GULF ISLAND FABRICATION INC
Form 10-K
March 03, 2008
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

x **Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the fiscal year ended December 31, 2007

or

¨ **Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from to

Commission File Number 0-22303

GULF ISLAND FABRICATION, INC.

(Exact name of registrant as specified in its charter)

Louisiana	**72-1147390**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

583 Thompson Road, Houma, Louisiana	**70363**
(Address of principal executive offices)	**(zip code)**

(985) 872-2100

(Registrant telephone number, including area code)

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

Title of each class registered	**Name of each exchange on which registered**
Common Stock, no par value	**The NASDAQ Stock Market LLC**

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

None

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

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

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

Large accelerated filer ¨	Accelerated filer x	Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant at June 30, 2007 was approximately $434,943,431.

The number of shares of the registrant s common stock, no par value per share, outstanding February 28, 2008 was 14,215,736.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s definitive Proxy Statement prepared for use in connection with the registrant s 2008 Annual Meeting of Shareholders to be held April 24, 2008 have been incorporated by reference into Part III of this Form 10-K.

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GULF ISLAND FABRICATION, INC.

ANNUAL REPORT ON FORM 10-K FOR

THE FISCAL YEAR ENDED DECEMBER 31, 2007

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Forward-Looking Information

Certain statements included in this report and in oral statements made from time to time by management of the Company that are not statements of historical fact are forward-looking statements. In this report, forward-looking statements are included primarily in the sections entitled Business and Properties, Legal Proceedings, and Management s Discussion and Analysis of Financial Condition and Results of Operations. The words expect, believe, anticipate, project, plan, estimate, predict and similar expressions often identify forward-looking statements. Al statements are subject to certain risks and uncertainties that could cause actual results and outcomes to differ materially from the results and outcomes predicted in the statements and investors are cautioned not to place undue reliance upon them. Important factors that many cause our actual results to differ materially from expectations or projections include those described under the heading Cautionary Statements in Item 1A. Risk Factors. Forward looking statements speak only as to the date of this report, and we undertake no obligation to update or revise such statements to reflect new circumstances or unanticipated events or circumstances.

PART I

Items 1 and 2. Business and Properties

Certain technical terms are defined in the Glossary of Certain Technical Terms beginning on page G-1.

General

Gulf Island Fabrication, Inc., through our subsidiaries, is a leading fabricator of offshore drilling and production platforms, hull and/or deck sections of floating production platforms and other specialized structures used in the development and production of offshore oil and gas reserves. The Company was founded in 1985 by a group of investors, including Alden J. Doc Laborde and Huey J. Wilson, and began operations at our fabrication yard on the Houma Navigation Canal in southern Louisiana, approximately 30 miles from the Gulf of Mexico. Our Houma facilities are located on 630 acres, of which 283 are currently developed for fabrication activities with 347 acres available for future expansion. Effective January 31, 2006, we acquired the facilities, machinery and equipment of Gulf Marine Fabricators located in San Patricio County, Texas. See our discussion under the heading Acquisition of Gulf Marine and Other Recent Developments for more information regarding this acquisition.

In April 1998 we formed a limited liability company called MinDOC, L.L.C. to patent, design and market a deepwater floating drilling, and production concept (MinDOC). During 2001, three of the participants terminated their respective interests in MinDOC, L.L.C. thus, effective October 1, 2001, we owned a 60% interest in MinDOC, L.L.C. with the balance owned by a marine engineering company. Effective January 23, 2006, we sold, for $1 million, our entire right, title and interest in MinDOC, L.L.C. to the other member of the company. We believed that the other member, being a marine engineering company, was better suited to market the deepwater floating, drilling and production concept to potential customers. On September 27, 2006, we announced that our wholly owned subsidiary, Gulf Marine, had received formal notification by a letter of intent from Bluewater Industries, Inc., who has contracted with ATP Oil & Gas Corporation (ATP), that Gulf Marine had been selected to fabricate and load-out a MinDOC 3 hull for use in an ATP deepwater development project.

Effective January 1, 2000, all of the operating assets, buildings and properties owned directly by Gulf Island Fabrication, Inc. were placed in Gulf Island, L.L.C., a wholly owned subsidiary formed to conduct all of the fabrication and other operations previously conducted directly by the company. As a result, Gulf Island Fabrication, Inc. now serves as a holding company and conducts all of its operations through its subsidiaries, which in addition to Gulf Island, L.L.C., include Dolphin Services, L.L.C. (Dolphin Services) (performing offshore and onshore fabrication and construction services), Southport, L.L.C. (Southport) a wholly owned subsidiary of Gulf Island, L.L.C. (specializing in the fabrication of living quarters for offshore platforms) and G. M. Fabricators, L.P. d/b/a Gulf Marine Fabricators (Gulf Marine).

