Danaher Corporation

ANNUAL REPORT 1999

ABOUT THE COVER:

Danaher continues to reposition itself to serve higher growth markets both internally, through new products, new services and geographic expansion, and externally, through acquisitions. Our front cover features three market opportunities.

In just three years, Danaher has become the world's leader in water quality analytical instrumentation. Another contributor to Danaher's success is its motion products – the motors, drives and related products that power robots, treadmills and other devices requiring precision and speed. The redesigned ratchet on the cover, our innovative Eliminator™ ratcheting system, has brought new excitement and accelerated sales growth to our hand tools business. Pages 6 through 11 further expand on these growth opportunities.

DANAHER CORPORATION

Danaher Corporation designs, manufactures and markets industrial and consumer products with strong brand names, proprietary technology and major market positions in two principal businesses: Process/Environmental Controls and Tools and Components.

Through a focused strategy, Danaher has become a leading manufacturer, competing effectively on a global basis by leveraging product value, quality and customer service. Today, Danaher's 19,000 associates are located in 25 countries around the world.

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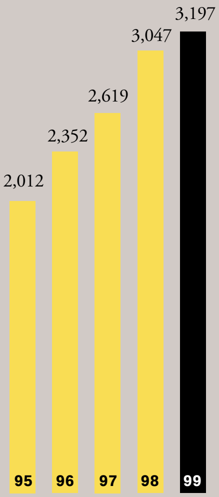
FINANCIAL HIGHLIGHTS

(000's omitted, except per share data and number of associates)	1999	1998
OPERATIONS:		
Net sales	**$3,197,238**	$3,047,061
Operating profit	**458,007**	384,112
Net earnings	**261,624***	192,186*
Earnings per common share (diluted)	**1.79***	1.33*
Excluding pooling charge	**1.86**	1.53
Depreciation expense	**89,151**	80,258
Capital expenditures, net	**88,909**	101,614
Number of associates	**19,000**	19,000
FINANCIAL POSITION AT YEAR-END:		
Total assets	**3,047,071**	2,840,859
Total debt	**374,634**	503,639
Stockholders' equity	**1,708,754**	1,400,788
Total debt as a percent of total capitalization	**18.0%**	26.5%
Return on equity	**15.9%***	14.6%*
Book value per share	**12.00**	9.89

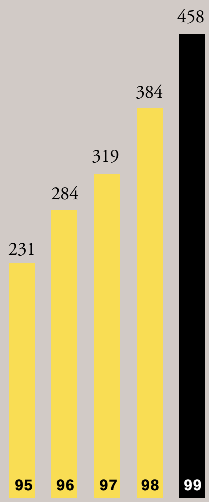
*Includes $9.8 million in after-tax costs ($0.07 per share) from the merger with the Hach Company in 1999 and $28.6 million in after-tax costs ($0.20 per share) from the merger with the Fluke Corporation in 1998

Net Sales
(dollars in millions)



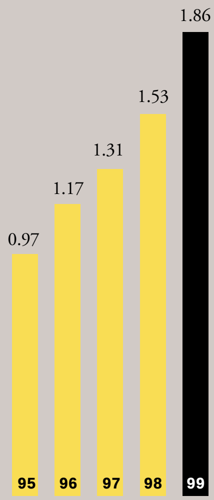
12% compounded annual growth rate

Operating Profit
(dollars in millions)



19% compounded annual growth rate

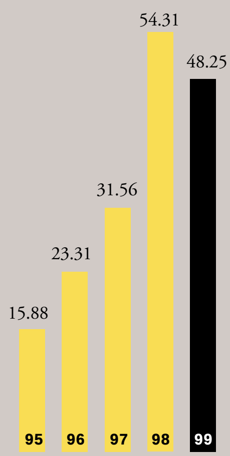
Earnings per Share*
(in dollars)



18% compounded annual growth rate

*From continuing operations, excluding pooling charges of $0.07 per share in 1999 and $0.20 per share in 1998

Year-end Market Price of Stock
(in dollars)



32% compounded annual growth rate

WE HAVE A STRENGTHENED PRODUCT PORTFOLIO, BALANCE SHEET AND ORGANIZATION TO GROW OUR CORPORATION SUBSTANTIALLY OVER THE COMING YEARS...

GEORGE M. SHERMAN
President and Chief Executive Officer

To Our

1999 PERFORMANCE

Danaher Corporation reports another record year in 1999. Our financial measures all reached new highs. During the year, Danaher's sales grew to $3.2 billion, 5% above last year's record performance, and our gross margin improved 0.7%, allowing us to increase investments in marketing, research and development, and e-commerce while continuing to improve operating profitability. Net earnings and earnings per share, before the inclusion of one-time costs associated with both the Fluke acquisition in 1998 and the Hach acquisition in 1999, were up 23% and 22%, respectively, over the record performance achieved in 1998. For the eighth consecutive year, Danaher reported record cash flow, with free cash flow exceeding net earnings. In 1999, operating cash flow increased $66 million to a record $419 million. Like a number of industrial companies, this past year resulted in a decline in Danaher's share price, despite record performance. The compounded annual growth rate for our share price with dividends over the past ten years is 29%, and it is our belief that excellent performance will correlate directly with superior shareholder value in the future.

GROWTH During 1999, our Tools and Components Business Segment experienced a 1% price decrease but still grew 4%, a rate higher than the industry's average. In our Process/Environmental Controls Business Segment, sales increased 6% from 1998 levels after being tempered by the expected downturn in demand experienced in one of our businesses caused by EPA regulatory-driven changes. Core volume grew 3.5%, with an acquisition growth of 4% and price and foreign currency translation decreases totaling more than 1%. Our 1999 sales outside the U.S., including both exports and direct sales abroad, reached $953 million and now constitute 30% of sales.

We are focused on growth through share gains, international expansions, aggressive new product and service developments and e-commerce initiatives. The acquisitions completed during the past few years have a higher potential growth rate than the average of our previous core companies.

ACQUISITIONS During 1999, we completed two significant acquisitions: the Hach Company in July and Atlas Copco Controls in September. Hach, based in Loveland, Colorado, positions us as the clear leader in water quality analytical instrumentation on a worldwide basis. Atlas Copco Controls, headquartered in Stockholm, Sweden, adds to our motion capability and provides a broader geographical base. Today, 40% of our motion business is outside the United States. While we were disappointed with the quantity of acquisitions we were able to complete in 1999, we were very pleased with the quality of the companies that were added. We have increased our resources in this area and expect to be better able to leverage our strong cash flow and low debt position into improved shareholder value.

Shareholders

FINANCIAL STRENGTH As a result of our continued strong cash flow generation, we ended 1999 with a net debt (debt less cash and equivalents) to total capital ratio in single digits. Clearly, this low ratio is not a goal in and of itself; however, it underscores our ability to fund core growth and to add significant, strategic acquisitions while maintaining a strong balance sheet.

ORGANIZATIONAL DEVELOPMENT In recognition of their contributions to Danaher and their future potential, Patrick W. Allender, H. Lawrence Culp, Jr., and Steven E. Simms were promoted to executive vice presidents. Additionally, in December 1999, Brian M. McNeill joined Danaher as an executive vice president. Brian comes from Ingersoll Rand, where he had a 17-year career, rising to become a corporate officer and group executive responsible for more than $1 billion of Ingersoll Rand's business. Together, Pat, Larry, Steve, Brian and I manage Danaher's strategy, performance and organizational evolution as members of the Office of the Chief Executive.

Further strengthening the organization, we have named three new group executives: William J. Butler, an internal promotion, and Elmar F. Illek and Thomas S. Gross, who joined us from outside the company. Uldis K. Sipols was hired by Danaher as a corporate officer and vice president for Corporate Procurement. Christopher C. McMahon was promoted to corporate vice president and controller.

Alan G. Spoon joined Danaher's Board of Directors in March. As president of the Washington Post Company, Alan brings to Danaher an excellent background in business management and valuable experience in the world of e-commerce and communication.

RECOGNITION Outstanding people remain the essential ingredients in our operating philosophy. This past year, we lost an individual who has been one of our most valuable associates, John P. Watson, vice president and group executive. Jack worked for Danaher for the past nine years, and, although he died in March 1999, this organization will benefit from his wisdom and guidance for years to come. We will miss his intellect, integrity and competitive spirit, but, most of all, we will miss a true friend.

