released due to the expiration of statutes of limitations for those returns. All Fortive entity-related balances were included in the income tax benefit related to discontinued operations.

In 2016, earnings from discontinued operations, net of income taxes, were \$400 million and reflected the operating results of the Fortive businesses prior to the Separation. In 2015, earnings from discontinued operations, net of income taxes, were approximately \$1.6 billion and reflected the operations of both the Fortive and communications businesses as well as the gain on the sale of the communications business in 2015.

COMPREHENSIVE INCOME

Comprehensive income increased by approximately \$1.7 billion in 2017 as compared to 2016, primarily due to increased earnings from continuing operations, an increased gain from foreign currency translation adjustments compared to 2016, pension and postretirement plan benefit adjustments and the decrease in the unrealized gains (losses) on available-for-sale securities from the sale of certain marketable equity securities, partially offset by lower net earnings attributable to discontinued operations in 2017 compared to 2016. The Company recorded a foreign currency translation gain of \$976 million for 2017 compared to a translation loss of \$517 million for 2016. The Company recorded a pension and postretirement plan benefit gain of \$71 million for 2017 compared to a loss of \$58 million for 2016.

Comprehensive income decreased by \$617 million in 2016 as compared to 2015, primarily due to the impact of decreases in net earnings attributable to discontinued operations, foreign currency translation adjustments resulting from the strengthening of the U.S. dollar compared to most major currencies during the year but at a lower rate than in the prior year, and pension and postretirement plan benefit adjustments. The Company recorded a foreign currency translation loss of \$517 million for 2016

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compared to a translation loss of \$976 million for 2015. The Company recorded a pension and postretirement plan benefit loss of \$58 million in 2016 compared to a gain of \$81 million in 2015.

INFLATION

The effect of inflation on the Company's revenues and net earnings was not significant in any of the years ended December 31, 2017, 2016 or 2015.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to market risk from changes in interest rates, foreign currency exchange rates, equity prices and commodity prices as well as credit risk, each of which could impact its Consolidated Financial Statements. The Company generally addresses its exposure to these risks through its normal operating and financing activities. In addition, the Company's broad-based business activities help to reduce the impact that volatility in any particular area or related areas may have on its operating profit as a whole.

Interest Rate Risk

The Company manages interest cost using a mixture of fixed-rate and variable-rate debt. A change in interest rates on long-term debt impacts the fair value of the Company's fixed-rate long-term debt but not the Company's earnings or cash flow because the interest on such debt is fixed. Generally, the fair market value of fixed-rate debt will increase as interest rates fall and decrease as interest rates rise. As of December 31, 2017, an increase of 100 basis points in interest rates would have decreased the fair value of the Company's fixed-rate long-term debt (excluding the LYONs, which have not been included in this calculation as the value of this convertible debt is primarily derived from the value of its underlying common stock) by \$470 million.

As of December 31, 2017, the Company's variable-rate debt obligations consisted primarily of U.S. dollar and euro-based commercial paper borrowings (refer to Note 9 to the Consolidated Financial Statements for information regarding the Company's outstanding commercial paper balances as of December 31, 2017). As a result, the Company's primary interest rate exposure results from changes in short-term interest rates. As these shorter duration obligations mature, the Company may issue additional short-term commercial paper obligations to refinance all or part of these borrowings. In 2017, the average annual interest rate associated with outstanding commercial paper borrowings was approximately 6 basis points. A hypothetical increase of this average to 18 basis points would have increased the Company's annual interest expense by \$4 million. The hypothetical increase used is the actual amount by which the Company's commercial paper interest rates fluctuated during 2017.

Currency Exchange Rate Risk

The Company faces transactional exchange rate risk from transactions with customers in countries outside the United States and from intercompany transactions between affiliates. Transactional exchange rate risk arises from the purchase and sale of goods and services in currencies other than Danaher's functional currency or the functional currency of its applicable subsidiary. The Company also faces translational exchange rate risk related to the translation of financial statements of its foreign operations into U.S. dollars, Danaher's functional currency. Costs incurred and sales recorded by subsidiaries operating outside of the United States are translated into U.S. dollars using exchange rates effective during the respective period. As a result, the Company is exposed to movements in the exchange rates of various currencies against the U.S. dollar. In particular, the Company has more sales in European currencies than it has expenses in those currencies. Therefore, when European currencies strengthen or weaken against the U.S. dollar, operating profits are increased or decreased, respectively. The effect of a change in currency exchange rates on the Company's net investment in international subsidiaries is reflected in the accumulated other comprehensive income (loss) component of stockholders' equity.

Currency exchange rates positively impacted 2017 reported sales by 0.5% on a year-over-year basis as the U.S. dollar weakened against the euro, partially offset by the effect of the U.S. dollar strengthening against the Japanese yen and Chinese renminbi. If the exchange rates in effect as of December 31, 2017 were to prevail throughout 2018, currency exchange rates would positively impact 2018 estimated sales by approximately 2.0% relative to the Company's performance in 2017. Strengthening of the U.S. dollar against other major currencies would adversely impact the Company's sales and results of operations on an overall basis. Any weakening of the U.S. dollar against other major currencies would positively impact the Company's sales and results of operations.

The Company has generally accepted the exposure to exchange rate movements without using derivative financial instruments to manage this risk. Both positive and negative movements in currency exchange rates against the U.S. dollar will therefore continue to affect the reported amount of sales and net earnings in the Company's Consolidated Financial Statements. In

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addition, the Company has assets and liabilities held in foreign currencies. The Company's foreign currency-denominated debt partially hedges its net investments in foreign operations against adverse movements in exchange rates. A 10% depreciation in major currencies relative to the U.S. dollar as of December 31, 2017 would have reduced foreign currency-denominated net assets and stockholders' equity by \$880 million.

Equity Price Risk

The Company's available-for-sale investment portfolio has in the past included publicly traded equity securities that are sensitive to fluctuations in market price. However, during 2017 the Company sold substantially all of its available-for-sale equity securities.

Commodity Price Risk

For a discussion of risks relating to commodity prices, refer to "Item 1A. Risk Factors."

Credit Risk

The Company is exposed to potential credit losses in the event of nonperformance by counterparties to its financial instruments. Financial instruments that potentially subject the Company to credit risk consist of cash and temporary investments, receivables from customers and derivatives. The Company places cash and temporary investments with various high-quality financial institutions throughout the world and exposure is limited at any one institution. Although the Company typically does not obtain collateral or other security to secure these obligations, it does regularly monitor the third-party depository institutions that hold its cash and cash equivalents. The Company's emphasis is primarily on safety and liquidity of principal and secondarily on maximizing yield on those funds.

In addition, concentrations of credit risk arising from receivables from customers are limited due to the diversity of the Company's customers. The Company's businesses perform credit evaluations of their customers' financial conditions as appropriate and also obtain collateral or other security when appropriate.

The Company enters into derivative transactions infrequently and such transactions are generally insignificant to the Company's financial condition and results of operations. These transactions are typically entered into with high-quality financial institutions and exposure at any one institution is limited.

LIQUIDITY AND CAPITAL RESOURCES

Management assesses the Company's liquidity in terms of its ability to generate cash to fund its operating, investing and financing requirements. The Company continues to generate substantial cash from operating activities and believes that its operating cash flow and other sources of liquidity will be sufficient to allow it to continue investing in existing businesses, consummating strategic acquisitions, paying interest and servicing debt and managing its capital structure on a short and long-term basis.

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Following is an overview of the Company's cash flows and liquidity for the years ended December 31:

Overview of Cash Flows and Liquidity

(\$ in millions)	2017	2016	2015
Total operating cash flows provided by continuing operations	\$ 3,477.8	\$ 3,087.5	\$ 2,832.2
Cash paid for acquisitions	\$ (385.8)	\$ (4,880.1)	\$ (14,247.8)
Payments for additions to property, plant and equipment	(619.6)	(589.6)	(512.9)
Proceeds from sales of property, plant and equipment	32.6	9.8	60.4
Payments for purchases of investments	—	—	(87.1)
Proceeds from sales of investments	137.9	264.8	43.0
All other investing activities	(8.5)	21.9	5.9
Total investing cash used in discontinued operations	—	(69.8)	(212.5)
Net cash used in investing activities	\$ (843.4)	\$ (5,243.0)	\$ (14,951.0)
Proceeds from the issuance of common stock	\$ 68.8	\$ 164.5	\$ 249.0
Payment of dividends	(378.3)	(399.8)	(354.1)
Payment for purchase of noncontrolling interest	(64.4)	—	—
Make-whole premiums to redeem borrowings prior to maturity	—	(188.1)	—
Net (repayments of) proceeds from borrowings (maturities of 90 days or less)	(3,778.5)	2,218.1	3,511.2
Proceeds from borrowings (maturities longer than 90 days)	1,782.1	3,240.9	5,682.9
Repayments of borrowings (maturities longer than 90 days)	(668.4)	(2,480.6)	(35.5)
All other financing activities	(59.8)	(27.0)	(3.3)
Cash distributions to Fortive, net	—	(485.3)	—
Net cash (used in) provided by financing activities	\$ (3,098.5)	\$ 2,042.7	\$ 9,050.2

- Operating cash flows from continuing operations increased \$390 million, or approximately 13%, during 2017 as compared to 2016, due primarily to higher earnings which also included higher noncash charges for depreciation and amortization. The increase was partially offset by (1) the gain on sale of marketable equity securities in 2017, reduced by the net impact in 2016 of the gain from the sale of marketable equity securities and the loss on early extinguishment of borrowings; and (2) the increase in cash flows used for trade accounts receivable, inventories and accounts payable.
- Net cash used in investing activities during 2017 consisted primarily of cash paid for acquisitions and additions to property, plant and equipment. The Company acquired ten businesses during 2017 for total consideration (including assumed debt and net of cash acquired) of approximately \$386 million. Payments for additions to property, plant and equipment increased \$30 million in 2017 compared to 2016 and include investments in other operating assets, particularly new facilities and operating assets at newly acquired businesses. These uses of cash were partially offset by proceeds from sales of investments, which includes cash proceeds of \$138 million from the sale of certain marketable equity securities.
- The Company used cash generated from operations as well as the proceeds from the long-term borrowings noted below to reduce net outstanding borrowings with maturities of 90 days or less, primarily commercial paper borrowings, by approximately \$3.8 billion.
- During 2017, the Company issued approximately \$1.8 billion of euro, Japanese yen and Swiss franc-denominated long-term indebtedness (based on applicable exchange rates as of the pricing dates of the respective notes; refer to Note 9 of the accompanying Consolidated Financial Statements) and used the

proceeds to repay commercial paper borrowings as well as the €500 million of senior unsecured bonds and the CHF 100 million of senior unsecured bonds that matured in 2017.

- As of December 31, 2017, the Company held \$630 million of cash and cash equivalents.

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Operating Activities

Cash flows from operating activities can fluctuate significantly from period-to-period as working capital needs and the timing of payments for income taxes, restructuring activities, pension funding and other items impact reported cash flows.

Operating cash flows from continuing operations were approximately \$3.5 billion for 2017, an increase of \$390 million, or approximately 13%, as compared to 2016. The year-over-year change in operating cash flows from 2016 to 2017 was primarily attributable to the following factors:

- 2017 operating cash flows benefited from higher net earnings in 2017 as compared to 2016. The increase was partially offset by the gain on sale of marketable equity securities in 2017, reduced by the net impact in 2016 of the gain from the sale of marketable equity securities and the loss on early extinguishment of borrowings. The cash flow impacts of the gains from the sale of marketable equity securities is reflected in the investing activities section of the accompanying Consolidated Statements of Cash Flows, and the cash flow impact of the loss on early extinguishment of borrowings is reflected in the financing activities section of the accompanying Consolidated Statement of Cash Flows, and therefore, do not contribute to operating cash flows.
- The aggregate of trade accounts receivable, inventories and trade accounts payable used \$243 million in operating cash flows during 2017, compared to \$96 million of operating cash flows used in 2016. The amount of cash flow generated from or used by the aggregate of trade accounts receivable, inventories and trade accounts payable depends upon how effectively the Company manages the cash conversion cycle, which effectively represents the number of days that elapse from the day it pays for the purchase of raw materials and components to the collection of cash from its customers and can be significantly impacted by the timing of collections and payments in a period.
- The aggregate of prepaid expenses and other assets, deferred income taxes and accrued expenses and other liabilities used \$110 million in operating cash flows during 2017, compared to \$196 million used in 2016. The timing of cash payments for income taxes and various employee related liabilities drove the majority of this change.
- Net earnings from continuing operations for 2017 reflected an increase of \$110 million of depreciation and amortization expense as compared to 2016. Amortization expense primarily relates to the amortization of intangible assets acquired in connection with business acquisitions. Depreciation expense relates to both the Company's manufacturing and operating facilities as well as instrumentation leased to customers under operating-type lease arrangements. Depreciation and amortization are noncash expenses that decrease earnings without a corresponding impact to operating cash flows.

Operating cash flows from continuing operations were approximately \$3.1 billion for 2016, an increase of \$255 million, or 9% as compared to 2015. This increase was primarily attributable to the increase in net earnings from continuing operations in 2016 as compared to 2015.

Investing Activities

Cash flows relating to investing activities consist primarily of cash used for acquisitions and capital expenditures, including instruments leased to customers, cash used for investments and cash proceeds from divestitures of businesses or assets.

Net cash used in investing activities was \$843 million during 2017 compared to approximately \$5.2 billion and approximately \$15.0 billion of net cash used in 2016 and 2015, respectively.

Acquisitions, Divestitures and Sale of Investments

2017 Acquisitions and Sale of Investments

For a discussion of the Company's 2017 acquisitions and sale of investments, refer to "—Overview."

2016 Acquisitions, Divestitures and Sale of Investments

For a discussion of the Company's 2016 Separation of its former Test & Measurement segment, Industrial Technologies segment (excluding the product identification businesses) and retail/commercial petroleum business, refer to "—Overview."

On November 4, 2016, Copper Merger Sub, Inc., a California corporation and an indirect, wholly-owned subsidiary of the Company acquired all of the outstanding shares of common stock of Cepheid, a California corporation, for \$53.00 per share in cash, for a total purchase price of approximately \$4.0 billion, net of assumed debt and acquired cash (the "Cepheid

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Acquisition”). Cepheid is now part of the Company’s Diagnostics segment. Cepheid generated revenues of \$539 million in 2015. The Company initially financed the Cepheid acquisition price with available cash and proceeds from the issuance of U.S. dollar and euro-denominated commercial paper.

In addition to the Cepheid Acquisition, during 2016 the Company acquired seven businesses for total consideration of \$882 million in cash, net of cash acquired. The businesses acquired complement existing units of each of the Company’s four segments. The aggregate annual sales of these seven businesses at the time of their respective acquisitions, in each case based on the company’s revenues for its last completed fiscal year prior to the acquisition, were \$237 million.

During 2016, the Company received cash proceeds of \$265 million from the sale of certain marketable equity securities and recorded a pretax gain related to this sale of \$223 million (\$140 million after-tax or \$0.20 per diluted share).

2015 Acquisitions, Divestitures and Sale of Investments

On August 31, 2015, Pentagon Merger Sub, Inc., a New York corporation and an indirect, wholly-owned subsidiary of the Company, acquired all of the outstanding shares of common stock of Pall, a New York corporation, for \$127.20 per share in cash, for a total purchase price of approximately \$13.6 billion, net of assumed debt of \$417 million and acquired cash of approximately \$1.2 billion (the “Pall Acquisition”). Pall is part of the Company’s Life Sciences segment. In its fiscal year ended July 31, 2015, Pall generated consolidated revenues of approximately \$2.8 billion.

The Company initially financed the approximately \$13.6 billion acquisition price of Pall with approximately \$2.5 billion of available cash, approximately \$8.1 billion of net proceeds from the issuance and sale of U.S. dollar and euro-denominated commercial paper and €2.7 billion (approximately \$3.0 billion based on currency exchange rates as of the date of issuance) of net proceeds from the issuance and sale of euro-denominated senior unsecured notes.

In addition to the Pall Acquisition, during 2015 the Company acquired nine businesses for total consideration of approximately \$670 million in cash, net of cash acquired. The businesses acquired complement existing units of each of the Company’s four segments. The aggregate annual sales of these nine businesses at the time of their respective acquisitions, in each case based on the company’s revenues for its last completed fiscal year prior to the acquisition, were approximately \$355 million.

In July 2015, the Company consummated the split-off of the majority of its former communications business to Danaher shareholders who elected to exchange Danaher shares for ownership interests in the communications business, and the subsequent merger of the communications business with a subsidiary of NetScout. Danaher shareholders who participated in the exchange offer tendered 26 million shares of Danaher common stock (approximately \$2.3 billion on the date of tender) and received 62.5 million shares of NetScout common stock which represented approximately 60% of the shares of NetScout common stock outstanding following the combination.

The accounting requirements for reporting the disposition of the communications business as a discontinued operation were met when the split-off and merger were completed. Accordingly, the accompanying Consolidated Financial Statements for all periods presented reflect this business as discontinued operations. The Company allocated a portion of the consolidated interest expense to discontinued operations based on the ratio of the discontinued business’ net assets to the Company’s consolidated net assets. The Company recorded an aggregate after-tax gain on the disposition of this business of \$767 million, or \$1.08 per diluted share, in its 2015 results in connection with the closing of this transaction representing the value of the 26 million shares of Company common stock tendered for the communications business in excess of the carrying value of the business’ net assets. This gain was included in the results of discontinued operations for the year ended December 31, 2015. The communications business had revenues of \$346 million in 2015 prior to the disposition.

During 2015, the Company received cash proceeds of \$43 million from the sale of certain marketable equity securities and recorded a pretax gain related to these sales of \$12 million (\$8 million after-tax or \$0.01 per diluted share).

Capital Expenditures

Capital expenditures are made primarily for increasing capacity, replacing equipment, supporting new product development, improving information technology systems and the manufacture of instruments that are used in operating-type lease arrangements that certain of the Company's businesses enter into with customers. Capital expenditures totaled \$620 million in 2017, \$590 million in 2016 and \$513 million in 2015. The increase in capital spending in 2017 was due to increased investments in other operating assets, particularly new facilities, and operating assets at newly acquired businesses. The increase in capital spending in 2016 was due to increased investments in machinery and equipment, including operating assets at newly acquired businesses such as Pall, and to a lesser extent, increases in equipment leased to customers. In 2018, the Company expects capital spending to be approximately \$700 million, though actual expenditures will ultimately depend on business conditions.

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Financing Activities

Cash flows from financing activities consist primarily of cash flows associated with the issuance and repayments of commercial paper and other debt, issuances and repurchases of common stock, excess tax benefits from stock-based compensation, and payments of cash dividends to shareholders. Financing activities used cash of approximately \$3.1 billion during 2017 compared to approximately \$2.0 billion of cash provided during 2016. The year-over-year increase in cash used in financing activities was due primarily to higher net repayments of commercial paper borrowings in 2017 as compared to 2016 (as the Company increased its commercial paper borrowings in 2016 for the Cepheid acquisition) as well as lower proceeds from the issuance of debt in 2017 as compared to 2016. These impacts were partially offset by lower repayments of long-term debt in 2017 as compared to the comparable period of 2016 as the Company used a portion of the proceeds from the Fortive Distribution to repay outstanding long-term indebtedness in August 2016.

Financing activities provided cash of approximately \$2.0 billion during 2016 compared to approximately \$9.1 billion of cash provided during 2015. Cash provided by financing activities in 2016 primarily relates to approximately \$3.4 billion of net proceeds received from the issuance of the Fortive Debt in June 2016 and the net issuance of outstanding borrowings with maturities of 90 days or less, primarily commercial paper borrowings, of approximately \$2.2 billion, and the issuance of approximately ¥29.9 billion aggregate principal amount (approximately \$262 million based on the currency exchange rate as of the date of the issuance) of 0.352% senior unsecured notes. These issuances were partially offset by the repayment of the \$500 million aggregate principal amount of 2.3% senior unsecured notes that matured in June 2016, the repayment of approximately \$1.9 billion in aggregate principal amount of outstanding indebtedness in August 2016 (consisting of the Redeemed Notes), the repayment of the CHF 120 million (\$124 million) aggregate principal amount of the 4.0% senior unsecured notes due in October 2016 and \$485 million of cash distributed to Fortive in connection with the Separation.

Total debt was approximately \$10.5 billion and \$12.3 billion as of December 31, 2017 and 2016, respectively. The Company had the ability to incur an additional \$1.6 billion of indebtedness in direct borrowings or under the outstanding commercial paper facility based on the amounts available under the Company's \$4.0 billion credit facility which were not being used to backstop outstanding commercial paper balances as of December 31, 2017. Refer to Note 9 to the Consolidated Financial Statements for information regarding the Company's financing activities and indebtedness, including the Company's outstanding debt as of December 31, 2017, and the Company's commercial paper program and related credit facility.

Shelf Registration Statement

The Company has filed a "well-known seasoned issuer" shelf registration statement on Form S-3 with the SEC that registers an indeterminate amount of debt securities, common stock, preferred stock, warrants, depositary shares, purchase contracts and units for future issuance. The Company utilized this shelf registration statement for the offering and sale of the U.S. dollar and euro-denominated senior unsecured notes issued in 2015 and 2017. The Company expects to use net proceeds realized by the Company from future securities sales off this shelf registration statement for general corporate purposes, including without limitation repayment or refinancing of debt or other corporate obligations, acquisitions, capital expenditures, share repurchases and dividends and/or working capital.

Stock Repurchase Program

Please see "Issuer Purchases of Equity Securities" in Item 5 of Part II of this Annual Report for a description of the Company's stock repurchase program.

Dividends

The Company declared a regular quarterly dividend of \$0.14 per share that was paid on January 26, 2018 to holders of record on December 29, 2017. Aggregate cash payments for dividends during 2017 were \$378 million. Dividend payments were lower in 2017 as compared to 2016 as the Company decreased the per share amount of its quarterly dividend in the third quarter of 2016 as a result of the Fortive Separation.

For a description of the dividend of Fortive shares in July 2016, refer to Note 3 to the Consolidated Financial Statements.

Cash and Cash Requirements

As of December 31, 2017, the Company held \$630 million of cash and cash equivalents that were invested in highly liquid investment-grade debt instruments with a maturity of 90 days or less with an approximate weighted average annual interest rate of 0.9%. Of this amount, \$37 million was held within the United States and \$593 million was held outside of the United States. The Company will continue to have cash requirements to support working capital needs, capital expenditures and acquisitions,

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pay interest and service debt, pay taxes and any related interest or penalties, fund its restructuring activities and pension plans as required, pay dividends to shareholders, repurchase shares of the Company's common stock and support other business needs. The Company generally intends to use available cash and internally generated funds to meet these cash requirements, but in the event that additional liquidity is required, particularly in connection with acquisitions, the Company may also borrow under its commercial paper programs or credit facility, enter into new credit facilities and either borrow directly thereunder or use such credit facilities to backstop additional borrowing capacity under its commercial paper programs and/or access the capital markets. The Company also may from time to time access the capital markets to take advantage of favorable interest rate environments or other market conditions.

While repatriation of some cash held outside the United States may be restricted by local laws, most of the Company's foreign cash could be repatriated to the United States. Following enactment of the TCJA and the associated Transition Tax, in general, repatriation of cash to the United States can be completed with no incremental U.S. tax; however, repatriation of cash could subject the Company to non-U.S. jurisdictional taxes on distributions. The cash that the Company's non-U.S. subsidiaries hold for indefinite reinvestment is generally used to finance foreign operations and investments, including acquisitions. The income taxes applicable to such earnings are not readily determinable or practicable. The Company continues to evaluate the impact of the TCJA on its election to indefinitely reinvest certain of its non-U.S. earnings. As of December 31, 2017, management believes that it has sufficient liquidity to satisfy its cash needs, including its cash needs in the United States.

During 2017, the Company contributed \$53 million to its U.S. defined benefit pension plans and \$45 million to its non-U.S. defined benefit pension plans. During 2018, the Company's cash contribution requirements for its U.S. and its non-U.S. defined benefit pension plans are expected to be approximately \$30 million and \$50 million, respectively. The ultimate amounts to be contributed depend upon, among other things, legal requirements, underlying asset returns, the plan's funded status, the anticipated tax deductibility of the contribution, local practices, market conditions, interest rates and other factors.

Contractual Obligations

The following table sets forth, by period due or year of expected expiration, as applicable, a summary of the Company's contractual obligations as of December 31, 2017 under (1) debt obligations, (2) leases, (3) purchase obligations and (4) other long-term liabilities reflected on the Company's Consolidated Balance Sheet. The amounts presented in the "Other long-term liabilities" line in the table below include \$670 million of noncurrent gross unrecognized tax benefits and related interest (and do not include \$66 million of current gross unrecognized tax benefits which are included in the "Accrued expenses and other liabilities" line on the Consolidated Balance Sheet). However, the timing of the long-term portion of these liabilities is uncertain, and therefore, they have been included in the "More Than 5 Years" column in the table below. Refer to Note 12 to the Consolidated Financial Statements for additional information on unrecognized tax benefits. Certain of the Company's acquisitions also involve the potential payment of contingent consideration. The table below does not reflect any such obligations, as the timing and amounts of any such payments are uncertain. Refer to "Off-Balance Sheet Arrangements" for a discussion of other contractual obligations that are not reflected in the table below.

(\$ in millions)	Total	Less Than One Year	1-3 Years	4-5 Years	More Than 5 Years
Debt and leases:					
Debt obligations ^{(a)(b)}	\$ 10,503.8	\$ 190.1	\$ 4,534.3	\$ 1,590.1	\$ 4,189.3
Capital lease obligations ^(b)	18.3	4.6	0.8	0.9	12.0
Total debt and leases	10,522.1	194.7	4,535.1	1,591.0	4,201.3
Interest payments on debt and capital lease obligations ^(c)	1,277.8	150.2	252.7	183.4	691.5
Operating lease obligations ^(d)	797.4	199.4	297.5	178.7	121.8
Other:					
Purchase obligations ^(e)	610.2	533.2	62.4	9.4	5.2
Other long-term liabilities reflected on the Company's Consolidated Balance Sheet ^(f)	5,161.1	—	625.0	448.3	4,087.8

Total	<u>\$ 18,368.6</u>	<u>\$ 1,077.5</u>	<u>\$ 5,772.7</u>	<u>\$ 2,410.8</u>	<u>\$ 9,107.6</u>
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- (a) As described in Note 9 to the Consolidated Financial Statements.
- (b) Amounts do not include interest payments. Interest on debt and capital lease obligations is reflected in a separate line in the table.
- (c) Interest payments on debt are projected for future periods using the interest rates in effect as of December 31, 2017. Certain of these projected interest payments may differ in the future based on changes in market interest rates.