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Acquisition of Gulf Marine and Other Recent Developments

Our acquisition of Gulf Marine in January 2006 enables us to perform dockside integration, provides us with increased rolled goods capabilities, affords 45 feet of water depth access to our facilities, gives us the ability to construct 1,300 foot conventional jackets and tendons for floating production platforms, offers us much greater lifting capacity dockside (4,000 tons), and makes available an additional labor pool. We now provide our customers with the greatest amount of fabrication facilities on the Gulf of Mexico. Simultaneously with the acquisition, the Company and Technip-Coflexip USA Holdings, Inc., the former indirect parent of Gulf Marine, entered into a cooperation agreement pursuant to which we agree to work together on mutually agreed upon engineer, procure and construct (EPC) projects and engineer, procure, install and commission (EPIC) projects requiring fabrication work in the Gulf Coast region. Under this agreement, we have a right of first refusal on the fabrication work in connection with certain bids that Technip may submit.

We believe that spending by our customers and potential customers for projects for use in the Gulf of Mexico and international deepwater (generally, depths over 1,000 feet) will continue to grow as a percentage of their total offshore expenditures. These projects are typically much larger than projects for use in the shallow water. Our acquisition of Gulf Marine enables us to fabricate and assemble all components of deepwater construction projects, which we were previously limited from doing by the physical constraints of our Houma yards. We believe the acquisition of Gulf Marine positions us as a leading U.S. deepwater fabricator. In addition, it has increased our labor pool, provided opportunities for additional work from our cooperation agreement with Technip and given us the largest fabrication capacity on the Gulf Coast.

In May 2007, we formed a limited liability company called Gulf Island Resources, L.L.C. to hire laborers with similar rates and terms as the contract labor service companies provide. The basis of the company is to hire and retain labor to eliminate or reduce our need for contract labor required during the peak labor demand necessary to meet our scheduling requirements. Gulf Island Resources is registered to conduct business in Louisiana and Texas which enables us to provide employees for our Louisiana and Texas facilities.

In late 2007, we decided to expand our operations in the marine construction area to reduce the fluctuations in work volume caused by the decrease in awards of shallow water structures. The decline in the fabrication of shallow water structures is primarily related to the fact that the infrastructure for shallow water is fairly developed and as existing oil and gas production decreases it creates capacity to handle new oil and gas production without having to fabricate new structures. In 2007, we hired several manager level employees with many years of shipyard experience to manage the day to day operation of the marine construction projects, which will be located on Gulf Island, L.L.C. s west yard across the Houma Navigation Canal from the main yard. The Board of Directors has approved $5 million for capital improvements which include an automated blasting and priming area, the expansion of an existing fabrication shop to house a computerized cutting table and an automated panel line. We currently have contracts to fabricate mid-body sections for platform supply vessels and to fabricate several brown water towboats.

Website and Electronic Posting Disclosures

Our website address is www.gulfisland.com. We make available, on or through our website, without charge and on the day such material is filed with the Securities and Exchange Commission (SEC), our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The SEC s website address is www.sec.gov. Our website and the information contained therein or connected thereto are not intended to be incorporated into this report on Form 10-K.

Description of Operations

Our primary activity is the fabrication of offshore drilling and production platforms, including jackets and deck sections of fixed production platforms, hull, tendon, and/or deck sections of floating production platforms

(such as TLPs, SPARs, and FPSOs), piles, wellhead protectors, subsea templates and various production, compressor and utility modules. We also have the ability to produce and repair pressure vessels used in the oil and gas industry, refurbish existing platforms, fabricate various other types of steel structures, and fabricate living quarters for installation on such platforms ranging in size from 4 to 250 beds, provide onshore and offshore scaffolding and piping insulation services, perform heavy lifts such as ship integration and TLP module integration; load and offload jack-up drilling rigs, semi-submersible drilling rigs, TLP s, SPARs or other similar cargo. We are capable of fabricating a large quantity of 200 ton or larger processing modules to be installed in petro-chemical plants.

We use the latest welding and fabrication technology available, and all of our products are manufactured in accordance with industry standards and specifications, including those published by the American Petroleum Institute, the American Welding Society, American Society of Mechanical Engineers, American Bureau of Shipping and the United States Coast Guard. The quality management systems of our operating subsidiaries are certified as ISO 9001-2000 quality assurance programs. See Safety and Quality Assurance.

Through Gulf Island, L.L.C. and Gulf Marine we fabricate the structural components of fixed platforms. A fixed platform is the traditional type of platform used for the offshore development and production of oil and gas, although in recent years there has been an increase in the use of floating production platforms as a result of increased drilling and production activities in deeper waters. Most fixed platforms built today can accommodate both drilling and production operations. These combination platforms are large and generally more costly than single-purpose structures. However, because directional drilling techniques permit a number of wells to be drilled from a single platform and because drilling and production can take place simultaneously, combination platforms are often more cost effective.