OPERATING PHILOSOPHY Beyond outstanding people, the other two components in our operating philosophy include superior market- and customer-driven strategic plans and the management process we call the Danaher Business System (DBS). The power of this system was evident again this year as our gross margin continued to improve, allowing us the opportunity to fund growth initiatives and improve our operating income. We continually self-diagnose and strengthen our DBS culture and system. Substantial gains will be reflected as we go forward, through better alignment of our resources and full integration of Six-Sigma tools under the Danaher Business System umbrella. We believe this gives us an advantage over comparable companies. Not only do we receive the long-term benefits of using advanced statistical techniques to improve quality and resultant costs, but, perhaps more importantly, we also integrate the Six-Sigma tools into our lean manufacturing capability. Consequently, we are able to advance quality and customer service and to achieve cost reductions much more rapidly through our continuous improvement process.

OUTLOOK As we begin the year 2000, the economies in the U.S., Europe and Asia are more favorable than they were a year ago. We anticipate stronger core growth in 2000, and Danaher is better positioned to pursue strategic acquisitions. Our cost reduction capabilities and our growth initiatives should insure another successful year ahead. Danaher's business is a partnership, and we thank all our associates, customers and suppliers for working with us.

With another record year of sales and earnings behind us, we now look confidently toward the future. We have a strengthened product portfolio, balance sheet and organization to grow our corporation substantially over the coming years and to create increased value for our customers, associates, suppliers and shareholders.

George M. Sherman

President and Chief Executive Officer

February 23, 2000

DANAHER BUSINESS SEGMENTS

PROCESS / ENVIRONMENTAL CONTROLS

The Process/Environmental Controls Business Segment produces a broad range of monitoring, sensing, controlling, measuring, counting, electrical power quality and electronic test products, systems, instruments and components. Significant additions in 1999 included the Hach Company (water quality analytical instrumentation) and Atlas Copco Controls (electronic drives). In addition, the segment's business lines include A.L. Hyde, American Sigma, Anderson Instruments, Clark Controls, Communication Technology, Contronics, Current Technology, Cyberex, Danaher Controls, Dr. Bruno Lange, Dolan-Jenner, Fisher Pierce, Fluke, Gems Sensors, Hengstler, Jennings Technology, Joslyn Electronic Systems, Joslyn Hi-Voltage, Joslyn Sunbank, KACO, Kistler-Morse, McCrometer, M&M Precision Systems, Namco Controls, Pacific Scientific, Partlow, QualiTROL, Radiometer, Sonix, Veeder-Root, Warrick and West.

TOOLS AND COMPONENTS

The Tools and Components Business Segment manufactures and distributes a broad range of hand tools, tool holders, storage containers, hardware, wheel service equipment, fasteners and components for consumer, industrial and professional markets. Products are sold through retail channels; independent mobile tool distributors; industrial, utility and agricultural distributors; and original equipment manufacturers. Typical hand tool customers range from do-it-yourselfers and professional/industrial end users to automotive mechanics. Component customers, generally OEMs, include portable drill and heavy-duty diesel engine manufacturers. Products from the Tools and Components Business Segment are marketed under well-recognized brand names, including Allen™, Ammco®, Armstrong®, Coats®, Sears Craftsman®, Delta®, Holo-Krome®, Jacobs®, Jobox®, Joslyn, K-D®, Matco®, NAPA® and SATA.

1999 SALES
Process/Environmental Controls **58%**
Tools and Components **42%**

1999 OPERATING PROFIT
Process/Environmental Controls **60%**
Tools and Components **40%**

INDUSTRIES AND LOCAL GOVERNMENTS
DEPEND ON DANAHER PRODUCTS
TO ASSURE THAT THE WATER WE USE
IN OUR DAILY LIVES IS SAFE AND CLEAN.

Water Qu

From just a vision, during the past three years, Danaher has emerged as the global leader in the multibillion-dollar water analytical instrumentation industry. This position was further solidified during 1999 through the acquisition of the Hach Company, based in Loveland, Colorado. The Hach Company complements Dr. Bruno Lange, a 1998 acquisition, and together they form the core of Danaher's water quality strategy.

Hach derives 70% of its business in North America by focusing on clean water applications for municipal and industrial customers. With the largest direct water quality sales force in North America and a broad product line, Hach has built a reputation for quality, technological leadership and new product development. Dr. Bruno Lange, headquartered in Düsseldorf, Germany, generates 95% of its sales from Europe and is well known for its exceptional customer service and its expertise in municipal wastewater applications.

The combination of these two businesses, plus our other related businesses, have already delivered some important successes. Through consolidation of this immense but highly fragmented growth market, the Water Quality Group has become the global market-share leader, with number one or number two positions in each of its key segments. Across the businesses, complementary technology and product development strengths allow Danaher to develop global product strategies that bring a higher quality level and a greater range of solutions to the market. Our combined distribution, service and support offer critical insight into customer needs and the means to provide world-class products and services.

The Water Quality Group has accelerated their global new product development program. New products include a patented method used in the detection of coliforms and *E. coli* in drinking water. This easy-to-use technique is the only membrane-filtration broth approved for EPA reporting of total coliforms and *E. coli*.

Hach began implementing the Danaher Business System in Loveland. In less than two months, manufacturing floor space was reduced by over 50%, and direct labor productivity improved 15%. Cross-branded products from Germany have already been launched into the U.S. market. The Water Quality Group will aggressively pursue growth opportunities through global product development and worldwide distribution, as well as through acquisitions and continuous efficiency improvements.

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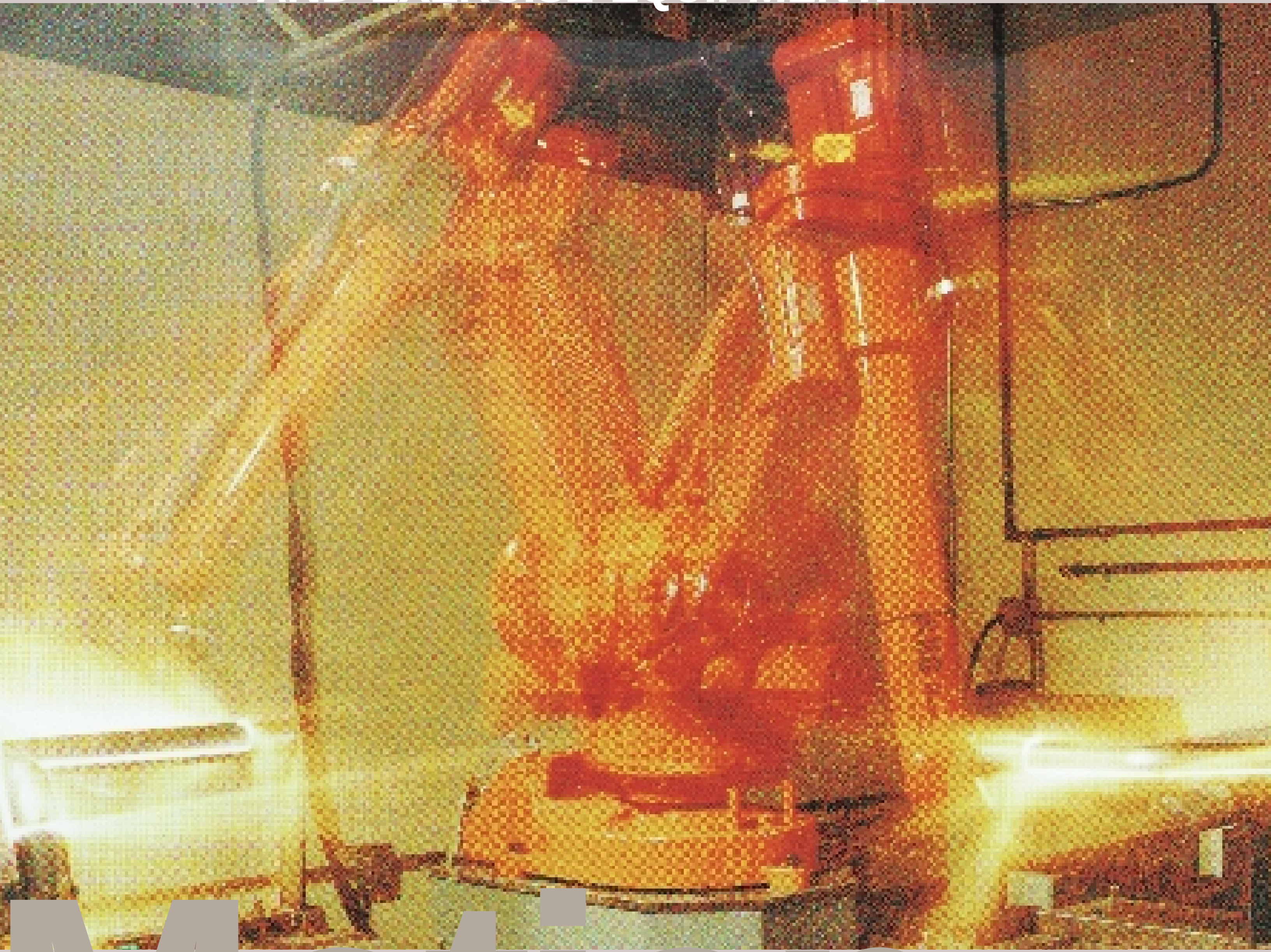
DANAHER'S MOTION PRODUCTS BRING **SPEED, PRECISION AND EFFICIENCY** TO INDUSTRIES AS DIVERSE AS **ROBOTICS, FOOD PACKAGING AND EXERCISE EQUIPMENT.**