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- (d) As described in Note 15 to the Consolidated Financial Statements, certain leases require the Company to pay real estate taxes, insurance, maintenance and other operating expenses associated with the leased premises. These future costs are not included in the table above.
- (e) Consist of agreements to purchase goods or services that are enforceable and legally binding on the Company and that specify all significant terms, including fixed or minimum quantities to be purchased, fixed, minimum or variable price provisions and the approximate timing of the transaction.
- (f) Primarily consist of obligations under product service and warranty policies and allowances, performance and operating cost guarantees, estimated environmental remediation costs, self-insurance and litigation claims, postretirement benefits, pension obligations, deferred tax liabilities and deferred compensation obligations. The timing of cash flows associated with these obligations is based upon management's estimates over the terms of these arrangements and is largely based upon historical experience.

Off-Balance Sheet Arrangements

Guarantees and Related Instruments

The following table sets forth, by period due or year of expected expiration, as applicable, a summary of guarantees and related instruments of the Company as of December 31, 2017.

(\$ in millions)	Amount of Commitment Expiration per Period				
	Total	Less Than One Year	1-3 Years	4-5 Years	More Than 5 Years
Guarantees and related instruments	\$ 611.2	\$ 506.9	\$ 57.4	\$ 24.8	\$ 22.1

Guarantees and related instruments consist primarily of outstanding standby letters of credit, bank guarantees and performance and bid bonds. These have been provided in connection with certain arrangements with vendors, customers, insurance providers, financing counterparties and governmental entities to secure the Company's obligations and/or performance requirements related to specific transactions.

Other Off-Balance Sheet Arrangements

The Company has from time to time divested certain of its businesses and assets. In connection with these divestitures, the Company often provides representations, warranties and/or indemnities to cover various risks and unknown liabilities, such as claims for damages arising out of the use of products or relating to intellectual property matters, commercial disputes, environmental matters or tax matters. In particular, in connection with the 2016 Fortive Separation and the 2015 split-off of the Company's communications business, Danaher entered into separation and distribution and related agreements pursuant to which Danaher agreed to indemnify the other parties against certain damages and expenses that might occur in the future. These indemnification obligations cover a variety of liabilities, including, but not limited to, employee, tax and environmental matters. The Company has not included any such items in the contractual obligations table above because they relate to unknown conditions and the Company cannot estimate the potential liabilities from such matters, but the Company does not believe it is reasonably possible that any such liability will have a material effect on the Company's financial statements. In addition, as a result of these divestitures, as well as restructuring activities, certain properties leased by the Company have been sublet to third-parties. In the event any of these third-parties vacate any of these premises, the Company would be legally obligated under master lease arrangements. The Company believes that the financial risk of default by such sub-lessors is individually and in the aggregate not material to the Company's Consolidated Financial Statements.

In the normal course of business, the Company periodically enters into agreements that require it to indemnify customers, suppliers or other business partners for specific risks, such as claims for injury or property damage arising out of the Company's products or services or claims alleging that Company products or services infringe third-party intellectual property. The Company has not included any such indemnification provisions in the contractual obligations table above. Historically, the Company has not experienced significant losses on these types of indemnification obligations.

The Company's Restated Certificate of Incorporation requires it to indemnify to the full extent authorized or permitted by law any person made, or threatened to be made a party to any action or proceeding by reason of his or her service as a director or officer of the Company, or by reason of serving at the request of the Company as a

director or officer of any other entity, subject to limited exceptions. Danaher's Amended and Restated By-laws provide for similar indemnification rights. In addition, Danaher has executed with each director and executive officer of Danaher Corporation an indemnification agreement which provides for substantially similar indemnification rights and under which Danaher has agreed to pay expenses in advance of the final disposition of any such indemnifiable proceeding. While the Company maintains insurance for this type of liability, a significant deductible applies to this coverage and any such liability could exceed the amount of the insurance coverage.

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Legal Proceedings

Refer to “Item 3. Legal Proceedings” and Note 16 to the Consolidated Financial Statements for information regarding legal proceedings and contingencies, and for a discussion of risks related to legal proceedings and contingencies, refer to “Item 1A. Risk Factors.”

CRITICAL ACCOUNTING ESTIMATES

Management’s discussion and analysis of the Company’s financial condition and results of operations is based upon the Company’s Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. The Company bases these estimates and judgments on historical experience, the current economic environment and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ materially from these estimates and judgments.

The Company believes the following accounting estimates are most critical to an understanding of its financial statements. Estimates are considered to be critical if they meet both of the following criteria: (1) the estimate requires assumptions about material matters that are uncertain at the time the estimate is made, and (2) material changes in the estimate are reasonably likely from period-to-period. For a detailed discussion on the application of these and other accounting estimates, refer to Note 1 to the Consolidated Financial Statements.

Acquired Intangibles—The Company’s business acquisitions typically result in the recognition of goodwill, in-process R&D and other intangible assets, which affect the amount of future period amortization expense and possible impairment charges that the Company may incur. Refer to Notes 1, 2 and 6 to the Consolidated Financial Statements for a description of the Company’s policies relating to goodwill, acquired intangibles and acquisitions.

In performing its goodwill impairment testing, the Company estimates the fair value of its reporting units primarily using a market-based approach. In evaluating the estimates derived by the market-based approach, management makes judgments about the relevance and reliability of the multiples by considering factors unique to its reporting units, including operating results, business plans, economic projections, anticipated future cash flows, and transactions and marketplace data as well as judgments about the comparability of the market proxies selected. In certain circumstances the Company also estimates fair value utilizing a discounted cash flow analysis (i.e., an income approach) in order to validate the results of the market approach. The discounted cash flow model requires judgmental assumptions about projected revenue growth, future operating margins, discount rates and terminal values. There are inherent uncertainties related to these assumptions and management’s judgment in applying them to the analysis of goodwill impairment.

As of December 31, 2017, the Company had eight reporting units for goodwill impairment testing. Reporting units resulting from recent acquisitions generally present the highest risk of impairment. Management believes the impairment risk associated with these reporting units decreases as these businesses are integrated into the Company and better positioned for potential future earnings growth. The Company’s annual goodwill impairment analysis in 2017 indicated that in all instances, the fair values of the Company’s reporting units exceeded their carrying values and consequently did not result in an impairment charge. The excess of the estimated fair value over carrying value (expressed as a percentage of carrying value for the respective reporting unit) for each of the Company’s reporting units as of the annual testing date ranged from approximately 50% to approximately 600%. In order to evaluate the sensitivity of the fair value calculations used in the goodwill impairment test, the Company applied a hypothetical 10% decrease to the fair values of each reporting unit and compared those hypothetical values to the reporting unit carrying values. Based on this hypothetical 10% decrease, the excess of the estimated fair value over carrying value (expressed as a percentage of carrying value for the respective reporting unit) for each of the Company’s reporting units ranged from approximately 35% to approximately 530%.

The Company reviews identified intangible assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. The Company also tests intangible assets with indefinite lives at least annually for impairment. Determining whether an impairment loss occurred requires a comparison of the carrying amount to the sum of undiscounted cash flows expected to be generated by the asset. These analyses require management to make judgments and estimates about future revenues, expenses, market conditions and discount rates related to these assets.

If actual results are not consistent with management's estimates and assumptions, goodwill and other intangible assets may be overstated and a charge would need to be taken against net earnings which would adversely affect the Company's Consolidated Financial Statements. Historically, the Company's estimates of goodwill and intangible assets have been materially correct.

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Contingent Liabilities—As discussed in “Item 3. Legal Proceedings” and Note 16 to the Consolidated Financial Statements, the Company is, from time to time, subject to a variety of litigation and similar contingent liabilities incidental to its business (or the business operations of previously owned entities). The Company recognizes a liability for any contingency that is known or probable of occurrence and reasonably estimable. These assessments require judgments concerning matters such as litigation developments and outcomes, the anticipated outcome of negotiations, the number of future claims and the cost of both pending and future claims. In addition, because most contingencies are resolved over long periods of time, liabilities may change in the future due to various factors, including those discussed in Note 16 to the Consolidated Financial Statements. If the reserves established by the Company with respect to these contingent liabilities are inadequate, the Company would be required to incur an expense equal to the amount of the loss incurred in excess of the reserves, which would adversely affect the Company’s financial statements.

Revenue Recognition—The Company derives revenues from the sale of products and services. Refer to Note 1 to the Consolidated Financial Statements for a description of the Company’s revenue recognition policies.

Although most of the Company’s sales agreements contain standard terms and conditions, certain agreements contain multiple elements or nonstandard terms and conditions. As a result, judgment is sometimes required to determine the appropriate accounting, including whether the deliverables specified in these agreements should be treated as separate units of accounting for revenue recognition purposes, and, if so, how the consideration should be allocated among the elements and when to recognize revenue for each element. The Company allocates revenue to each element in the contractual arrangement based on the selling price hierarchy that, in some instances, may require the Company to estimate the selling price of certain deliverables that are not sold separately or where third-party evidence of pricing is not observable. The Company’s estimate of selling price impacts the amount and timing of revenue recognized in multiple element arrangements. The Company also enters into lease arrangements with customers, which requires the Company to determine whether the arrangements are operating or sales-type leases. Certain of the Company’s lease contracts are customized for larger customers and often result in complex terms and conditions that typically require significant judgment in applying the lease accounting criteria.

On January 1, 2018, the Company adopted Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes nearly all existing revenue recognition guidance. Refer to ‘New Accounting Standards’ in Note 1 to the Consolidated Financial Statements for additional information on the Company’s adoption of this ASU.

If the Company’s judgments regarding revenue recognition prove incorrect, the Company’s reported revenues in particular periods may be incorrect. Historically, the Company’s estimates of revenue have been materially correct.

Pension and Other Postretirement Benefits—For a description of the Company’s pension and other postretirement benefit accounting practices, refer to Notes 10 and 11 to the Consolidated Financial Statements. Calculations of the amount of pension and other postretirement benefit costs and obligations depend on the assumptions used in the actuarial valuations, including assumptions regarding discount rates, expected return on plan assets, rates of salary increases, health care cost trend rates, mortality rates, and other factors. If the assumptions used in calculating pension and other postretirement benefits costs and obligations are incorrect or if the factors underlying the assumptions change (as a result of differences in actual experience, changes in key economic indicators or other factors) the Company’s Consolidated Financial Statements could be materially affected. A 50 basis point reduction in the discount rates used for the plans would have increased the U.S. net obligation by \$146 million (\$111 million on an after-tax basis) and the non-U.S. net obligation by \$142 million (\$107 million on an after-tax basis) from the amounts recorded in the Consolidated Financial Statements as of December 31, 2017. A 50 basis point increase in the discount rates used for the plans would have decreased the U.S. net obligation by \$134 million (\$102 million on an after-tax basis) and the non-U.S. net obligation by \$137 million (\$104 million on an after-tax basis) from the amounts recorded in the Consolidated Financial Statements as of December 31, 2017.

For 2017, the estimated long-term rate of return for the U.S. plans is 7.0%, and the Company intends to continue to use an assumption of 7.0% for 2018. The estimated long-term rate of return for the non-U.S. plans was determined on a plan-by-plan basis based on the nature of the plan assets and ranged from 1.0% to 5.8%. If the expected long-term rate of return on plan assets for 2017 was reduced by 50 basis points, pension expense for the U.S. and non-U.S. plans for 2017 would have increased \$9 million (\$6 million on an after-tax basis) and \$5 million (\$4 million on an after-tax basis), respectively.

For a discussion of the Company's 2017 and anticipated 2018 defined benefit pension plan contributions, refer to "—Liquidity and Capital Resources – Cash and Cash Requirements".

Income Taxes—For a description of the Company's income tax accounting policies, refer to Notes 1 and 12 to the Consolidated Financial Statements. The Company establishes valuation allowances for its deferred tax assets if it is more likely than not that some or all of the deferred tax asset will not be realized. This requires management to make judgments and estimates regarding: (1) the timing and amount of the reversal of taxable temporary differences, (2) expected future taxable income, and

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(3) the impact of tax planning strategies. Future changes to tax rates would also impact the amounts of deferred tax assets and liabilities and could have an adverse impact on the Company's Consolidated Financial Statements.

The Company provides for unrecognized tax benefits when, based upon the technical merits, it is "more likely than not" that an uncertain tax position will not be sustained upon examination. Judgment is required in evaluating tax positions and determining income tax provisions. The Company re-evaluates the technical merits of its tax positions and may recognize an uncertain tax benefit in certain circumstances, including when: (1) a tax audit is completed; (2) applicable tax laws change, including a tax case ruling or legislative guidance; or (3) the applicable statute of limitations expires.

On December 22, 2017, the TCJA was enacted, which substantially changes the U.S. tax system, including lowering the corporate tax rate from 35% to 21% (beginning in 2018), and affected the Company in a number of ways. Under U.S. GAAP, the Company is required to account for tax legislation when the legislation is enacted. Accordingly, the Company has reflected the provisional estimate of changes from the TCJA in the Consolidated Financial Statements as of December 31, 2017 based upon the Company's analysis of the legislation using available information. Certain assumptions related to the impact of the TCJA will require continued monitoring and further analysis including the amount of foreign cash and undistributed earnings subject to the Transition Tax, the amount of available credits to reduce required payments of the Transition Tax and the impact of estimated temporary differences between book and taxable income in 2017 or prior periods under audit by the IRS. Although the Company believes that its estimates and judgments are reasonable, actual results may differ materially from these estimates. The Company will continue to refine these estimates throughout 2018 and record any required adjustments as they are determined as permitted by SAB No. 118. The U.S. Treasury Department and the IRS have not yet issued regulations implementing the new tax law, and these regulations could result in changes to the Company's estimates. Some or all of these judgments are also subject to review by the IRS. If the IRS were to successfully challenge the Company's right to realize some or all of the tax benefit the Company has recorded, based on current interpretation of the law regarding certain items, or if the amount of the Transition Tax or other tax liabilities are understated, it could have a material adverse effect on the Company's financial statements.

In addition, certain of the Company's tax returns are currently under review by tax authorities including in Denmark (refer to "—Results of Operations – Income Taxes" and Note 12 to the Consolidated Financial Statements). Management believes the positions taken in these returns are in accordance with the relevant tax laws. However, the outcome of these audits is uncertain and could result in the Company being required to record charges for prior year tax obligations which could have a material adverse impact to the Company's Consolidated Financial Statements, including its effective tax rate.

An increase of 1.0% in the Company's 2017 nominal tax rate would have resulted in an additional income tax provision for continuing operations for the year ended December 31, 2017 of \$29 million.

NEW ACCOUNTING STANDARDS

For a discussion of the new accounting standards impacting the Company, refer to Note 1 to the Consolidated Financial Statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this item is included under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Management on Danaher Corporation's Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Securities Exchange Act of 1934.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2017. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in "Internal Control-Integrated Framework" (2013 framework). Based on this assessment, management concluded that, as of December 31, 2017, the Company's internal control over financial reporting is effective.

The Company's independent registered public accounting firm has issued an audit report on the effectiveness of the Company's internal control over financial reporting. This report dated February 20, 2018 appears on page 58 of this Form 10-K.

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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Danaher Corporation

Opinion on Internal Control over Financial Reporting

We have audited Danaher Corporation and subsidiaries' internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Danaher Corporation and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2017 and 2016, and the related consolidated statements of earnings, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and financial statement schedule listed in the Index at Item 15(a) and our report dated February 20, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Danaher Corporation's Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Tysons, Virginia
February 20, 2018

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Danaher Corporation

Opinion on Financial Statements

We have audited the accompanying consolidated balance sheets of Danaher Corporation and subsidiaries (the Company) as of December 31, 2017 and 2016, and the related consolidated statements of earnings, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 20, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2002.

Tysons, Virginia
February 20, 2018

DANAHER CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(\$ and shares in millions, except per share amount)

	As of December 31	
	2017	2016
ASSETS		
Current assets:		
Cash and equivalents	\$ 630.3	\$ 963.7
Trade accounts receivable, less allowance for doubtful accounts of \$116.1 and \$102.4, respectively	3,521.8	3,186.1
Inventories	1,840.8	1,709.4
Prepaid expenses and other current assets	857.1	805.9
Total current assets	6,850.0	6,665.1
Property, plant and equipment, net	2,454.6	2,354.0
Other assets	538.3	631.3
Goodwill	25,138.6	23,826.9
Other intangible assets, net	11,667.1	11,818.0
Total assets	\$ 46,648.6	\$ 45,295.3
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and current portion of long-term debt	\$ 194.7	\$ 2,594.8
Trade accounts payable	1,509.9	1,485.0
Accrued expenses and other liabilities	3,087.7	2,794.2
Total current liabilities	4,792.3	6,874.0
Other long-term liabilities	5,161.1	5,670.3
Long-term debt	10,327.4	9,674.2
Stockholders' equity:		
Common stock - \$0.01 par value, 2.0 billion shares authorized; 812.5 and 807.7 issued; 696.6 and 692.2 outstanding, respectively	8.1	8.1
Additional paid-in capital	5,538.2	5,312.9
Retained earnings	22,806.1	20,703.5
Accumulated other comprehensive income (loss)	(1,994.2)	(3,021.7)
Total Danaher stockholders' equity	26,358.2	23,002.8
Noncontrolling interests	9.6	74.0
Total stockholders' equity	26,367.8	23,076.8
Total liabilities and stockholders' equity	\$ 46,648.6	\$ 45,295.3

See the accompanying Notes to the Consolidated Financial Statements.

DANAHER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(\$ and shares in millions, except per share amounts)

	Year Ended December 31		
	2017	2016	2015
Sales	\$ 18,329.7	\$ 16,882.4	\$ 14,433.7
Cost of sales	(8,137.2)	(7,547.8)	(6,662.6)
Gross profit	10,192.5	9,334.6	7,771.1
Operating costs:			
Selling, general and administrative expenses	(6,042.5)	(5,608.6)	(4,747.5)
Research and development expenses	(1,128.8)	(975.1)	(861.4)
Operating profit	3,021.2	2,750.9	2,162.2
Nonoperating income (expense):			
Other income	72.8	223.4	12.4
Loss on early extinguishment of borrowings	—	(178.8)	—
Interest expense	(162.7)	(184.4)	(139.8)
Interest income	7.5	0.2	4.6
Earnings from continuing operations before income taxes	2,938.8	2,611.3	2,039.4
Income taxes	(469.0)	(457.9)	(292.7)
Net earnings from continuing operations	2,469.8	2,153.4	1,746.7
Earnings from discontinued operations, net of income taxes	22.3	400.3	1,610.7
Net earnings	\$ 2,492.1	\$ 2,553.7	\$ 3,357.4
Net earnings per share from continuing operations:			
Basic	\$ 3.55	\$ 3.12	\$ 2.50
Diluted	\$ 3.50	\$ 3.08	\$ 2.47
Net earnings per share from discontinued operations:			
Basic	\$ 0.03	\$ 0.58	\$ 2.31
Diluted	\$ 0.03	\$ 0.57	\$ 2.27
Net earnings per share:			
Basic	\$ 3.58	\$ 3.69 *	\$ 4.81
Diluted	\$ 3.53	\$ 3.65	\$ 4.74
Average common stock and common equivalent shares outstanding:			
Basic	695.8	691.2	698.1
Diluted	706.1	699.8	708.5

* Net earnings per share amount does not add due to rounding.

See the accompanying Notes to the Consolidated Financial Statements.

DANAHER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(\$ in millions)

	Year Ended December 31		
	2017	2016	2015
Net earnings	\$ 2,492.1	\$ 2,553.7	\$ 3,357.4
Other comprehensive income (loss), net of income taxes:			
Foreign currency translation adjustments	976.1	(517.3)	(975.6)
Pension and postretirement plan benefit adjustments	71.0	(58.2)	80.5
Unrealized (loss) gain on available-for-sale securities	(19.6)	(114.8)	17.6
Total other comprehensive income (loss), net of income taxes	1,027.5	(690.3)	(877.5)
Comprehensive income	\$ 3,519.6	\$ 1,863.4	\$ 2,479.9

See the accompanying Notes to the Consolidated Financial Statements.

DANAHER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(\$ and shares in millions)

	Common Stock		Additional Paid- in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests
	Shares	Amount				
Balance, January 1, 2015	792.5	\$ 7.9	\$ 4,480.9	\$ 20,323.0	\$ (1,433.7)	\$ 71.7
Net earnings for the year	—	—	—	3,357.4	—	—
Other comprehensive income (loss)	—	—	—	—	(877.5)	—
Dividends declared	—	—	—	(376.4)	—	—
Common stock-based award activity	7.8	0.1	443.9	—	—	—
Common stock issued in connection with LYONs' conversions	1.3	—	56.4	—	—	—
Shares redeemed through the distribution of the communications business (26.0 shares held as Treasury shares)	—	—	—	(2,291.7)	—	—
Change in noncontrolling interests	—	—	—	—	—	2.0
Balance, December 31, 2015	801.6	8.0	4,981.2	21,012.3	(2,311.2)	73.7
Net earnings for the year	—	—	—	2,553.7	—	—
Other comprehensive income (loss)	—	—	—	—	(690.3)	—
Dividends declared	—	—	—	(393.6)	—	—
Common stock-based award activity	5.8	0.1	322.6	—	—	—
Common stock issued in connection with LYONs' conversions	0.3	—	9.1	—	—	—
Distribution of Fortive Corporation	—	—	—	(2,468.9)	(20.2)	—
Change in noncontrolling interests	—	—	—	—	—	0.3
Balance, December 31, 2016	807.7	8.1	5,312.9	20,703.5	(3,021.7)	74.0
Net earnings for the year	—	—	—	2,492.1	—	—
Other comprehensive income (loss)	—	—	—	—	1,027.5	—
Dividends declared	—	—	—	(389.5)	—	—
Common stock-based award activity	4.8	—	214.1	—	—	—
Common stock issued in connection with LYONs' conversions	—	—	12.4	—	—	—
Change in noncontrolling interests	—	—	(1.2)	—	—	(64.4)
Balance, December 31, 2017	812.5	\$ 8.1	\$ 5,538.2	\$ 22,806.1	\$ (1,994.2)	\$ 9.6

See the accompanying Notes to the Consolidated Financial Statements.

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DANAHER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(\$ and shares in millions)

	Year Ended December 31		
	2017	2016	2015
Cash flows from operating activities:			
Net earnings	\$ 2,492.1	\$ 2,553.7	\$ 3,357.4
Less: earnings from discontinued operations, net of income taxes	22.3	400.3	1,610.7
Net earnings from continuing operations	2,469.8	2,153.4	1,746.7
Noncash items:			
Depreciation	577.8	545.0	484.0
Amortization	660.5	583.1	396.8
Stock-based compensation expense	139.4	129.8	103.8
Restructuring and impairment charges	56.1	12.0	3.6
Pretax loss on early extinguishment of borrowings	—	178.8	—
Pretax gain on sales of investments	(72.8)	(223.4)	(12.4)
Change in deferred income taxes	(426.9)	(383.9)	(184.2)
Change in trade accounts receivable, net	(161.4)	(183.1)	0.8
Change in inventories	(27.4)	9.4	146.5
Change in trade accounts payable	(54.4)	78.1	50.3
Change in prepaid expenses and other assets	4.4	(62.4)	(68.9)
Change in accrued expenses and other liabilities	312.7	250.7	165.2
Total operating cash provided by continuing operations	3,477.8	3,087.5	2,832.2
Total operating cash provided by discontinued operations	—	434.3	969.6
Net cash provided by operating activities	3,477.8	3,521.8	3,801.8
Cash flows from investing activities:			
Cash paid for acquisitions	(385.8)	(4,880.1)	(14,247.8)
Payments for additions to property, plant and equipment	(619.6)	(589.6)	(512.9)
Proceeds from sales of property, plant and equipment	32.6	9.8	60.4
Payments for purchases of investments	—	—	(87.1)
Proceeds from sales of investments	137.9	264.8	43.0
All other investing activities	(8.5)	21.9	5.9
Total investing cash used in continuing operations	(843.4)	(5,173.2)	(14,738.5)
Total investing cash used in discontinued operations	—	(69.8)	(212.5)
Net cash used in investing activities	(843.4)	(5,243.0)	(14,951.0)
Cash flows from financing activities:			
Proceeds from the issuance of common stock	68.8	164.5	249.0
Payment of dividends	(378.3)	(399.8)	(354.1)
Payment for purchase of noncontrolling interest	(64.4)	—	—
Make-whole premiums to redeem borrowings prior to maturity	—	(188.1)	—
Net (repayments of) proceeds from borrowings (maturities of 90 days or less)	(3,778.5)	2,218.1	3,511.2
Proceeds from borrowings (maturities longer than 90 days)	1,782.1	3,240.9	5,682.9
Repayments of borrowings (maturities longer than 90 days)	(668.4)	(2,480.6)	(35.5)
All other financing activities	(59.8)	(27.0)	(3.3)
Total financing cash (used in) provided by continuing operations	(3,098.5)	2,528.0	9,050.2
Cash distributions to Fortive Corporation, net	—	(485.3)	—
Net cash (used in) provided by financing activities	(3,098.5)	2,042.7	9,050.2
Effect of exchange rate changes on cash and equivalents	130.7	(148.6)	(115.8)

Net change in cash and equivalents	(333.4)	172.9	(2,214.8)
Beginning balance of cash and equivalents	963.7	790.8	3,005.6
Ending balance of cash and equivalents	\$ 630.3	\$ 963.7	\$ 790.8

Supplemental disclosure:

Shares redeemed through the distribution of the communications business (26.0 shares held as Treasury shares)	\$ —	\$ —	\$ 2,291.7
Distribution of noncash net assets to Fortive Corporation	—	(1,983.6)	—

See the accompanying Notes to the Consolidated Financial Statements.

DANAHER CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business—Danaher Corporation (“Danaher” or the “Company”) designs, manufactures and markets professional, medical, industrial and commercial products and services, which are typically characterized by strong brand names, innovative technology and major market positions. The Company operates in four business segments: Life Sciences; Diagnostics; Dental; and Environmental & Applied Solutions.

The Company’s Life Sciences segment offers a broad range of research tools that scientists use to study the basic building blocks of life, including genes, proteins, metabolites and cells, in order to understand the causes of disease, identify new therapies and test new drugs and vaccines. The segment, through its Pall Corporation (“Pall”) business, is also a leading provider of filtration, separation and purification technologies to the biopharmaceutical, food and beverage, medical, aerospace, microelectronics and general industrial sectors.

The Company’s Diagnostics segment offers analytical instruments, reagents, consumables, software and services that hospitals, physicians’ offices, reference laboratories and other critical care settings use to diagnose disease and make treatment decisions.

The Company’s Dental segment provides products that are used to diagnose, treat and prevent disease and ailments of the teeth, gums and supporting bone, as well as to improve the aesthetics of the human smile. The Company is a leading worldwide provider of a broad range of dental consumables, equipment and services, and is dedicated to driving technological innovations that help dental professionals improve clinical outcomes and enhance productivity.

The Company’s Environmental & Applied Solutions segment products and services help protect important resources and keep global food and water supplies safe. The Company’s water quality business provides instrumentation, services and disinfection systems to help analyze, treat and manage the quality of ultra-pure, potable, industrial, waste, ground, source and ocean water in residential, commercial, municipal, industrial and natural resource applications. The Company’s product identification business provides equipment, software, services and consumables for various color and appearance management, packaging design and quality management, printing, marking, coding and traceability applications for consumer, pharmaceutical and industrial products.