The most common type of fixed platform consists of a jacket (a tubular steel, braced structure extending from the mudline on the seabed to a point above the water surface) which is supported on tubular pilings driven deep into the seabed and supports the deck structure located above the level of storm waves. The deck structure, extending above the surface of the water and attached to the tubular pilings extending out of the top end of the jacket, is designed to accommodate multiple functions, including drilling, production, separating, gathering, piping, compression, well support and crew quartering. Platforms can be joined by bridges to form complexes of platforms for very large developments or to improve safety by dividing functions among specialized platforms. Jacket-type platforms are generally the most viable solution for water depths of 1,000 feet or less. Although there is no height limit to the size of the jackets that can be fabricated at our Houma facilities, the dimensions of the Houma Navigation Canal prevent the transportation to the Gulf of Mexico of most jackets designed for water depths exceeding 800 feet. We can, however, build decks, piping and equipment modules, living quarters, piles and other components of platforms for installation in any water depth. Our Gulf Marine south yard in Texas, which is located on the Gulf Intercoastal Waterway and the 45 feet deep Corpus Christi Ship Channel, provides direct and unrestricted access to the Gulf of Mexico, which allows for unlimited fabrication or assembly of any size structure in use today. Often, customers split projects among fabricators, contracting with different companies for the fabrication of the jacket, deck sections, living quarters and piles for the same platform. Through the construction of these components our Houma facility participates in the construction of platforms requiring jackets and/or hulls that are larger than those we could transport through the Houma Navigation Canal.

Most of the steel used in our operations arrives at our fabrication yards as steel plate. The plate is cut and rolled into tubular sections at rolling mills in the fabrication yards. The tubular sections (which vary in diameter up to 23 feet) are welded together in long straight tubes to become legs or into shorter tubes to become part of the network of bracing that support the legs. Various cuts and welds in the fabrication process are made by computer-controlled equipment that operates from data developed during the design of the structure. Our ability to fabricate and assemble the large tubular sections needed for jackets built for use in water depths over 300 feet distinguish us from all but two of our domestic competitors.

Jackets are built on skidways (which are long parallel rails along which the jacket will slide when it is transferred to a barge for towing out to sea) and are generally built in sections so that much of their fabrication is

done on the ground. As each section of legs and bracing is complete, large crawler cranes pick up an entire side and roll up the section, which is then joined to another uprighted section. When a jacket is complete and ready for launch, it is pulled along the skidway onto a launch barge, which is gradually deballasted to compensate for the weight of the structure as more of it moves aboard the barge. Using ocean-going tugs, the barge and jacket are transported to the offshore installation site.

Decks are built either as single structures or in sections and are installed on location by marine construction contractors. The composition and quantity of petroleum in the well stream generally determine the makeup of the production deck on a processing platform. Typical deck equipment includes crude oil pumps, gas and oil separators and gas compressors. Unlike large jackets, which are transported in a horizontal position, decks are transported upright and, as a result, are not subject to the width restrictions of the Houma Navigation Canal. Therefore, the only limitation on our ability to fabricate decks in our Houma facility is the weight capacity of the barges that transport the decks from our yard to the installation site. Barges currently exist that have the weight capacity and other characteristics required to transport even the largest of the decks currently installed in the world, and management believes that currently there are no decks installed anywhere in the world that could not have been constructed at our facilities. While larger deck structures to be built in the future could exceed the capacities of currently existing barges, management does not believe that this will materially affect our share of the market for deck construction. Decks are installed on fixed and floating platforms.

We can also fabricate TLPs and sections of, or structures and tendons used in connection with, TLPs. TLPs consist of a deck that sits atop one or more column-shaped hulls, which are positioned on site with vertical tendons running from the hulls to the seabed. The tendons hold the hulls partially submerged and are highly tensioned using the buoyancy of the hulls. This system develops a restoring force against wave, wind and current actions in proportion to the lateral displacement of the vessel. Wells for a TLP are often pre-drilled through a subsea template. Long, flexible production risers, which carry the petroleum to the deck of the TLP, are supported in tension by mechanical tensioner machines on the platform s deck and are directly subject to wave, wind and current forces. TLPs can be used in any water depth and are generally better suited than fixed platforms for water depths greater than 1,000 feet.

The size of a TLP depends on a number of factors, including the intended scope of production of the platform, the length of the production risers connected to the platform, the size of the deck to be installed on the platform and the water depth for which the platform is designed. We can fabricate deck sections and hulls for use with TLPs of any size. With TLPs and other floating concepts as the alternative of choice for deepwater drilling and production platforms, our participation in this arena firmly established, and our acquisition of Gulf Marine. We believe we are well positioned to participate in the continued expansion into the deepwater areas.

We have fabricated subsea templates for use in connection with TLPs, which are structures that are installed on the seabed before development drilling begins. As exploration and drilling move into the deepwater of the Gulf of Mexico, we believe that there will be increased opportunities to fabricate subsea templates, as well as decks and other structures, for use in connection with TLPs.

In addition, we fabricate piles and other rolled goods, templates, bridges for connecting offshore platforms, wellhead protectors, various production, compressor and utility modules and other structures used in offshore oil and gas production and development activities. All of our products are installed by marine construction contractors.