Motion

Many of today's product and machine innovations rely upon electronic motion control. Global competition and technical advances have propelled the need for innovation in smaller packages that provide greater accuracy, flexibility and improved productivity. The net result has been the creation of an exciting and diverse multibillion-dollar, global growth industry in general motion control products.

The general motion control market has emerged from a fragmented group of suppliers who focused primarily on specific niche market applications. Danaher recognized the opportunity to build a significant presence with innovative, high-performance motion solution products and services. The 1998 acquisition of Pacific Scientific added momentum to our existing base of Danaher Controls and Hengstler motion feedback systems by providing us with high-performance motors and drives. In September 1999, Danaher built upon this foundation with the addition of Swedish-based Atlas Copco Controls, a leading European manufacturer of custom drives.

Danaher now brings its customers a higher level of competence in the design, manufacture and application engineering of motion control. The Danaher motion team works closely with a diverse customer base to provide innovative and complete motion solution packages. Some examples include: semiconductor manufacturers seeking compact, high-speed precision control fabrication equipment to provide outstanding reliability and better utilization of premium cleanroom space; consumer goods companies, which require packaging machinery that provides flexibility and high throughput to efficiently fill the wide range of packaging seen on grocery store shelves; shipping companies which are automating package handling to meet the rapid growth needs in delivery capacity that are being driven by online purchasing; and wheelchair manufacturers who are developing revolutionary, advanced mobility systems for the disabled.

Danaher is well situated to build upon its leadership position in the fragmented motion control marketplace. Strong market positions in Europe and North America, coupled with the power of new products, customer solutions and the Danaher Business System, will combine to drive high levels of customer satisfaction, leading to strong, profitable growth in market share.

THE DEMAND FOR HAND TOOLS GROWS WITH THE INTRODUCTION OF INNOVATIVE NEW PRODUCTS DESIGNED TO BETTER MEET SPECIFIC USER NEEDS.

Hand Too

Fueled by its new product success, Danaher continues to increase mechanics hand tools sales and grow its market-share position. The high-end segment of the hand tool market is served by the Armstrong and Matco brands, which have grown at a 16% compounded annual growth rate over the past two years.

Through extensive market research, we have found that our core industrial end users are always searching for new solutions to their complex maintenance, repair and assembly jobs. We work to understand their jobs and are designing our products to satisfy their needs for increased speed, access and strength. One of our new products, the Armstrong Eliminator ratcheting system, is 50% more compact, 40% stronger and lasts 70% longer than a conventional ratcheting system. We have continued to build upon this basic product and now offer more size ranges and options to our Eliminator line. The Eliminator is now known to end users in industries as diverse as petrochemicals, pulp and paper products, and transportation. Other innovative new product lines, such as the geared box wrench, are also supported with extensive sampling and promotional campaigns.

Matco, our mobile tool distributor, experienced double-digit sales increases again in 1999. This growth has been propelled by Special Forces, Matco's version of the low-profile ratchet. Sales of Special Forces doubled in 1999 as the line continued to expand, including a new air ratchet. Matco's growth was further stimulated by the sales of toolboxes. The new and exclusive Cad Yellow boxes, featuring increased storage and a range of related accessories, were supported by a comprehensive marketing program coordinated with distributors and aimed at building end user brand awareness. The combination of innovative new products and strong marketing programs resulted in Matco's third straight year of share gains in this important market.

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SELECTED FINANCIAL DATA

(000's omitted, except per share data)	1999	1998	1997	1996	1995
Sales	**$3,197,238**	$3,047,061	$2,619,100	$2,352,249	$2,011,529
Operating profit	**458,007**	384,112	319,346	284,411	230,906
Earnings from continuing operations	**261,624****	192,186*	188,576	166,511	138,899
Per share					
Diluted	**1.79****	1.33*	1.31	1.17	0.97
Basic	**1.84****	1.37*	1.35	1.19	1.00
Discontinued operations	**—**	—	—	79,811	2,550
Per share					
Diluted	**—**	—	—	0.56	0.02
Basic	**—**	—	—	0.57	0.02
Net earnings	**261,624****	192,186*	188,576	246,322	141,449
Earnings per share					
Diluted	**1.79****	1.33*	1.31	1.72	0.99
Basic	**1.84****	1.37*	1.35	1.76	1.01
Dividends per share	**0.07**	0.09	0.10	0.10	0.10
Total assets	**3,047,071**	2,840,859	2,264,741	2,148,888	1,848,335
Total debt	**374,634**	503,639	229,095	239,927	294,547

* Includes $28.6 million in after-tax costs ($0.20 per share) from the merger with the Fluke Corporation

** Includes $9.8 million in after-tax costs ($0.07 per share) from the merger with the Hach Company

RESULTS OF OPERATIONS

Danaher Corporation (the "Company") operates a variety of businesses through its wholly owned subsidiaries. These businesses are conducted in two business segments: Process/Environmental Controls and Tools and Components. In its Process/Environmental Controls segment, the Company is a leading producer of compact electronic test instruments, leak detection sensors for underground fuel storage tanks and motion, position, temperature, pressure, level, flow, water quality and power reliability and quality control devices. In Tools and Components, the Company is the principal manufacturer of Sears, Roebuck and Company's Craftsman® line, National Automotive Parts Association (NAPA®) line, K-D® automotive line, and the Matco®, Armstrong® and Allen™ lines of mechanics' hand tools. The Company also manufactures Allen™ wrenches, Jacobs® drill chucks and diesel engine retarders, Delta® storage containers and Coats® and Ammco® wheel service equipment.

Presented below is a summary of sales by business segment (000's omitted).

	1999		1998		1997	
	$	**%**	$	%	$	%
Process/Environmental Controls	**1,854,184**	**58.0**	1,752,552	57.5	1,426,339	54.5
Tools and Components	**1,343,054**	**42.0**	1,294,509	42.5	1,192,761	45.5
	3,197,238	**100.0**	3,047,061	100.0	2,619,100	100.0

PROCESS/ENVIRONMENTAL CONTROLS

The Process/Environmental Controls segment includes Hach Company, Fluke Corporation, Veeder-Root Company, Danaher Controls, Partlow, Anderson Instruments, West Instruments, QualiTROL Corporation, A.L. Hyde Company, Hengstler, the controls product line business units of Joslyn Corporation and Pacific Scientific Company, Namco Controls, Atlas Copco Controls, M&M Precision Systems, Communications Technology Corporation, Current Technology, Gems Sensors, and the Dr. Bruno Lange Group. These companies produce and sell water testing instruments and chemicals, compact electronic test instruments, underground storage tank leak detection systems and temperature, level, motion and position sensing devices, water/wastewater test and monitoring instruments, power switches and controls, power protection products, aviation safety products, liquid flow measuring devices, quality assurance products and systems, and electronic and mechanical counting and controlling devices. These products are distributed by the Company's sales personnel and independent representatives to original equipment manufacturers, distributors and end-users.

