DANAHER CORPORATION

ANNUAL REPORT 2001

DANAHER AGAIN DELIVERED RECORD PERFORMANCE IN A CHALLENGING ENVIRONMENT

DEAR SHAREHOLDERS:

Danaher again delivered record performance in a challenging environment, with growth in sales, operating earnings and free cash flow despite an industrial recession, a technology depression and a world at war with terrorism.

- Sales reached $3.782 billion, versus $3.778 billion in 2000.
- Operating earnings were up 4%, increasing to $572 million. Net earnings were up 5% to $341 million, excluding a $70 million charge to pay for the elimination of 16 facilities.
- Free cash flow increased 25% to $528 million and, for the tenth year in a row, our free cash flow exceeded our net income.

We are pleased with our relative performance in 2001, outperforming the S&P 500 and the vast majority of our peer and benchmark companies. The positive results achieved are extremely encouraging as we continue to execute on our long-term vision of making Danaher a premier global enterprise.

SUCCESS Our four strategic platforms generated over 70% of 2001 revenues, with more than half of total 2001 revenues coming from our new higher-growth platforms - Environmental, Electronic Test and Motion Control. This positions us well for all phases of the economic cycle. Environmental and Electronic Test demonstrated resiliency this year with their above-average performances. Motion Control's exposure to the depressed technology end-markets hurt us in 2001 but, with improved competitive positions, our leverage from the eventual rebound in technology should be significant.

INNOVATION DEFINES OUR FUTURE We asked all of our operating companies to "play offense" in 2001 in order to maximize our revenue and market-share gain opportunities. We believed that the current economic downturn would offer opportunities that others would not seize and we were right. New products were central to the success enjoyed by both the Environmental and Electronic Test platforms in 2001.

In Environmental, Hach and Dr. Lange, the world leaders in water quality instrumentation, introduced six new products in 2001 including a benchtop spectrophotometer called Odyssey and arsenic detection kits. Driven in part by regulatory compliance and process optimization, key factors in the water quality market, Environmental enjoyed a double-digit growth rate in 2001 – just as we had expected when we created this platform three years ago.

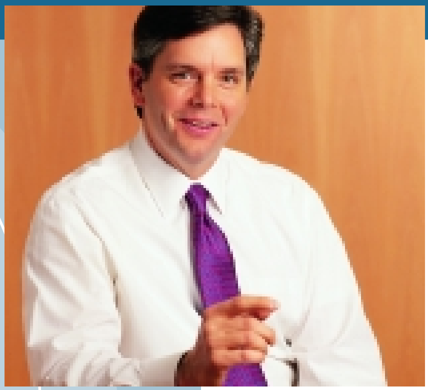
Recently, our environmental businesses have been engaged in numerous discussions and projects with a range of governmental and regulatory bodies. We see great potential for our technologies to be used in a broad array of potential bio-terrorism and civil defense applications - as they were in the recent Salt Lake City Olympics.

Fluke and Fluke Networks, the engines of our Electronic Test platform, outperformed in 2001 largely due to new products. Fluke's electrical products initiative yielded thirteen new tools for the electrician while the Meterman™ brand initiative completed Fluke's range across a spectrum of price points. OptiView™, a unique integrated network analyzer, received several trade awards while increasing Fluke Networks' sales in a soft IT spending environment.

The fusion of our innovative technology and the Danaher Business System created unique and compelling propositions for our precision motion control customers in 2001. Today's design wins are the basis for long-term, revenue-building relationships. The most visible example in 2001 involved the launch of the Segway™ Human Transporter. By developing patented motor capabilities that deliver equivalent power output at two-thirds the weight and less than half the cost of a conventional AC motor our Motion Control product development teams again demonstrated their ability to solve challenging applications and help make our customers' breakthrough products possible.

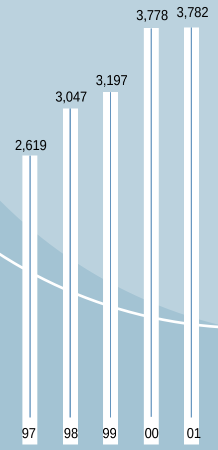
FINANCIAL HIGHLIGHTS

(000's omitted, except per share data and number of associates)	2001	2000
OPERATIONS:		
Net sales	$3,782,444	$3,777,777
Operating profit	502,011	552,149
Excluding restructuring charge	571,737	552,149
Net earnings	297,665	324,213
Earnings per common share (diluted)	2.01	2.23
Excluding restructuring charge	2.30	2.23
Depreciation expense	113,685	101,135
Capital expenditures, net	80,585	88,503
Free cash flow (operating cash flow less capital expenditures)	527,886	423,742
Number of associates (full-time and temporary)	23,000	26,000
FINANCIAL POSITION AT YEAR-END:		
Total assets	4,820,483	4,031,679
Total debt	1,191,689	795,190
Shareholders' equity	2,228.586	1,942,333
Total debt as a percent of total capitalization	35.0%	29.0%
Return on equity	13.4%	16.7%
Excluding restructuring charge	15.3%	16.7%