Through Dolphin Services, we also provide interconnect piping services on offshore platforms, inshore steel and wood structure construction, fabrication of pressure vessels and large and small packaged skid units, and steel warehousing and sales. Interconnect piping services involve sending employee crews to offshore platforms that have been installed in the Gulf of Mexico in order to perform welding and other activities required to connect production equipment, service modules and other equipment to a platform prior to its becoming operational. Dolphin Services also contracts with oil and gas companies that have platforms and other structures

located in the inland lakes and bays throughout the Southeast for various on-site construction and maintenance activities. At its existing facility located a quarter of a mile from the Gulf Island, L.L.C. main yard, Dolphin Services can fabricate jackets up to 100 feet tall along with decks and other steel structures. Dolphin Services has also been active in the refurbishment of existing platforms. Platform operators occasionally remove platforms previously installed in the Gulf of Mexico and return the platforms to a fabricator for refurbishment, which usually consists of general repairs, maintenance work and modification. Dolphin Services also serves the state and local governments with various municipal and drainage projects such as pump stations, levee reinforcement, bulkheads and other levee and drainage projects.

Facilities and Equipment

Facilities. Our corporate headquarters and Gulf Island, L.L.C. s main fabrication yard are located on the east bank of the Houma Navigation Canal in Houma, Louisiana, approximately 30 miles from the Gulf of Mexico. This facility is situated on approximately 140 acres, of which 100 acres are developed for fabrication, and includes several buildings totaling 25,000 square feet that house administrative staff, 267,000 square feet of covered fabrication area, over 17,000 square feet of warehouse storage area and 8,000 square feet of training and medical facilities. The main yard also has approximately 2,800 linear feet of water frontage, of which 1,500 feet is steel bulkhead that permits load out of heavy structures.

Gulf Island, L.L.C. s west yard is located across the Houma Navigation Canal from the main yard on 437 acres, 130 acres of which are developed for fabrication and over 300 acres of which are unimproved land that could be used for expansion. The west yard, which has approximately 72,000 square feet of covered fabrication area and 4,600 square feet of warehouse storage area, spans 6,750 linear feet of the Houma Navigation Canal, of which 2,350 feet is steel bulkhead.

Dolphin Services operates from a 30-acre site located approximately a quarter of a mile from Gulf Island L.L.C. s main yard on a channel adjacent to the Houma Navigation Canal. The facility includes a 9,900 square foot building that houses administrative staff, approximately 32,000 square feet of covered fabrication area, 1,500 square feet of warehouse storage area, a 10,000 square foot blasting and coating facility and approximately 990 linear feet of water frontage, of which 660 feet is steel bulkhead. Dolphin Services also operates a commercial steel sales division and a pressure vessel shop. The steel sales division operates a three acre facility adjacent to Gulf Island, L.L.C. s main yard with a product line that includes pressure vessel plates and other products that utilize Gulf Island, L.L.C. s capability to process the steel by cutting, shaping, forming and painting.

The vessel shop can manufacture pressure vessels up to eleven feet in diameter and eight inches in thickness. The shop is equipped with a Cypress Circle Cutter and auto core flux and submerged arc welding equipment. The vessel shop can also accommodate the construction of a 50 ton skid unit inside the facility.

Gulf Island, L.L.C. s North Yard, formerly the Southport facility, operates on the east bank of the Houma Navigation Canal adjacent to Gulf Island, L.L.C. s main fabrication yard. The facility covers 23 acres and includes a two-story, 5,000 square foot administration building with an attached 5,300 square foot warehouse. The property has approximately 1,850 linear feet of water frontage, of which 380 linear feet is steel bulkhead that permits docking of large ocean going vessels and the loadout of heavy structures.

Gulf Marine s south yard (Ingleside, Texas) is located on the northwest corner of the intersection between the Gulf Intracoastal Waterway and the Corpus Christi Ship Channel. The 45 feet deep Corpus Christi Ship Channel provides direct and unrestricted access to the Gulf of Mexico, which makes this site ideal for the fabrication or assembly of many types of large structures. This facility is situated on approximately 212 acres developed for fabrication and assembly, and includes a fabrication shop with 5,000 square feet of covered fabrication area, 10,000 square feet of warehouse storage area and 2,700 square feet of training facilities. The yard also has approximately 2,650 linear feet of water frontage, of which all is steel bulkhead. Gulf Marine s