Refer to Notes 2 and 3 for a discussion of significant acquisitions and discontinued operations.

Accounting Principles—The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”). The Consolidated Financial Statements include the accounts of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation. The Consolidated Financial Statements also reflect the impact of noncontrolling interests. Noncontrolling interests do not have a significant impact on the Company’s consolidated results of operations, therefore earnings and earnings per share attributable to noncontrolling interests are not presented separately in the Company’s Consolidated Statements of Earnings. Earnings attributable to noncontrolling interests have been reflected in selling, general and administrative expenses and were insignificant in all periods presented.

Use of Estimates—The preparation of these financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. The Company bases these estimates on historical experience, the current economic environment and on various other assumptions that are believed to be reasonable under the circumstances. However, uncertainties associated with these estimates exist and actual results may differ materially from these estimates.

Cash and Equivalents—The Company considers all highly liquid investments with a maturity of three months or less at the date of purchase to be cash equivalents.

Accounts Receivable and Allowances for Doubtful Accounts—All trade accounts, contract and finance receivables are reported on the accompanying Consolidated Balance Sheets adjusted for any write-offs and net of allowances for doubtful accounts. The allowances for doubtful accounts represent management’s best estimate of the credit losses expected from the Company’s trade accounts, contract and finance receivable portfolios. Determination of the allowances requires management to exercise judgment about the timing, frequency and severity of credit losses that could materially affect the provision for credit losses and, therefore, net earnings. The Company regularly performs

detailed reviews of its portfolios to determine if an impairment has occurred and evaluates the collectability of receivables based on a combination of various financial and qualitative factors that may affect customers' ability to pay, including customers' financial condition, collateral, debt-servicing ability, past

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payment experience and credit bureau information. In circumstances where the Company is aware of a specific customer's inability to meet its financial obligations, a specific reserve is recorded against amounts due to reduce the recognized receivable to the amount reasonably expected to be collected. Additions to the allowances for doubtful accounts are charged to current period earnings, amounts determined to be uncollectible are charged directly against the allowances, while amounts recovered on previously written-off accounts increase the allowances. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional reserves would be required. The Company does not believe that accounts receivable represent significant concentrations of credit risk because of the diversified portfolio of individual customers and geographical areas. The Company recorded \$33 million, \$33 million and \$25 million of expense associated with doubtful accounts for the years ended December 31, 2017, 2016 and 2015, respectively.

Included in the Company's trade accounts receivable and other long-term assets as of December 31, 2017 and 2016 are \$213 million and \$191 million of net aggregate financing receivables, respectively. All financing receivables are evaluated for impairment based on individual customer credit profiles.

Inventory Valuation—Inventories include the costs of material, labor and overhead. Domestic inventories are stated at the lower of cost or market primarily using the first-in, first-out ("FIFO") method with certain businesses applying the last-in, first-out method ("LIFO") to value inventory. Inventories held outside the United States are stated at the lower of cost or market primarily using the FIFO method.

Property, Plant and Equipment—Property, plant and equipment are carried at cost. The provision for depreciation has been computed principally by the straight-line method based on the estimated useful lives of the depreciable assets as follows:

Category	Useful Life
Buildings	30 years
Leased assets and leasehold improvements	Amortized over the lesser of the economic life of the asset or the term of the lease
Machinery and equipment	3 – 10 years
Customer-leased instruments	5 – 7 years

Estimated useful lives are periodically reviewed and, when appropriate, changes to estimates are made prospectively.

Investments—Investments over which the Company has a significant influence but not a controlling interest, are accounted for using the equity method of accounting. Equity investments are recorded at the amount of the Company's initial investment and adjusted each period for the Company's share of the investee's income or loss and dividends paid. All equity investments are periodically reviewed to determine if declines in fair value below cost basis are other-than-temporary. Significant and sustained decreases in quoted market prices or a series of historic and projected operating losses by investees are strong indicators of other-than-temporary declines. If the decline in fair value is determined to be other-than-temporary, an impairment loss is recorded and the investment is written down to a new carrying value.

Other Assets—Other assets principally include noncurrent financing receivables, noncurrent deferred tax assets and other investments.

Fair Value of Financial Instruments—The Company's financial instruments consist primarily of cash and cash equivalents, trade accounts receivable, available-for-sale securities, nonqualified deferred compensation plans, obligations under trade accounts payable and short and long-term debt. Due to their short-term nature, the carrying values for cash and cash equivalents, trade accounts receivable and trade accounts payable approximate fair value. Refer to Note 7 for the fair values of the Company's available-for-sale securities and other obligations.

Goodwill and Other Intangible Assets—Goodwill and other intangible assets result from the Company's acquisition of existing businesses. In accordance with accounting standards related to business combinations, goodwill is not amortized, however, certain definite-lived identifiable intangible assets, primarily customer relationships and acquired technology, are amortized over their estimated useful lives. Intangible assets with indefinite lives are not amortized. In-process research and development ("IPR&D") is initially capitalized at fair value and when the IPR&D project is complete, the asset is considered a finite-lived intangible asset and amortized over its estimated useful life.

If an IPR&D project is abandoned, an impairment loss equal to the value of the intangible asset is recorded in the period of abandonment. The Company reviews identified intangible assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. The Company also tests intangible assets with indefinite lives at least annually for impairment. Refer to Notes 2 and 6 for additional information about the Company's goodwill and other intangible assets.

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Revenue Recognition—As described above, the Company derives revenues primarily from the sale of Life Sciences, Diagnostics, Dental and Environmental & Applied Solutions products and services. For revenue related to a product or service to qualify for recognition, there must be persuasive evidence of an arrangement with a customer, delivery must have occurred or the services must have been rendered, the price to the customer must be fixed and determinable and collectability of the associated fee must be reasonably assured. The Company's principal terms of sale are FOB Shipping Point, or equivalent, and, as such, the Company primarily records revenue for product sales upon shipment. Sales arrangements entered with delivery terms that are not FOB Shipping Point are not recognized upon shipment and the delivery criteria for revenue recognition is evaluated based on the associated shipping terms and customer obligations. If any significant obligation to the customer with respect to a sales transaction remains to be fulfilled following shipment (typically installation or acceptance by the customer), revenue recognition is deferred until such obligations have been fulfilled. Returns for products sold are estimated and recorded as a reduction of revenue at the time of sale. Customer allowances and rebates, consisting primarily of volume discounts and other short-term incentive programs, are recorded as a reduction of revenue at the time of sale because these allowances reflect a reduction in the purchase price. Product returns, customer allowances and rebates are estimated based on historical experience and known trends. Revenue related to separately priced extended warranty and product maintenance agreements is deferred when appropriate and recognized as revenue over the term of the agreement.

Certain of the Company's revenues relate to operating-type lease ("OTL") arrangements. Instrument lease revenue for OTL agreements is recognized on a straight-line basis over the life of the lease, and the costs of customer-leased instruments are recorded within property, plant and equipment in the accompanying Consolidated Balance Sheets and depreciated over the instrument's estimated useful life. The depreciation expense is reflected in cost of sales in the accompanying Consolidated Statements of Earnings. The OTLs are generally not cancellable until after the first two years. Certain of the Company's lease contracts are customized for larger customers and often result in complex terms and conditions that typically require significant judgment in applying the criteria used to evaluate whether the arrangement should be considered an OTL or a sales-type lease. A sales-type lease would result in earlier recognition of instrument revenue as compared to an OTL.

Revenues for contractual arrangements consisting of multiple elements (i.e., deliverables) are recognized for the separate elements when the product or services that are part of the multiple element arrangement have value on a stand-alone basis and, in arrangements that include a general right of refund relative to the delivered element, performance of the undelivered element is considered probable and substantially in the Company's control. Certain customer arrangements include multiple elements, typically hardware, installation, training, consulting, services and/or post contract support ("PCS"). Generally, these elements are delivered within the same reporting period, except PCS or other services, for which revenue is recognized over the service period. The Company allocates revenue to each element in the arrangement using the selling price hierarchy and based on each element's relative selling price. The selling price for a deliverable is based on its vendor-specific objective evidence ("VSOE") if available, third-party evidence ("TPE") if VSOE is not available, or estimated selling price ("ESP") if neither VSOE or TPE is available. The Company considers relevant internal and external market factors in cases where the Company is required to estimate selling prices. Allocation of the consideration is determined at the inception of the arrangements.

On January 1, 2018, the Company adopted Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes nearly all existing revenue recognition guidance.

Shipping and Handling—Shipping and handling costs are included as a component of cost of sales. Revenue derived from shipping and handling costs billed to customers is included in sales.

Advertising—Advertising costs are expensed as incurred.

Research and Development—The Company conducts research and development activities for the purpose of developing new products, enhancing the functionality, effectiveness, ease of use and reliability of the Company's existing products and expanding the applications for which uses of the Company's products are appropriate. Research and development costs are expensed as incurred.

Income Taxes—The Company's income tax expense represents the tax liability for the current year, the tax benefit or expense for the net change in deferred tax liabilities and assets during the year, as well as reserves for unrecognized tax benefits and return to provision adjustments. Deferred tax liabilities and assets are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted rates expected to be in effect during the year in which the differences reverse. Deferred tax assets generally represent items that can be used as a tax deduction or credit in the Company's tax return in future years for which the tax benefit has already been

reflected on the Company's Consolidated Statements of Earnings. The Company establishes valuation allowances for its deferred tax assets if it is more likely than not that some or all of the deferred tax asset will not be realized. Deferred tax liabilities generally represent items that have already been taken as a deduction on the Company's tax return but have not yet been recognized as an expense in the Company's Consolidated Statements of Earnings. The effect on deferred tax assets and liabilities due to a change in tax rates is recognized

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in income tax expense in the period that includes the enactment date. The Company provides for unrecognized tax benefits when, based upon the technical merits, it is “more likely than not” that an uncertain tax position will not be sustained upon examination. Judgment is required in evaluating tax positions and determining income tax provisions. The Company re-evaluates the technical merits of its tax positions and may recognize an uncertain tax benefit in certain circumstances, including when: (1) a tax audit is completed; (2) applicable tax laws change, including a tax case ruling or legislative guidance; or (3) the applicable statute of limitations expires. The Company recognizes potential accrued interest and penalties associated with unrecognized tax positions in income tax expense. Refer to Note 12 for additional information and discussion of the impact of the enactment of the Tax Cuts and Jobs Act (“TCJA”) in the United States.

Productivity Improvement and Restructuring—The Company periodically initiates productivity improvement and restructuring activities to appropriately position the Company’s cost base relative to prevailing economic conditions and associated customer demand as well as in connection with certain acquisitions. Costs associated with productivity improvement and restructuring actions can include one-time termination benefits and related charges in addition to facility closure, contract termination and other related activities. The Company records the cost of the productivity improvement and restructuring activities when the associated liability is incurred. Refer to Note 14 for additional information.

Foreign Currency Translation—Exchange rate adjustments resulting from foreign currency transactions are recognized in net earnings, whereas effects resulting from the translation of financial statements are reflected as a component of accumulated other comprehensive income (loss) within stockholders’ equity. Assets and liabilities of subsidiaries operating outside the United States with a functional currency other than U.S. dollars are translated into U.S. dollars using year-end exchange rates and income statement accounts are translated at weighted average rates. Net foreign currency transaction gains or losses were not material in any of the years presented.

Derivative Financial Instruments—The Company is neither a dealer nor a trader in derivative instruments. The Company has generally accepted the exposure to exchange rate movements without using derivative instruments to manage this risk, although the Company’s foreign currency-denominated debt partially hedges its net investments in foreign operations against adverse movements in exchange rates. The Company will periodically enter into foreign currency forward contracts not exceeding 12 months to mitigate a portion of its foreign currency exchange risk and forward starting swaps to mitigate interest rate risk related to the Company’s debt. When utilized, the derivative instruments are recorded on the Consolidated Balance Sheets as either an asset or liability measured at fair value. To the extent the foreign currency forward contract or forward starting swap qualifies as an effective hedge, changes in fair value are recognized in accumulated other comprehensive income (loss) in stockholders’ equity. The Company’s use of foreign currency forward contracts and forward starting swaps during 2017, 2016 and 2015 and as of the years then ended was not significant.

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Accumulated Other Comprehensive Income (Loss)—Foreign currency translation adjustments are generally not adjusted for income taxes as they relate to indefinite investments in non-U.S. subsidiaries. The changes in accumulated other comprehensive income (loss) by component are summarized below (\$ in millions):

	Foreign Currency Translation Adjustments	Pension & Postretirement Plan Benefit Adjustments	Unrealized Gain (Loss) on Available- For- Sale Securities	Total
Balance, January 1, 2015	\$ (821.8)	\$ (727.8)	\$ 115.9	\$ (1,433.7)
Other comprehensive income (loss) before reclassifications:				
(Decrease) increase	(975.6)	69.8	40.7	(865.1)
Income tax impact	—	(12.3)	(15.3)	(27.6)
Other comprehensive income (loss) before reclassifications, net of income taxes	(975.6)	57.5	25.4	(892.7)
Amounts reclassified from accumulated other comprehensive income (loss):				
Increase (decrease)	—	33.5 ^(a)	(12.4) ^(b)	21.1
Income tax impact	—	(10.5)	4.6	(5.9)
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes	—	23.0	(7.8)	15.2
Net current period other comprehensive income (loss), net of income taxes	(975.6)	80.5	17.6	(877.5)
Balance, December 31, 2015	(1,797.4)	(647.3)	133.5	(2,311.2)
Other comprehensive income (loss) before reclassifications:				
(Decrease) increase	(517.3)	(115.4)	39.6	(593.1)
Income tax impact	—	38.9	(14.8)	24.1
Other comprehensive income (loss) before reclassifications, net of income taxes	(517.3)	(76.5)	24.8	(569.0)
Amounts reclassified from accumulated other comprehensive income (loss):				
Increase (decrease)	—	28.0 ^(a)	(223.4) ^(b)	(195.4)
Income tax impact	—	(9.7)	83.8	74.1
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes	—	18.3	(139.6)	(121.3)
Net current period other comprehensive income (loss), net of income taxes	(517.3)	(58.2)	(114.8)	(690.3)
Distribution of Fortive Corporation	(83.5)	63.3 ^(c)	—	(20.2)
Balance, December 31, 2016	(2,398.2)	(642.2)	18.7	(3,021.7)
Other comprehensive income (loss) before reclassifications:				
Increase	976.1	62.4	41.7	1,080.2
Income tax impact	—	(13.4)	(15.7)	(29.1)
Other comprehensive income (loss) before reclassifications, net of income taxes	976.1	49.0	26.0	1,051.1
Amounts reclassified from accumulated other comprehensive income (loss):				
Increase (decrease)	—	28.7 ^(a)	(72.8) ^(b)	(44.1)
Income tax impact	—	(6.7)	27.2	20.5
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes	—	22.0	(45.6)	(23.6)

Net current period other comprehensive income (loss), net of income taxes	976.1	71.0	(19.6)	1,027.5
Balance, December 31, 2017	<u>\$ (1,422.1)</u>	<u>\$ (571.2)</u>	<u>\$ (0.9)</u>	<u>\$ (1,994.2)</u>

- (a) This accumulated other comprehensive income (loss) component is included in the computation of net periodic pension and postretirement cost (refer to Notes 10 and 11 for additional details).
- (b) Included in other income in the accompanying Consolidated Statements of Earnings (refer to Note 13 for additional details).
- (c) This accumulated other comprehensive income (loss) component included an income tax impact of \$21 million.

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Accounting for Stock-Based Compensation—The Company accounts for stock-based compensation by measuring the cost of employee services received in exchange for all equity awards granted, including stock options, restricted stock units (“RSUs”) and performance stock units (“PSUs”), based on the fair value of the award as of the grant date. Equity-based compensation expense is recognized net of an estimated forfeiture rate on a straight-line basis over the requisite service period of the award, except that in the case of RSUs, compensation expense is recognized using an accelerated attribution method. Refer to Note 17 for additional information on the stock-based compensation plans in which certain employees of the Company participate.

Pension and Postretirement Benefit Plans—The Company measures its pension and postretirement plans’ assets and its obligations that determine the respective plan’s funded status as of the end of the Company’s fiscal year, and recognizes an asset for a plan’s overfunded status or a liability for a plan’s underfunded status in its balance sheet. Changes in the funded status of the plans are recognized in the year in which the changes occur and reported in comprehensive income (loss). Refer to Notes 10 and 11 for additional information on the Company’s pension and postretirement plans including a discussion of the actuarial assumptions, the Company’s policy for recognizing the associated gains and losses and the method used to estimate service and interest cost components.

New Accounting Standards—In February 2018, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2018-02, *Income Statement-Reporting Comprehensive Income (Topic 220) Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, to address a specific consequence of the TCJA by allowing a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the TCJA’s reduction of the U.S. federal corporate income tax rate. The ASU is effective for all entities for annual periods beginning after December 15, 2018, with early adoption permitted, and is to be applied either in the period of adoption or retrospectively to each period in which the effect of the change in the U.S. federal corporate income tax rate in the TCJA is recognized. Management has not yet completed its assessment of the impact of the ASU on the Company’s Consolidated Financial Statements.

In May 2017, the FASB issued ASU No. 2017-09, *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting*, which provided clarity on which changes to the terms or conditions of share-based payment awards require an entity to apply the modification accounting provisions required in Topic 718. The standard is effective for all entities for annual periods beginning after December 15, 2017, with early adoption permitted, including adoption in any interim period for which financial statements have not yet been issued. The Company does not expect the adoption of this ASU will have a material impact on its Consolidated Financial Statements.

In March 2017, the FASB issued ASU No. 2017-07, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which requires employers to disaggregate the service cost component from other components of net periodic benefit costs and to disclose the amounts of net periodic benefit costs that are included in each income statement line item. The standard requires employers to report the service cost component in the same line item as other compensation costs and to report the other components of net periodic benefit costs (which include interest costs, expected return on plan assets, amortization of prior service cost or credits and actuarial gains and losses) separately and outside a subtotal of operating income. The income statement guidance requires application on a retrospective basis. The ASU is effective for public entities for annual periods beginning after December 15, 2017, including interim periods, with early adoption permitted. Had this standard been adopted in prior periods, reported operating profit would have been \$31 million and \$16 million lower and other income would have been \$31 million and \$16 million higher than reflected in the Consolidated Statements of Earnings for the years ended December 31, 2017 and 2016, respectively. Other than the presentation of the components of pension expense in the income statement, the adoption of this ASU will not have a material impact on the Company’s Consolidated Financial Statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which amends the impairment model by requiring entities to use a forward-looking approach based on expected losses rather than incurred losses to estimate credit losses on certain types of financial instruments, including trade receivables. This may result in the earlier recognition of allowances for losses. The ASU is effective for public entities for fiscal years beginning after December 15, 2019, with early adoption permitted. Management has not yet completed its assessment of the impact of the new standard on the Company’s Consolidated Financial Statements. Currently, the Company believes that the most notable impact of this ASU will relate to its processes around the assessment of the adequacy of its allowance for doubtful accounts on trade accounts receivable and the recognition of credit losses.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation—Stock Compensation (Topic 718)*, which simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, classification of certain items on the statement of cash flows and accounting for forfeitures. The Company adopted this standard effective January 1, 2017. The ASU requires that the difference between the actual tax benefit realized upon exercise or vesting, as applicable, and the tax benefit recorded based on the fair value of the stock award at the time of grant (the “excess tax benefits”) be reflected as a reduction of the current period provision for

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income taxes with any shortfall recorded as an increase in the tax provision rather than as a component of changes to additional paid-in capital. The ASU also requires the excess tax benefit realized be reflected as operating cash flow rather than a financing cash flow. For the year ended December 31, 2017, the provision for income taxes from continuing operations was reduced and operating cash flow from continuing operations was increased by \$55 million reflecting the impact of adopting this standard. Had this ASU been adopted at January 1, 2016, the provision for income taxes from continuing operations would have been reduced and operating cash flow from continuing operations would have been increased by \$30 million from the amounts reported for the year ended December 31, 2016. The actual benefit to be realized in future periods is inherently uncertain and will vary based on the price of the Company's common stock as well as the timing of and relative value realized for future share-based transactions.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize a right-of-use asset and a lease liability for all leases with terms greater than 12 months. The standard also requires disclosures by lessees and lessors about the amount, timing and uncertainty of cash flows arising from leases. The accounting applied by a lessor is largely unchanged from that applied under the current standard. The standard must be adopted using a modified retrospective transition approach and provides for certain practical expedients. The ASU is effective for public entities for fiscal years beginning after December 15, 2018, with early adoption permitted. In September 2017 and January 2018, the FASB issued ASU No. 2017-13, *Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842)*, and ASU No. 2018-01, *Leases (Topic 842), Land Easement Practical Expedient for Transition to Topic 842*, which provided additional implementation guidance on the previously issued ASU. Management has not yet completed its assessment of the impact of the new standard on the Company's Consolidated Financial Statements. The Company is in the early stages of implementation and currently believes that the most notable impact to its financial statements upon the adoption of this ASU will be the recognition of a material right-of-use asset and lease liability for its real estate and equipment leases.

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. The ASU amends guidance on the classification and measurement of financial instruments, including significant revisions in accounting related to the classification and measurement of investments in equity securities and presentation of certain fair value changes for financial liabilities when the fair value option is elected. The ASU requires equity securities to be measured at fair value with changes in fair value recognized through net earnings and amends certain disclosure requirements associated with the fair value of financial instruments. In the period of adoption, the Company is required to reclassify the unrealized gains/losses on equity securities within accumulated other comprehensive income (loss) to retained earnings. The ASU is effective for the Company on January 1, 2018 and the adoption will not have a material effect on the Company's Consolidated Financial Statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes nearly all existing revenue recognition guidance. The core principle of the ASU is that revenue should be recognized to depict the transfer of promised 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. In July 2015, the FASB deferred the effective date of the standard by one year which results in the new standard being effective for the Company at the beginning of its first quarter of fiscal year 2018. In addition, during March, April, May and December 2016 and September and November 2017, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, ASU No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*, ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*, ASU No. 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*, ASU No. 2017-13, *Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842)*, and ASU No. 2017-14, *Income Statement—Reporting Comprehensive Income (Topic 220), Revenue Recognition (Topic 605), and Revenue from Contracts with Customers (Topic 606)* respectively, which clarified the guidance on certain items such as reporting revenue as a principal versus agent, identifying performance obligations, accounting for intellectual property licenses, assessing collectability, presentation of sales taxes, impairment testing for contract costs, disclosure of performance obligations, and provided additional implementation guidance. On January 1, 2018, the Company will adopt the ASU using the modified retrospective method for all contracts. The cumulative impact to beginning retained earnings from adopting the new revenue standard is expected to be a charge of less than \$5 million. The impact to beginning retained earnings is primarily driven by the deferral of revenue for unfulfilled performance obligations, partially offset by the capitalization of certain costs to obtain a contract, primarily sales-related commissions, where the amortization

period for the related asset is greater than one year. The Company expects the impact of the new standard on the amount and timing of revenue recognized in 2018 to be insignificant. The ASU also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows from customer contracts, including judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The Company is in the process of finalizing changes to its business processes, systems and controls to support recognition and disclosure under the new revenue standard.

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NOTE 2. ACQUISITIONS

The Company continually evaluates potential acquisitions that either strategically fit with the Company's existing portfolio or expand the Company's portfolio into a new and attractive business area. The Company has completed a number of acquisitions that have been accounted for as purchases and have resulted in the recognition of goodwill in the Company's Consolidated Financial Statements. This goodwill arises because the purchase prices for these businesses reflect a number of factors including the future earnings and cash flow potential of these businesses, the multiple to earnings, cash flow and other factors at which similar businesses have been purchased by other acquirers, the competitive nature of the processes by which the Company acquired the businesses, the avoidance of the time and costs which would be required (and the associated risks that would be encountered) to enhance the Company's existing product offerings to key target markets and enter into new and profitable businesses, and the complementary strategic fit and resulting synergies these businesses bring to existing operations.

The Company makes an initial allocation of the purchase price at the date of acquisition based upon its understanding of the fair value of the acquired assets and assumed liabilities. The Company obtains this information during due diligence and through other sources. In the months after closing, as the Company obtains additional information about these assets and liabilities, including through tangible and intangible asset appraisals, and learns more about the newly acquired business, it is able to refine the estimates of fair value and more accurately allocate the purchase price. Only items identified as of the acquisition date are considered for subsequent adjustment. The Company is continuing to evaluate certain pre-acquisition contingencies associated with certain of its 2017 acquisitions and is also in the process of obtaining valuations of certain property, plant and equipment, acquired intangible assets and certain acquisition-related liabilities in connection with these acquisitions. The Company will make appropriate adjustments to the purchase price allocation prior to completion of the measurement period, as required.

The following briefly describes the Company's acquisition activity for the three years ended December 31, 2017.

During 2017, the Company acquired ten businesses for total consideration of \$386 million in cash, net of cash acquired. The businesses acquired complement existing units of the Life Sciences, Dental and Environmental & Applied Solutions segments. The aggregate annual sales of these ten businesses at the time of their respective acquisitions, in each case based on the Company's revenues for its last completed fiscal year prior to the acquisition, were \$160 million. The Company preliminarily recorded an aggregate of \$268 million of goodwill related to these acquisitions.

On November 4, 2016, Copper Merger Sub, Inc., a California corporation and an indirect, wholly-owned subsidiary of the Company acquired all of the outstanding shares of common stock of Cepheid, a California corporation, for \$53.00 per share in cash, for a total purchase price of approximately \$4.0 billion, net of assumed debt and acquired cash (the "Cepheid Acquisition"). Cepheid is a leading global molecular diagnostics company that develops, manufactures and markets accurate and easy to use molecular systems and tests and is now part of the Company's Diagnostics segment. Cepheid generated revenues of \$539 million in 2015.

The Company initially financed the Cepheid acquisition price with available cash and proceeds from the issuance of U.S. dollar and euro-denominated commercial paper. The Company recorded approximately \$2.6 billion of goodwill related to the Cepheid Acquisition. As Cepheid is integrated into the Company, a process that will continue over the next several years, the Company expects to realize significant cost synergies through the application of DBS and the combined purchasing power of the Company and Cepheid.

In addition to the Cepheid Acquisition, during 2016 the Company acquired seven businesses for total consideration of \$882 million in cash, net of cash acquired. The businesses acquired complement existing units of each of the Company's four segments. The aggregate annual sales of these seven businesses at the time of their respective acquisitions, in each case based on the company's revenues for its last completed fiscal year prior to the acquisition, were \$237 million. The Company recorded an aggregate of \$478 million of goodwill related to these acquisitions.

