

DANAHER CORPORATION
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES

	Three Months Ended		Year Ended		
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013	
Diluted Net Earning Per Share (GAAP)	\$ 0.92	\$ 1.11	\$ 3.63	\$ 3.80	
Impact of discrete tax items in 2014 and 2013 and lower than expected effective tax rate (due primarily to year-end 2014 tax law changes) in the three months and year ended December 31, 2014	0.09	-	0.08	(0.03)	
Gain on sale of marketable equity securities in the three months ended December 31, 2014 (\$99 million pre-tax, \$62 million after tax) and for the year ended December 31, 2014 (\$123 million pre-tax, \$77 million after-tax) and gain on sale of marketable equity securities for the three months and year ended December 31, 2013 (\$202 million pre-tax, \$125 million after-tax)	(0.09)	(0.18)	(0.11)	(0.18)	
Restructuring charges in excess of amounts originally budgeted and publicly communicated in December 2013 for the three months and year ended December 31, 2014 (\$94 million pre-tax and \$72 million after-tax)	0.10	-	0.10	-	
Acquisition-related transaction costs deemed significant (\$12 million pre-tax, \$9 million after-tax) for the three months and year ended December 31, 2014 and fair value adjustments to acquisition related inventory (\$5 million pre-tax, \$4 million after-tax) for the three months and year ended December 31, 2014 in each case incurred in connection with the acquisition of Nobel Biocare	0.02	-	0.02	-	
Gain on sale of electric vehicle systems product line in the year ended December 31, 2014 (\$34 million pre-tax, \$26 million after-tax)	-	-	(0.04)	-	
Impairment of intangible assets associated with a technology investment in the communications business for the three months and year ended December 31, 2013 (\$31 million pre-tax, \$19 million after-tax)	-	0.03	-	0.03	
Gain on the sale of investment in Apex Tool Group LLC in the first quarter of 2013 (\$230 million pre-tax, \$144 million after-tax)	-	-	-	(0.20)	
Adjusted Diluted Net Earnings Per Share (Non-GAAP)	\$ 1.04	\$ 0.96	\$ 3.68	\$ 3.42	7.6%

Forecasted Earnings Per Share Guidance

	Three Months Ending April 3, 2015		Year Ending December 31, 2015	
	Low End	High End	Low End	High End
Diluted Net Earnings Per Share (GAAP)	\$ 0.76	\$ 0.80	\$ 3.81	\$ 3.91
Fair value adjustments to Nobel Biocare acquisition-related inventory (\$22 million pre-tax, \$17 million after-tax)	0.02	0.02	0.02	0.02
Amortization of acquisition-related intangible assets in the three months ending April 3, 2015 (\$111 million pre-tax, \$85 million after-tax) and the year ending December 31, 2015 (\$441 million pre-tax, \$337 million after-tax)	0.12	0.12	0.47	0.47
Adjusted Diluted Net Earnings Per Share (Non-GAAP)	\$ 0.90	\$ 0.94	\$ 4.30	\$ 4.40

Core Revenue Growth

Components of Revenue Growth	Three Months Ended	Year Ended
	December 31, 2014 vs. Comparable 2013 Period	December 31, 2014 vs. Comparable 2013 Period
Core (Non-GAAP)	4.0%	3.5%
Acquisitions (Non-GAAP)	2.5%	1.5%
Impact of Currency Translation (Non-GAAP)	(3.5)%	(1.0)%
Total Revenue Growth (GAAP)	3.0%	4.0%

Adjusted Diluted Net Earnings Per Share

We disclose the non-GAAP measure of adjusted diluted net earnings per share, which refers to GAAP diluted net earnings per share, excluding the items identified in the reconciliation schedule above. This non-GAAP measure should be considered in addition to, and not as a replacement for or superior to, the comparable GAAP measure, and may not be comparable to similarly titled measures reported by other companies.

Management believes that this measure provides useful information to investors by reflecting additional ways of viewing aspects of Danaher's operations that, when reconciled to the corresponding GAAP measure, helps our investors to better understand the long-term profitability trends of our business, and facilitates easier comparisons of our profitability to prior and future periods and to our peers. The items described above have been excluded from this measure because items of this nature and/or size occur with inconsistent frequency, occur for reasons that may be unrelated to Danaher's commercial performance during the period and/or we believe are not indicative of Danaher's ongoing operating costs or gains in a given period, which we believe may obscure underlying business trends and make comparisons of long-term performance difficult. 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.

The Company estimates the tax effect of the items identified in the reconciliation schedule above by applying the Company's overall estimated effective tax rate to the pre-tax amount, unless the nature of the item and/or the tax jurisdiction in which the item has been recorded requires application of a specific tax rate or tax treatment, in which case the tax effect of such item is estimated by applying such specific tax rate or tax treatment.