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Specialized Lifting Device (SLD) is located in the south yard and is used to perform heavy lifts of up to 4,000 tons such as ship integration and TLP module integration, load and offload jack-up drilling rigs or production hulls, semi-submersible drilling rigs, TLPs, SPARs or other similar cargo. In addition, Gulf Marine has dredged an area 86 feet deep within 500 feet of the bulkhead to be used in conjunction with the heavy lifts. This area measures 800 feet by 200 feet at the base and can accommodate the largest existing semi submersible transport vessels. When completed in mid-2008, the graving dock will measure 600 feet long by 250 feet wide and 40 feet deep. It has a reinforced concrete slab floor and sheet pile walls. Around the perimeter, the graving dock has pile supported relieving platforms to take the surcharge load applied by cranes. The south end of the graving dock, the end that opens to the Corpus Christi Ship Channel, has a removable sheet piled wall supported by steel struts. When flooded, the graving dock will have a minimum of 30 feet of water over the concrete floor. The graving dock is being constructed to allow for certain components of the MinDOC hull to be fabricated and assembled inside of the graving dock. Once the hull is completed, the graving dock will be flooded and the hull will be towed to its location in the Gulf of Mexico. Although the graving dock is being constructed to facilitate the MinDOC project, it can be used for fabricating any floating structure that will fit within its perimeters and can also be used for ship and floating rig repair.

Gulf Marine s north yard (Aransas Pass, Texas) is located along the U.S. Intracoastal Waterway and is approximately three miles north of the Corpus Christi Ship Channel. This facility is situated on approximately 160 acres, of which 85 acres are dedicated to fabrication activities, and 55 acres are used for the storage of steel, prefabricated elements, equipment, and spare parts and includes several buildings with approximately 328,000 square feet of covered fabrication area, 22,000 square feet that house the administrative staff, 61,750 square feet of warehouse storage area and 16,000 square feet of training and medical facilities. The yard also has approximately 3,000 linear feet of water frontage, of which approximately 1,000 is steel bulkhead. The north yard can fabricate decks, skids and modules, jackets, piles, SPAR and TLP components, process piping, tanks, barges and drill rig structure components.

We own all of the foregoing properties.

Equipment. Gulf Island, L.L.C. s main yard houses its Model 34 and Model 25 plate bending rolls, a computerized Vernon brace coping machine used for cutting steel in complex geometric section, a Frye Wheelabrator and a U.S. Filter grit blast system, a hydraulic plate shear, a hydraulic press brake, and various other equipment needed to build offshore structures and fabricate steel components. Gulf Island, L.L.C. s west yard has a Bertsch Model 38 plate bending roll, a computerized Vernon brace coping machine, and various other equipment used in our fabrication business. The brace coping machine installed in Gulf Island, L.L.C. s west yard can handle pipe up to 1,500 pounds per foot and 54 inch outer diameter compared to the capacity of the current machine in the main yard, which is 1,000 pounds per foot and 48 inch outer diameter. The brace coping machine in the west yard provides additional efficiencies because it can cut 360 degrees without repositioning itself. Also, by having two machines Gulf Island, L.L.C. can essentially double its capacity to cut braces thereby reducing idle production time in the yard. Gulf Island, L.L.C. has a computerized numeric controlled plasma-arc cutting system that cuts and bevels steel up to one inch thick at a rate of two hundred inches per minute. The system can also etch into steel for piece markings and layout markings at a rate of three hundred inches per minute. Gulf Island, L.L.C. also owns 17 crawler cranes, which range in tonnage capacity from 150 to 500 tons each and service both of Gulf Island, L.L.C. s yards. Gulf Island, L.L.C. may rent additional cranes on a monthly basis in times of very high activity levels. Gulf Island, L.L.C. owns six, rubber tired, hydraulic modular transporters (KAMAG Type 2406) that allow fabricated deck sections that weigh as much as 1,200 tons to be transported around the facility. The transporters allow easier load-out of smaller decks and they provide more agility for the movement of deck sections throughout the yard than cranes. Gulf Island, L.L.C. owns a deck barge which gives it the ability to move material and equipment to and from the various facilities more conveniently and reduce the cost of barge rentals and certain other transportation costs. Gulf Island, L.L.C. performs routine repairs and maintenance on all of its equipment.

Gulf Island, L.L.C. s plate bending rolls allows it to roll and weld into tubular pipe sections approximately 50,000 tons of plate per year. By having such capacity at its fabrication facility, Gulf Island, L.L.C. is able to

coordinate all aspects of platform construction, thereby reducing the risk of cost overruns, delays in project completion, and labor costs. In addition, these facilities allow Gulf Island, L.L.C. to participate as subcontractor on projects awarded to other contractors. Gulf Island, L.L.C. has a state of the art, fully enclosed, and environmentally friendly blast and coating facility that can operate 24 hours a day. The facility is automated and provides blasting and coating activities in support of our Houma fabrication projects. The design output of the facility also allows us to provide blast and paint services to the local shipbuilding industry. The use of this equipment provides Gulf Island, L.L.C. a competitive advantage by reducing labor costs and demonstrates its commitment to being a good neighbor to the community and the environment.

Dolphin Services owns three spud barges and leases one for use in connection with its inshore construction activities. Each barge is equipped with a crane with a lifting capacity of 60 to 100 tons each. Dolphin Services also owns three Manitowoc 4100 cranes with lifting capacities of 200 to 230 tons each and two smaller crawler cranes with lifting capacities of 60 tons each.