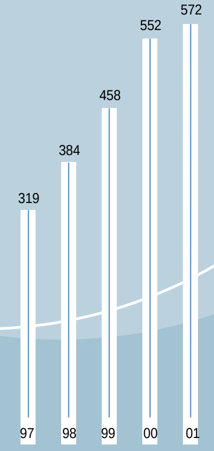
H. Lawrence Culp, Jr.
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

NET SALES
(dollars in millions)



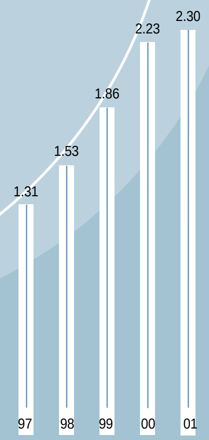
10% compounded annual growth rate

OPERATING PROFIT*
(dollars in millions)



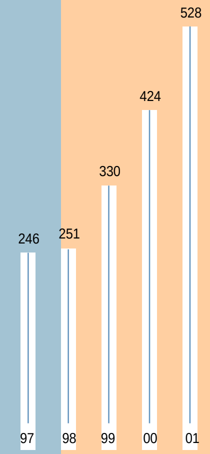
16% compounded annual growth rate

EARNINGS PER SHARE*
(in dollars)



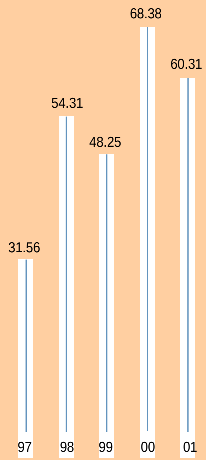
15% compounded annual growth rate

FREE CASH FLOW**
(dollars in millions)



21% compounded annual growth rate

YEAR-END MARKET PRICE OF STOCK
(in dollars)



18% compounded annual growth rate

* Operating profit excludes $70 million restructuring charge in 2001. EPS excludes $0.29 per share restructuring charge in 2001 and pooling charges of $0.07 per share in 1999 and $0.20 per share in 1998.

** Free cash flow defined as operating cash flow less capital expenditures.

DANAHER CORPORATION

The Danaher Corporation designs, manufactures, and markets products and services with strong brand names, proprietary technologies, and major market positions that improve the way we live and work.

Building on the foundation provided by the Danaher Business System and the company's core values, Danaher's associates are pursuing a focused strategy aimed at creating a premier global enterprise.

In Hand Tools, we launched our new GearWrench™ across all channels – Sears and NAPA™ with the private-label Craftsman™ and NAPA™ brands, and Industrial with our Armstrong™ brand – to drive over $40 million of sales in this new core tool category.

"Playing Offense" also meant investing in breakthrough projects with longer-term potential to outgrow our peers. Policy Deployment, a key DBS tool, focuses our business teams on identifying, nurturing and driving these breakthroughs to maturity. We have eighteen active breakthroughs today. Each represents at least $30 million of organic growth potential within a three-year period. In all likelihood not all of these initiatives will bear fruit. Some will perish; some will mature at rates less than the targeted $30 million, and some will far exceed the target of $30 million. This growth mindset permeates Danaher and results in our ability to deliver and outperform regardless of the industry.

ACQUISITIONS Sound strategic acquisitions complement our organic growth initiatives, accelerating our overall growth rates and improving our competitive positions. Our powerful cash flow generation gives us the ability to pursue an active program, however, we recognize that superior cash flow generation without disciplined allocation of that capital does not benefit shareholders.

Our capital allocation philosophy is clear. First, we look for acquisitions that offer strong strategic fits with Danaher, either bolt-on transactions to our existing companies or platform-establishing acquisitions that bring in "Danaher-like" businesses where our skills and abilities can create value. Second, we scrutinize return on invested capital (ROIC) on all acquisitions. Our minimum hurdle rate is ten percent after-tax ROIC within three years on

Two new families of digital multimeters and clamp meters were released in an aggressive strategy to drive new revenue in the electrical market. Meter functionality, price points and form factors for each of the products were driven by extensive customer research. Both product lines won awards from significant trade publications including *Electronic Design News* "Hot 100 Products".