Core Revenue and Core Revenue Growth

We use the term "core revenue" or "sales from existing businesses" to refer to GAAP revenue from existing operations excluding (1) sales from acquired businesses recorded prior to the first anniversary of the acquisition less the amount of sales attributable to certain divested product lines not considered discontinued operations ("acquisition sales"), and (2) the impact of currency translation. The portion of GAAP revenue from existing operations attributable to currency translation is calculated as the difference between (a) the period-to-period change in revenue (excluding acquisition sales) and (b) the period-to-period change in revenue (excluding acquisition sales) after applying current period foreign exchange rates to the prior year period. We use the term "core revenue growth" to refer to the measure of comparing current period core revenue with the corresponding period of the prior year. These non-GAAP measures should be considered in addition to, and not as a replacement for or superior to, the comparable GAAP measures, and may not be comparable to similarly titled measures reported by other companies.

Management believes that these non-GAAP measures provide useful information to investors by helping identify underlying growth trends in our business and facilitating easier comparisons of our revenue performance with prior and future periods and to our peers. We exclude 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. We exclude the effect of acquisitions because the nature, size and number of acquisitions can vary dramatically from period to period and between us and our peers, which we believe may obscure underlying business trends and make comparisons of long-term performance difficult.

Danaher Corporation
Reconciliation of GAAP to Non-GAAP Financial Measures

Core Operating Margin Changes

	Segments					
	Total Company	Test & Measurement	Environmental	Life Sciences & Diagnostics	Dental	Industrial Technologies
Three Months Ended December 31, 2013 Operating Profit Margins (GAAP)	16.90%	16.60%	22.50%	16.70%	13.70%	17.30%
Fourth quarter 2014 impact from operating profit margins of businesses that have been owned for less than one year	(0.40)	0.30	(0.80)	(0.35)	(1.55)	0.20
Fourth quarter 2014 productivity charges less productivity charges incurred during the fourth quarter of 2013.	(1.10)	(2.35)	(2.05)	(1.10)	(1.85)	1.70
Acquisition-related transaction costs deemed significant, and fair value adjustments to inventory, in each case related to the acquisition of Nobel Biocare and incurred in the fourth quarter of 2014.	(0.30)	-	-	-	(2.65)	-
Fourth quarter 2013 impact from the impairment of intangible assets associated with a technology investment in the communications business	0.60	3.40	-	-	-	-
Year-over year core operating margin changes for fourth quarter 2014 (defined as all year-over-year operating margin changes other than the changes identified in the line items above.) (Non-GAAP)	0.70	(0.05)	(0.45)	1.35	1.85	1.20
Three Months Ended December 31, 2014 Operating Profit Margins (GAAP)	16.40%	17.90%	19.20%	16.60%	9.50%	20.40%
Year Ended December 31, 2013 Operating Profit Margins (GAAP)	17.10%	19.60%	21.00%	14.70%	14.60%	21.10%
Full Year 2014 impact from operating profit margins of businesses that have been owned for less than one year	(0.35)	(0.60)	(0.95)	(0.20)	(0.40)	-
2014 productivity charges less productivity charges incurred in 2013.	(0.25)	(0.60)	(0.50)	(0.20)	(0.35)	0.45
Acquisition-related transaction costs deemed significant, and fair value adjustments to inventory, in each case related to the acquisition of Nobel Biocare and incurred in the fourth quarter of 2014.	(0.10)	-	-	-	(0.75)	-
2013 impact from the impairment of intangible assets associated with a technology investment in the communications business	0.15	0.90	-	-	-	-
Year-over year core operating margin changes for full year 2014 (defined as all year-over-year operating margin changes other than the changes identified in the line items above.) (Non-GAAP)	0.65	(0.30)	0.35	1.10	0.80	1.15
Year Ended December 31, 2014 Operating Profit Margins (GAAP)	17.20%	19.00%	19.90%	15.40%	13.90%	22.70%

Non-GAAP Measure

We disclose the non-GAAP measure of year-over-year core operating margin change which is defined above. This non-GAAP measure should be considered in addition to, and not as a replacement for or superior to, its comparable GAAP measure, and may not be comparable to similarly titled measures reported by other companies.

Management believes that this non-GAAP measure provides useful information to investors by reflecting an additional way of viewing Danaher's operations that, when reconciled to its comparable GAAP measure, helps our investors to better understand the long-term profitability trends of our business, and facilitates easier comparisons of our profitability to prior and future periods and to our peers. The items described above have been excluded from the non-GAAP measure because items of this nature and/or size occur with inconsistent frequency, occur for reasons that may be unrelated to Danaher's commercial performance during the period and/or we believe are not indicative of Danaher's ongoing operating costs or gains in a given period, which we believe may obscure underlying business trends and make comparisons of long-term performance difficult.