1999 COMPARED TO 1998

1999 sales increased 6% from 1998 levels. Net unit volume increases of 3.5% were driven by gains in the water quality and power quality product lines, offset by lower sales of underground storage tank monitoring systems. 1999 was negatively impacted by price decreases and foreign currency translation decreases totaling over 1%. Acquisition activity contributed 4% of the increase, due primarily to the full-year impact of the Pacific Scientific Company and Dr. Bruno Lange Group acquisitions. Operating margins increased from 13.7% to 15.5% due to overall cost reductions and improvements in margins of the businesses acquired in 1998.

1998 COMPARED TO 1997

Sales in 1998 were 23% higher than in 1997 for this segment. The acquisitions of Pacific Scientific Company and the Dr. Bruno Lange Group, the full-year effect of the Gems Sensors acquisition in August, 1997 and several minor business acquisitions and dispositions provided a 20% increase from 1997. The remainder of the sales change was generated by an increase in unit volume of 3%, with prices essentially flat. Operating margins increased from 13.3% to 13.7%, due to higher sales of environmental products, cost reductions and the elimination of Fluke's 1997 European restructuring activities, offset by lower operating margins of businesses acquired in 1998.

TOOLS AND COMPONENTS

The Tools and Components segment is comprised of the Danaher Hand Tool Group (including Special Markets, Asian Tools, Professional Tools and Matco Tools divisions), Jacobs Chuck Manufacturing Company, Delta Consolidated Industries, Jacobs Vehicle Systems, Hennessy Industries and the hardware and electrical apparatus lines of Joslyn Manufacturing Company. This segment is one of the largest domestic producers and distributors of general purpose and specialty mechanics' hand tools. Other products manufactured by these companies include toolboxes and storage devices, diesel engine retarders, wheel service equipment, drill chucks, custom designed headed tools and components, hardware and components for the power generation and transmission industries, high-quality precision socket screws, fasteners, and high-quality miniature precision parts.

1999 COMPARED TO 1998

Sales in 1999 were 4% higher than in 1998. This increase consists of higher unit shipment volume of 5%, offset by price decreases of 1%. Demand for diesel engine retarders and professional mechanics' tools was particularly strong in 1999. Operating margins increased from 12.3% to 14.0%, driven by higher sales volumes spread over a fixed cost base and continued manufacturing cost improvements.

1998 COMPARED TO 1997

Sales increased 8.5% from 1997 to 1998. Unit volume increases of 10%, offset by price decreases of 1.5%, accounted for this increase. Operating profit margins increased from 12.1% in 1997 to 12.3% in 1998, driven by higher sales levels and productivity gains. Demand levels were strong across consumer, professional and international hand tool lines. Sales of diesel engine retarders were also strong in 1998.

GROSS PROFIT

Gross profit, as a percentage of sales, was 38.7% in 1999, a 0.7 percentage point improvement compared to 38.0% achieved in 1998. Product and manufacturing overhead cost reductions, combined with increases in higher margin product lines, drove this improvement.

Gross profit margin was 38.0% in 1998, a 1.5 percentage point increase compared to 1997. Productivity improvements were achieved in all business segments. Higher volume levels and a shift in mix to the higher gross margin products of the acquired companies in the Process/Environmental Controls business segment contributed to the improvement.

OPERATING EXPENSES

In 1999, selling, general and administrative expenses were 24.3% of sales, an improvement of 1.1 percentage points from 1998 levels. Cost reductions in administrative overhead expenses and higher sales levels spread over a fixed cost base generated this improvement.

Selling, general and administrative expenses for 1998 as a percentage of sales were 1.1 percentage points higher than the 1997 level. This reflects the higher operating expense levels of the businesses acquired in 1998.

INTEREST COSTS AND FINANCING TRANSACTIONS

The Company's debt financing is composed primarily of publicly issued 6% notes due 2008, privately placed debt maturing in April 2003 at an average interest cost of 7%, uncommitted lines and a revolving credit facility which provides senior financing of $250 million for general corporate purposes. The interest rates for borrowing under the facility float with base rates. Interest expense in 1999 was $9.6 million lower than in 1998, due to lower debt and higher cash levels generated primarily by substantial cash flow from operations. Interest expense in 1998 was $13.3 million higher than in 1997, as average borrowing levels increased due to acquisitions.

INCOME TAXES

The 1999 effective rate of 39.1% is 0.3 percentage points lower than in 1998. This decrease results primarily from a lower ratio of nondeductible amortization compared to taxable income. The 1998 effective tax rate of 39.4% is 1.0 percentage point higher than in 1997, resulting from the nondeductible expenses associated with the Fluke Corporation merger in July 1998.

INFLATION

The effect of inflation on the Company's operations has been minimal in 1999, 1998 and 1997.

READINESS FOR YEAR 2000

The Company experienced no significant systems or other Y2K effects with transitioning into the new year. No disturbance arose from customers or vendors associated with the new year. Although the Company believes there is no material risk exposure, the Year 2000 Readiness Plan as discussed in the Current Report dated July 9, 1998 remains in place.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to market risk from changes in foreign currency exchange rates and interest rates, which could impact its results of operations and financial condition. The Company manages its exposure to these risks through its normal operating and financing activities. There were no material derivative instrument transactions during any of the periods presented. The Company has generally accepted the exposure to exchange rate movements relative to its investment in foreign operations without using derivative financial instruments to manage this risk.

The fair value of the Company's fixed-rate long-term debt is sensitive to changes in interest rates. The value of this debt is subject to change as a result of movements in interest rates. Sensitivity analysis is one technique used to evaluate this potential impact. Based on a hypothetical immediate 100 basis point increase in interest rates at December 31, 1999, the market value of the Company's fixed-rate long-term debt would be impacted by a net decrease of $17 million. This methodology has certain limitations, and these hypothetical gains or losses would not be reflected in the Company's results of operations or financial conditions under current accounting principles.

LIQUIDITY AND CAPITAL RESOURCES

In 1999, the Company acquired Atlas Copco Controls and additional smaller businesses for a total of $65 million. The Company also acquired Pacific Scientific Company for approximately $420 million in cash in March 1998. See Note 2 to Consolidated Financial Statements for a further discussion of the impact of acquisitions. In January 1996, the Company sold its Fayette Tubular Products subsidiary for $155 million.

As discussed previously, $250 million of the Company's debt is fixed at an average interest cost of 6%, and $30 million is fixed at an interest rate of 7%. Substantially all remaining borrowings are short-term in nature and float with referenced base rates. As of December 31, 1999, the Company has unutilized commitments under its revolving credit facility of $250 million. As of December 31, 1999, the Company held $260 million of cash and cash equivalents. These amounts are invested in highly liquid investment grade debt instruments with a maturity of ninety days or less.

Cash flow has been strong in all periods from 1997 through 1999. In July, 1999, the Company sold $70 million of treasury stock through its Hach Company subsidiary. Operations generated $419 million, $353 million and $343 million in cash in 1999, 1998 and 1997, respectively. The principal use of funds has been capital expenditures of $89 million, $102 million and $97 million in 1999, 1998 and 1997, respectively, and net cash paid for acquisitions of $65 million, $532 million and $147 million in 1999, 1998 and 1997, respectively. The net result of the above, combined with working capital changes, was a decrease in debt of $130 million in 1999, an increase in debt of $215 million in 1998 and a decrease of $11 million in 1997.

The Company's funds provided from operations, as well as the existing bank facility and available credit lines, should provide sufficient available funds to meet the Company's working capital, capital expenditure, dividend and debt service requirements for the foreseeable future.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF DANAHER CORPORATION:

We have audited the accompanying consolidated balance sheets of Danaher Corporation (a Delaware corporation) and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the financial position of Danaher Corporation and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with generally accepted accounting principles.