Gulf Marine s SLD is a twin boom device with a below hook rating of 4,000 tons at a radius of 207 feet from the bulkhead. The 410-foot booms are 100 feet apart and provide a lifting height of 317 feet from the water. The unit is powered electro-hydraulically with each drum winch driven independently by two hydraulic motors. The lifting rate utilizing the double drum winch is 1.25 feet per minute and utilizing a single drum winch is 2.5 feet per minute. Gulf Marine also owns 12 crawler cranes, which range in tonnage capacity from 230 to 600 tons each. Gulf Marine s pipe mill is equipped with a Haeusler Quad Roll, and Bertsch Model 30, Model 34 and Model 36 plate bending roll machines for diameters ranging from 1 foot 6 inches to 10 feet and one large diameter plate bending roll machine, the Haeusler Quad Roll, for diameters ranging from 3 feet to 25 feet. The two Romar CNC-controlled flame planers, each with four torch stations (two torches per station), are used to cut steel plate up to 12 feet wide and 65 feet long. The Gulf Marine paint facility is equipped with a Pangborn shot blast machine, 20,000 square feet of climate controlled staging area and 16 feet by 14 feet by 125 feet paint booth that can operate 24 hours a day.

Materials and Supplies

The principal materials and supplies we use in the fabrication business are standard steel shapes, steel plate, welding gases, fuel oil, gasoline and paint, all of which are currently available from many sources, and we do not depend upon any single supplier or source. However, the continued consolidation of the domestic steel industry and an increased demand from China has put a strain on the worldwide supply of raw materials required to produce steel. China currently consumes approximately one-third of the world output of rolled steel. Steel delivery times and pricing per ton have increased during the past few years. What was a standard delivery of 6-8 weeks for steel is now 8-12 weeks for heat treated as well as standard material. In addition, the weak U.S. dollar together with growing global demand has allowed U.S. steel mills to increase prices. To cover the increased cost of the raw materials, steel companies are adding surcharges on steel. These surcharges change every month and are typically passed on to the customer.

Safety and Quality Assurance

Management is concerned with the safety and health of our employees and maintains a stringent safety assurance program to reduce the possibility of accidents. Our safety department establishes guidelines to ensure compliance with all applicable state and federal safety regulations and provides training and safety education through orientations for new employees and subcontractors, daily crew safety meetings and first aid and CPR training. We also employ in-house medical personnel. We have a comprehensive drug program and conduct periodic employee health screenings. A safety committee, whose members consist of management representatives and peer-elected field representatives, meets once a month to discuss safety concerns and suggestions that could prevent accidents. We also reward our employees with safety awards distributed at various times all during the year depending on the specific program in-place. These awards are the result of observations and audits performed by the safety department and front line supervision.

We fabricate to the standards of the American Petroleum Institute, the American Welding Society, the American Society of Mechanical Engineers, American Bureau of Shipping, United States Coast Guard and specific customer specifications. We use welding and fabrication procedures in accordance with the latest technology and industry requirements. Training programs have been instituted to upgrade skilled personnel and maintain high quality standards. In addition, we maintain on-site facilities for the non-destructive testing of all welds, which process is performed by an independent contractor.

The quality management systems of Gulf Island, L.L.C., Dolphin Services, Southport and Gulf Marine are certified as ISO 9001-2000 programs. ISO 9001-2000 is an internationally recognized verification system for quality management overseen by the International Standard Organization based in Geneva, Switzerland. The certification is based on a review of our programs and procedures designed to maintain and enhance quality production and are subject to annual review and recertification.

Customers and Contracting

Our customers are primarily major and independent oil and gas exploration and production companies. We also may perform work as a sub-contractor for one or more of our competitors. Over the past five years, sales of structures and related services used in the Gulf of Mexico by oil and gas exploration and production companies accounted for approximately 80% of our revenue. The balance of our revenue was derived from the fabrication of structures installed outside the Gulf of Mexico, including North Africa, West Africa, Middle East, Latin America, the Caribbean, Offshore Canada and the North Sea.

A large portion of our revenue has historically been generated by several customers, although not necessarily the same customers from year-to-year. For example, our largest customers (those which individually accounted for more than 10% of revenue in a given year) accounted for 70% of revenue (28% for Bluewater Industries, Inc., 23% for Daewoo Shipbuilding and Marine Engineering, Ltd., and 19% Chevron Corporation) in 2007, for 42% of revenue (42% Chevron Corporation) in 2006, and 42% of revenue (19% Kerr McGee Corporation, 12% Amerada Hess Corporation, and 11% Keppel SLP Engineering Ltd.) in 2005. In addition, at December 31, 2007, 75% of our backlog, which consists of work remaining at December 31, 2007 and commitments received through February 27, 2008, was attributable to 17 projects involving 12 customers. The level of fabrication that we may provide to any particular customer depends, among other things, on the size of that customer s capital expenditure budget devoted to platform construction plans in a particular year and our ability to meet the customer s delivery schedule. Thus, customers that account for a significant portion of revenue in one fiscal year may represent an immaterial portion of revenue in subsequent years.