On August 31, 2015, Pentagon Merger Sub, Inc., a New York corporation and an indirect, wholly-owned subsidiary of the Company, acquired all of the outstanding shares of common stock of Pall, a New York corporation, for \$127.20 per share in cash, for a total purchase price of approximately \$13.6 billion, net of assumed debt of \$417 million and acquired cash of approximately \$1.2 billion (the "Pall Acquisition"). Pall is a leading global provider of filtration, separation and purification solutions that remove contaminants or separate substances from a variety of solids, liquids and gases, and is part of the Company's Life Sciences segment. In its fiscal year ended July 31, 2015, Pall generated consolidated revenues of approximately \$2.8 billion. Pall serves customers in the biopharmaceutical,

food and beverage and medical markets as well as the process technologies, aerospace and microelectronics markets. The Company recorded approximately \$9.6 billion of goodwill related to the Pall Acquisition.

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The Company financed the approximately \$13.6 billion acquisition price of Pall with approximately \$2.5 billion of available cash, approximately \$8.1 billion of net proceeds from the issuance and sale of U.S. dollar and euro-denominated commercial paper and €2.7 billion (approximately \$3.0 billion based on currency exchange rates as of the date of issuance) of net proceeds from the issuance and sale of euro-denominated senior unsecured notes. Subsequent to the Pall Acquisition, the Company used the approximately \$2.0 billion of net proceeds from the issuance of U.S. dollar-denominated senior unsecured notes and the approximately CHF 758 million (\$739 million based on currency exchange rates as of date of issuance) of net proceeds, including the related premium, from the issuance and sale of Swiss franc-denominated senior unsecured bonds to repay a portion of the commercial paper issued to finance the Pall Acquisition and repay the CHF 100 million aggregate principal amount of the 0.0% senior unsecured bonds due in 2017.

In addition to the Pall Acquisition, during 2015 the Company acquired nine businesses for total consideration of approximately \$670 million in cash, net of cash acquired. The businesses acquired complement existing units of each of the Company's four segments. The aggregate annual sales of these nine businesses at the time of their respective acquisitions, in each case based on the company's revenues for its last completed fiscal year prior to the acquisition, were approximately \$355 million. The Company recorded an aggregate of \$285 million of goodwill related to these acquisitions.

The following summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition (\$ in millions):

	2017	2016	2015
Trade accounts receivable	\$ 21.6	\$ 97.8	\$ 590.4
Inventories	21.3	204.8	521.9
Property, plant and equipment	9.1	161.8	740.0
Goodwill	267.6	3,061.8	9,841.0
Other intangible assets, primarily customer relationships, trade names and technology	155.1	1,867.0	5,045.3
In-process research and development	—	65.0	—
Trade accounts payable	(9.9)	(50.7)	(182.0)
Other assets and liabilities, net	(75.0)	(518.0)	(1,844.5)
Assumed debt	—	(1.0)	(417.0)
Attributable to noncontrolling interest	(4.0)	—	—
Net assets acquired	385.8	4,888.5	14,295.1
Less: noncash consideration	—	(8.4)	(47.3)
Net cash consideration	\$ 385.8	\$ 4,880.1	\$ 14,247.8

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The following summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition for the individually significant acquisition in 2016 discussed above, and all of the other 2016 acquisitions as a group (\$ in millions):

	Cepheid	Others	Total
Trade accounts receivable	\$ 61.4	\$ 36.4	\$ 97.8
Inventories	165.8	39.0	204.8
Property, plant and equipment	144.5	17.3	161.8
Goodwill	2,584.0	477.8	3,061.8
Other intangible assets, primarily customer relationships, trade names and technology	1,480.0	387.0	1,867.0
In-process research and development	65.0	—	65.0
Trade accounts payable	(41.2)	(9.5)	(50.7)
Other assets and liabilities, net	(452.4)	(65.6)	(518.0)
Assumed debt	(1.0)	—	(1.0)
Net assets acquired	4,006.1	882.4	4,888.5
Less: noncash consideration	(8.4)	—	(8.4)
Net cash consideration	\$ 3,997.7	\$ 882.4	\$ 4,880.1

The following summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition for the individually significant acquisition in 2015 discussed above, and all of the other 2015 acquisitions as a group (\$ in millions):

	Pall	Others	Total
Trade accounts receivable	\$ 509.7	\$ 80.7	\$ 590.4
Inventories	475.5	46.4	521.9
Property, plant and equipment	713.4	26.6	740.0
Goodwill	9,556.2	284.8	9,841.0
Other intangible assets, primarily customer relationships, trade names and technology	4,798.0	247.3	5,045.3
Trade accounts payable	(155.8)	(26.2)	(182.0)
Other assets and liabilities, net	(1,855.2)	10.7	(1,844.5)
Assumed debt	(416.9)	(0.1)	(417.0)
Net assets acquired	13,624.9	670.2	14,295.1
Less: noncash consideration	(47.3)	—	(47.3)
Net cash consideration	\$ 13,577.6	\$ 670.2	\$ 14,247.8

During 2016, primarily in connection with the Cepheid Acquisition, the Company incurred \$61 million of pretax transaction-related costs, primarily banking fees, legal fees, amounts paid to other third-party advisers and change in control costs. In addition, the Company's earnings for 2016 reflect the impact of additional pretax charges of \$23 million associated with fair value adjustments to acquired inventory and deferred revenue primarily related to the Cepheid Acquisition.

During 2015, in connection with the Pall Acquisition, the Company incurred \$47 million of pretax transaction-related costs, primarily banking fees, legal fees, amounts paid to other third-party advisers and change in control costs as well as \$11 million of a pretax curtailment gain resulting from the Company freezing and discontinuing all future accruals to the Pall pension plan, which necessitated a remeasurement of the plan obligations. In addition, the Company's earnings for 2015 reflect the impact of additional pretax charges of \$91 million associated with fair value adjustments to acquired inventory and deferred revenue related to the Pall Acquisition and \$20 million associated with fair value adjustments to acquired inventory related to the 2014 acquisition of Nobel Biocare Holding AG.

Transaction-related costs and acquisition-related fair value adjustments attributable to other acquisitions were not material for the years ended December 31, 2017, 2016, and 2015.

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Acquisition of Noncontrolling Interest

In the first quarter of 2017, Danaher acquired the remaining noncontrolling interest associated with one of its prior business combinations for consideration of \$64 million. Danaher recorded the increase in ownership interests as a transaction within stockholders' equity. As a result of this transaction, noncontrolling interests were reduced by \$63 million reflecting the carrying value of the interest with the \$1 million difference charged to additional paid-in capital.

Pro Forma Financial Information (Unaudited)

The unaudited pro forma information for the periods set forth below gives effect to the 2017 and 2016 acquisitions as if they had occurred as of January 1, 2016. The pro forma information is presented for informational purposes only and is not necessarily indicative of the results of operations that actually would have been achieved had the acquisitions been consummated as of that time (\$ in millions except per share amounts):

	2017	2016
Sales	\$ 18,433.8	\$ 17,660.4
Net earnings from continuing operations	2,467.8	2,072.7
Diluted net earnings per share from continuing operations	3.50	2.96

The 2016 unaudited pro forma revenue and earnings set forth above include the impact of the \$23 million of fair value adjustments to acquired inventory and deferred revenue, primarily related to the Cepheid Acquisition.

In addition, the acquisition-related transaction costs and change in control payments of approximately \$61 million in 2016 associated with the Cepheid Acquisition were excluded from pro forma earnings in 2016.

NOTE 3. DISCONTINUED OPERATIONS

Fortive Corporation Separation

On July 2, 2016 (the "Distribution Date"), Danaher completed the separation (the "Separation") of its former Test & Measurement segment, Industrial Technologies segment (excluding the product identification businesses) and retail/commercial petroleum business by distributing to Danaher stockholders on a pro rata basis all of the issued and outstanding common stock of Fortive Corporation ("Fortive"), the entity Danaher incorporated to hold such businesses. To effect the Separation, Danaher distributed to its stockholders one share of Fortive common stock for every two shares of Danaher common stock outstanding as of June 15, 2016, the record date for the distribution. Fractional shares of Fortive common stock that otherwise would have been distributed were aggregated and sold into the public market and the proceeds distributed to Danaher stockholders.

In preparation for the Separation, in June 2016 Fortive issued approximately \$3.4 billion in debt securities (refer to Note 9). The proceeds from these borrowings were used to fund the approximately \$3.0 billion net cash distributions Fortive made to Danaher prior to the Distribution Date ("Fortive Distribution"). Danaher used a portion of the cash distribution proceeds to repay the \$500 million aggregate principal amount of 2.3% senior unsecured notes that matured in June 2016 and to redeem approximately \$1.9 billion in aggregate principal amount of outstanding indebtedness in August 2016 (consisting of the Company's 5.625% senior unsecured notes due 2018, 5.4% senior unsecured notes due 2019 and 3.9% senior unsecured notes due 2021, collectively the "Redeemed Notes"). Danaher also paid an aggregate of \$188 million in make-whole premiums in connection with the August 2016 redemptions, plus accrued and unpaid interest. The Company used the balance of the Fortive Distribution to fund certain of the Company's regular, quarterly cash dividends to shareholders.

The accounting requirements for reporting the Separation of Fortive as a discontinued operation were met when the Separation was completed. Accordingly, the accompanying Consolidated Financial Statements for all periods presented reflect this business as a discontinued operation. The Company allocated a portion of the consolidated interest expense and income to discontinued operations based on the ratio of the discontinued business' net assets to the Company's consolidated net assets. Fortive had revenues of approximately \$3.0 billion in 2016 prior to the Separation and approximately \$6.2 billion in 2015.

As a result of the Separation, the Company incurred \$48 million in Separation-related costs during the year ended December 31, 2016 which are included in earnings from discontinued operations, net of income taxes in the accompanying Consolidated Statement of Earnings. These Separation costs primarily relate to professional fees associated with preparation of regulatory filings and Separation activities within finance, tax, legal and information system functions as well as certain investment banking fees incurred upon the Separation.

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In connection with the Separation, Danaher and Fortive entered into various agreements to effect the Separation and provide a framework for their relationship after the Separation, including a transition services agreement, an employee matters agreement, a tax matters agreement, an intellectual property matters agreement and a Danaher Business System (“DBS”) license agreement. These agreements provide for the allocation between Danaher and Fortive of assets, employees, liabilities and obligations (including investments, property and employee benefits and tax-related assets and liabilities) attributable to periods prior to, at and after Fortive’s separation from Danaher and govern certain relationships between Danaher and Fortive after the Separation. In addition, Danaher is also party to various commercial agreements with Fortive entities. The amount billed for transition services provided under the above agreements as well as sales and purchases to and from Fortive were not material to the Company’s results of operations for the years ended December 31, 2017 and 2016.

In 2017, Danaher recorded a \$22 million income tax benefit related to the release of previously provided reserves associated with uncertain tax positions on certain Danaher tax returns which were jointly filed with Fortive entities. These reserves were released due to the expiration of statutes of limitations for those returns. All Fortive entity-related balances were included in the income tax benefit related to discontinued operations.

Communications Business Split-off

In July 2015, the Company consummated the split-off of the majority of its former communications business to Danaher shareholders who elected to exchange Danaher shares for ownership interests in the communications business, and the subsequent merger of the communications business with a subsidiary of NetScout Systems, Inc. (“NetScout”). Danaher shareholders who participated in the exchange offer tendered 26 million shares of Danaher common stock (approximately \$2.3 billion on the date of tender) and received 62.5 million shares of NetScout common stock which represented approximately 60% of the shares of NetScout common stock outstanding following the combination.

The accounting requirements for reporting the disposition of the communications business as a discontinued operation were met when the split-off and merger were completed. Accordingly, the accompanying Consolidated Financial Statements for all periods presented reflect this business as discontinued operations. The Company allocated a portion of the consolidated interest expense to discontinued operations based on the ratio of the discontinued business’ net assets to the Company’s consolidated net assets. The Company recorded an aggregate after-tax gain on the disposition of this business of \$767 million (including \$6 million in related income tax benefits), or \$1.08 per diluted share, in its 2015 results in connection with the closing of this transaction representing the value of the 26 million shares of Company common stock tendered for the communications business in excess of the carrying value of the business’ net assets. The communications business had revenues of \$346 million in 2015 prior to the disposition.

The key components of income from both the Fortive and communications businesses from discontinued operations for the years ended December 31 were as follows (\$ in millions):

	2017	2016	2015
Sales	\$ —	\$ 3,029.8	\$ 6,524.5
Cost of sales	—	(1,566.4)	(3,285.1)
Selling, general and administrative expenses	—	(696.0)	(1,458.9)
Research and development expenses	—	(190.4)	(457.6)
Interest expense	—	(19.7)	(24.8)
Interest income	—	—	0.7
Income from discontinued operations before income taxes	—	557.3	1,298.8
Gain on disposition of discontinued operations before income taxes	—	—	760.5
Earnings from discontinued operations before income taxes	—	557.3	2,059.3
Income taxes	22.3	(157.0)	(448.6)
Earnings from discontinued operations, net of income taxes	\$ 22.3	\$ 400.3	\$ 1,610.7

[Table of Contents](#)**NOTE 4. INVENTORIES**

The classes of inventory as of December 31 are summarized as follows (\$ in millions):

	2017	2016
Finished goods	\$ 982.5	\$ 884.4
Work in process	309.7	299.4
Raw materials	548.6	525.6
Total	<u>\$ 1,840.8</u>	<u>\$ 1,709.4</u>

As of December 31, 2017 and 2016, the difference between inventories valued at LIFO and the value of that same inventory if the FIFO method had been used was not significant. The liquidation of LIFO inventory did not have a significant impact on the Company's results of operations in any period presented.

NOTE 5. PROPERTY, PLANT AND EQUIPMENT

The classes of property, plant and equipment as of December 31 are summarized as follows (\$ in millions):

	2017	2016
Land and improvements	\$ 155.6	\$ 150.5
Buildings	1,009.5	880.9
Machinery and equipment	2,239.5	1,953.9
Customer-leased instruments	1,569.4	1,332.0
Gross property, plant and equipment	4,974.0	4,317.3
Less: accumulated depreciation	(2,519.4)	(1,963.3)
Property, plant and equipment, net	<u>\$ 2,454.6</u>	<u>\$ 2,354.0</u>

NOTE 6. GOODWILL AND OTHER INTANGIBLE ASSETS

As discussed in Note 2, goodwill arises from the purchase price for acquired businesses exceeding the fair value of tangible and intangible assets acquired less assumed liabilities and noncontrolling interests. Management assesses the goodwill of each of its reporting units for impairment at least annually at the beginning of the fourth quarter and as "triggering" events occur that indicate that it is more likely than not that an impairment exists. The Company elected to bypass the optional qualitative goodwill assessment allowed by applicable accounting standards and performed a quantitative impairment test for all reporting units as this was determined to be the most effective method to assess for impairment across a large spectrum of reporting units.

The Company estimates the fair value of its reporting units primarily using a market approach, based on current trading multiples of earnings before interest, taxes, depreciation and amortization ("EBITDA") for companies operating in businesses similar to each of the Company's reporting units, in addition to recent available market sale transactions of comparable businesses. In certain circumstances the Company also estimates fair value utilizing a discounted cash flow analysis (i.e., an income approach) in order to validate the results of the market approach. If the estimated fair value of the reporting unit is less than its carrying value, the Company must perform additional analysis to determine if the reporting unit's goodwill has been impaired.

As of December 31, 2017, the Company had eight reporting units for goodwill impairment testing. As of the date of the 2017 annual impairment test, the carrying value of the goodwill included in each individual reporting unit ranged from \$509 million to approximately \$12.2 billion. No goodwill impairment charges were recorded for the years ended December 31, 2017, 2016 and 2015 and no "triggering" events have occurred subsequent to the performance of the 2017 annual impairment test. The factors used by management in its impairment analysis are inherently subject to uncertainty. If actual results are not consistent with management's estimates and assumptions, goodwill and other intangible assets may be overstated and a charge would need to be taken against net earnings.

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The following is a rollforward of the Company's goodwill by segment (\$ in millions):

	Life Sciences	Diagnostics	Dental	Environmental & Applied Solutions	Total
Balance, January 1, 2016	\$ 11,308.5	\$ 4,387.4	\$ 3,236.1	\$ 2,082.9	\$ 21,014.9
Attributable to 2016 acquisitions	438.6	2,590.5	4.2	28.5	3,061.8
Adjustments due to finalization of purchase price allocations	89.7 ^(a)	(2.2)	—	5.1	92.6
Foreign currency translation and other	(226.5)	(72.7)	(24.7)	(18.5)	(342.4)
Balance, December 31, 2016	11,610.3	6,903.0	3,215.6	2,098.0	23,826.9
Attributable to 2017 acquisitions	95.5		2.8	169.3	267.6
Adjustments due to finalization of purchase price allocations	(19.1)	(39.6) ^(b)	8.8	—	(49.9)
Foreign currency translation and other	648.8	216.1	142.8	86.3	1,094.0
Balance, December 31, 2017	<u>\$ 12,335.5</u>	<u>\$ 7,079.5</u>	<u>\$ 3,370.0</u>	<u>\$ 2,353.6</u>	<u>\$ 25,138.6</u>

^(a) This adjustment is primarily related to finalization of the Pall purchase price allocations.

^(b) This adjustment is primarily related to finalization of the Cepheid purchase price allocations.

Finite-lived intangible assets are amortized over their legal or estimated useful life. The following summarizes the gross carrying value and accumulated amortization for each major category of intangible asset as of December 31 (\$ in millions):

	2017		2016	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Finite-lived intangibles:				
Patents and technology	\$ 2,363.5	\$ (783.7)	\$ 2,211.3	\$ (618.5)
Customer relationships and other intangibles	7,354.9	(2,217.6)	6,990.9	(1,627.1)
Total finite-lived intangibles	9,718.4	(3,001.3)	9,202.2	(2,245.6)
Indefinite-lived intangibles:				
Trademarks and trade names	4,950.0	—	4,861.4	—
Total intangibles	<u>\$ 14,668.4</u>	<u>\$ (3,001.3)</u>	<u>\$ 14,063.6</u>	<u>\$ (2,245.6)</u>

During 2017, the Company acquired finite-lived intangible assets, consisting primarily of customer relationships, with a weighted average life of nine years. Refer to Note 2 for additional information on the intangible assets acquired.

Total intangible amortization expense in 2017, 2016 and 2015 was \$661 million, \$583 million and \$397 million, respectively. Based on the intangible assets recorded as of December 31, 2017, amortization expense is estimated to be \$682 million during 2018, \$675 million during 2019, \$669 million during 2020, \$656 million during 2021 and \$637 million during 2022.

NOTE 7. FAIR VALUE MEASUREMENTS

Accounting standards define fair value based on an exit price model, establish a framework for measuring fair value where the Company's assets and liabilities are required to be carried at fair value and provide for certain disclosures related to the valuation methods used within a valuation hierarchy as established within the accounting standards.

This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets in markets that are not active, or other observable characteristics for the asset or liability, including interest rates, yield curves and credit risks, or inputs that are derived principally from, or corroborated by, observable market data through correlation. Level 3 inputs are unobservable inputs based on the Company's assumptions. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

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A summary of financial assets and liabilities that are measured at fair value on a recurring basis were as follows (\$ in millions):

	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
December 31, 2017:				
Assets:				
Available-for-sale securities	\$ —	\$ 45.4	\$ —	\$ 45.4
Liabilities:				
Deferred compensation plans	—	62.9	—	62.9
December 31, 2016:				
Assets:				
Available-for-sale securities	\$ 117.8	\$ 52.3	\$ —	\$ 170.1
Liabilities:				
Deferred compensation plans	—	52.2	—	52.2

Available-for-sale securities, which are included in other long-term assets in the accompanying Consolidated Balance Sheets, are either measured at fair value using quoted market prices in an active market or if they are not traded on an active market are valued at quoted prices reported by investment brokers and dealers based on the underlying terms of the security and comparison to similar securities traded on an active market. As of December 31, 2017, available-for-sale securities primarily include U.S. Treasury Notes and corporate debt securities, which are valued based on the terms of the instruments in comparison with similar terms on the active market.

The Company has established nonqualified deferred compensation programs that permit officers, directors and certain management employees to defer a portion of their compensation, on a pretax basis, until after their termination of employment (or board service, as applicable). All amounts deferred under such plans are unfunded, unsecured obligations of the Company and are presented as a component of the Company's compensation and benefits accrual included in other long-term liabilities in the accompanying Consolidated Balance Sheets (refer to Note 8). Participants may choose among alternative earnings rates for the amounts they defer, which are primarily based on investment options within the Company's 401(k) program (except that the earnings rates for amounts deferred by the Company's directors and amounts contributed unilaterally by the Company are entirely based on changes in the value of the Company's common stock). Changes in the deferred compensation liability under these programs are recognized based on changes in the fair value of the participants' accounts, which are based on the applicable earnings rates.

Fair Value of Financial Instruments

The carrying amounts and fair values of the Company's financial instruments as of December 31 were as follows (\$ in millions):

	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Available-for-sale securities	\$ 45.4	\$ 45.4	\$ 170.1	\$ 170.1
Liabilities:				
Short-term borrowings	194.7	194.7	2,594.8	2,594.8
Long-term borrowings	10,327.4	10,847.1	9,674.2	10,095.1

As of December 31, 2017 and 2016, available-for-sale securities were categorized as Level 1 and Level 2, as indicated above, and short and long-term borrowings were categorized as Level 1.

The fair value of long-term borrowings was based on quoted market prices. The difference between the fair value and the carrying amounts of long-term borrowings (other than the Company's Liquid Yield Option Notes due 2021 (the

“LYONs”)) is attributable to changes in market interest rates and/or the Company’s credit ratings subsequent to the incurrence of the borrowing. In the case of the LYONs, differences in the fair value from the carrying value are attributable to changes in the price of the Company’s common stock due to the LYONs’ conversion features. The fair values of borrowings with original

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maturities of one year or less, as well as cash and cash equivalents, trade accounts receivable, net and trade accounts payable approximate their carrying amounts due to the short-term maturities of these instruments.

Refer to Note 10 for information related to the fair value of the Company sponsored defined benefit pension plan assets.

NOTE 8. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities as of December 31 were as follows (\$ in millions):

	2017		2016	
	Current	Noncurrent	Current	Noncurrent
Compensation and benefits	\$ 961.0	\$ 236.2	\$ 914.1	\$ 247.1
Pension and postretirement benefits	95.8	1,052.0	91.7	1,222.9
Taxes, income and other	386.4	3,543.6	293.9	3,894.1
Deferred revenue	666.0	104.9	539.8	92.7
Sales and product allowances	155.7	2.0	144.1	2.0
Other	822.8	222.4	810.6	211.5
Total	<u>\$ 3,087.7</u>	<u>\$ 5,161.1</u>	<u>\$ 2,794.2</u>	<u>\$ 5,670.3</u>

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NOTE 9. FINANCING

The components of the Company's debt as of December 31 were as follows (\$ in millions):

	2017	2016
U.S. dollar-denominated commercial paper	\$ 436.9	\$ 2,733.5
Euro-denominated commercial paper (€1.7 billion and €3.0 billion, respectively)	1,993.9	3,127.6
Floating rate senior unsecured notes due 2017 (€500.0 million aggregate principal amount) (the "2017 Euronotes")	—	526.0
0.0% senior unsecured bonds due 2017 (CHF 100.0 million aggregate principal amount) (the "2017 CHF Bonds")	—	98.0
1.65% senior unsecured notes due 2018 (the "2018 U.S. Notes")	499.2	498.1
1.0% senior unsecured notes due 2019 (€600.0 million aggregate principal amount) (the "2019 Euronotes")	718.4	628.6
2.4% senior unsecured notes due 2020 (the "2020 U.S. Notes")	497.7	496.8
5.0% senior unsecured notes due 2020 (the "2020 Assumed Pall Notes")	394.6	402.6
Zero-coupon LYONs due 2021	69.1	68.1
0.352% senior unsecured notes due 2021 (¥30.0 billion aggregate principal amount) (the "2021 Yen Notes")	265.5	255.6
1.7% senior unsecured notes due 2022 (€800.0 million aggregate principal amount) (the "2022 Euronotes")	955.6	836.5
Floating rate senior unsecured notes due 2022 (€250.0 million aggregate principal amount) (the "Floating Rate 2022 Euronotes")	299.1	—
0.5% senior unsecured bonds due 2023 (CHF 540.0 million aggregate principal amount) (the "2023 CHF Bonds")	555.5	532.3
2.5% senior unsecured notes due 2025 (€800.0 million aggregate principal amount) (the "2025 Euronotes")	955.6	836.8
3.35% senior unsecured notes due 2025 (the "2025 U.S. Notes")	496.3	495.8
0.3% senior unsecured notes due 2027 (¥30.8 billion aggregate principal amount) (the "2027 Yen Notes")	272.2	—
1.2% senior unsecured notes due 2027 (€600.0 million aggregate principal amount) (the "2027 Euronotes")	714.1	—
1.125% senior unsecured bonds due 2028 (CHF 210.0 million and CHF 110.0 million, respectively, aggregate principal amount) (the "2028 CHF Bonds")	220.3	108.8
0.65% senior unsecured notes due 2032 (¥53.2 billion aggregate principal amount) (the "2032 Yen Notes")	470.2	—
4.375% senior unsecured notes due 2045 (the "2045 U.S. Notes")	499.3	499.3
Other	208.6	124.6
Total debt	10,522.1	12,269.0
Less: currently payable	194.7	2,594.8
Long-term debt	\$ 10,327.4	\$ 9,674.2

Debt discounts, premiums and debt issuance costs totaled \$25 million as of both December 31, 2017 and 2016, and have been netted against the aggregate principal amounts of the related debt in the components of debt table above.

Commercial Paper Programs and Credit Facilities

In 2015, the Company entered into a \$4.0 billion unsecured multiyear revolving credit facility with a syndicate of banks that expires on July 10, 2020, subject to a one-year extension option at the request of the Company with the consent of the lenders (the "Credit Facility"). In 2016, the Company also entered into a \$3.0 billion 364-day unsecured revolving credit facility with a syndicate of banks that expired in October 2017 (the "364-Day Facility"), to provide additional liquidity support for issuances under the Company's U.S. and euro-denominated commercial paper programs. The increase in the size of the Company's commercial paper programs provided necessary capacity for the Company to use proceeds from the issuance of commercial paper to fund the purchase price for the Cepheid

acquisition. No borrowings were outstanding under the 364-Day Facility at any time, nor under the Credit Facility at any time from inception through December 31, 2017.