Arthur Andersen LLP

Baltimore, Maryland
January 27, 2000

CONSOLIDATED STATEMENTS OF EARNINGS

(in thousands, except per share data)

Year Ended December 31,	1999	1998	1997
Sales	**$3,197,238**	$3,047,061	$2,619,100
Cost of sales	**1,960,822**	1,889,229	1,663,491
Selling, general and administrative expenses	**778,409**	773,720	636,263
Total operating expenses	**2,739,231**	2,662,949	2,299,754
Operating profit	**458,007**	384,112	319,346
Other expense	**11,778**	40,796	—
Interest expense	**16,667**	26,307	12,993
Earnings before income taxes	**429,562**	317,009	306,353
Income taxes	**167,938**	124,823	117,777
Net earnings	**$ 261,624**	$ 192,186	$ 188,576
Basic earnings per share:			
Net earnings	**$ 1.84**	$ 1.37	$ 1.35
Average shares outstanding	**141,832**	139,816	139,725
Diluted earnings per share:			
Net earnings	**$ 1.79**	$ 1.33	$ 1.31
Average common stock and common equivalent shares outstanding	**146,089**	143,987	143,479

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

CONSOLIDATED BALANCE SHEETS

(in thousands)

As of December 31,	1999	1998
Assets		
Current assets:		
Cash and equivalents	**$ 260,281**	$ 47,798
Trade accounts receivable, less allowance for doubtful accounts of $28,000 and $24,000	**544,738**	485,543
Inventories	**324,673**	337,481
Prepaid expenses and other	**72,425**	60,874
Total current assets	**1,202,117**	931,696
Property, plant and equipment, net	**500,189**	510,198
Other assets	**52,476**	111,203
Excess of cost over net assets of acquired companies, less accumulated amortization of $196,000 and $159,000	**1,292,289**	1,287,762
	$3,047,071	$2,840,859
Liabilities and Stockholders' Equity		
Current liabilities:		
Notes payable and current portion of debt	**$ 33,597**	$ 59,721
Trade accounts payable	**213,209**	161,782
Accrued expenses	**461,980**	479,743
Total current liabilities	**708,786**	701,246
Other liabilities	**288,494**	294,907
Long-term debt	**341,037**	443,918
Stockholders' equity:		
Common stock, one cent par value; 300,000 shares authorized; 154,035 and 153,297 issued; 142,440 and 141,701 outstanding	**1,540**	1,533
Additional paid-in capital	**420,036**	332,057
Accumulated other comprehensive income	**(34,105)**	(2,373)
Retained earnings	**1,321,283**	1,069,571
Total stockholders' equity	**1,708,754**	1,400,788
	$3,047,071	$2,840,859

The accompanying Notes to Consolidated Financial Statements are an integral part of these balance sheets.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

Year Ended December 31,	1999	1998	1997
Cash flows from operating activities:			
Earnings from continuing operations	**$261,624**	$192,186	$188,576
Depreciation and amortization	**126,419**	114,527	98,338
Change in accounts receivable	**(60,327)**	4,409	(50,978)
Change in inventories	**11,149**	13,851	10,742
Change in accounts payable	**45,852**	(13,869)	22,956
Change in other assets and liabilities	**34,390**	41,578	73,548
Total operating cash flows	**419,107**	352,682	343,182
Cash flows from investing activities:			
Payments for additions to property, plant and equipment, net	**(88,909)**	(101,614)	(96,946)
Disposition of businesses	**—**	16,250	—
Net cash paid for acquisitions	**(64,834)**	(532,368)	(147,238)
Net cash used in investing activities	**(153,743)**	(617,732)	(244,184)
Cash flows from financing activities:			
Proceeds from sale of treasury stock	**69,845**	—	—
Proceeds from issuance of common stock	**18,141**	30,545	9,075
Dividends paid	**(9,912)**	(12,840)	(14,525)
Borrowings (repayments) of debt	**(129,851)**	214,905	(10,801)
Purchase of common stock	**—**	(2,066)	(80,223)
Net cash provided by (used in) financing activities	**(51,777)**	230,544	(96,474)
Effect of exchange rate changes on cash	**(1,104)**	1,726	(1,453)
Net change in cash and equivalents	**212,483**	(32,780)	1,071
Beginning balance of cash and equivalents	**47,798**	80,578	79,507
Ending balance of cash and equivalents	**$260,281**	$ 47,798	$ 80,578
Supplemental disclosures:			
Cash interest payments	**$ 16,348**	$ 26,495	$ 14,875
Cash income tax payments	**$114,617**	$ 79,301	$ 86,156

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Comprehensive Income
Balance, December 31, 1996	152,752	$1,528	$365,135	$ 717,078	$ 7,516	—
Net earnings for the year	—	—	—	188,576	—	$188,576
Dividends declared	—	—	—	(14,525)	—	—
Common stock issued for options exercised	180	2	9,073	—	—	—
Purchase of common stock	—	—	(80,223)	—	—	—
Unrealized gain on securities held	—	—	—	—	1,700	1,700
Sale of securities held	—	—	—	—	(4,000)	(3,500)
Decrease from translation of foreign financial statements	—	—	—	—	(18,666)	(18,666)
Other	—	—	935	(904)	—	—
Balance, December 31, 1997	152,932	$1,530	$294,920	$ 890,225	$(13,450)	**$168,110**
Net earnings for the year	—	—	—	192,186	—	192,186
Dividends declared	—	—	—	(12,840)	—	—
Common stock issued for options exercised	365	3	30,542	—	—	—
Purchase of common stock	—	—	(2,066)	—	—	—
Common stock issued for acquisitions	—	—	8,661	—	—	—
Increase from translation of foreign financial statements	—	—	—	—	12,777	12,777
Sale of securities held	—	—	—	—	(1,700)	(1,700)
Balance, December 31, 1998	153,297	$1,533	$332,057	$1,069,571	$ (2,373)	**$203,263**
Net earnings for the year	—	—	—	261,624	—	261,624
Dividends declared	—	—	—	(9,912)	—	—
Common stock issued for options exercised	738	7	18,134	—	—	—
Sale of treasury stock	—	—	69,845	—	—	—
Decrease from translation of foreign financial statements	—	—	—	—	(31,732)	(31,732)
Balance, December 31, 1999	154,035	$1,540	$420,036	$1,321,283	$(34,105)	**$229,892**

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies:

ACCOUNTING PRINCIPLES The consolidated financial statements include the accounts of the Company and its subsidiaries. The accounts of certain of the Company's foreign subsidiaries are included on the basis of a fiscal year ending November 30. This procedure was adopted to allow sufficient time to include these companies in the consolidated financial statements. All significant intercompany balances and transactions have been eliminated upon consolidation.

USE OF ESTIMATES The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

INVENTORY VALUATION Inventories include material, labor and overhead and are stated principally at the lower of cost or market using the last-in, first-out method (LIFO).

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 (3 to 35 years) of the depreciable assets.

OTHER ASSETS Other assets include principally deferred income taxes, noncurrent trade receivables and capitalized costs associated with obtaining financings which are being amortized over the term of the related debt.

FAIR VALUE OF FINANCIAL INSTRUMENTS For cash and equivalents, the carrying amount is a reasonable estimate of fair value. For long-term debt, rates available for debt with similar terms and remaining maturities are used to estimate the fair value of existing debt.

EXCESS OF COST OVER NET ASSETS OF ACQUIRED COMPANIES This asset is being amortized on a straight-line basis over forty years. $37,268,000, $34,269,000 and $25,786,000 of amortization was charged to expense for the years ended December 31, 1999, 1998 and 1997, respectively. When events and circumstances so indicate, all long-term assets, including the Excess of cost over net assets of acquired companies, are assessed for recoverability based upon cash flow forecasts. Should an impairment exist, fair value estimates would be determined based on the cash flow forecasts, discounted at a market rate of interest.

FOREIGN CURRENCY TRANSLATION Exchange adjustments resulting from foreign currency transactions are generally recognized in net earnings, whereas adjustments resulting from the translation of financial statements are reflected as a component of accumulated other comprehensive income within stockholders' equity. Net foreign currency transaction gains or losses are not material in any of the years presented.

STATEMENTS OF CASH FLOWS The Company considers all highly liquid investments with a maturity of three months or less at the date of purchase to be cash equivalents.

INCOME TAXES The Company provides income taxes for unremitted earnings of foreign subsidiaries which are not considered permanently reinvested in that operation.

EARNINGS PER SHARE The computation of diluted earnings per share is based on the weighted average number of common shares and common stock equivalents outstanding during the year.