Inexpensive and simple, Hach's new EZ Arsenic Test Kit is quickly becoming the method of choice in developing nations for monitoring drinking water supplies. Funded by the World Bank, five million test kits were sent to Bangledesh to alleviate the largest natural mass poisoning of water wells in history.

average with bolt-on's frequently reaching this threshold more quickly and platform-establishing transactions taking a little longer, but not exceeding five years. Regardless of our businesses' current rate of return we are always, in the spirit of *kaizen*, looking to increase it. And third, EPS accretion is important.

A clear strategy in our markets, along with available funds and an improved acquisition process, contributed to the completion of a record number of acquisitions in 2001. We also announced two larger transactions – Viridor Instrumentation and Gilbarco – at the end of 2001 and closed early in 2002. Videojet, announced and closed early in 2002, establishes a fifth strategic platform in the attractive growth market of Product Identification. All transactions served to strengthen competitive positions, particularly in our Environmental and Electronic Test platforms. Our superior free cash flow, coupled with $505 million raised from the issuance of zero-coupon convertible bonds in January 2001 and $467 million raised from the sale of 6.9 million shares in March 2002, enabled us to complete these acquisitions and still provide sufficient capital to continue our successful acquisition program in 2002 and beyond. In aggregate, Viridor, Gilbarco, Videojet and the other acquisitions closed in 2001 will bring over $1 billion of incremental revenue to Danaher.

DBS The bedrock of our company is the Danaher Business System (DBS). DBS tools give all of our operating executives the means with which to strive for world-class quality, delivery and cost benchmarks and deliver superior customer satisfaction and profitable sales growth.

DBS continues to broaden and deepen its impact on our organization. We apply the *kaizen* mindset to all functions, from manufacturing to sales to human resources, to drive real improvements in all of our processes. But more than a mere set of manufacturing productivity tools, DBS really is a system in which exceptional people conceive superior business plans and execute them by sustainable processes. This is how Danaher has been able to produce superior financial performance year after year – performance, which serves to attract talented people to Danaher.

COST REDUCTION While we were pleased with our relative performance in 2001, we knew this past year would be largely a cost game given the macroeconomic environment. Quickly sensing a protracted downturn, we started reducing our cost structure in late 2000 and were relentless throughout 2001. This effort was intense as expenses large and small were challenged and often reduced. We closed nine facilities and reduced total head count by twelve percent. In December, with all economic indicators signaling an equally difficult year in 2002, we decided to further reduce our cost structure, taking a $70 million charge to close an additional sixteen facilities.

Our cost control and reduction actions enabled us to produce operating profit growth in 2001 while clearly positioning the company for substantial leverage when the economy recovers and our growth breakthroughs begin contributing to the top-line.

Outstanding associates are the foundation of a premier global enterprise. I am particularly proud and thankful for the focus, commitment and energy exhibited by all Danaher associates throughout the past year as we faced a challenging reality head-on while continuing to deliver and outperform.

THE BEST TEAM WINS Outstanding associates are the foundation of a premier global enterprise. I am particularly proud of and thankful for the focus, commitment and energy exhibited by all Danaher associates throughout the past year as we faced a challenging reality head-on while continuing to deliver and outperform. I also extend that appreciation to our customers and suppliers who complete the Danaher team. I have high confidence that, as we move into 2002, our best days lie ahead of us.

I would also like to take this opportunity to thank George Sherman for his invaluable support and coaching throughout our management succession. I am grateful to him for his help.

OUTLOOK Danaher is prepared for 2002. We assume the industrial and technology markets we serve will soften further before they strengthen. Given this, we will continue with a watchful eye on costs while being vigilant not to miss any near-term growth opportunities. We hope that we are wrong in our economic projections but see no down-side risk in taking a conservative posture on costs as we start the year.

Longer-term, our corporate objectives remain unchanged. We intend to grow organically in the five to seven percent range with an increased percentage of our business from outside of North America. We plan to maintain our track record of upper quartile financial performance. We want to continue the superior cash flow performance that underscores both the quality of our earnings and serves as a source of funds for acquisitions. This formula is how Danaher has created superior shareholder value over time and will continue to do so in the future.