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Under the Company's U.S. and euro-denominated commercial paper programs, the Company or a subsidiary of the Company, as applicable, may issue and sell unsecured, short-term promissory notes. The notes are typically issued at a discount from par, generally based on the ratings assigned to the Company by credit rating agencies at the time of the issuance and prevailing market rates measured by reference to LIBOR or EURIBOR. The Credit Facility provides liquidity support for issuances under the Company's commercial paper programs, and can also be used for working capital and other general corporate purposes. The availability of the Credit Facility as a standby liquidity facility to repay maturing commercial paper is an important factor in maintaining the existing credit ratings of the Company's commercial paper programs. The Company expects to limit any borrowings under the Credit Facility to amounts that would leave sufficient available borrowing capacity under such facility to allow the Company to borrow, if needed, to repay all of the outstanding commercial paper as it matures. As commercial paper obligations mature, the Company may issue additional short-term commercial paper obligations to refinance all or part of these borrowings. As of December 31, 2017, borrowings outstanding under the Company's U.S. and euro commercial paper programs had a weighted average annual interest rate of less than one basis point and a weighted average remaining maturity of approximately 50 days. The Company has classified approximately \$2.4 billion of its borrowings outstanding under the commercial paper programs as well as the \$500 million of the 2018 U.S. Notes as of December 31, 2017 as long-term debt in the accompanying Consolidated Balance Sheet as the Company had the intent and ability, as supported by availability under the Credit Facility referenced above, to refinance these borrowings for at least one year from the balance sheet date.

Under the Credit Facility, borrowings (other than bid loans under the Credit Facility) bear interest at a rate equal to (at the Company's option) either (1) a LIBOR-based rate (the "LIBOR-Based Rate"), or (2) the highest of (a) the Federal funds rate plus 0.5%, (b) the prime rate and (c) the LIBOR-Based Rate plus 1%, plus a specified margin that varies according to the Company's long-term debt credit rating. In addition to certain initial fees the Company paid with respect to the Credit Facility at inception of the facility, the Company is obligated to pay an annual commitment or facility fee under the Credit Facility that varies according to the Company's long-term debt credit rating. The Credit Facility requires the Company to maintain a consolidated leverage ratio (as defined in the respective facility) of 0.65 to 1.00 or less, and also contains customary representations, warranties, conditions precedent, events of default, indemnities and affirmative and negative covenants. As of December 31, 2017, no borrowings were outstanding under the Credit Facility and the Company was in compliance with all covenants under the facility. The nonperformance by any member of the Credit Facility syndicate would reduce the maximum capacity of the Credit Facility by such member's commitment amount.

The Company's ability to access the commercial paper market, and the related costs of these borrowings, is affected by the strength of the Company's credit rating and market conditions. Any downgrade in the Company's credit rating would increase the cost of borrowings under the Company's commercial paper program and the Credit Facility, and could limit or preclude the Company's ability to issue commercial paper. If the Company's access to the commercial paper market is adversely affected due to a credit downgrade, change in market conditions or otherwise, the Company expects it would rely on a combination of available cash, operating cash flow and the Credit Facility to provide short-term funding. In such event, the cost of borrowings under the Credit Facility could be higher than the cost of commercial paper borrowings.

In addition to the Credit Facility, the Company has also entered into reimbursement agreements with various commercial banks to support the issuance of letters of credit.

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Long-Term Indebtedness

The following summarizes the key terms for the Company's long-term debt as of December 31, 2017:

	Outstanding Balance as of December 31, 2017	Stated Annual Interest Rate	Issue Price (as % of Principal Amount)	Issue Date	Maturity Date	Interest Payment Dates (in arrears)
2018 U.S. Notes ⁽³⁾	\$ 499.2	1.65 %	99.866 %	September 15, 2015	September 15, 2018	March 15 and September 15
2019 Euronotes ⁽¹⁾	718.4	1.0 %	99.696 %	July 8, 2015	July 8, 2019	July 8
2020 U.S. Notes ⁽³⁾	497.7	2.4 %	99.757 %	September 15, 2015	September 15, 2020	March 15 and September 15
2020 Assumed Pall Notes ⁽⁵⁾	394.6	5.0 %	not applicable	not applicable	June 15, 2020	June 15 and December 15
2021 LYONs	69.1	see below	not applicable	January 22, 2001	January 22, 2021	January 22 and July 22
2021 Yen Notes ⁽⁴⁾	265.5	0.352 %	100 %	February 28, 2016	March 16, 2021	September 16
2022 Euronotes ⁽¹⁾	955.6	1.7 %	99.651 %	July 8, 2015	January 4, 2022	January 4
Floating Rate 2022 Euronotes ⁽⁶⁾	299.1	three-month EURIBOR + 0.3%	100.147 %	June 30, 2017	June 30, 2022	March 30, June 30, September 30 and December 31
2023 CHF Bonds ⁽²⁾	555.5	0.5 %	100.924 %	December 8, 2015	December 8, 2023	December 8
2025 Euronotes ⁽¹⁾	955.6	2.5 %	99.878 %	July 8, 2015	July 8, 2025	July 8
2025 U.S. Notes ⁽³⁾	496.3	3.35 %	99.857 %	September 15, 2015	September 15, 2025	March 15 and September 15
2027 Yen Notes ⁽⁷⁾	272.2	0.3 %	100 %	May 11, 2017	May 11, 2027	May 11 and November 11
2027 Euronotes ⁽⁶⁾	714.1	1.2 %	99.682 %	June 30, 2017	June 30, 2027	June 30
2028 CHF Bonds ⁽²⁾	220.3	1.125 %	102.870 %	December 8, 2015 and December 8, 2017	December 8, 2028	December 8
2032 Yen Notes ⁽⁷⁾	470.2	0.65 %	100 %	May 11, 2017	May 11, 2032	May 11 and November 11
2045 U.S. Notes ⁽³⁾	499.3	4.375 %	99.784 %	September 15, 2015	September 15, 2045	March 15 and September 15
U.S. dollar and euro-denominated commercial paper	2,430.8	various	various	various	various	various
Other	208.6	various	various	various	various	various
Total debt	\$ 10,522.1					

⁽¹⁾ The net proceeds, after underwriting discounts and commissions and offering expenses, of approximately €2.2 billion (approximately \$2.4 billion based on currency exchange rates as of the date of issuance) from these notes were used to pay a portion of the purchase price for the Pall Acquisition.

⁽²⁾ The net proceeds, including the related premium, and after underwriting discounts and commissions and offering expenses, of CHF 758 million (\$739 million based on currency exchange rates as of date of pricing) from these bonds were used to repay a portion of the commercial paper issued to finance the Pall Acquisition and the 2017 CHF Bonds.

⁽³⁾ The net proceeds, after underwriting discounts and commissions and offering expenses, of approximately \$2.0 billion from these notes were used to repay a portion of the commercial paper issued to finance the Pall Acquisition.

⁽⁴⁾ The net proceeds, after offering expenses, of approximately ¥29.9 billion (\$262 million based on currency exchange rates as of the date of issuance) from these notes were used to repay a portion of the commercial paper borrowings issued to finance the Pall Acquisition.

⁽⁵⁾

In connection with the Pall Acquisition, the Company acquired senior unsecured notes previously issued by Pall with an aggregate principal amount of \$375 million. In accordance with accounting for business combinations, the Assumed Pall Notes were recorded at their fair value of \$417 million on the date of acquisition and for accounting purposes, interest charges on these notes recorded in the Company's Consolidated Statement of Earnings reflect an effective interest rate of approximately 2.9% per year.

- ⁽⁶⁾ The net proceeds at issuance, after offering expenses, of €843 million (\$940 million based on currency exchange rates as of the date of pricing) from these notes were used to partially repay commercial paper borrowings.
- ⁽⁷⁾ The net proceeds at issuance, after offering expenses, of approximately ¥83.6 billion (\$744 million based on currency exchange rates as of the date of pricing) from these notes were used to partially repay commercial paper borrowings.

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LYONs

In 2001, the Company issued \$830 million (value at maturity) in LYONs. The net proceeds to the Company were \$505 million, of which approximately \$100 million was used to pay down debt and the balance was used for general corporate purposes, including acquisitions. The LYONs originally carry a yield to maturity of 2.375% (with contingent interest payable as described below). Pursuant to the terms of the indenture that governs the Company's LYONs, effective as of the record date of the distribution of the Fortive shares, the conversion ratio of the LYONs was adjusted so that each \$1,000 of principal amount at maturity may be converted into 38.1998 shares of Danaher common stock at any time on or before the maturity date of January 22, 2021.

During the year ended December 31, 2017, holders of certain of the Company's LYONs converted such LYONs into an aggregate of approximately 28 thousand shares of the Company's common stock, par value \$0.01 per share. The Company's deferred tax liability associated with the book and tax basis difference in the converted LYONs was transferred to additional paid-in capital as a result of the conversions.

As of December 31, 2017, an aggregate of approximately 21 million shares of the Company's common stock had been issued upon conversion of LYONs. As of December 31, 2017, the accreted value of the outstanding LYONs was lower than the traded market value of the underlying common stock issuable upon conversion. The Company may redeem all or a portion of the LYONs for cash at any time at scheduled redemption prices.

Under the terms of the LYONs, the Company pays contingent interest to the holders of LYONs during any six-month period from January 23 to July 22 and from July 23 to January 22 if the average market price of a LYON for a specified measurement period equals 120% or more of the sum of the issue price and accrued original issue discount for such LYON. The amount of contingent interest to be paid with respect to any quarterly period is equal to the higher of either 0.0315% of the bonds' average market price during the specified measurement period or the amount of the cash dividend paid on Danaher's common stock during such quarterly period multiplied by the number of shares issuable upon conversion of a LYON. The Company paid \$2 million, \$1 million and \$1 million of contingent interest on the LYONs for each of the years ended December 31, 2017, 2016 and 2015, respectively. Except for the contingent interest described above, the Company will not pay interest on the LYONs prior to maturity.

Long-Term Indebtedness Related to the Fortive Separation

In June 2016, the Company received net cash distributions of approximately \$3.0 billion from Fortive as consideration for the Company's contribution of assets to Fortive in connection with the Separation. Fortive financed these cash payments through issuance of approximately \$3.4 billion of debt, consisting of \$500 million aggregate principal amount of borrowings under a three-year, senior unsecured term loan facility with variable interest rates, \$393 million of commercial paper borrowings supported by a five-year, \$1.5 billion senior unsecured revolving credit facility, \$300 million aggregate principal amount of 1.8% senior unsecured notes due 2019, \$750 million aggregate principal amount of 2.35% senior unsecured notes due 2021, \$900 million aggregate principal amount of 3.15% senior unsecured notes due 2026 and \$550 million aggregate principal amount of 4.3% senior unsecured notes due 2046 (collectively, the "Fortive Debt"). Danaher initially guaranteed the Fortive Debt, and the guarantee terminated effective as of the Distribution Date. As of July 2, 2016 in connection with the Separation, the Fortive Debt was transferred to Fortive and is no longer reflected in the Company's Consolidated Financial Statements.

Long-Term Debt Repayments

The €500 million of 2017 Euronotes were repaid upon their maturity in June 2017. The CHF 100 million of 2017 CHF Bonds were repaid upon their maturity in December 2017.

The Company used a portion of the proceeds from the Fortive Distribution to repay the \$500 million aggregate principal amount of 2016 Notes that matured in June 2016 and to redeem approximately \$1.9 billion in aggregate principal amount of outstanding indebtedness in August 2016 (consisting of the Redeemed Notes). Danaher also paid an aggregate of \$188 million in make-whole premiums in connection with the August 2016 redemptions, plus accrued and unpaid interest. The payment of these make-whole premiums, net of certain deferred gains of \$9 million, are reflected as a loss on early extinguishment of borrowings in the accompanying Consolidated Statements of Earnings. The Company used the balance of the cash proceeds it received from Fortive to fund certain of the Company's regular, quarterly cash dividends to shareholders.

The Company repaid the CHF 120 million aggregate principal amount of the 4.0% senior unsecured bonds due 2016 upon their maturity in October 2016 using available cash.

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2017 Long-Term Debt Issuances

On May 11, 2017, DH Japan Finance S.A. (“Danaher Japan”), a wholly-owned finance subsidiary of the Company, completed the private placement of ¥30.8 billion aggregate principal amount of 0.3% senior unsecured notes due May 11, 2027 (the “2027 Yen Notes”) and ¥53.2 billion aggregate principal amount of 0.65% senior unsecured notes due May 11, 2032 (the “2032 Yen Notes”). The Company received net proceeds, after offering expenses, of approximately ¥83.6 billion (approximately \$744 million based on currency exchange rates as of the date of the pricing of the notes) and used the net proceeds from the offering to partially repay commercial paper borrowings. Additional details regarding these notes are set forth in the table above.

On June 30, 2017, DH Europe Finance S.A. (“Danaher International”), a wholly-owned finance subsidiary of the Company, completed the underwritten public offering of €250 million aggregate principal amount of the Floating Rate 2022 Euronotes and €600 million aggregate principal amount of the 2027 Euronotes. The Company received net proceeds, after underwriting discounts and commissions and offering expenses, of €843 million (approximately \$940 million based on currency exchange rates as of the date of the pricing of the notes) and used the net proceeds from the offering to repay the 2017 Euronotes as well as to repay commercial paper borrowings. Additional details regarding these notes are set forth in the table above.

On December 8, 2017, DH Switzerland Finance S.A. (“Danaher Switzerland”), a wholly-owned finance subsidiary of the Company, completed the underwritten public offering of CHF 100 million aggregate principal amount of CHF bonds. Together with the CHF 110 million aggregate principal amount of CHF bonds issued on December 8, 2015, these bonds form the “2028 CHF Bonds”. The Company received net proceeds, after underwriting discounts and commissions and offering expenses, of CHF 104 million (approximately \$105 million based on currency exchange rates as of the date of the pricing of the notes) and used the net proceeds from the offering to repay the CHF 100 million aggregate principal amount of the 2017 CHF Bonds which matured on December 8, 2017. Additional details regarding these notes are set forth in the table above.

Covenants and Redemption Provisions Applicable to Notes

With respect to the 2020 Assumed Pall Notes; the 2027 and 2032 Yen Notes; the 2019, 2022, 2025 and 2027 Euronotes; and the 2018, 2020, 2025 and 2045 U.S. Notes, at any time prior to the applicable maturity date (or in certain cases three months prior to the maturity date), the Company may redeem the applicable series of notes in whole or in part, by paying the principal amount and the “make-whole” premium specified in the applicable indenture or comparable governing document, plus accrued and unpaid interest (and in the case of the Yen Notes, net of certain swap-related gains or losses as applicable). With respect to each of the 2023 and 2028 CHF Bonds at any time after 85% or more of the applicable bonds have been redeemed or purchased and canceled, the Company may redeem some or all of the remaining bonds for their principal amount plus accrued and unpaid interest. With respect to the 2021, 2027 and 2032 Yen Notes; the 2019, 2022, Floating Rate 2022, 2025 and 2027 Euronotes; and the 2023 and 2028 CHF Bonds, the Company may redeem such notes and bonds upon the occurrence of specified, adverse changes in tax laws, or interpretations under such laws, at a redemption price equal to the principal amount of the bonds to be redeemed.

If a change of control triggering event occurs with respect to any of the 2020 Assumed Pall Notes; the 2021, 2027 and 2032 Yen Notes; the 2019, 2022, Floating Rate 2022, 2025 and 2027 Euronotes; the 2018, 2020, 2025 and 2045 U.S. Notes; or the 2023 and 2028 CHF Bonds, each holder of such notes may require the Company to repurchase some or all of such notes and bonds at a purchase price equal to 101% (100% in the case of the 2027 and 2032 Yen Notes) of the principal amount of the notes and bonds, plus accrued and unpaid interest (and in the case of the Yen Notes, certain swap-related losses as applicable). A change of control triggering event means the occurrence of both a change of control and a rating event, each as defined in the applicable indenture or comparable governing document. Except in connection with a change of control triggering event, the Company does not have any credit rating downgrade triggers that would accelerate the maturity of a material amount of outstanding debt. Each holder of the 2027 and 2032 Yen Notes may also require the Company to repurchase some or all of its notes at a purchase price equal to 100% of the principal amount of the notes, plus accrued and unpaid interest and certain swap-related losses as applicable, in certain circumstances whereby such holder comes into violation of economic sanctions laws as a result of holding such notes.

The respective indentures or comparable governing documents under which the above-described notes and bonds were issued contain customary covenants including, for example, limits on the incurrence of secured debt and sale/

leaseback transactions. None of these covenants are considered restrictive to the Company's operations and as of December 31, 2017, the Company was in compliance with all of its debt covenants.

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Guarantors of Debt

Danaher has guaranteed long-term debt and commercial paper issued by certain of its wholly-owned subsidiaries. The 2019, 2022, Floating Rate 2022, 2025 and 2027 Euronotes were issued by Danaher International. The 2017, 2023 and 2028 CHF Bonds were issued by Danaher Switzerland. The 2021, 2027 and 2032 Yen Notes were issued by Danaher Japan. Each of Danaher International, Danaher Switzerland and Danaher Japan are wholly-owned finance subsidiaries of Danaher Corporation. All of the securities issued by each of these entities, as well as the 2020 Assumed Pall Notes, are fully and unconditionally guaranteed by the Company and these guarantees rank on parity with the Company's unsecured and unsubordinated indebtedness.

Other

The Company's minimum principal payments for the next five years are as follows (\$ in millions):

2018	\$	194.7
2019		1,214.0
2020		3,321.1
2021		332.9
2022		1,258.1
Thereafter		4,201.3

The Company made interest payments of \$130 million, \$212 million and \$126 million in 2017, 2016 and 2015, respectively.

NOTE 10. PENSION BENEFIT PLANS

The Company has noncontributory defined benefit pension plans which cover certain of its U.S. employees. During 2012, all remaining benefit accruals under the U.S. plans ceased. Defined benefit plans from acquisitions subsequent to 2012 are ceased as soon as practical. The Company also has noncontributory defined benefit pension plans which cover certain of its non-U.S. employees, and under certain of these plans, benefit accruals continue. In general, the Company's policy is to fund these plans based on considerations relating to legal requirements, underlying asset returns, the plan's funded status, the anticipated tax deductibility of the contribution, local practices, market conditions, interest rates and other factors.

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The following sets forth the funded status of the U.S. and non-U.S. plans as of the most recent actuarial valuations using measurement dates of December 31 (\$ in millions):

	U.S. Pension Benefits		Non-U.S. Pension Benefits	
	2017	2016	2017	2016
Change in pension benefit obligation:				
Benefit obligation at beginning of year	\$ 2,558.1	\$ 2,603.9	\$ 1,493.0	\$ 1,449.3
Service cost	7.3	9.0	32.7	36.4
Interest cost	82.3	89.7	25.5	32.8
Employee contributions	—	—	8.2	8.6
Benefits and other expenses paid	(181.8)	(204.8)	(58.3)	(48.4)
Acquisitions and other	—	(7.4)	—	—
Actuarial loss (gain)	139.9	67.7	(51.4)	174.1
Amendments, settlements and curtailments	7.1	—	(10.5)	(25.9)
Foreign exchange rate impact	—	—	132.6	(133.9)
Benefit obligation at end of year	2,612.9	2,558.1	1,571.8	1,493.0
Change in plan assets:				
Fair value of plan assets at beginning of year	1,868.2	1,892.6	1,042.9	1,025.9
Actual return on plan assets	265.3	122.7	74.6	134.3
Employer contributions	53.2	57.7	44.7	43.5
Employee contributions	—	—	8.2	8.6
Amendments and settlements	—	—	(3.7)	(7.3)
Benefits and other expenses paid	(181.8)	(204.8)	(58.3)	(48.4)
Foreign exchange rate impact	—	—	90.9	(113.7)
Fair value of plan assets at end of year	2,004.9	1,868.2	1,199.3	1,042.9
Funded status	\$ (608.0)	\$ (689.9)	\$ (372.5)	\$ (450.1)

Weighted average assumptions used to determine benefit obligations at date of measurement:

	U.S. Plans		Non-U.S. Plans	
	2017	2016	2017	2016
Discount rate	3.6 %	4.1 %	1.8 %	1.8 %
Rate of compensation increase	4.0 %	4.0 %	2.2 %	2.9 %

Components of net periodic pension cost (benefit):

	U.S. Pension Benefits		Non-U.S. Pension Benefits	
	2017	2016	2017	2016
(\$ in millions)				
Service cost	\$ 7.3	\$ 9.0	\$ 32.7	\$ 36.4
Interest cost	82.3	89.7	25.5	32.8
Expected return on plan assets	(130.5)	(132.6)	(42.4)	(40.2)
Amortization of prior service credit	—	—	(0.3)	(0.3)
Amortization of net loss	24.9	24.6	7.8	7.8
Curtailment and settlement gains recognized	—	(0.7)	(0.5)	(0.3)
Net periodic pension (benefit) cost	\$ (16.0)	\$ (10.0)	\$ 22.8	\$ 36.2

Net periodic pension (benefits) costs are included in cost of sales and selling, general and administrative expenses in the accompanying Consolidated Statements of Earnings. As discussed in Note 1, beginning in 2018 only the service

cost component of net periodic pension cost will be included in cost of sales and selling, general and administrative expenses in the

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accompanying Consolidated Statements of Earnings and the other components of net periodic pension cost will be included in nonoperating income (expense).

Weighted average assumptions used to determine net periodic pension cost (benefit) at date of measurement:

	U.S. Plans		Non-U.S. Plans	
	2017	2016	2017	2016
Discount rate	4.1 %	4.4 %	1.8 %	2.6 %
Expected long-term return on plan assets	7.0 %	7.0 %	3.9 %	4.1 %
Rate of compensation increase	4.0 %	4.0 %	2.9 %	2.9 %

The discount rate reflects the market rate on December 31 for high-quality fixed-income investments with maturities corresponding to the Company's benefit obligations and is subject to change each year. For non-U.S. plans, rates appropriate for each plan are determined based on investment-grade instruments with maturities approximately equal to the average expected benefit payout under the plan. During 2016, the Company updated the mortality assumptions used to estimate the projected benefit obligation to reflect updated mortality tables.

Included in accumulated other comprehensive income (loss) as of December 31, 2017 are the following amounts that have not yet been recognized in net periodic pension cost: unrecognized prior service cost of \$2 million (\$2 million, net of tax) and unrecognized actuarial losses of approximately \$902 million (\$572 million, net of tax). The unrecognized losses and prior service cost, net, is calculated as the difference between the actuarially determined projected benefit obligation and the value of the plan assets less accrued pension costs as of December 31, 2017. The prior service cost and actuarial losses included in accumulated other comprehensive income (loss) and expected to be recognized in net periodic pension costs during the year ending December 31, 2018 is \$0.4 million (\$0.2 million, net of tax) and \$37 million (\$24 million, net of tax), respectively. No plan assets are expected to be returned to the Company during the year ending December 31, 2018.

Selection of Expected Rate of Return on Assets

For the year ended December 31, 2017, the Company used an expected long-term rate of return assumption of 7.0% for its U.S. defined benefit pension plan while for the years ended December 31, 2016 and 2015, the Company used an expected long-term rate of return assumption of 7.0% and 7.5%, respectively for its U.S. defined benefit pension plan. The Company intends to use an expected long-term rate of return assumption of 7.0% for 2018 for its U.S. plan. This expected rate of return reflects the asset allocation of the plan, and is based primarily on broad, publicly traded equity and fixed-income indices and forward-looking estimates of active portfolio and investment management. Long-term rate of return on asset assumptions for the non-U.S. plans were determined on a plan-by-plan basis based on the composition of assets and ranged from 1.0% to 5.8% and 1.1% to 5.8% in 2017 and 2016, respectively, with a weighted average rate of return assumption of 3.9% and 4.1% in 2017 and 2016, respectively.

Plan Assets

The U.S. plan's goal is to maintain between 60% and 70% of its assets in equity portfolios, which are invested in individual equity securities or funds that are expected to mirror broad market returns for equity securities or in assets with characteristics similar to equity investments, such as venture capital funds and partnerships. Asset holdings are periodically rebalanced when equity holdings are outside this range. The balance of the U.S. plan asset portfolio is invested in bond funds, real estate funds, various absolute and real return funds and private equity funds. Non-U.S. plan assets are invested in various insurance contracts, equity and debt securities as determined by the administrator of each plan. The value of the plan assets directly affects the funded status of the Company's pension plans recorded in the Consolidated Financial Statements.

The Company has some investments that are valued using Net Asset Value ("NAV") as the practical expedient. In addition, some of the investments valued using NAV as the practical expedient have limits on their redemption to monthly, quarterly, semiannually or annually and require up to 90 days prior written notice. These investments valued using NAV consist of mutual funds, common collective trusts, venture capital funds, partnerships, and other private investments, which allow the Company to allocate investments across a broad array of types of funds and diversify the portfolio.

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The fair values of the Company's pension plan assets for both the U.S. and non-U.S. plans as of December 31, 2017, by asset category were as follows (\$ in millions):

	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and equivalents	\$ 36.0	\$ —	\$ —	\$ 36.0
Equity securities:				
Common stock	515.8	—	—	515.8
Preferred stock	6.7	—	—	6.7
Fixed income securities:				
Corporate bonds	—	138.4	—	138.4
Government issued	—	37.5	—	37.5
Mutual funds	341.5	147.0	—	488.5
Insurance contracts	—	299.4	—	299.4
Total	\$ 900.0	\$ 622.3	\$ —	1,522.3
Investments measured at NAV ^(a) :				
Mutual funds				239.6
Insurance contracts				72.1
Common collective trusts				774.0
Venture capital, partnerships and other private investments				596.2
Total assets at fair value				<u>\$ 3,204.2</u>

(a) The fair value amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the total plan assets.

The fair values of the Company's pension plan assets for both the U.S. and non-U.S. plans as of December 31, 2016, by asset category were as follows (\$ in millions):

	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and equivalents	\$ 23.7	\$ —	\$ —	\$ 23.7
Equity securities:				
Common stock	347.5	23.4	—	370.9
Preferred stock	4.3	—	—	4.3
Fixed income securities:				
Corporate bonds	—	62.9	—	62.9
Government issued	—	82.9	—	82.9
Mutual funds	315.1	162.6	—	477.7
Insurance contracts	—	260.3	—	260.3
Total	\$ 690.6	\$ 592.1	\$ —	1,282.7
Investments measured at NAV ^(a) :				
Mutual funds				289.1
Insurance contracts				70.2
Common collective trusts				697.8
Venture capital, partnerships and other private investments				571.3
Total assets at fair value				<u>\$ 2,911.1</u>

(a)

The fair value amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the total plan assets.

Preferred stock and common stock traded on an active market, as well as mutual funds are valued at the quoted closing price reported on the active market on which the individual securities are traded. Preferred stock, common stock, corporate bonds,

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U.S. government securities and mutual funds that are not traded on an active market are valued at quoted prices reported by investment brokers and dealers based on the underlying terms of the security and comparison to similar securities traded on an active market.

Common/collective trusts are valued based on the plan's interest, represented by investment units, in the underlying investments held within the trust that are traded in an active market by the trustee.

Venture capital, partnerships and other private investments are valued using the NAV based on the information provided by the asset fund managers, which reflects the plan's share of the fair value of the net assets of the investment. Depending on the nature of the assets, the underlying investments are valued using a combination of either discounted cash flows, earnings and market multiples, third-party appraisals or through reference to the quoted market prices of the underlying investments held by the venture, partnership or private entity where available. Valuation adjustments reflect changes in operating results, financial condition, or prospects of the applicable portfolio company.