ACCUMULATED OTHER COMPREHENSIVE INCOME This consists of the following as of December 31 (000's omitted):

	1999	1998	1997
Cumulative foreign translation adjustment	**$(34,105)**	$(2,373)	$(15,150)
Unrealized gain on securities	—	—	1,700
	$(34,105)	$(2,373)	$(13,450)

(2) Acquisitions:

On July 14, 1999, Hach Company was acquired and merged into the Company. The Company issued 0.2987 shares of common stock in exchange for each outstanding share of Hach; 6,594,430 shares were exchanged for all outstanding Hach shares. The transaction was a tax-free reorganization and was accounted for as a pooling-of-interests. Accordingly, the financial statements as presented have been restated to reflect the combined companies. Hach Company's year-end was a fiscal year ending on April 30. To combine with the Company, the twelve month periods ending January 30, 1999 and January 31, 1998 for Hach have been utilized. Hach is engaged in the manufacture and marketing of instruments and kits to analyze chemical and other properties of water and aqueous solutions. Reflected in Other expense is a one-time charge of $11.8 million ($9.8 million after-tax or $.07 per share) to reflect the costs of the transaction and the elimination of redundant activities and operations. The majority of these costs are cash expenses and were incurred during 1999.

On July 9, 1998, Fluke Corporation was acquired and merged into the Company. The Company issued 17,785,122 shares of common stock in exchange for all outstanding Fluke shares; 0.90478 shares were exchanged for each Fluke share. The transaction was a tax-free reorganization and was accounted for as a pooling-of-interests. Accordingly, the financial statements as presented have been restated to reflect the combined companies. Fluke Corporation's year-end was a 52/53-week fiscal year ending on the last Friday in April. To combine with the Company, the twelve month periods ending January 23, 1998 and January 24, 1997 for Fluke have been utilized. Fluke is engaged in the manufacture and marketing of compact, professional electronic test tools. Reflected in Other expense is a one-time charge of $40.8 million ($28.6 million after-tax or $.20 per share) to reflect the costs of the transaction and integrating and implementing efficiencies associated with information, operational and administrative systems. The majority of these costs are cash expenses and were incurred during 1998.

The Company acquired Pacific Scientific Company as of March 9, 1998. Total consideration was approximately $420 million. The fair value of assets acquired was approximately $520 million and approximately $100 million of liabilities were assumed. The transaction is being accounted for as a purchase.

The unaudited pro forma information for the period set forth below gives effect to this transaction as if it had occurred at the beginning of the period. 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 acquisition been consummated as of that time (unaudited, 000's omitted):

Year ended December 31,	1998	1997
Net sales	$3,118,643	$2,929,560
Net earnings from continuing operations	190,530	181,580
Earnings per share from continuing operations (diluted)	$ 1.32	$ 1.27

(3) Inventory:

The major classes of inventory are summarized as follows (000's omitted):

	December 31, 1999	December 31, 1998
Finished goods	**$128,134**	$130,463
Work in process	**67,437**	75,768
Raw material	**129,102**	131,250
	$324,673	$337,481

If the first-in, first-out (FIFO) method had been used for inventories valued at LIFO cost, such inventories would have been $11,394,000 and $10,615,000 higher at December 31, 1999 and 1998, respectively.

(4) Property, Plant and Equipment:

The major classes of property, plant and equipment are summarized as follows (000's omitted):

	December 31, 1999	December 31, 1998
Land and improvements	**$ 25,595**	$ 26,607
Buildings	**209,118**	207,933
Machinery and equipment	**818,200**	768,990
	1,052,913	1,003,530
Less accumulated depreciation	**(552,724)**	(493,332)
	$ 500,189	$ 510,198

(5) Financing:

Financing consists of the following (000's omitted):

	December 31, 1999	December 31, 1998
Notes payable due 2008	**$250,000**	$250,000
Notes payable due 2003	**30,000**	30,000
Notes payable due 1999	**—**	41,200
Other	**94,634**	182,439
	374,634	503,639
Less-currently payable	**33,597**	59,721
	$341,037	$443,918

The Notes due 2008 were issued in October 1998 at an average interest cost of 6.1%. The Company has complied with covenants relating to limitations on secured debt and sale and leaseback transactions. The carrying amount approximates fair value.

The Notes due 2003 had an original average life of approximately 10 years and an average interest cost of 7%.The carrying amount approximates fair value.

The Notes due 1999 had an original average life of approximately 7 years and an average interest cost of 7.3%. The estimated fair value of the Notes was approximately $41.7 million at December 31, 1998.

Other includes principally short-term borrowings under uncommitted lines of credit which are payable upon demand. The carrying amount approximates fair value. The weighted average interest rate for short-term borrowings was 5.3%, 5.8% and 5.9% for each of the three years ended December 31, 1999, 1998 and 1997, respectively. The Company also has a bank credit facility which provides revolving credit through September 30, 2001, of up to $250 million. The Company has complied with covenants relating to maintenance of working capital, net worth, debt levels, interest coverage, and payment of dividends applicable to the Notes due 2003 and the revolving credit facility. The facility provides funds for general corporate purposes at an interest rate of LIBOR plus .125%. There were no borrowings under the bank facility during the three years ended December 31, 1999. The Company is charged a fee of .075% per annum for the facility. Commitment and facility fees of $187,500 were incurred in 1999, 1998 and 1997.

Other debt is classified as noncurrent as management intends to refinance it and the bank credit facility provides the ability to refinance maturities to September 30, 2001.

The minimum principal payments during the next five years are as follows: 2000 – $33,597,000; 2001 – $57,061,000; 2002 – $724,000; 2003 – $30,356,000; 2004 – $310,000; and $252,586,000 thereafter.

(6) Accrued Expenses and Other Liabilities:

Selected accrued expenses and other liabilities include the following (000's omitted):

	December 31, 1999		December 31, 1998	
	Current	Noncurrent	Current	Noncurrent
Compensation and benefits	**$126,130**	**$54,057**	$114,393	$49,143
Claims, including self insurance and litigation	**16,221**	**91,920**	15,051	85,286
Post retirement benefits	**5,000**	**73,006**	5,000	75,500
Environmental and regulatory compliance	**34,156**	**60,719**	38,209	67,926
Taxes, income and other	**45,065**	**7,950**	59,814	7,699

Approximately $7 million of accrued expenses and other liabilities were guaranteed by bank letters of credit.

(7) Pension and Employee Benefit Plans:

The Company has noncontributory defined benefit pension plans which cover certain of its domestic hourly employees. Benefit accruals under most of these plans have ceased, and pension expense for defined benefit plans is not significant for any of the periods presented. It is the Company's policy to fund, at a minimum, amounts required by the Internal Revenue Service.

In addition to providing pension benefits, the Company provides certain health care and life insurance benefits for some of its retired employees. 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 plans as of the most recent actuarial valuations using a measurement date of September 30 (millions):

	Pension Benefits		Other Benefits	
	1999	1998	1999	1998
Change in benefit obligation:				
Benefit obligation at beginning of year	**$267.8**	$194.6	**$ 72.8**	$ 70.8
Service cost	**12.9**	12.0	**0.5**	0.4
Interest cost	**17.2**	15.6	**4.7**	4.9
Plan participants' contributions	**—**	—	**—**	—
Amendments	**—**	(20.0)	**—**	—
Actuarial gain (loss)	**(27.0)**	18.4	**(8.2)**	0.6
Acquisition	**—**	65.5	**—**	—
Benefits paid	**(21.1)**	(18.3)	**(6.1)**	(3.9)
Benefit obligation at end of year	**249.8**	267.8	**63.7**	72.8
Change in plan assets:				
Fair value of plan assets at beginning of year	**287.8**	232.6	**—**	—
Actual return on plan assets	**47.7**	5.4	**—**	—
Acquisition	**—**	70.1	**—**	—
Employer distribution	**—**	(2.0)	**—**	—
Benefits paid	**(21.1)**	(18.3)	**—**	—
Fair value of plan assets at end of year	**314.4**	287.8	**—**	—
Funded status	**64.6**	20.0	**(63.7)**	(72.8)
Unrecognized net actuarial gain	**(47.7)**	(2.7)	**(14.3)**	(7.7)
Prepaid (accrued) benefit cost	**$ 16.9**	$ 17.3	**$(78.0)**	$ (80.5)
Weighted-average assumptions as of December 31:				
Discount rate	**7.75%**	6.75%	**7.75%**	6.75%
Expected return on plan assets	**10.0%**	10.0%	**—**	—

For measurement purposes, an 8 percent annual rate of increase in the per capita cost of covered health care benefits was assumed for 2000. The rate was assumed to decrease gradually to 6 percent by 2002 and remain at that level thereafter.