We fully intend to grow Danaher at an accelerated rate. With over $3.3 billion of capital available to us from a combination of our current cash position, projected future cash flows over the next three years and additional debt capacity over that period, we have the means to double the size of our company approximately every four years. That gives Danaher the potential to become a $25 billion organization by 2012. Acquisitions that strengthen existing businesses and establish new platforms will be the priority. We fully intend to evaluate transformational opportunities as they arise as we did in 2001 through our discussions with Cooper Industries. However, size alone is not our objective. Our goal is not to become a $25 billion company, but to become a $25 billion company with an outstanding team, a high quality portfolio and a sustainable DBS-based business model achieving superior and sustainable financial results. That's our vision of the future, the vision we're aggressively pursuing as we work to make Danaher a premier global enterprise.

Thank you for your support.

H. Lawrence Culp, Jr.

MARCH 8, 2002

DANAHER - CORE VALUES

THE BEST TEAM WINS

Associates are our most valued assets.

We're passionate about retaining, developing and recruiting the best talent available.

Danaher and its associates win because:

- WE ARE TEAM-ORIENTED WITH INVOLVEMENT BY ALL.
- WE SEEK FACT-BASED, ROOT CAUSE SOLUTIONS; NOT BLAME.
- WE ARE ACCOUNTABLE FOR RESULTS, AND WE DELIVER.
- WE ARE NON-POLITICAL AND NOT BUREAUCRATIC.
- WE HAVE HIGH INTEGRITY AND RESPECT FOR OTHERS.
- WINNING IS FUN.

CUSTOMERS TALK, WE LISTEN

Quality First, ALWAYS!

We base our strategic plan on the Voice-of-the-Customer.

Robust, repeatable processes yield superior Quality, Delivery, and Costs that satisfy our customers beyond their expectations.

CONTINUOUS IMPROVEMENT (*KAIZEN*) IS OUR WAY OF LIFE

The Danaher Business System IS our culture.

We aggressively and continuously eliminate waste in every facet of our business processes.

LEADING EDGE INNOVATION DEFINES OUR FUTURE

We continuously apply our creativity to the technologies of products, services, and processes.

Out-of-the-Box ideas, both large and small, add value to our enterprise.

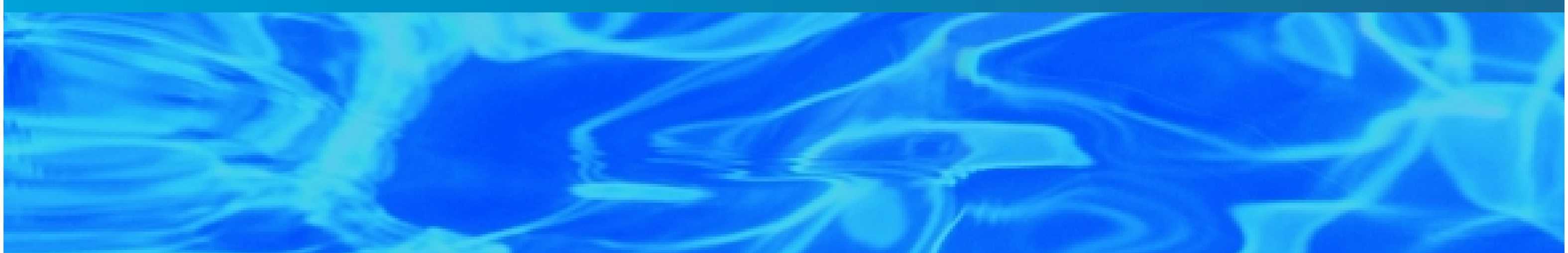
We accomplish "breakthroughs" through the Policy Deployment process.

WE COMPETE FOR SHAREHOLDERS

Profits are important because they attract and retain loyal shareholders.

Shareholders secure our future by providing capital for investment and growth.

DANAHER CORPORATION
2099 PENNSYLVANIA AVENUE NW
WASHINGTON, D.C. 20006
(202) 828-0850
www.danaher.com



A NEW LOOK FOR THE ANNUAL REPORT.

IN THE SPIRIT OF CONTINUOUS IMPROVEMENT WE'VE CHANGED OUR ANNUAL REPORT FORMAT TO ENHANCE USABILITY AS WELL AS REDUCE COSTS BY OVER 50%. WE'VE LIMITED THE PRINTED REPORT TO THE PRESIDENT'S LETTER AND FINANCIAL STATEMENTS; ADDITIONAL INFORMATION IS AVAILABLE ON OUR WEBSITE (WWW.DANAHER.COM). AT THE SAME TIME, WE'VE PROVIDED MORE DETAILED DISCLOSURE AND EXPANDED THE ANNUAL REPORT FINANCIALS TO INCLUDE OUR FORM 10-K.