The methods described above may produce a fair value estimate that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes the valuation methods are appropriate and consistent with the methods used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Expected Contributions

During 2017, the Company contributed \$53 million to its U.S. defined benefit pension plan and \$45 million to its non-U.S. defined benefit pension plans. During 2018, the Company's cash contribution requirements for its U.S. and its non-U.S. defined benefit pension plans are expected to be approximately \$30 million and \$50 million, respectively.

The following sets forth benefit payments, which reflect expected future service, as appropriate, expected to be paid by the plans in the periods indicated (\$ in millions):

	U.S. Pension Plans	Non-U.S. Pension Plans	All Pension Plans
2018	\$ 178.4	\$ 51.9	\$ 230.3
2019	176.9	55.8	232.7
2020	179.5	52.9	232.4
2021	179.3	55.5	234.8
2022	178.2	55.2	233.4
2023 – 2027	841.4	311.5	1,152.9

Other Matters

Substantially all employees not covered by defined benefit plans are covered by defined contribution plans, which generally provide for Company funding based on a percentage of compensation.

A limited number of the Company's subsidiaries participate in multiemployer defined benefit and contribution plans, primarily outside of the United States, that require the Company to periodically contribute funds to the plan. The risks of participating in a multiemployer plan differ from the risks of participating in a single-employer plan in the following respects: (1) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (2) if a participating employer ceases contributing to the plan, the unfunded obligations of the plan may be required to be borne by the remaining participating employers and (3) if the Company elects to stop participating in the plan, the Company may be required to pay the plan an amount based on the unfunded status of the plan. None of the multiemployer plans in which the Company's subsidiaries participate are considered to be quantitatively or qualitatively significant, either individually or in the aggregate. In addition, contributions made to these plans during 2017, 2016 and 2015 were not considered significant, either individually or in the aggregate.

Expense for all defined benefit and defined contribution pension plans amounted to \$177 million, \$177 million and \$154 million for the years ended December 31, 2017, 2016 and 2015, respectively.

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NOTE 11. OTHER POSTRETIREMENT EMPLOYEE BENEFIT PLANS

In addition to providing pension benefits, the Company provides certain health care and life insurance benefits for some of its retired employees in the United States. Certain employees may become eligible for these benefits as they reach normal retirement age while working for the Company.

The following sets forth the funded status of the domestic plans as of the most recent actuarial valuations using measurement dates of December 31 (\$ in millions):

	2017	2016
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 174.6	\$ 193.4
Service cost	0.7	0.7
Interest cost	5.6	6.6
Amendments, curtailments and other	0.4	(6.5)
Actuarial loss (gain)	1.5	(5.0)
Retiree contributions	2.9	3.2
Benefits paid	(18.4)	(17.8)
Benefit obligation at end of year	167.3	174.6
Change in plan assets:		
Fair value of plan assets	—	—
Funded status	\$ (167.3)	\$ (174.6)

As of December 31, 2017 and 2016, \$152 million and \$158 million, respectively, of the total underfunded status of the plan was recognized as long-term accrued postretirement liability since it was not expected to be funded within one year.

Weighted average assumptions used to determine benefit obligations at date of measurement:

	2017	2016
Discount rate	3.5 %	3.9 %
Medical trend rate – initial	6.3 %	6.5 %
Medical trend rate – grading period	20 years	21 years
Medical trend rate – ultimate	4.5 %	4.5 %

Effect of a one-percentage-point change in assumed health care cost trend rates:

(\$ in millions)	1% Increase	1% Decrease
Effect on the total of service and interest cost components	\$ 0.3	\$ (0.3)
Effect on postretirement medical benefit obligation	4.9	(4.3)

The medical trend rate used to determine the postretirement benefit obligation was 6.3% for 2017. The rate decreases gradually to an ultimate rate of 4.5% in 2037 and remains at that level thereafter. The trend rate is a significant factor in determining the amounts reported.

Components of net periodic benefit cost:

(\$ in millions)	2017	2016
Service cost	\$ 0.7	\$ 0.7
Interest cost	5.6	6.6
Amortization of net gain	(0.1)	—
Amortization of prior service credit	(3.1)	(3.1)

Net periodic benefit cost	\$ 3.1	\$ 4.2
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Net periodic benefit costs are included in cost of sales and selling, general and administrative expenses in the accompanying Consolidated Statements of Earnings. As discussed in Note 1, beginning in 2018 only the service cost component of net periodic benefit cost will be included in cost of sales and selling, general and administrative expenses in the accompanying Consolidated Statements of Earnings and the other components of net periodic benefit cost will be included in nonoperating income (expense).

Included in accumulated other comprehensive income (loss) as of December 31, 2017 are the following amounts that have not yet been recognized in net periodic benefit cost: unrecognized prior service credits of \$21 million (\$13 million, net of tax) and unrecognized actuarial losses of \$16 million (\$10 million, net of tax). The unrecognized losses and prior service credits, net, is calculated as the difference between the actuarially determined projected benefit obligation and the value of the plan assets less accrued benefit costs as of December 31, 2017. The prior service credits included in accumulated other comprehensive income (loss) and expected to be recognized in net periodic benefit costs during the year ending December 31, 2018 are \$3 million (\$2 million, net of tax). The actuarial losses included in accumulated other comprehensive income (loss) and expected to be recognized in net periodic benefit costs during the year ending December 31, 2018 are not material.

The following sets forth benefit payments, which reflect expected future service, as appropriate, expected to be paid in the periods indicated (\$ in millions):

2018	\$	15.8
2019		15.2
2020		14.6
2021		14.0
2022		13.3
2023 – 2027		57.8

NOTE 12. INCOME TAXES

Earnings from continuing operations before income taxes for the years ended December 31 were as follows (\$ in millions):

	2017	2016	2015
United States	\$ 927.2	\$ 647.7	\$ 505.5
International	2,011.6	1,963.6	1,533.9
Total	<u>\$ 2,938.8</u>	<u>\$ 2,611.3</u>	<u>\$ 2,039.4</u>

The provision for income taxes from continuing operations for the years ended December 31 were as follows (\$ in millions):

	2017	2016	2015
Current:			
Federal U.S.	\$ 448.3	\$ 237.2	\$ 213.4
Non-U.S.	457.2	542.9	273.0
State and local	(9.6)	61.7	(9.5)
Deferred:			
Federal U.S.	(424.7)	(237.5)	(83.8)
Non-U.S.	(61.5)	(104.2)	(121.5)
State and local	59.3	(42.2)	21.1
Income tax provision	<u>\$ 469.0</u>	<u>\$ 457.9</u>	<u>\$ 292.7</u>

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Noncurrent deferred tax assets and noncurrent deferred tax liabilities are included in other assets and other long-term liabilities, respectively, in the accompanying Consolidated Balance Sheets. Deferred income tax assets and liabilities as of December 31 were as follows (\$ in millions):

	2017	2016
Deferred tax assets:		
Allowance for doubtful accounts	\$ 18.6	\$ 22.4
Inventories	95.9	102.8
Pension and postretirement benefits	250.6	392.4
Environmental and regulatory compliance	26.8	29.9
Other accruals and prepayments	345.8	211.1
Stock-based compensation expense	63.9	89.3
Tax credit and loss carryforwards	673.4	1,095.9
Valuation allowances	(324.6)	(306.5)
Total deferred tax asset	1,150.4	1,637.3
Deferred tax liabilities:		
Property, plant and equipment	(63.4)	(41.4)
Insurance, including self-insurance	(696.2)	(786.4)
Basis difference in LYONs	(12.9)	(13.1)
Goodwill and other intangibles	(2,711.2)	(3,645.3)
Unrealized gains on marketable securities	—	(2.9)
Total deferred tax liability	(3,483.7)	(4,489.1)
Net deferred tax liability	\$ (2,333.3)	\$ (2,851.8)

The Company evaluates the future realizability of tax credits and loss carryforwards considering the anticipated future earnings of the Company's subsidiaries as well as tax planning strategies in the associated jurisdictions. Deferred taxes associated with U.S. entities consist of net deferred tax liabilities of approximately \$2.0 billion and \$2.5 billion as of December 31, 2017 and 2016, respectively. Deferred taxes associated with non-U.S. entities consist of net deferred tax liabilities of \$301 million and \$374 million as of December 31, 2017 and 2016, respectively. During 2017, the Company's valuation allowance increased by \$18 million through the tax provision due to certain tax benefits triggered in 2017 that are not expected to be realized. As of December 31, 2017, the total amount of the basis difference in investments outside the United States for which deferred taxes have not been provided is approximately \$8.0 billion. As of December 31, 2017, the Company had no plans which would subject these basis differences to income taxes in the U.S. or elsewhere.

On December 22, 2017, the TCJA was enacted, substantially changing the U.S. tax system and affecting the Company in a number of ways. Notably, the TCJA:

- establishes a flat corporate income tax rate of 21.0% on U.S. earnings;
- imposes a one-time tax on unremitted cumulative non-U.S. earnings of foreign subsidiaries ("Transition Tax");
- imposes a new minimum tax on certain non-U.S. earnings, irrespective of the territorial system of taxation, and generally allows for the repatriation of future earnings of foreign subsidiaries without incurring additional U.S. taxes by transitioning to a territorial system of taxation;
- subjects certain payments made by a U.S. company to a related foreign company to certain minimum taxes (Base Erosion Anti-Abuse Tax);

- eliminates certain prior tax incentives for manufacturing in the United States and creates an incentive for U.S. companies to sell, lease or license goods and services abroad by allowing for a reduction in taxes owed on earnings related to such sales;
- allows the cost of investments in certain depreciable assets acquired and placed in service after September 27, 2017 to be immediately expensed; and
- reduces deductions with respect to certain compensation paid to specified executive officers.

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While the changes from the TCJA are generally effective beginning in 2018, U.S. GAAP accounting for income taxes requires the effect of a change in tax laws or rates to be recognized in income from continuing operations for the period that includes the enactment date. Due to the complexities involved in accounting for the enactment of the TCJA, the SEC Staff Accounting Bulletin No. 118 (“SAB No. 118”) allowed the Company to record provisional amounts in earnings for the year ended December 31, 2017. Where reasonable estimates can be made, the provisional accounting should be based on such estimates. When no reasonable estimate can be made, the provisional accounting may be based on the tax law in effect before the TCJA. The Company is required to complete its tax accounting for the TCJA within a one year period when it has obtained, prepared, and analyzed the information to complete the income tax accounting.

The Company has not completed its accounting for the tax effects of enactment of the TCJA; however, as described below, the Company has made reasonable estimates of the effects of the TCJA on its Consolidated Financial Statements which are included as a component of income tax expense from continuing operations:

- **Deferred tax assets and liabilities:** U.S. deferred tax assets and liabilities were remeasured based on the rates at which they are expected to reverse in the future, which is generally 21.0%, resulting in an income tax benefit of approximately \$1.2 billion. The Company will continue to analyze certain aspects of the TCJA which could potentially affect the tax basis of the reported amounts. Additionally, the Company’s U.S. tax returns for 2017 will be filed during the fourth quarter of 2018 and any changes to the tax positions for temporary differences compared to the estimates used will result in an adjustment of the estimated tax benefit recorded as of December 31, 2017.
- **Transition Tax effects:** The Transition Tax is based on the Company’s total post-1986 earnings and profits that were previously deferred from U.S. income taxes. The Company recorded a provisional amount for the Transition Tax expense resulting in an increase in income tax expense of approximately \$1.2 billion. The Company will continue to evaluate the TCJA and any future guidance from the U.S. Treasury Department and Internal Revenue Service (“IRS”) in the determination of the Transition Tax which could result in adjustment of the estimate recorded as of December 31, 2017.
- **Indefinite reinvestment:** As of December 31, 2017, the Company held \$593 million of cash and approximately \$656 million of cash equivalents (as defined by the TCJA, including trade accounts receivable net of trade accounts payable balances and certain accrued expenses) outside the United States. While repatriation of some cash held outside the United States may be restricted by local laws, most of the Company’s foreign cash could be repatriated to the United States. Following enactment of the TCJA and the associated Transition Tax, in general, repatriation of cash to the United States can be completed with no incremental U.S. tax; however, repatriation of cash could subject the Company to non-U.S. jurisdictional taxes on distributions. The cash that the Company’s non-U.S. subsidiaries hold for indefinite reinvestment is generally used to finance foreign operations and investments, including acquisitions. The income taxes applicable to such earnings are not readily determinable or practicable. The Company continues to evaluate the impact of the TCJA on its election to indefinitely reinvest certain of its non-U.S. earnings.

The Company will continue to analyze the effects of the TCJA on its Consolidated Financial Statements and operations. Additional impacts from the enactment of the TCJA will be recorded as they are identified during the measurement period as provided for in SAB No. 118, which extends up to one year from the enactment date.

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The effective income tax rate from continuing operations for the years ended December 31 varies from the U.S. statutory federal income tax rate as follows:

	Percentage of Pretax Earnings		
	2017	2016	2015
Statutory federal income tax rate	35.0 %	35.0 %	35.0 %
Increase (decrease) in tax rate resulting from:			
State income taxes (net of federal income tax benefit)	0.8 %	0.6 %	0.7 %
Foreign income taxed at lower rate than U.S. statutory rate	) (11.6 %)	) (10.2 %)	) (17.1 %)
Resolution and expiration of statutes of limitation of uncertain tax positions	) (6.5 %)	) (3.1 %)	) (0.7 %)
Permanent foreign exchange losses	) (0.6 %)	) (8.2 %)	) (4.6 %)
Research credits, uncertain tax positions and other	) (1.0 %)	3.4 %	1.1 %
Revaluation of U.S. deferred income taxes	) (41.5 %)	— %	— %
TCJA - Transition Tax	41.4 %	— %	— %
Effective income tax rate	16.0 %	17.5 %	14.4 %

The Company's effective tax rate for each of 2017, 2016 and 2015 differs from the U.S. federal statutory rate of 35.0% due principally to the Company's earnings outside the United States that are indefinitely reinvested and taxed at rates lower than the U.S. federal statutory rate. In addition:

- The effective tax rate of 16.0% in 2017 includes 500 basis points of net tax benefits related to the revaluation of net U.S. deferred tax liabilities from 35.0% to 21.0% due to the TCJA and release of reserves upon statute of limitation expiration, partially offset by income tax expense related to the Transition Tax on foreign earnings due to the TCJA and changes in estimates associated with prior period uncertain tax positions.
- The effective tax rate of 17.5% in 2016 includes 350 basis points of net tax benefits from permanent foreign exchange losses and the release of reserves upon the expiration of statutes of limitation and audit settlements, partially offset by income tax expense related to repatriation of earnings and legal entity realignments associated with the Separation and changes in estimates associated with prior period uncertain tax positions.
- The effective tax rate of 14.4% in 2015 includes 290 basis points of net tax benefits from permanent foreign exchange losses, releases of valuation allowances related to foreign operating losses and the release of reserves upon the expiration of statutes of limitation, partially offset by changes in estimates associated with prior period uncertain tax positions.

The Company made income tax payments related to both continuing and discontinued operations of \$689 million, \$767 million and \$584 million in 2017, 2016 and 2015, respectively. Current income taxes payable related to both continuing and discontinued operations has been reduced by \$85 million, \$99 million, and \$147 million in 2017, 2016 and 2015, respectively, for tax deductions attributable to stock-based compensation, of which, the excess tax benefit over the amount recorded for financial reporting purposes for both continuing and discontinued operations was \$55 million, \$50 million and \$88 million, respectively. The excess tax benefits realized have been recorded as increases to additional paid-in capital for the years ended December 31, 2016 and 2015 and are reflected as a financing cash inflow in the accompanying Consolidated Statements of Cash Flows. As a result of the adoption of ASU 2016-09, *Compensation—Stock Compensation*, the excess tax benefit for the year ended December 31, 2017 has been recorded as a reduction to the current income tax provision and is reflected as an operating cash inflow in the accompanying Consolidated Statement of Cash Flows.

Included in deferred income taxes related to continuing operations as of December 31, 2017 are tax benefits for U.S. and non-U.S. net operating loss carryforwards totaling \$502 million (\$283 million of which the Company does not expect to realize and have corresponding valuation allowances). Certain of the losses can be carried forward indefinitely and others can be carried forward to various dates from 2018 through 2037. In addition, the Company had general business and foreign tax credit carryforwards related to continuing operations of \$171 million (\$30 million of which the Company does not expect to realize and have corresponding valuation allowances) as of December 31, 2017, which can be carried forward to various dates from 2018 to 2027. In addition, as of December 31, 2017, the Company had \$12 million of valuation allowances related to other deferred tax asset balances that are not more likely than not of being realized.

As of December 31, 2017, gross unrecognized tax benefits related to continuing operations totaled \$737 million (\$736 million, net of the impact of \$104 million of indirect tax benefits offset by \$103 million associated with potential interest and penalties).

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As of December 31, 2016, gross unrecognized tax benefits related to both continuing and discontinued operations totaled \$992 million (\$933 million, net of the impact of \$179 million of indirect tax benefits offset by \$120 million associated with potential interest and penalties). The Company recognized approximately \$41 million, \$47 million and \$39 million in potential interest and penalties related to both continuing and discontinued operations associated with uncertain tax positions during 2017, 2016 and 2015, respectively. To the extent unrecognized tax benefits (including interest and penalties) are not assessed with respect to uncertain tax positions, \$691 million would reduce the tax expense and effective tax rate in future periods. The Company recognized interest and penalties related to unrecognized tax benefits within income taxes in the accompanying Consolidated Statement of Earnings. Unrecognized tax benefits and associated accrued interest and penalties are included in taxes, income and other accrued expenses as detailed in Note 8.

A reconciliation of the beginning and ending amount of unrecognized tax benefits, excluding amounts accrued for potential interest and penalties related to both continuing and discontinued operations, is as follows (\$ in millions):

	2017	2016	2015
Unrecognized tax benefits, beginning of year	\$ 992.2	\$ 990.2	\$ 728.5
Additions based on tax positions related to the current year	53.0	80.0	73.3
Additions for tax positions of prior years	39.8	154.3	135.3
Reductions for tax positions of prior years	(14.5)	(7.0)	(10.0)
Acquisitions, divestitures and other	13.4	(41.5)	140.6
Lapse of statute of limitations	(246.7)	(124.0)	(26.3)
Settlements	(124.8)	(45.3)	(18.9)
Effect of foreign currency translation	24.4	(14.5)	(32.3)
Unrecognized tax benefits, end of year	\$ 736.8	\$ 992.2	\$ 990.2

The Company conducts business globally, and files numerous consolidated and separate income tax returns in the U.S. federal, state and foreign jurisdictions. The countries in which the Company has a material presence that have had significantly lower statutory tax rates than the United States include China, Denmark, Germany, Singapore, Switzerland and the United Kingdom. The Company's ability to obtain a tax benefit from lower statutory tax rates outside of the United States depends on its levels of taxable income in these foreign countries and the amount of foreign earnings which are indefinitely reinvested in those countries. The Company believes that a change in the statutory tax rate of any individual foreign country would not have a material effect on the Company's Consolidated Financial Statements given the geographic dispersion of the Company's taxable income.

The Company and its subsidiaries are routinely examined by various domestic and international taxing authorities. The IRS has completed substantially all of the examinations of the Company's federal income tax returns through 2011 and is currently examining certain of the Company's federal income tax returns for 2012 through 2015. In addition, the Company has subsidiaries in Austria, Belgium, Canada, China, Denmark, Finland, France, Germany, Hong Kong, India, Italy, Japan, New Zealand, Sweden, Switzerland, the United Kingdom and various other countries, states and provinces that are currently under audit for years ranging from 2004 through 2015.

Tax authorities in Denmark have raised significant issues related to interest accrued by certain of the Company's subsidiaries. On December 10, 2013, the Company received assessments from the Danish tax authority ("SKAT") totaling approximately DKK 1.5 billion (approximately \$245 million based on exchange rates as of December 31, 2017) including interest through December 31, 2017, imposing withholding tax relating to interest accrued in Denmark on borrowings from certain of the Company's subsidiaries for the years 2004-2009. The Company is currently in discussions with SKAT and anticipates receiving an assessment for years 2010-2012 totaling approximately DKK 895 million (approximately \$144 million based on exchange rates as of December 31, 2017) including interest through December 31, 2017. Management believes the positions the Company has taken in Denmark are in accordance with the relevant tax laws and is vigorously defending its positions. The Company appealed these assessments with the National Tax Tribunal in 2014 and intends on pursuing this matter through the European Court of Justice should this appeal be unsuccessful. The ultimate resolution of this matter is uncertain, could take many years, and could result in a material adverse impact to the Company's financial statements, including its effective tax rate.

Management estimates that it is reasonably possible that the amount of unrecognized tax benefits related to continuing operations may be reduced by approximately \$130 million within 12 months as a result of resolution of worldwide tax matters, payments of tax audit settlements and/or statute of limitations expirations. Future resolution of uncertain tax positions related to discontinued operations may result in additional charges or credits to earnings from discontinued operations in the Consolidated Statement of Earnings (refer to Note 3).

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The Company operates in various non-U.S. jurisdictions where income tax incentives and rulings have been granted for specific periods of time. In Switzerland, the Company has various tax rulings and tax holiday arrangements which reduce the overall effective tax rate of the Company. The tax holidays expire between 2018 and 2020. In Singapore, the Company operates under various tax incentive agreements that provide for reduced tax rates. Subject to the Company satisfying certain requirements, the agreements expire in 2022. The Company has satisfied the conditions enumerated in these agreements to date. Included in the accompanying Consolidated Financial Statements are tax benefits of \$62 million, \$61 million, and \$33 million (or \$0.09, \$0.09 and \$0.05 per diluted share) for 2017, 2016, and 2015, respectively, from these rulings and tax holidays.

NOTE 13. NONOPERATING INCOME (EXPENSE)

The Company received \$138 million of cash proceeds and recorded \$22 million in short-term other receivables from the sale of certain marketable equity securities during 2017. The Company recorded a pretax gain related to this sale of \$73 million (\$46 million after-tax or \$0.06 per diluted share).

During 2016, the Company received cash proceeds of \$265 million from the sale of certain marketable equity securities and recorded a pretax gain related to this sale of \$223 million (\$140 million after-tax or \$0.20 per diluted share).

During 2016, the Company also paid \$188 million of make-whole premiums associated with the early extinguishment of the Redeemed Notes. The Company recorded a loss on extinguishment of these borrowings, net of certain deferred gains, of \$179 million (\$112 million after-tax or \$0.16 per diluted share).

During 2015, the Company received cash proceeds of \$43 million from the sale of certain marketable equity securities and recorded a pretax gain related to these sales of \$12 million (\$8 million after-tax or \$0.01 per diluted share).

NOTE 14. PRODUCTIVITY IMPROVEMENT AND RESTRUCTURING INITIATIVES

During 2017, the Company made the strategic decision to discontinue a molecular diagnostic product line in its Diagnostics segment. As a result, the Company recorded \$76 million of pretax restructuring, impairment and other related charges (\$51 million after-tax or \$0.07 per diluted share). These charges included \$49 million of noncash charges for the impairment of certain technology-related intangible assets as well as related inventory and property, plant and equipment with no further use. In addition, the Company incurred \$27 million of cash restructuring costs primarily related to employee severance and related charges. Substantially all restructuring activities related to this discontinued product line were completed in 2017.

In addition to the molecular diagnostic product line discontinuation noted above, during 2017 the Company recorded pretax productivity improvement and restructuring related charges of \$83 million, for a total of \$159 million of pretax productivity improvement and restructuring related charges in 2017. Substantially all the activities initiated in 2017 were completed by December 31, 2017 resulting in \$78 million of employee severance and related charges, \$81 million of facility exit and other related charges (including noncash charges for the impairment of certain technology-related intangibles as well as related inventory and property, plant and equipment with no further use). The Company expects substantially all cash payments associated with remaining termination benefits will be paid during 2018.

During 2016, the Company recorded pretax productivity improvement and restructuring related charges totaling \$152 million. Substantially all of the planned activities related to the 2016 plans were completed by December 31, 2016 resulting in approximately \$111 million of employee severance and related charges and \$30 million of facility exit and other related charges and \$11 million related to an impairment of a trade name within the Dental segment.

During 2015, the Company recorded pretax productivity improvement and restructuring related charges totaling \$98 million. Substantially all of the planned activities related to the 2015 plans were completed by December 31, 2015 resulting in approximately \$81 million of employee severance and related charges and \$17 million of facility exit and other related charges.

Excluding the discontinuation of the molecular diagnostic product line, the nature of the Company's productivity improvement and restructuring related activities initiated in 2017, 2016 and 2015 were broadly consistent throughout the Company's reportable segments and focused on improvements in operational efficiency through targeted workforce reductions and facility consolidations and closures. These costs were incurred to position the Company to provide superior products and services to its customers in a cost efficient manner, and taking into consideration broad economic considerations.

In conjunction with the closing of facilities, certain inventory was written off as unusable in future operating locations. This inventory consisted primarily of component parts and raw materials, which were either redundant to inventory at the facilities being merged or were not economically feasible to relocate since the inventory was purchased to operate on equipment and tooling which was not being relocated. In addition, asset impairment charges have been recorded to reduce the carrying amounts of the long-lived assets that will be sold or disposed of to their estimated fair values. Charges for the asset impairment

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reduce the carrying amount of the long-lived assets to their estimated salvage value in connection with the decision to dispose of such assets.

Productivity improvement and restructuring related charges, including those relate to the discontinuation of the molecular diagnostics product line, recorded for the years ended December 31 by segment were as follows (\$ in millions):

	2017	2016	2015
Life Sciences	\$ 25.4	\$ 40.5	\$ 27.5
Diagnostics	85.4	62.2	33.6
Dental	35.8	34.3	25.3
Environmental & Applied Solutions	12.5	15.4	11.1
Total	\$ 159.1	\$ 152.4	\$ 97.5

The table below summarizes the Company's accrual balance and utilization by type of productivity improvement and restructuring costs associated with the 2017 and 2016 actions (\$ in millions):

	Employee Severance and Related	Facility Exit and Related	Total
Balance, January 1, 2016	\$ 65.6	\$ 13.9	\$ 79.5
Costs incurred	111.0	41.4	152.4
Paid/settled	(131.3)	(43.5)	(174.8)
Balance, December 31, 2016	45.3	11.8	57.1
Costs incurred	77.7	81.4	159.1
Paid/settled	(74.0)	(75.9)	(149.9)
Balance, December 31, 2017	\$ 49.0	\$ 17.3	\$ 66.3

The productivity improvement and restructuring related charges incurred during 2017 include cash charges of \$103 million and \$56 million of noncash charges. The productivity improvement and restructuring related charges incurred during 2016 and 2015 include cash charges of \$140 million and \$94 million and \$12 million and \$4 million of noncash charges, respectively. These charges are reflected in the following captions in the accompanying Consolidated Statements of Earnings (\$ in millions):

	2017	2016	2015
Cost of sales	\$ 38.0	\$ 25.4	\$ 31.9
Selling, general and administrative expenses	121.1	127.0	65.6
Total	\$ 159.1	\$ 152.4	\$ 97.5

NOTE 15. LEASES AND COMMITMENTS

The Company's operating leases extend for varying periods of time up to 20 years and, in some cases, contain renewal options that would extend existing terms beyond 20 years. Total rent expense for all operating leases was \$249 million, \$220 million and \$209 million for the years ended December 31, 2017, 2016 and 2015, respectively.