While customers may consider other factors, including the availability, capability, reputation and safety record of a contractor, price and the ability to meet a customer s delivery schedule are the principal factors on which we are awarded contracts. Our contracts generally vary in length from one month to twenty-four months depending on the size and complexity of the project. Generally, our contracts and projects are subject to termination at any time prior to completion, at the option of the customer. Upon termination, however, the customer is generally required to pay us for work performed and materials purchased through the date of termination and, in some instances, cancellation fees.

Most of our projects are awarded on a fixed-price, unit rate, alliance/partnering or cost-plus basis. Under fixed-price contracts, we receive the price fixed in the contract, subject to adjustment only for change orders approved by the customer. As a result, we retain all cost savings but are also responsible for all cost overruns. Under a unit rate contract, material items or labor tasks are assigned unit rates of measure. The unit rates of measure will generally be an amount of dollars per ton, per foot, per square foot, per item installed, etc. A typical unit rate contract can contain hundreds to thousands of unit rates of measure that all accumulate to determine the total contract value. Profit margins are built in to the unit rates and, similar to a fixed price contract, we retain all cost savings but are also responsible for all cost overruns. Under typical alliance/partnering arrangements, the parties agree in advance to a target price that includes specified levels of labor and material costs and profit

margins. If the project is completed at less cost than that targeted in the contract, the contract price is reduced by a portion of the savings. If the cost of completion is greater than that targeted in the contract, the contract price is increased, but generally to the target price plus the actual incremental cost of materials and direct labor costs. Accordingly, under alliance/partnering arrangements, we have some protection from cost overruns but also share a portion of any cost savings with the customer. Under cost-plus arrangements, pursuant to which we receive a specified fee in excess of our direct labor and material costs, we are protected against cost overruns but do not benefit directly from cost savings. Because we generally price materials as pass-through items on our contracts, the cost and productivity of our labor force are the primary factors affecting our operating costs. Consequently, it is essential that we control the cost and productivity of the direct labor hours worked on our projects. As an aid to achieving this control, we place a single project manager in charge of the production operations related to each project and give significant discretion to the project manager, with oversight by the applicable subsidiary s President and the Company s Executive Vice President of Operations. As an incentive to control costs, each of, Gulf Island, L.L.C., Dolphin Services and Gulf Marine give bonuses to its employees totaling 5% to 6% of their separate company income before taxes, depending on job position.

Seasonality

Although high activity levels in the oil and gas industry and capacity limitations can somewhat diminish the seasonal effects on our operation, our operations have historically been subject to seasonal variations in weather conditions and daylight hours. Since most of our construction activities take place outdoors, the number of direct labor hours worked generally declines during the winter months due to an increase in rainy and cold conditions and a decrease in daylight hours. In addition, our customers often schedule the completion of their projects during the summer months in order to take advantage of the milder weather during such months for the installation of their platforms. In recent years, seasonality has had less of an impact on income, mainly due to our ongoing investment in machinery and equipment and covered fabrication areas.

The table below indicates for each quarter of the last three fiscal years the percentage of the annual revenue, gross profit and net income, and the number of direct labor hours worked.

	2007				**2006**				**2005**			
	1st Qtr.	**2nd Qtr.**	**3rd Qtr.**	**4th Qtr.**	**1st Qtr.**	**2nd Qtr.**	**3rd Qtr.**	**4th Qtr.**	**1st Qtr.**	**2nd Qtr.**	**3rd Qtr.**	**4th Qtr.**
Revenue	23%	29%	26%	21%	18%	29%	29%	24%	29%	29%	20%	22%
Gross profit	15%	25%	31%	29%	10%	27%	44%	18%	27%	35%	19%	18%
Net income	14%	25%	32%	28%	9%	27%	47%	17%	27%	35%	17%	21%
Direct labor hours (in 000 s)	878	901	887	916	686	888	913	828	566	641	535	515

Because of seasonal effects, full year results are not likely to be a direct multiple of any particular quarter or combination of quarters. Reductions in industry activity levels may tend to increase the seasonal effects on our operations. The direct effects of Hurricane Katrina and Rita happened during the third quarter of 2005 when our Houma facilities were shut-down for an aggregate of approximately 3 weeks in production days.

Competition

The offshore platform fabrication industry is highly competitive and influenced by events largely outside of the control of offshore platform fabrication companies. Platform fabrication companies compete intensely for available projects, which are generally awarded on a competitive bid basis with customers usually requesting bids on projects one to three months prior to commencement. Our marketing staff contacts engineering companies and oil and gas companies believed to have fabrication projects scheduled to allow us an opportunity to bid for the projects. Although price and the contractor s ability to meet a customer s delivery schedule are the principal factors in determining which qualified fabricator is awarded a contract for a project, customers also consider, among other things, the availability of technically capable personnel and facility space, a fabricator s efficiency, condition of equipment, reputation, safety record and customer relations.