	Pension Benefits		Other Benefits	
	1999	1998	1999	1998
Components of net periodic benefit cost:				
Service cost	**$ 12.9**	$ 12.0	**$ 0.5**	$ 0.4
Interest cost	**17.2**	15.6	**4.7**	4.9
Expected return on plan assets	**(27.4)**	(22.0)	**—**	—
Recognized net actuarial gain	**(2.2)**	(0.3)	**(1.0)**	(1.0)
Net periodic benefit cost	**$ 0.5**	$ 5.3	**$ 4.2**	$ 4.3

The Company acquired Pacific Scientific Company on March 9, 1998, including their pension and postretirement benefit plans.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage point change in assumed health care cost trend rates would have the following effects:

	1-Percentage Point Increase	1-Percentage Point Decrease
Effect on total of service and interest cost components	$0.5	$(0.5)
Effect on postretirement benefit obligation	6.5	(5.9)

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

Pension expense for all plans amounted to $35,624,000, $33,303,000 and $33,450,000 for the years ended December 31, 1999, 1998 and 1997, respectively.

(8) Stock Transactions:

The common stock of the Company was split two-for-one to holders of record as of May 5, 1998. All common stock and per share amounts have been restated to reflect the stock split for all periods presented.

The Company has adopted a non-qualified stock option plan for which it is authorized to grant options to purchase up to 15,000,000 shares. Under the plan, options are granted at not less than existing market prices, expire ten years from the date of grant and generally vest ratably over a five-year period. An option to acquire 2,000,000 shares was granted to a senior executive outside of the plan in 1990.

Changes in stock options were as follows:

	Number of Shares Under Option (thousands)
Outstanding at December 31, 1996 (average $10.18 per share)	7,310
Granted (average $24.78 per share)	3,204
Exercised (average $7.63 per share)	(180)
Cancelled	(207)
Outstanding at December 31, 1997 (average $14.86 per share)	10,127
Granted (average $43.11 per share)	1,154
Exercised (average $9.52 per share)	(365)
Cancelled	(611)
Outstanding at December 31, 1998 (average $17.26 per share)	10,305
Granted (average $49.66 per share)	942
Exercised (average $9.54 per share)	(738)
Cancelled	(292)
Outstanding at December 31, 1999 (at $3.19 to $67.75 per share, average $20.48 per share)	**10,217**

As of December 31, 1999, options with a weighted average remaining life of 3.8 years covering 5,717,000 shares were exercisable at $3.19 to $45.38 per share (average $11.59 per share) and options covering 2,711,000 shares remain available to be granted.

Options outstanding at December 31, 1999 are summarized below:

Exercise Price	Number Outstanding (thousands)	Average Exercise Price	Average Remaining Life	Number Exercisable (thousands)	Average Exercise Price
$3.19 to $4.25	1,380	$ 3.28	0.1 years	1,380	$ 3.28
$5.03 to $7.47	1,240	$ 6.39	3 years	1,240	$ 6.39
$7.97 to $11.75	1,028	$10.26	4 years	1,028	$10.26
$14.13 to $20.81	1,366	$15.67	6 years	1,151	$15.34
$21.25 to $32.22	3,473	$24.25	7 years	738	$24.35
$35.19 to $67.75	1,730	$46.64	9 years	180	$38.23

Nonqualified options have been issued only at fair market value exercise prices as of the date of grant during the periods presented herein, and the Company's policy does not recognize compensation costs for options of this type. Beginning in 1996, the pro forma costs of these options granted subsequent to January 1, 1995 have been calculated using the Black-Scholes option pricing model and assuming a 6% risk-free interest rate, a 10-year life for the option, a 37% expected volatility and dividends at the current annual rate. The weighted average grant date fair market value of options issued was $28 per share in 1999, $18 per share in 1998 and $10 per share in 1997. Had this method been used in the determination of income, net earnings would have decreased by approximately $10.7 million in 1999, $7.8 million in 1998 and $5.3 million in 1997 and diluted earnings per share would have decreased by $.07 in 1999, $.05 in 1998 and $.04 in 1997. These pro forma amounts may not be representative of the effects on pro forma net earnings for future years.

(9) Leases and Commitments:

The Company's leases extend for varying periods of time up to 10 years and, in some cases, contain renewal options. Future minimum rental payments for all operating leases having initial or remaining noncancelable lease terms in excess of one year are $28,000,000 in 2000, $23,000,000 in 2001, $19,000,000 in 2002, $14,000,000 in 2003, $10,000,000 in 2004 and $22,000,000 thereafter. Total rent expense charged to income for all operating leases was $34,000,000, $32,000,000 and $25,000,000 for the years ended December 31, 1999, 1998 and 1997, respectively.

A former subsidiary of the Company is engaged in litigation in multiple states with respect to product liability. The Company sold the subsidiary in 1987. Under the terms of the sale agreement, the Company agreed to indemnify the buyer of the subsidiary for product liability related to tools manufactured by the subsidiary prior to June 4, 1987. The cases involve approximately 3,000 plaintiffs, in state and federal courts in multiple states. All other major U.S. air tool manufacturers are also defendants. The gravamen of these complaints is that the defendants' air tools, when used in different types of manufacturing environments over extended periods of time, were defective in design and caused various physical injuries. The plaintiffs seek compensatory and punitive damages. The Company has accepted an agreement in principle to settle these claims. Completion of this settlement agreement will not result in a material adverse effect on the Company's results of operations or financial condition.

A subsidiary, Joslyn Manufacturing Company (JMC), previously operated wood treating facilities that chemically preserved utility poles, pilings and railroad ties. All such treating operations were discontinued or sold prior to 1982. These facilities used wood preservatives that included creosote, pentachlorophenol and chromium-arsenic-copper. While preservatives were handled in accordance with then existing law, environmental law now imposes retroactive liability, in some circumstances, on persons who owned or operated wood-treating sites. JMC is remediating some of its former sites and will remediate other sites in the future. The Company has made a provision for environmental remediation; however, there can be no assurance that estimates of environmental liabilities will not change.

In addition to the litigation noted above, the Company is from time to time subject to routine litigation incidental to its business. These lawsuits primarily involve claims for damages arising out of the use of the Company's products, some of which include claims for punitive as well as compensatory damages. The Company is also involved in proceedings with respect to environmental matters including sites where the Company has been identified as a potentially responsible party under federal and state environmental laws and regulations. The Company believes that the results of the above noted litigation and other pending legal proceedings will not have a materially adverse effect on the Company's results of operations or financial condition, notwithstanding any related insurance recoveries.

A subsidiary of the Company has sold, with limited recourse, certain of its accounts and notes receivable. A provision for estimated losses as a result of the limited recourse has been included in accrued expenses. No gain or loss arose from these transactions.

(11) Income Taxes:

The provision for income taxes for the years ended December 31 consists of the following (000's omitted):

	1999	1998	1997
Federal:			
Current	**$111,809**	$ 90,560	$101,385
Deferred	**16,139**	12,151	(1,751)
State and local	**11,665**	6,647	13,611
Foreign	**28,325**	15,465	4,532
Income tax provision	**$167,938**	$124,823	$117,777

Deferred income taxes are reflected in Prepaid expenses and other and in Other assets. Deferred tax assets consist of the following (000's omitted):

December 31,	1999	1998
Bad debt allowance	**$10,242**	$ 8,492
Inventories	**9,913**	9,086
Property, plant and equipment	**(41,564)**	(42,669)
Post retirement benefits.	**33,827**	33,795
Insurance, including self-insurance	**27,108**	24,243
Environmental compliance	**23,946**	25,031
Other accruals	**15,538**	36,700
All other accounts	**(19,575)**	(19,104)
Net deferred tax asset	**$59,435**	$75,574

The effective income tax rate for the years ended December 31 varies from the statutory federal income tax rate as follows:

	Percentage of PreTax Earnings		
	1999	**1998**	**1997**
Statutory federal income tax rate	**35.0%**	35.0%	35.0%
Increase (decrease) in tax rate resulting from:			
Permanent differences in amortization of certain assets for tax and financial reporting purposes	**2.7**	3.7	3.1
State income taxes (net of federal income tax benefit)	**1.8**	1.4	2.7
Taxes on foreign earnings	**(0.9)**	(1.4)	(2.4)
Costs of Hach (1999) and Fluke (1998) mergers	**0.5**	0.7	—
Effective income tax rate	**39.1%**	39.4%	38.4%

(12) Segment Data:

Operating profit represents total revenues less operating expenses, excluding Other expense, Interest expense and Income taxes. The identifiable assets by segment are those used in each segment's operations. Intersegment amounts are eliminated to arrive at consolidated totals.