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The Company's future minimum rental payments for all operating leases having initial or remaining noncancelable lease terms in excess of one year are as follows (\$ in millions):

2018	\$	199.4
2019		166.6
2020		130.9
2021		99.3
2022		79.4
Thereafter		121.8

The Company generally accrues estimated warranty costs at the time of sale. In general, manufactured products are warranted against defects in material and workmanship when properly used for their intended purpose, installed correctly, and appropriately maintained. Warranty periods depend on the nature of the product and range from 90 days up to the life of the product. The amount of the accrued warranty liability is determined based on historical information such as past experience, product failure rates or number of units repaired, estimated cost of material and labor, and in certain instances estimated property damage. The accrued warranty liability is reviewed on a quarterly basis and may be adjusted as additional information regarding expected warranty costs becomes known.

The following is a rollforward of the Company's accrued warranty liability (\$ in millions):

	2017	2016
Balance, January 1	\$ 75.8	\$ 73.8
Accruals for warranties issued during the year	54.5	62.3
Settlements made	(56.6)	(61.2)
Additions due to acquisitions	1.7	1.4
Effect of foreign currency translation	3.6	(0.5)
Balance, December 31	<u>\$ 79.0</u>	<u>\$ 75.8</u>

NOTE 16. LITIGATION AND CONTINGENCIES

The Company is, from time to time, subject to a variety of litigation and other legal and regulatory proceedings incidental to its business (or the business operations of previously owned entities). These matters primarily involve claims for damages arising out of the use of the Company's products and services and claims relating to intellectual property matters, employment matters, tax matters, commercial disputes, competition and sales and trading practices, environmental matters, personal injury, insurance coverage and acquisition or divestiture-related matters, as well as regulatory investigations or enforcement. The Company may also become subject to lawsuits as a result of past or future acquisitions or as a result of liabilities retained from, or representations, warranties or indemnities provided in connection with, divested businesses. Some of these lawsuits may include claims for punitive, consequential and/or compensatory damages, as well as injunctive relief. Based upon the Company's experience, current information and applicable law, it does not believe it is reasonably possible that any amounts it may be required to pay in connection with litigation and other legal and regulatory proceedings in excess of its reserves as of December 31, 2017 will have a material effect on its Consolidated Financial Statements.

While the Company maintains general, products, property, workers' compensation, automobile, cargo, aviation, crime, fiduciary and directors' and officers' liability insurance (and has acquired rights under similar policies in connection with certain acquisitions) up to certain limits that cover certain of these claims, this insurance may be insufficient or unavailable to cover such losses. For general, products and property liability and most other insured risks, the Company purchases outside insurance coverage only for severe losses and must establish and maintain reserves with respect to amounts within the self-insured retention. In addition, while the Company believes it is entitled to indemnification from third-parties for some of these claims, these rights may also be insufficient or unavailable to cover such losses.

The Company records a liability in the Consolidated Financial Statements for loss contingencies when a loss is known or considered probable and the amount can be reasonably estimated. If the reasonable estimate of a known or

probable loss is a range, and no amount within the range is a better estimate than any other, the minimum amount of the range is accrued. If a loss does not meet the known or probable level but is reasonably possible it is disclosed and if the loss or range of loss can be reasonably estimated, the estimated loss or range of loss is disclosed. The Company's reserves consist of specific reserves for

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individual claims and additional amounts for anticipated developments of these claims as well as for incurred but not yet reported claims. The specific reserves for individual known claims are quantified with the assistance of legal counsel and outside risk professionals where appropriate. In addition, outside risk professionals assist in the determination of reserves for incurred but not yet reported claims through evaluation of the Company's specific loss history, actual claims reported and industry trends among statistical and other factors. Reserve estimates may be adjusted as additional information regarding a claim becomes known. Because most contingencies are resolved over long periods of time, liabilities may change in the future due to new developments (including litigation developments, the discovery of new facts, changes in legislation and outcomes of similar cases), changes in assumptions or changes in the Company's strategy. While the Company actively pursues financial recoveries from insurance providers and indemnifying parties, it does not recognize any recoveries until realized or until such time as a sustained pattern of collections is established related to historical matters of a similar nature and magnitude. If the Company's self-insurance and litigation reserves prove inadequate, it would be required to incur an expense equal to the amount of the loss incurred in excess of the reserves, which would adversely affect the Company's Consolidated Financial Statements.

In addition, the Company's operations, products and services are subject to environmental laws and regulations, which impose limitations on the discharge of pollutants into the environment, establish standards for the use, generation, treatment, storage and disposal of hazardous and nonhazardous wastes and impose end-of-life disposal and take-back programs. A number of the Company's operations involve the handling, manufacturing, use or sale of substances that are or could be classified as hazardous materials within the meaning of applicable laws. The Company must also comply with various health and safety regulations in both the United States and abroad in connection with the Company's operations. Compliance with these laws and regulations has not had and, based on current information and the applicable laws and regulations currently in effect, is not expected to have a material effect on the Company's capital expenditures, earnings or competitive position, and the Company does not anticipate material capital expenditures for environmental control facilities.

In addition to environmental compliance costs, the Company from time to time incurs costs related to alleged damages associated with past or current waste disposal practices or other hazardous materials handling practices. For example, generators of hazardous substances found in disposal sites at which environmental problems are alleged to exist, as well as the current and former owners of those sites and certain other classes of persons, are subject to claims brought by state and federal regulatory agencies pursuant to statutory authority. The Company has received notification from the U.S. Environmental Protection Agency, and from state and non-U.S. environmental agencies, that conditions at certain sites where the Company and others previously disposed of hazardous wastes and/or are or were property owners require clean-up and other possible remedial action, including sites where the Company has been identified as a potentially responsible party under U.S. federal and state environmental laws. The Company has projects underway at a number of current and former facilities, in both the United States and abroad, to investigate and remediate environmental contamination resulting from past operations. Remediation activities generally relate to soil and/or groundwater contamination and may include pre-remedial activities such as fact-finding and investigation, risk assessment, feasibility study and/or design, as well as remediation actions such as contaminant removal, monitoring and/or installation, operation and maintenance of longer-term remediation systems. The Company is also from time to time party to personal injury or other claims brought by private parties alleging injury due to the presence of, or exposure to, hazardous substances.

The Company has recorded a provision for environmental investigation and remediation and environmental-related claims with respect to sites owned or formerly owned by the Company and its subsidiaries and third-party sites where the Company has been determined to be a potentially responsible party. The Company generally makes an assessment of the costs involved for its remediation efforts based on environmental studies, as well as its prior experience with similar sites. The ultimate cost of site cleanup is difficult to predict given the uncertainties of the Company's involvement in certain sites, uncertainties regarding the extent of the required cleanup, the availability of alternative cleanup methods, variations in the interpretation of applicable laws and regulations, the possibility of insurance recoveries with respect to certain sites and the fact that imposition of joint and several liability with right of contribution is possible under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 and other environmental laws and regulations. If the Company determines that potential liability for a particular site or with respect to a personal injury claim is known or considered probable and reasonably estimable, the Company accrues the total estimated loss, including investigation and remediation costs, associated with the site or claim. As of December 31, 2017, the Company had a reserve of \$147 million for environmental matters which are known or considered probable and reasonably estimable (of which \$116 million are noncurrent), which reflects the Company's best estimate of the costs to be incurred with respect to such matters.

All reserves have been recorded without giving effect to any possible future third-party recoveries. While the Company actively pursues insurance recoveries, as well as recoveries from other potentially responsible parties, it does not recognize any insurance recoveries for environmental liability claims until realized or until such time as a sustained pattern of collections is established related to historical matters of a similar nature and magnitude.

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The Company's Restated Certificate of Incorporation requires it to indemnify to the full extent authorized or permitted by law any person made, or threatened to be made a party to any action or proceeding by reason of his or her service as a director or officer of the Company, or by reason of serving at the request of the Company as a director or officer of any other entity, subject to limited exceptions. Danaher's Amended and Restated By-laws provide for similar indemnification rights. In addition, Danaher has executed with each director and executive officer of Danaher Corporation an indemnification agreement which provides for substantially similar indemnification rights and under which Danaher has agreed to pay expenses in advance of the final disposition of any such indemnifiable proceeding. While the Company maintains insurance for this type of liability, a significant deductible applies to this coverage and any such liability could exceed the amount of the insurance coverage.

As of December 31, 2017, the Company had approximately \$611 million of guarantees consisting primarily of outstanding standby letters of credit, bank guarantees and performance and bid bonds. These guarantees have been provided in connection with certain arrangements with vendors, customers, insurance providers, financing counterparties and governmental entities to secure the Company's obligations and/or performance requirements related to specific transactions. The Company believes that if the obligations under these instruments were triggered, it would not have a material effect on its Consolidated Financial Statements.

NOTE 17. STOCK TRANSACTIONS AND STOCK-BASED COMPENSATION

On July 16, 2013, the Company's Board of Directors approved a repurchase program (the "Repurchase Program") authorizing the repurchase of up to 20 million shares of the Company's common stock from time to time on the open market or in privately negotiated transactions. There is no expiration date for the Repurchase Program, and the timing and amount of any shares repurchased under the program will be determined by the Company's management based on its evaluation of market conditions and other factors. The Repurchase Program may be suspended or discontinued at any time. Any repurchased shares will be available for use in connection with the Company's equity compensation plans (or any successor plan) and for other corporate purposes. As of December 31, 2017, 20 million shares remained available for repurchase pursuant to the Repurchase Program. The Company expects to fund any future stock repurchases using the Company's available cash balances or proceeds from the issuance of debt.

Except in connection with the disposition of the Company's communications business to NetScout in 2015, neither the Company nor any "affiliated purchaser" repurchased any shares of Company common stock during 2017, 2016 or 2015. Refer to Note 3 for a discussion of the 26 million shares of Danaher common stock tendered to and repurchased by the Company in connection with the disposition of the Company's communications business to NetScout.

Stock options, RSUs and PSUs have been issued to directors, officers and other employees under the Company's 2007 Omnibus Incentive Plan. In addition, in connection with the 2015 Pall Acquisition and the 2016 Cepheid Acquisition, the Company assumed certain outstanding stock options and RSUs, as applicable, that had been awarded under the stock compensation plans of the respective, acquired businesses. These plans (the "Assumed Plans") operate in a similar manner to the Company's 2007 Omnibus Incentive Plan, and no further equity awards will be issued under any of the Assumed Plans. The 2007 Omnibus Incentive Plan provides for the grant of stock options, stock appreciation rights, RSUs, restricted stock, PSUs or any other stock-based award and cash based awards. A total of approximately 127 million shares of Danaher common stock have been authorized for issuance under the 2007 Omnibus Incentive Plan. As of December 31, 2017, approximately 70 million shares of the Company's common stock remain available for issuance under the 2007 Omnibus Incentive Plan.

Stock options granted under the 2007 Omnibus Incentive Plan generally vest pro rata over a five-year period and terminate 10 years from the grant date, though the specific terms of each grant are determined by the Compensation Committee of the Company's Board (the "Compensation Committee"). The Company's executive officers and certain other employees have been awarded options with different vesting criteria, and options granted to outside directors are fully vested as of the grant date. Option exercise prices for options granted by the Company equal the closing price of the Company's common stock on the NYSE on the date of grant. In connection with the Company's assumption of options issued pursuant to the Assumed Plans, the number of shares underlying each option and exercise price of each option were adjusted to reflect the substitution of the Company's stock for the stock of the applicable acquired company.

RSUs issued under the 2007 Omnibus Incentive Plan provide for the issuance of a share of the Company's common stock at no cost to the holder. The RSUs that have been granted to employees under the 2007 Omnibus Incentive Plan

generally provide for time-based vesting over a five-year period, although executive officers and certain other employees have been awarded RSUs with different time-based vesting criteria, and RSUs granted to members of the Company's senior management have also been subject to performance-based vesting criteria. The RSUs that have been granted to directors under the 2007 Omnibus Incentive Plan vest on the earlier of the first anniversary of the grant date or the date of, and immediately prior to, the next annual meeting of the Company's shareholders following the grant date, but the underlying shares are not issued until the earlier of the director's death or the first day of the seventh month following the director's retirement from the Board. Prior to

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vesting, RSUs granted under the 2007 Omnibus Incentive Plan do not have dividend equivalent rights, do not have voting rights and the shares underlying the RSUs are not considered issued and outstanding. With respect to RSUs granted under the Assumed Plans, in connection with the Company's assumption of these RSUs the number of shares underlying each RSU were adjusted to reflect the substitution of the Company's stock for the stock of the applicable acquired company, and certain of these RSUs have dividend equivalent rights.

In 2015, the Company introduced into its executive officer equity compensation program PSUs that vest based on the Company's total shareholder return ranking relative to the S&P 500 Index over a three-year performance period and are subject to an additional two-year holding period, and are entitled to dividend equivalent rights. In 2017, 2016 and 2015 one-half of the annual equity awards granted to the Company's executive officers were granted as stock options, one-quarter were granted as RSUs and one-quarter were granted as PSUs. The PSUs were issued under the Company's 2007 Omnibus Incentive Plan.

In connection with the Fortive Separation and pursuant to the anti-dilution provisions of the 2007 Omnibus Incentive Plan, the Company made certain adjustments to the exercise price and the number of shares underlying stock-based compensation awards with the intention of preserving the intrinsic value of the awards prior to the Separation. Accordingly, the number of shares underlying each stock-based award outstanding as of the date of the Separation was multiplied by a factor of 1.32 and the related exercise price for stock options was divided by a factor of 1.32 which resulted in no increase in the intrinsic value of awards outstanding. The stock-based compensation awards continue to vest over their original vesting period. These adjustments to the Company's stock-based compensation awards did not result in additional compensation expense. Stock-based compensation awards that were held by employees who transferred to Fortive in connection with the Separation were canceled and replaced by awards issued by Fortive.

The equity compensation awards granted by the Company generally vest only if the employee is employed by the Company (or in the case of directors, the director continues to serve on the Company Board) on the vesting date or in other limited circumstances. To cover the exercise of options and vesting of RSUs and PSUs, the Company generally issues new shares from its authorized but unissued share pool, although it may instead issue treasury shares in certain circumstances.

The Company accounts for stock-based compensation by measuring the cost of employee services received in exchange for all equity awards granted based on the fair value of the award as of the grant date. The Company recognizes the compensation expense over the requisite service period (which is generally the vesting period but may be shorter than the vesting period if the employee becomes retirement eligible before the end of the vesting period). The fair value for RSU awards was calculated using the closing price of the Company's common stock on the date of grant, adjusted for the fact that RSUs (other than certain RSUs granted under the Assumed Plans) do not accrue dividends. The fair value of the PSU awards was calculated using a Monte Carlo pricing model. The fair value of the options granted was calculated using a Black-Scholes Merton option pricing model ("Black-Scholes").

The following summarizes the assumptions used in the Black-Scholes model to value options granted during the years ended December 31:

	2017	2016	2015
Risk-free interest rate	1.8 – 2.2%	1.2 – 1.8%	1.6 – 2.2%
Weighted average volatility	17.9 %	24.3 %	24.3 %
Dividend yield	0.7 %	0.6 %	0.6 %
Expected years until exercise	5.0 – 8.0	5.5 – 8.0	5.5 – 8.0

The Black-Scholes model incorporates assumptions to value stock-based awards. The risk-free rate of interest for periods within the contractual life of the option is based on a zero-coupon U.S. government instrument whose maturity period equals or approximates the option's expected term. Expected volatility is based on implied volatility from traded options on the Company's stock and historical volatility of the Company's stock. The dividend yield is calculated by dividing the Company's annual dividend, based on the most recent quarterly dividend rate, by the closing stock price on the grant date. To estimate the option exercise timing used in the valuation model (which impacts the risk-free interest rate and the expected years until exercise), in addition to considering the vesting period and contractual term of the option, the Company analyzes and considers actual historical exercise experience for previously granted options. The Company stratifies its employee population into multiple groups for option valuation

and attribution purposes based upon distinctive patterns of forfeiture rates and option holding periods, as indicated by the ranges set forth in the table above for the risk-free interest rate and the expected years until exercise.

The amount of stock-based compensation expense recognized during a period is also based on the portion of the awards that are ultimately expected to vest. The Company estimates pre-vesting forfeitures at the time of grant by analyzing historical data and

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revises those estimates in subsequent periods if actual forfeitures differ from those estimates. Ultimately, the total expense recognized over the vesting period will equal the fair value of awards that actually vest.

The following summarizes the components of the Company's continuing operations stock-based compensation expense for the years ended December 31 (\$ in millions):

	2017	2016	2015
RSUs/PSUs:			
Pretax compensation expense	\$ 90.2	\$ 85.9	\$ 69.7
Income tax benefit	(27.7)	(25.3)	(22.1)
RSU/PSU expense, net of income taxes	62.5	60.6	47.6
Stock options:			
Pretax compensation expense	49.2	43.9	34.1
Income tax benefit	(15.6)	(13.6)	(10.7)
Stock option expense, net of income taxes	33.6	30.3	23.4
Total stock-based compensation:			
Pretax compensation expense	139.4	129.8	103.8
Income tax benefit	(43.3)	(38.9)	(32.8)
Total stock-based compensation expense, net of income taxes	\$ 96.1	\$ 90.9	\$ 71.0

Stock-based compensation has been recognized as a component of selling, general and administrative expenses in the accompanying Consolidated Statements of Earnings. As of December 31, 2017, \$130 million of total unrecognized compensation cost related to RSUs/PSUs is expected to be recognized over a weighted average period of approximately two years. As of December 31, 2017, \$117 million of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted average period of approximately two years. Future compensation amounts will be adjusted for any changes in estimated forfeitures.

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The following summarizes option activity under the Company's stock plans (in millions, except weighted exercise price and number of years):

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding as of January 1, 2015 ^(a)	30.0	\$ 37.01		
Granted ^(a)	4.1	66.64		
Exercised ^(a)	(7.8)	28.40		
Cancelled/forfeited ^(a)	(1.4)	51.55		
Outstanding as of December 31, 2015 ^(a)	24.9	43.75		
Granted	5.7	67.52		
Exercised	(5.3)	33.45		
Cancelled/forfeited	(1.2)	73.21		
Adjustment due to Fortive Separation ^(b)	(5.2)	50.44		
Outstanding as of December 31, 2016	18.9	50.07		
Granted	4.4	86.14		
Exercised	(3.3)	35.26		
Cancelled/forfeited	(1.2)	70.40		
Outstanding as of December 31, 2017	18.8	59.84	6	\$ 620.2
Vested and expected to vest as of December 31, 2017 ^(c)	18.2	\$ 59.28	6	\$ 611.1
Vested as of December 31, 2017	8.1	\$ 43.65	4	\$ 401.3

^(a) The outstanding options as of December 31, 2015 and the option activity prior to December 31, 2015 (except those options canceled as part of the Separation as noted below) have been adjusted by a factor of 1.32, as noted above, due to the Separation.

^(b) The "Adjustment due to Fortive Separation" reflects the cancellation of options which were outstanding as of July 2, 2016 and held by Fortive employees, which have been converted to Fortive options as part of the Separation.

^(c) The "expected to vest" options are the net unvested options that remain after applying the forfeiture rate assumption to total unvested options.

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (the difference between the Company's closing stock price on the last trading day of 2017 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on December 31, 2017. The amount of aggregate intrinsic value will change based on the price of the Company's common stock.

Options outstanding as of December 31, 2017 are summarized below (in millions, except price per share and number of years):

Exercise Price	Outstanding			Exercisable	
	Shares	Average Exercise Price	Average Remaining Life (in years)	Shares	Average Exercise Price
\$19.89 to \$38.63	3.3	\$ 30.61	2	3.3	\$ 30.58
\$38.64 to \$53.03	3.3	44.40	5	2.7	43.68
\$53.04 to \$65.94	3.2	60.32	6	1.1	59.55
\$65.95 to \$76.11	4.5	66.59	8	0.9	66.74
\$76.12 to \$92.42	4.5	85.69	9	0.1	81.31

The aggregate intrinsic value of options exercised during the years ended December 31, 2017, 2016 and 2015 was \$162 million, \$210 million and \$313 million, respectively. Exercise of options during the years ended December 31, 2017, 2016 and 2015 resulted in cash receipts of \$117 million, \$161 million, and \$223 million, respectively. Upon exercise of the award by the employee, the Company derives a tax deduction measured by the excess of the market value over the grant price at the date of exercise. The Company realized a tax benefit of \$50 million, \$61 million, and \$101 million in 2017, 2016 and 2015, respectively, related to the exercise of employee stock options.

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The following summarizes information on unvested RSU and PSU activity (in millions, except weighted average grant-date fair value):

	Number of RSUs/ PSUs	Weighted Average Grant-Date Fair Value
Unvested as of January 1, 2015 ^(a)	6.1	\$ 45.18
Granted ^(a)	2.9	65.66
Vested ^(a)	(2.1)	45.00
Forfeited ^(a)	(0.8)	52.56
Unvested as of December 31, 2015 ^(a)	6.1	53.93
Granted	1.9	66.15
Vested	(1.8)	50.64
Adjustment due to Fortive Separation ^(b)	(1.2)	58.24
Forfeited	(0.5)	28.79
Unvested as of December 31, 2016	4.5	62.16
Granted	1.4	86.04
Vested	(1.5)	58.48
Forfeited	(0.5)	68.83
Unvested as of December 31, 2017	3.9	71.27

^(a) The unvested RSUs and PSUs as of December 31, 2015 and the RSU and PSU activity in the periods prior to December 31, 2015 (except those RSUs and PSUs canceled as part of the Separation as noted below) have been adjusted by a factor of 1.32, as noted above, due to the Separation.

^(b) The “Adjustment due to Fortive Separation” reflects the cancellation of RSUs and PSUs which were outstanding as of July 2, 2016 and held by Fortive employees which have been converted to Fortive RSUs and PSUs as part of the Separation.

The Company realized a tax benefit of \$35 million, \$38 million and \$46 million in the years ended December 31, 2017, 2016 and 2015, respectively, related to the vesting of RSUs.

Prior to the to the adoption of ASU 2016-09, the difference between the actual tax benefit realized upon exercise and the tax benefit recorded based on the fair value of the stock award at the time of grant (the “excess tax benefits”) was recorded as an increase to additional paid-in capital and was reflected as a financing cash flow. As a result of the adoption of ASU 2016-09, the excess tax benefit of \$55 million related to the exercise of employee stock options and vesting of RSUs for the year ended December 31, 2017 has been recorded as a reduction to the current income tax provision and is reflected as an operating cash inflow in the accompanying Consolidated Statement of Cash Flows.

In connection with the exercise of certain stock options and the vesting of RSUs previously issued by the Company, a number of shares sufficient to fund statutory minimum tax withholding requirements has been withheld from the total shares issued or released to the award holder (though under the terms of the applicable plan, the shares are considered to have been issued and are not added back to the pool of shares available for grant). During the year ended December 31, 2017, 600 thousand shares with an aggregate value of \$47 million were withheld to satisfy the requirement. During the year ended December 31, 2016, 668 thousand shares with an aggregate value of \$48 million were withheld to satisfy the requirement. The withholding is treated as a reduction in additional paid-in capital in the accompanying Consolidated Statements of Stockholders’ Equity.

NOTE 18. NET EARNINGS PER SHARE FROM CONTINUING OPERATIONS

Basic net earnings per share (“EPS”) from continuing operations is calculated by dividing net earnings from continuing operations by the weighted average number of common shares outstanding for the applicable period. Diluted net EPS from continuing operations is computed based on the weighted average number of common shares outstanding increased by the number of additional shares that would have been outstanding had the potentially dilutive common shares been issued and reduced by the number of shares the Company could have repurchased with the proceeds from the issuance of the potentially dilutive shares. For the years ended December 31, 2017, 2016 and

2015, 4 million, 1 million and 2 million options to purchase shares, respectively, were not included in the diluted earnings per share calculation as the impact of their inclusion would have been anti-dilutive.

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Information related to the calculation of net earnings from continuing operations per share of common stock is summarized as follows (\$ and shares in millions, except per share amounts):

	Net Earnings from Continuing Operations (Numerator)	Shares (Denominator)	Per Share Amount
For the year ended December 31, 2017			
Basic EPS	\$ 2,469.8	695.8	\$ 3.55
Adjustment for interest on convertible debentures	2.1	—	
Incremental shares from assumed exercise of dilutive options and vesting of dilutive RSUs and PSUs	—	7.5	
Incremental shares from assumed conversion of the convertible debentures	—	2.8	
Diluted EPS	<u>\$ 2,471.9</u>	<u>706.1</u>	<u>\$ 3.50</u>
For the year ended December 31, 2016			
Basic EPS	\$ 2,153.4	691.2	\$ 3.12
Adjustment for interest on convertible debentures	1.8	—	
Incremental shares from assumed exercise of dilutive options and vesting of dilutive RSUs and PSUs	—	6.0	
Incremental shares from assumed conversion of the convertible debentures	—	2.6	
Diluted EPS	<u>\$ 2,155.2</u>	<u>699.8</u>	<u>\$ 3.08</u>
For the year ended December 31, 2015			
Basic EPS	\$ 1,746.7	698.1	\$ 2.50
Adjustment for interest on convertible debentures	2.2	—	
Incremental shares from assumed exercise of dilutive options and vesting of dilutive RSUs and PSUs	—	7.7	
Incremental shares from assumed conversion of the convertible debentures	—	2.7	
Diluted EPS	<u>\$ 1,748.9</u>	<u>708.5</u>	<u>\$ 2.47</u>

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NOTE 19. SEGMENT INFORMATION

The Company operates and reports its results in four separate business segments consisting of the Life Sciences, Diagnostics, Dental and Environmental & Applied Solutions segments. When determining the reportable segments, the Company aggregated operating segments based on their similar economic and operating characteristics. Operating profit represents total revenues less operating expenses, excluding other expense, interest and income taxes. The identifiable assets by segment are those used in each segment's operations. Inter-segment amounts are not significant and are eliminated to arrive at consolidated totals.