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.

Danaher Corporation
Reconciliation of GAAP to Non-GAAP Financial Measures

Gross Margin From Continuing Operations Excluding the Cost of the Fourth Quarter 2014 Productivity and Efficiency Initiatives

	Three Months Ended December 31, 2014
Gross Margin From Continuing Operations (GAAP)	<u>51.80%</u>
Fourth quarter 2014 cost of productivity and efficiency initiatives	<u>0.70</u>
Gross Margin From Continuing Operations Excluding the Cost of the Fourth Quarter 2014 Productivity and Efficiency Initiatives - (non-GAAP)	<u><u>52.50%</u></u>

Non-GAAP Measures

We disclose the non-GAAP measure of gross margin from continuing operations excluding the cost of the fourth quarter 2014 productivity and efficiency initiatives. This non-GAAP measure should be considered in addition to, and not as a replacement for or superior to, gross margin. Management believes that this non-GAAP measure provides useful information to investors by reflecting an additional way of viewing Danaher's operations that, when reconciled to its comparable GAAP measure, helps our investors to better understand the long-term profitability trends of the Company, and facilitates easier comparisons of the Company's profitability to prior and future periods. The cost of the fourth quarter 2014 productivity and efficiency initiatives has been excluded from the non-GAAP measure because the size and frequency of items of this nature are unpredictable and can vary significantly from year to year, which we believe may obscure underlying business trends and make comparisons of long-term performance difficult.

Danaher Corporation

Supplemental Reconciliation of Operating Cash Flows (GAAP) to Free Cash Flow (Non-GAAP)

	Quarter Ended		Quarter Ended		Quarter Ended		Quarter Ended		Full Year	
	March 28, 2014	March 29, 2013	June 27, 2014	June 28, 2013	September 26, 2014	September 27, 2013	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Free Cash Flow (\$ in millions):										
Operating Cash Flows per GAAP	\$ 511.2	\$ 636.5	\$ 991.7	\$ 899.2	\$ 1,016.1	\$ 971.4	\$ 1,239.4	\$ 1,078.2	\$ 3,758.4	\$ 3,585.3
Payments for Property, Plant & Equipment (Capital Expenditures)	(130.9)	(116.3)	(147.7)	(136.2)	(142.8)	(139.3)	(176.1)	(159.7)	(597.5)	(551.5)
Free Cash Flow	<u>\$ 380.3</u>	<u>\$ 520.2</u>	<u>\$ 844.0</u>	<u>\$ 763.0</u>	<u>\$ 873.3</u>	<u>\$ 832.1</u>	<u>\$ 1,063.3</u>	<u>\$ 918.5</u>	<u>\$ 3,160.9</u>	<u>\$ 3,033.8</u>

Ratio of Free Cash Flow to Net Earnings (\$ in millions):

Free Cash Flow from Above	\$ 380.3	\$ 520.2	\$ 844.0	\$ 763.0	\$ 873.3	\$ 832.1	\$ 1,063.3	\$ 918.5	\$ 3,160.9	\$ 3,033.8
Net Earnings	<u>579.7</u>	<u>691.9</u>	<u>676.4</u>	<u>616.8</u>	<u>680.6</u>	<u>597.0</u>	<u>661.7</u>	<u>789.3</u>	<u>2,598.4</u>	<u>2,695.0</u>
Free Cash Flow to Net Earnings Conversion Ratio	<u>0.66</u>	<u>0.75</u>	<u>1.25</u>	<u>1.24</u>	<u>1.28</u>	<u>1.39</u>	<u>1.61</u>	<u>1.16</u>	<u>1.22</u>	<u>1.13</u>

We disclose the non-GAAP measures of free cash flow and ratio of free cash flow to net earnings, as defined above. These non-GAAP measures should be considered in addition to, and not as a replacement for or superior to, GAAP operating cash flow, and may not be comparable to similarly titled measures used by other companies.

Danaher's management believes that these non-GAAP measures provide useful information to investors by reflecting an additional way of viewing Danaher's operations that, when reconciled to their respective GAAP measures, helps our investors to better understand the strength of Danaher's earnings as well as Danaher's ability to generate cash without external financings, strengthen its balance sheet, invest in the business and grow the business through acquisitions and other strategic opportunities. A limitation of these non-GAAP measures is that they do not take into account the Company's debt service requirements and other non-discretionary expenditures.