Detailed segment data is presented in the following table (000's omitted):

Operations in Different Industries—

Year Ended December 31,	1999	1998	1997
Total Sales:			
Process/ Environmental Controls	**$1,854,184**	$1,752,552	$1,426,339
Tools and Components	**1,343,054**	1,294,509	1,192,761
	$3,197,238	$3,047,061	$2,619,100
Operating Profit:			
Process/ Environmental Controls	**$ 286,997**	$ 239,794	$ 189,431
Tools and Components	**187,511**	159,225	144,370
Other	**(16,501)**	(14,907)	(14,455)
	$ 458,007	$ 384,112	$ 319,346
Identifiable Assets:			
Process/ Environmental Controls	**$1,793,873**	$1,783,142	$1,345,250
Tools and Components	**995,234**	994,364	832,614
Other	**257,964**	63,353	86,877
	$3,047,071	$2,840,859	$2,264,741
Liabilities:			
Process/ Environmental Controls	**$ 596,332**	$ 595,360	$ 451,743
Tools and Components	**381,025**	374,726	421,526
Other	**360,960**	469,985	218,247
	$1,338,317	$1,440,071	$1,091,516
Depreciation and Amortization:			
Process/ Environmental Controls	**$ 81,647**	$ 69,416	$ 53,430
Tools and Components	**44,772**	45,111	44,908
	$ 126,419	$ 114,527	$ 98,338
Capital Expenditures:			
Process/ Environmental Controls	**$ 53,358**	$ 61,422	$ 58,642
Tools and Components	**35,551**	40,192	38,304
	$ 88,909	$ 101,614	$ 96,946

Operations in Geographical Areas—

Year Ended December 31,	1999	1998	1997
Total sales:			
United States	**$2,507,517**	$2,418,500	$2,061,875
Germany	**166,268**	151,136	116,796
United Kingdom	**138,066**	123,511	124,065
All other	**385,387**	353,914	316,364
	$3,197,238	$3,047,061	$2,619,100
Long-lived assets:			
United States	**$1,747,086**	$1,821,142	$1,308,569
Germany	**22,101**	22,931	19,187
United Kingdom	**24,967**	21,157	17,570
All other	**50,800**	43,933	40,950
Less: Deferred taxes and financial instruments	**(59,435)**	(75,574)	(97,588)
	$1,785,519	$1,833,589	$1,288,688
Sales outside the United States:			
Direct sales	**$ 689,721**	$ 628,561	$ 557,225
Exports	**263,000**	259,000	242,000
	$ 952,721	$ 887,561	$ 799,225

(13) Quarterly Data-Unaudited (000's omitted except per share data)

	1999			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net sales	**$793,044**	**$774,133**	**$781,867**	**$848,194**
Gross profit	**295,484**	**301,930**	**311,068**	**327,934**
Operating profit	**102,681**	**113,857**	**119,216**	**122,253**
Net earnings	**59,122**	**66,353**	**61,846***	**74,303**
Earnings per share:				
Basic	**$ .42**	**$ .47**	**$ .43***	**$ .52**
Diluted	**$ .41**	**$ .46**	**$ .42***	**$ .51**

* Includes $9.8 million after-tax costs ($0.07 per share) from the merger with Hach Company

	1998			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net sales	$680,005	$773,204	$758,253	$835,599
Gross profit	245,170	292,141	300,607	319,914
Operating profit	76,514	97,662	103,489	106,447
Net earnings	44,628	55,658	31,010*	60,890
Earnings per share:				
Basic	$ .32	$ .40	$ .22*	$ .43
Diluted	$ .31	$ .39	$ .21*	$ .42

* Includes $28.6 million after-tax costs ($0.20 per share) from the merger with Fluke Corporation

DANAHER CORPORATION AND SUBSIDIARIES

Major Operating Company Executives

A.L. Hyde Company
Kurt C. Glaser
President

Atlas Copco Controls
Hermann E. Braun
President (acting)

Current Technology, Inc.
Joseph W. Roark
President

Cyberex, Inc.
Maureen F. Austin
President

Danaher Controls
James W. Appelgren
President

Danaher Tool Group
Professional Tools Division
Jake R. Nichol
President

Danaher Tool Group
Special Markets Division
Thomas R. Sulentic
President

Delta Consolidated Industries
Thomas P. Joyce, Jr.
President

Dr. Bruno Lange Group
Elmar F. Illek
President

Fluke Corporation
Thomas S. Gross
President

Gems Sensors
Frank A. Wilson
President (acting)

Hach Company
Elmar F. Illek
President

Hengstler GmbH
Hermann E. Braun
President

Hennessy Industries, Inc.
Vincent E. Piacenti
President

Jacobs Chuck Manufacturing Company
C. Michael Heath
President

Jacobs Vehicle Systems, Inc.
Gary A. Masse
President

Jennings Technology Company
John P. Williamson
President

Joslyn Hi-Voltage Company
James F. Domo
President

Joslyn Manufacturing Company
Joseph A. Hahn
President

Joslyn Sunbank Company
Donald G. McClintock, Jr.
President

Matco Tools Corporation
Thomas N. Willis
President

M&M Precision Systems Corporation
Gerald W. Blankenship
President

Namco Controls Corporation
Robert E. Joyce
President

Pacific Scientific Automation Technology Group
William T. Fejes, Jr.
President

Pacific Scientific Company Fisher Pierce Division
Steven L. Breitzka
President

Pacific Scientific Company Instruments Division
Simon R. Appleby
President

Pacific Scientific Energetic Materials Company
Thomas L. Walsh
President

Pacific Scientific Safety & Aviation Group
Richard G. Knoblock
President

Partlow/West Corporation
Craig B. Purse
President

QualiTROL Corporation
Ronald N. Meyer
President

Veeder-Root Company
Scott G. Clawson
President

Corporate Officers

George M. Sherman
President and Chief Executive Officer

Patrick W. Allender
Executive Vice President, Chief Financial Officer and Secretary

H. Lawrence Culp, Jr.
Executive Vice President

Brian M. McNeill
Executive Vice President

Steven E. Simms
Executive Vice President

William J. Butler
Vice President and Group Executive

Dennis D. Claramunt
Vice President and Group Executive

Thomas S. Gross
Vice President and Group Executive

Elmar F. Illek
Vice President and Group Executive

Daniel L. Comas
Vice President – Corporate Development

Mark C. DeLuzio
Vice President – Danaher Business System

James H. Ditkoff
Vice President – Finance & Tax

Dennis A. Longo
Vice President – Human Resources

Christopher C. McMahon
Vice President – Controller

Uldis K. Sipols
Vice President – Procurement

Directors

Mortimer M. Caplin
Partner
Caplin & Drysdale

Donald J. Ehrlich
President, Chairman and Chief Executive Officer
Wabash National Corp.

Walter G. Lohr, Jr.
Partner
Hogan & Hartson

Mitchell P. Rales
Chairman of the Executive Committee
Danaher Corporation

Steven M. Rales
Chairman of the Board
Danaher Corporation

George M. Sherman
President and Chief Executive Officer
Danaher Corporation

Alan G. Spoon
President
The Washington Post Company

A. Emmet Stephenson, Jr.
Chairman of the Board
Startek, Inc.

SHAREHOLDERS' INFORMATION

Auditors
Arthur Andersen LLP
Baltimore, MD

Shareholders' Information
Shareholder requests for information or assistance, please write or call our corporate office.

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(202) 828-0850

Internet Address
www.danaher.com

Stock Listing
Symbol: DHR
New York and Pacific Stock Exchanges

Transfer Agent
SunTrust Bank
Atlanta, Georgia

Form 10-K
A copy of the Annual Report to the Securities and Exchange Commission on Form 10-K may be obtained by writing to Danaher Corporation.

Market Prices of Common Stock

	1999		1998	
	High	Low	High	Low
First Quarter	**55**	**46 3/8**	38 3/32	29 1/2
Second Quarter	**69**	**51 3/8**	38 7/8	34 25/32
Third Quarter	**62 5/8**	**47 1/2**	45 3/4	30
Fourth Quarter	**54 3/8**	**42 3/4**	54 5/16	29 3/8

High and low per share data are as quoted on the New York Stock Exchange.

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