Detailed segment data for the years ended December 31 is as follows (\$ in millions):

	2017	2016	2015
Sales:			
Life Sciences	\$ 5,710.1	\$ 5,365.9	\$ 3,314.6
Diagnostics	5,839.9	5,038.3	4,832.5
Dental	2,810.9	2,785.4	2,736.8
Environmental & Applied Solutions	3,968.8	3,692.8	3,549.8
Total	<u>\$ 18,329.7</u>	<u>\$ 16,882.4</u>	<u>\$ 14,433.7</u>
Operating profit:			
Life Sciences	\$ 1,004.3	\$ 818.9	\$ 329.2
Diagnostics	871.6	786.4	746.2
Dental	400.7	419.4	370.4
Environmental & Applied Solutions	914.6	870.0	866.6
Other	(170.0)	(143.8)	(150.2)
Total	<u>\$ 3,021.2</u>	<u>\$ 2,750.9</u>	<u>\$ 2,162.2</u>
Identifiable assets:			
Life Sciences	\$ 20,576.8	\$ 19,875.9	\$ 19,658.4
Diagnostics	14,359.2	14,159.6	9,848.2
Dental	6,026.8	5,772.2	5,906.9
Environmental & Applied Solutions	4,649.2	4,172.9	4,223.5
Other	1,036.6	1,314.7	1,309.7
Discontinued operations	—	—	7,275.5
Total	<u>\$ 46,648.6</u>	<u>\$ 45,295.3</u>	<u>\$ 48,222.2</u>
Depreciation and amortization:			
Life Sciences	\$ 427.9	\$ 426.2	\$ 210.1
Diagnostics	581.5	481.5	449.7
Dental	121.4	127.2	132.0
Environmental & Applied Solutions	99.9	86.7	82.2
Other	7.6	6.5	6.8
Total	<u>\$ 1,238.3</u>	<u>\$ 1,128.1</u>	<u>\$ 880.8</u>

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	2017	2016	2015
Capital expenditures, gross:			
Life Sciences	\$ 130.6	\$ 109.7	\$ 62.3
Diagnostics	372.6	374.3	336.8
Dental	48.9	49.1	53.3
Environmental & Applied Solutions	60.9	51.0	58.4
Other	6.6	5.5	2.1
Total	\$ 619.6	\$ 589.6	\$ 512.9

Operations in Geographical Areas:

	For the Year Ended December 31		
(\$ in millions)	2017	2016	2015
Sales:			
United States	\$ 6,837.9	\$ 6,377.4	\$ 5,678.3
China	2,011.6	1,799.1	1,552.9
Germany	1,161.6	1,084.6	858.4
Japan	872.1	864.7	668.5
All other (each country individually less than 5% of total sales)	7,446.5	6,756.6	5,675.6
Total	\$ 18,329.7	\$ 16,882.4	\$ 14,433.7

Property, plant and equipment, net:			
United States	\$ 1,126.2	\$ 1,198.4	\$ 1,189.6
Germany	212.4	190.8	192.9
United Kingdom	152.0	140.6	165.5
All other (each country individually less than 5% of total property, plant and equipment, net)	964.0	824.2	754.7
Total	\$ 2,454.6	\$ 2,354.0	\$ 2,302.7

Sales by Major Product Group:

	For the Year Ended December 31		
(\$ in millions)	2017	2016	2015
Analytical and physical instrumentation	\$ 2,232.9	\$ 2,088.9	\$ 2,014.4
Research and medical products	11,512.4	10,366.7	8,110.9
Dental products	2,810.9	2,785.4	2,736.8
Product identification	1,773.5	1,641.4	1,571.6
Total	\$ 18,329.7	\$ 16,882.4	\$ 14,433.7

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NOTE 20. QUARTERLY DATA-UNAUDITED

(\$ in millions, except per share data)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2017:				
Sales	\$ 4,205.7	\$ 4,510.1	\$ 4,528.2	\$ 5,085.7
Gross profit	2,334.3	2,482.3	2,536.8	2,839.1
Operating profit	623.9	683.7	767.5	946.1
Net earnings from continuing operations	483.8	557.3	572.1	856.6
Net earnings from discontinued operations	22.3	—	—	—
Net earnings	506.1	557.3	572.1	856.6
Net earnings per share from continuing operations:				
Basic	\$ 0.70	\$ 0.80	\$ 0.82	\$ 1.23
Diluted	\$ 0.69	\$ 0.79	\$ 0.81	\$ 1.21
Net earnings per share from discontinued operations:				
Basic	\$ 0.03	\$ —	\$ —	\$ —
Diluted	\$ 0.03	\$ —	\$ —	\$ —
Net earnings per share:				
Basic	\$ 0.73	\$ 0.80	\$ 0.82	\$ 1.23
Diluted	\$ 0.72	\$ 0.79	\$ 0.81	\$ 1.21
2016:				
Sales	\$ 3,924.1	\$ 4,241.9	\$ 4,132.1	\$ 4,584.3
Gross profit	2,167.3	2,381.3	2,286.0	2,500.0
Operating profit	613.1	710.1	699.1	728.6
Net earnings from continuing operations	585.8	418.0	402.6	747.0
Net earnings (loss) from discontinued operations	172.6	238.7	(11.0)	—
Net earnings	758.4	656.7	391.6	747.0
Net earnings per share from continuing operations:				
Basic	\$ 0.85	\$ 0.60	\$ 0.58	\$ 1.08 **
Diluted	\$ 0.84	\$ 0.60	\$ 0.57	\$ 1.07
Net earnings (loss) per share from discontinued operations:				
Basic	\$ 0.25	\$ 0.35	\$ (0.02)	\$ —
Diluted	\$ 0.25	\$ 0.34	\$ (0.02)	\$ —
Net earnings per share:				
Basic	\$ 1.10	\$ 0.95	\$ 0.57 *	\$ 1.08 **
Diluted	\$ 1.09	\$ 0.94	\$ 0.56 *	\$ 1.07 **

* Net earnings per share amounts do not add due to rounding.

** Net earnings per share amounts do not add across to the full year amount due to rounding.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

The Company's management, with the participation of the Company's President and Chief Executive Officer, and Executive Vice President and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the Company's President and Chief Executive Officer, and Executive Vice President and Chief Financial Officer, have concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective.

Management's annual report on its internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) and the independent registered public accounting firm's audit report on the effectiveness of Danaher's internal control over financial reporting are included in the Company's financial statements for the year ended December 31, 2017 included in Item 8 of this Annual Report on Form 10-K, under the headings "Report of Management on Danaher Corporation's Internal Control Over Financial Reporting" and "Report of Independent Registered Public Accounting Firm," respectively, and are incorporated herein by reference.

There have been no changes in the Company's internal control over financial reporting that occurred during the Company's most recent completed quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Other than the information below, the information required by this Item is incorporated by reference from the sections entitled *Proposal 1—Election of Directors of Danaher, Corporate Governance* and *Other Information—Section 16(a) Beneficial Ownership Reporting Compliance* in the Proxy Statement for the Company's 2018 annual meeting of shareholders and from the information under the caption "Executive Officers of the Registrant" in Part I hereof. No nominee for director was selected pursuant to any arrangement or understanding between the nominee and any person other than the Company pursuant to which such person is or was to be selected as a director or nominee.

Code of Ethics

Danaher has adopted a code of business conduct and ethics for directors, officers (including Danaher's principal executive officer, principal financial officer and principal accounting officer) and employees, known as the Standards of Conduct. The Standards of Conduct is available in the "Investors – Corporate Governance" section of Danaher's website at www.danaher.com.

Danaher intends to disclose any amendment to the Standards of Conduct that relates to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K, and any waiver from a provision of the Standards of Conduct granted to any director, principal executive officer, principal financial officer, principal accounting officer, or any of its other executive officers, in the "Investors – Corporate Governance" section of its website, at www.danaher.com, within four business days following the date of such amendment or waiver.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference from the sections entitled *Director Compensation, Compensation Discussion and Analysis, Compensation Committee Report, Compensation Tables*

and Information and *Summary of Employment Agreements and Plans* in the Proxy Statement for the Company's 2018 annual meeting of shareholders (provided that the Compensation Committee Report shall not be deemed to be "filed").

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated by reference from the sections entitled *Beneficial Ownership of Danaher Common Stock by Directors, Officers and Principal Shareholders*, *Summary of Employment Agreements and Plans* and *Compensation Tables and Information* in the Proxy Statement for the Company's 2018 annual meeting of shareholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated by reference from the sections entitled *Director Independence* and *Related Person Transactions* in the Proxy Statement for the Company's 2018 annual meeting of shareholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated by reference from the section entitled *Proposal 2—Ratification of Independent Registered Public Accounting Firm* in the Proxy Statement for the Company's 2018 annual meeting of shareholders.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- a) The following documents are filed as part of this report.
- (1) Financial Statements. The financial statements are set forth under “Item 8. Financial Statements and Supplementary Data” of this Annual Report on Form 10-K.
 - (2) Schedules. An index of Exhibits and Schedules is on page 113 of this report. Schedules other than those listed below have been omitted from this Annual Report on Form 10-K because they are not required, are not applicable or the required information is included in the financial statements or the notes thereto.
 - (3) Exhibits. The exhibits listed in the accompanying Exhibit Index are filed or incorporated by reference as part of this Annual Report on Form 10-K.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

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DANAHER CORPORATION
INDEX TO FINANCIAL STATEMENTS, SUPPLEMENTARY DATA AND FINANCIAL STATEMENT
SCHEDULE

	Page Number in Form 10-K
Schedule:	
<u>Valuation and Qualifying Accounts</u>	121

EXHIBIT INDEX

Exhibit Number	Description
2.1	Separation and Distribution Agreement, dated as of July 1, 2016, by and between Danaher Corporation and Fortive Corporation + Incorporated by reference to Exhibit 2.1 to Amendment No. 1 to Fortive Corporation's Registration Statement on Form 10, filed on March 3, 2016 (Commission File Number: 1-8089)
3.1	Restated Certificate of Incorporation of Danaher Corporation Incorporated by reference from Exhibit 3.1 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended June 29, 2012 (Commission File Number: 1-8089)
3.2	Amended and Restated By-laws of Danaher Corporation Incorporated by reference from Exhibit 3.2 to Danaher Corporation's Current Report on Form 8-K filed December 6, 2016 (Commission File Number: 1-8089)
4.1	Senior Indenture dated as of December 11, 2007 by and between Danaher Corporation and The Bank of New York Trust Company, N.A. as trustee ("Senior Indenture") Incorporated by reference from Exhibit 1.2 to Danaher Corporation's Current Report on Form 8-K filed on December 11, 2007 (Commission File Number: 1-8089)
4.2	Supplemental Indenture to Senior Indenture, dated as of September 15, 2015, by and between Danaher Corporation and The Bank of New York Mellon Trust Company, N.A. as trustee relating to the 1.650% Senior Notes due 2018, 2.400% Senior Notes due 2020, 3.350% Senior Notes due 2025 and 4.375% Senior Notes due 2045 Incorporated by reference from Exhibit 4.1 to Danaher Corporation's Current Report on Form 8-K filed September 15, 2015 (Commission File Number: 1-8089)
4.3	Indenture dated as of July 8, 2015, by and between Danaher Corporation, as guarantor, DH Europe Finance S.A., as issuer, and The Bank of New York Mellon Trust Company, N.A. as trustee ("Danaher International Indenture") Incorporated by reference from Exhibit 4.1 to Danaher Corporation's Current Report on Form 8-K filed on July 8, 2015 (Commission File Number: 1-8089)
4.4	First Supplemental Indenture to Danaher International Indenture, dated as of July 8, 2015, by and between Danaher Corporation, as Incorporated by reference from Exhibit 4.2 to Danaher Corporation's Current Report on Form

[guarantor, DH Europe Finance S.A., as issuer, and The Bank of New York Mellon Trust Company, N.A. as trustee relating to the Floating Rate Senior Notes due 2017, the 1.000% Senior Notes due 2019, the 1.700% Senior Notes due 2022 and the 2.500% Senior Notes due 2025](#)

8-K filed on July 8, 2015 (Commission File Number: 1-8089)

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4.5	<u>Paying and Calculation Agency Agreement, dated as of July 8, 2015, by and among Danaher International, Danaher Corporation, and The Bank of New York Mellon, London Branch, as paying and calculation agent</u>	Incorporated by reference from Exhibit 4.3 to Danaher Corporation's Current Report on Form 8-K filed on July 8, 2015 (Commission File Number: 1-8089)
4.6	<u>Second Supplemental Indenture to Danaher International Indenture, dated as of June 30, 2017, by and between Danaher Corporation, as guarantor, DH Europe Finance S.A., as issuer, and The Bank of New York Mellon Trust Company, N.A. as trustee relating to the Floating Rate Senior Notes due 2022 and the 1.200% Senior Notes due 2027</u>	Incorporated by reference from Exhibit 4.2 to Danaher Corporation's Current Report on Form 8-K filed on June 30, 2017 (Commission File Number: 1-8089)
4.7	<u>Paying and Calculation Agency Agreement, dated as of June 30, 2017, by and among Danaher International, Danaher Corporation, The Bank of New York Mellon Trust Company, N.A. as trustee and The Bank of New York Mellon, London Branch, as paying and calculation agent</u>	Incorporated by reference from Exhibit 4.3 to Danaher Corporation's Current Report on Form 8-K filed on June 30, 2017 (Commission File Number: 1-8089)
10.1	<u>Danaher Corporation 2007 Omnibus Incentive Plan, as amended and restated*</u>	Incorporated by reference from Exhibit 10.1 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 (Commission File Number: 333-213631)
10.2	<u>Danaher Corporation Non-Employee Directors' Deferred Compensation Plan, as amended, a sub-plan under the 2007 Omnibus Incentive Plan*</u>	Incorporated by reference from Exhibit 10.2 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2008 (Commission File Number: 1-8089)
10.3	<u>Amended Form of Election to Defer under the Danaher Corporation Non-Employee Directors' Deferred Compensation Plan*</u>	Incorporated by reference from Exhibit 10.3 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2008 (Commission File Number: 1-8089)
10.4	<u>Form of Danaher Corporation 2007 Omnibus Incentive Plan Stock Option Agreement for Non-Employee Directors*</u>	Incorporated by reference from Exhibit 10.3 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 (Commission File Number: 1-8089)
10.5	<u>Form of Danaher Corporation 2007 Omnibus Incentive Plan RSU Agreement for Non-Employee Directors*</u>	Incorporated by reference from Exhibit 10.4 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 (Commission File Number: 1-8089)
10.6	<u>Form of Danaher Corporation 2007 Omnibus Incentive Plan Stock Option Agreement*</u>	Incorporated by reference from Exhibit 10.5 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 (Commission File Number: 1-8089)
10.7		

[Form of Danaher Corporation 2007 Omnibus
Incentive Plan RSU Agreement*](#)

Incorporated by reference from Exhibit 10.6 to
Danaher Corporation's Quarterly Report on
Form 10-Q for the quarter ended June 30, 2017
(Commission File Number: 1-8089)

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10.8	<u>Form of Danaher Corporation 2007 Omnibus Incentive Plan Performance Stock Unit Agreement*</u>	Incorporated by reference from Exhibit 10.7 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 (Commission File Number: 1-8089)
10.9	<u>Danaher Corporation & Subsidiaries Amended and Restated Executive Deferred Incentive Program*</u>	Incorporated by reference from Exhibit 4.1 to Danaher Corporation's Registration Statement on Form S-8 filed on September 14, 2016 (Commission File Number: 333-213631)
10.10	<u>Danaher Corporation 2007 Executive Cash Incentive Compensation Plan, as amended and restated*</u>	Incorporated by reference from Appendix B to Danaher Corporation's 2017 Proxy Statement on Schedule 14A filed on March 31, 2017 (Commission File Number: 1-8089)
10.11	<u>Danaher Corporation Senior Leader Severance Pay Plan*</u>	Incorporated by reference from Exhibit 10.1 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended March 29, 2013 (Commission File Number: 1-8089)
10.12	<u>Agreement Regarding Competition and Protection of Proprietary Interests by and between Danaher Corporation and Thomas P. Joyce, Jr., dated March 16, 2009* ⁽¹⁾</u>	Incorporated by reference from Exhibit 10.16 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2014 (Commission File Number: 1-8089)
10.13	<u>Amendment to Agreement Regarding Competition and Protection of Proprietary Interests by and between Danaher Corporation and Thomas P. Joyce, Jr., dated September 11, 2014*</u>	Incorporated by reference from Exhibit 10.1 to Danaher Corporation's Current Report on Form 8-K filed on September 15, 2014 (Commission File Number: 1-8089)
10.14	<u>Agreement Regarding Competition and Protection of Proprietary Interests by and between Danaher Corporation and Angela S. Lalor dated March 23, 2012*</u>	Incorporated by reference from Exhibit 10.16 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2016 (Commission File Number: 1-8089)
10.15	<u>Letter Agreement by and between Danaher Corporation and Angela S. Lalor, dated March 19, 2012*</u>	Incorporated by reference from Exhibit 10.14 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2012 (Commission File Number: 1-8089)
10.16	<u>Agreement Regarding Competition and Protection of Proprietary Interests by and between Danaher Corporation and Rainer Blair, dated May 2, 2010*</u>	Incorporated by reference from Exhibit 10.20 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2016 (Commission File Number: 1-8089)
10.17	<u>Description of compensation arrangements for non-management directors*</u>	

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10.18	<u>Credit Agreement, dated as of July 10, 2015, among Danaher Corporation, Bank of America, N.A., as Administrative Agent and a Swing Line lender, Citibank, N.A. as Syndication Agent, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., The Bank Of Tokyo - Mitsubishi UFJ, Ltd., BNP Paribas Securities Corp., US Bank National Association, HSBC Securities (USA) Inc. and Wells Fargo Securities, LLC as Joint Lead Arrangers and Joint Book Managers, and the other lenders referred to therein</u>	Incorporated by reference from Exhibit 10.1 to Danaher Corporation's Current Report on Form 8-K filed on July 10, 2015 (Commission File Number: 1-8089)
10.19	<u>Credit Agreement, dated as of October 24, 2016, among Danaher Corporation, Morgan Stanley Senior Funding, Inc. as Administrative Agent, Sole Lead Arranger and Sole Bookrunner, and the other lenders referred to therein</u>	Incorporated by reference from Exhibit 10.1 to Danaher Corporation's Current Report on Form 8-K filed on October 24, 2016 (Commission File Number: 1-8089)
10.20	<u>Management Agreement dated February 23, 2012 by and between FJ900, Inc. and Joust Capital III, LLC ⁽²⁾</u>	Incorporated by reference from Exhibit 10.25 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2011 (Commission File Number: 1-8089)
10.21	<u>Interchange Agreement dated July 22, 2011 by and between Danaher Corporation and Joust Capital III, LLC ⁽³⁾</u>	Incorporated by reference from Exhibit 10.10 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended July 1, 2011 (Commission File Number: 1-8089)
10.22	<u>Aircraft Time Sharing Agreement by and between Danaher Corporation and Thomas P. Joyce, Jr., dated May 7, 2014* ⁽⁴⁾</u>	Incorporated by reference from Exhibit 10.2 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended June 27, 2014 (Commission File Number: 1-8089)
10.23	<u>Amendment No. 1 to Aircraft Time Sharing Agreement by and between Danaher Corporation and Thomas P. Joyce, Jr., dated July 1, 2016* ⁽⁴⁾</u>	Incorporated by reference from Exhibit 10.7 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended July 1, 2016 (Commission File Number: 1-8089)
10.24	<u>Form of Director and Officer Indemnification Agreement</u>	Incorporated by reference from Exhibit 10.35 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2008 (Commission File Number: 1-8089)
10.25	<u>Employee Matters Agreement, dated as of July 1, 2016, by and between Danaher Corporation and Fortive Corporation</u>	Incorporated by reference from Exhibit 10.2 to Amendment No. 1 to Fortive Corporation's Registration Statement on Form 10, filed on March 3, 2016 (Commission File Number: 1-37654)
10.26	<u>Tax Matters Agreement, dated as of July 1, 2016, by and between Danaher Corporation and Fortive Corporation</u>	Incorporated by reference from Exhibit 10.3 to Amendment No. 1 to Fortive Corporation's Registration Statement on Form 10, filed on

March 3, 2016 (Commission File Number:
1-37654)

10.27 [Transition Services Agreement, dated as of
July 1, 2016, by and between Danaher
Corporation and Fortive Corporation](#)

Incorporated by reference from Exhibit 10.1 to
Amendment No. 1 to Fortive Corporation's
Registration Statement on Form 10, filed on
March 3, 2016 (Commission File Number:
1-37654)

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10.28	<u>Intellectual Property Matters Agreement, dated as of July 1, 2016, by and between Danaher Corporation and Fortive Corporation</u>	Incorporated by reference from Exhibit 10.4 to Amendment No. 1 to Fortive Corporation's Registration Statement on Form 10, filed on March 3, 2016 (Commission File Number: 1-37654)
10.29	<u>DBS License Agreement, dated as of July 1, 2016 by and between Danaher Corporation and Fortive Corporation</u>	Incorporated by reference from Exhibit 10.5 to Amendment No. 1 to Fortive Corporation's Registration Statement on Form 10, filed on March 3, 2016 (Commission File Number: 1-37654)
11.1	<u>Computation of per-share earnings ⁽⁵⁾</u>	
12.1	<u>Calculation of Ratio of Earnings to Fixed Charges</u>	
21.1	<u>Subsidiaries of Registrant</u>	
23.1	<u>Consent of Independent Registered Public Accounting Firm</u>	
31.1	<u>Certification of Chief Executive Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>	
31.2	<u>Certification of Chief Financial Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>	
32.1	<u>Certification of Chief Executive Officer, Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>	
32.2	<u>Certification of Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>	
101.INS	XBRL Instance Document ⁽⁶⁾	
101.SCH	XBRL Taxonomy Extension Schema Document ⁽⁶⁾	
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document ⁽⁶⁾	
101.DEF		

XBRL Taxonomy Extension Definition
Linkbase Document ⁽⁶⁾

101.LAB XBRL Taxonomy Extension Label Linkbase
Document ⁽⁶⁾

101.PRE XBRL Taxonomy Extension Presentation
Linkbase Document ⁽⁶⁾

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Danaher is a party to additional long-term debt instruments under which, in each case, the total amount of debt authorized does not exceed 10% of the total assets of Danaher and its subsidiaries on a consolidated basis. Pursuant to paragraph 4(iii)(A) of Item 601(b) of Regulation S-K, Danaher agrees to furnish a copy of such instruments to the Securities and Exchange Commission upon request.

- + The schedules have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. Danaher will furnish copies of such schedules to the Securities and Exchange Commission upon request.
- * Indicates management contract or compensatory plan, contract or arrangement.
- (1) In accordance with Instruction 2 to Item 601(a)(4) of Regulation S-K, Danaher has entered into agreements with each of Daniel L. Comas and William K. Daniel II that are substantially identical in all material respects to the form of agreement referenced as Exhibit 10.12 except as to the name of the counterparty.
- (2) In accordance with Instruction 2 to Item 601(a)(4) of Regulation S-K, FJ900, Inc. (a subsidiary of Danaher) has entered into a management agreement with Joust Capital II, LLC that is substantially identical in all material respects to the form of agreement referenced as Exhibit 10.20, except as to the referenced aircraft and the name of the counterparty.
- (3) In accordance with Instruction 2 to Item 601(a)(4) of Regulation S-K, Danaher Corporation or a subsidiary thereof has entered into additional interchange agreements with each of Joust Capital II, LLC and Joust Capital III, LLC that are substantially identical in all material respects to the form of agreement attached as 10.21, except as to the referenced aircraft and, in certain cases, the name of the counterparty.
- (4) In accordance with Instruction 2 to Item 601(a)(4) of Regulation S-K, Danaher Corporation has entered into an aircraft time sharing agreement and related amendment with Daniel L. Comas that are substantially identical in all material respects to the forms of agreement referenced as Exhibit 10.22 and Exhibit 10.23, respectively, except as to the name of the counterparty.
- (5) Refer to Note 18, “Net Earnings Per Share from Continuing Operations”, to the Consolidated Financial Statements.
- (6) Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2017 and 2016, (ii) Consolidated Statements of Earnings for the years ended December 31, 2017, 2016 and 2015, (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2017, 2016 and 2015, (iv) Consolidated Statements of Stockholders’ Equity for the years December 31, 2017, 2016 and 2015, (v) Consolidated Statements of Cash Flows for the years ended December 31, 2017, 2016 and 2015 and (vi) Notes to Consolidated Financial Statements.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

DANAHER CORPORATION

Date: February 20, 2018

By: /s/ THOMAS P. JOYCE, JR.

Thomas P. Joyce, Jr.

President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this annual report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated:

Name, Title and Signature

Date

/s/ STEVEN M. RALES

February 20, 2018

Steven M. Rales

Chairman of the Board

/s/ MITCHELL P. RALES

February 20, 2018

Mitchell P. Rales

Chairman of the Executive Committee

/s/ DONALD J. EHRLICH

February 20, 2018

Donald J. Ehrlich

Director

/s/ LINDA HEFNER FILLER

February 20, 2018

Linda Hefner Filler

Director

/s/ THOMAS P. JOYCE, JR.

February 20, 2018

Thomas P. Joyce, Jr.

President, Chief Executive Officer and Director

/s/ TERI LIST-STOLL

February 20, 2018

Teri List-Stoll

Director

/s/ WALTER G. LOHR, JR.

February 20, 2018

Walter G. Lohr, Jr.

Director

/s/ JOHN T. SCHWIETERS

February 20, 2018

John T. Schwieters

Director

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/s/ ALAN G. SPOON

Alan G. Spoon
Director

February 20, 2018

/s/ RAYMOND C. STEVENS, Ph.D.

Raymond C. Stevens
Director

February 20, 2018

/s/ ELIAS A. ZERHOUNI, M.D.

Elias A. Zerhouni, M.D.
Director

February 20, 2018

/s/ DANIEL L. COMAS

Daniel L. Comas
Executive Vice President and Chief Financial
Officer

February 20, 2018

/s/ ROBERT S. LUTZ

Robert S. Lutz
Senior Vice President and Chief Accounting Officer

February 20, 2018

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DANAHER CORPORATION AND SUBSIDIARIES
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
(\$ in millions)

Classification	Balance at Beginning of Period ^(a)	Charged to Costs & Expenses	Impact of Currency	Charged to Other Accounts	Write-Offs, Write- Downs & Deductions	Balance at End of Period ^(a)
Year ended December 31, 2017:						
Allowances deducted from asset account						
Allowance for doubtful accounts	\$ 103.5	\$ 32.9	\$ 4.5	\$ 3.5 ^(b)	\$ (26.2)	\$ 118.2
Year ended December 31, 2016:						
Allowances deducted from asset account						
Allowance for doubtful accounts	\$ 89.7	\$ 32.5	\$ (0.6)	\$ 2.3 ^(b)	\$ (20.4)	\$ 103.5
Year ended December 31, 2015:						
Allowances deducted from asset account						
Allowance for doubtful accounts	\$ 77.0	\$ 25.2	\$ (6.3)	\$ 21.1 ^(b)	\$ (27.3)	\$ 89.7

^(a) Amounts include allowance for doubtful accounts classified as current and noncurrent.

^(b) Amounts related to businesses acquired, net of amounts related to businesses disposed not included in discontinued operations.