We currently have several domestic competitors, including J. Ray McDermott, S.A. and Kiewit Offshore Services, for the fabrication of platform jackets to be installed in water depths greater than 300 feet. In addition to these companies, we compete with other fabricators for platform jackets for intermediate water depths from 150 feet to 300 feet. A number of other companies compete for projects designed for shallower waters. Certain of our competitors have greater financial and other resources than we do.

We believe that while new competitors can enter the market for smaller structures relatively easily, it is more difficult to enter the market for jackets designed for use in water depths greater than 300 feet. This difficulty results from the substantial investment required to establish an adequate facility, the difficulty of locating a facility adjacent to an adequate waterway due to environmental and wetland regulations, and the limited availability of experienced supervisory and management personnel.

We believe that our competitive pricing, expertise in fabricating offshore structures and the certification of our facilities as ISO 9001-2000 fabricators will enable us to continue to compete effectively for projects destined for international waters. We recognize, however, that foreign governments often use subsidies and incentives to create jobs where oil and gas production is being developed. In addition, the increased transportation costs that are incurred when exporting structures from the U.S. to foreign locations may hinder our ability to successfully bid for projects against foreign competitors. Because of subsidies, import duties and fees, taxes on foreign operators, lower wage rates in foreign countries, fluctuations in the value of the U.S. dollar, the possible imposition of tariffs on raw materials imported into the United States and other factors, we may not be able to remain competitive with foreign contractors for projects designed for use in international waters as well as those designed for use in the Gulf of Mexico.

Backlog

As of December 31, 2007, our revenue backlog, which consists of work remaining at December 31, 2007 and commitments received through February 27, 2008, was $330.4 million ($243.9 million of which management expects to be performed during 2008) and the corresponding man-hour backlog was 3.2 million hours remaining to work. Of the $330.4 million revenue backlog, approximately 70% was attributable to 12 customers.

Of the backlog at December 31, 2007, $185.4 million, or 56.1%, represented projects destined for deepwater locations compared to $412.0 million, or 96.0%, of projects destined for deepwater locations included in the December 31, 2006 backlog. The acquisition of Gulf Marine enabled us to more fully participate in the market for deepwater projects, which we believe will continue to expand as a proportion of total offshore projects. These deepwater projects directly contributed to the much larger backlog at December 31, 2006.

Of the backlog at December 31, 2007, we expect to recognize revenues of approximately $243.9 million (73.8%) during calendar year 2008 and $58.2 million during calendar year 2009, and the remaining $28.3 million thereafter.

Our backlog is based on management s estimate of the direct labor hours required to complete, and the remaining revenue to be recognized with respect to, those projects as to which a customer has authorized us to begin work or purchase materials pursuant to written contracts, letters of intent or other forms of authorization. Often, however, management s estimates are based on incomplete engineering and design specifications. As engineering and design plans are finalized or changes to existing plans are made, management s estimate of the direct labor hours required to complete and price at completion for such projects is likely to change. In addition, all projects currently included in our backlog are subject to termination at the option of the customer, although the customer in that case is generally required to pay us for work performed and materials purchased through the date of termination and, in some instances, pay us cancellation fees.

Government and Environmental Regulation

Many aspects of our operations and properties are materially affected by federal, state and local regulations, as well as certain international conventions and private industry organizations. The exploration and development of oil and gas properties located on the outer continental shelf of the United States is regulated primarily by the Bureau of Minerals Management Service of the United States Department of the Interior (MMS). The MMS has promulgated federal regulations under the Outer Continental Shelf Lands Act requiring the construction of offshore platforms located on the outer continental shelf to meet stringent engineering and construction specifications. Violations of these regulations and related laws can result in substantial civil and criminal penalties as well as injunctions curtailing operations. We believe that our operations are in compliance with these and all other regulations affecting the fabrication of platforms for delivery to the outer continental shelf of the United States. In addition, we depend on the demand for our services from the oil and gas industry and, therefore, can be affected by changes in taxes, price controls and other laws and regulations relating to the oil and gas industry. Offshore construction and drilling in certain areas has also been opposed by environmental groups and, in certain areas, has been restricted. To the extent laws are enacted or other governmental actions are taken that prohibit or restrict offshore construction and drilling or impose environmental protection requirements that result in increased costs to the oil and gas industry in general and the offshore construction industry in particular, our business and prospects could be adversely affected, although such restrictions in the areas of the Gulf of Mexico where our products are used have not been substantial. We cannot determine to what extent future operations and earnings may be affected by new legislation, new regulations or changes in existing regulations.

Until our acquisition of the Gulf Marine facilities, the Houma Navigation Canal provided the only means of access from our facilities to open waters. The Houma Navigation Canal is considered to be a navigable waterway of the United States and, as such, is protected by federal law from unauthorized obstructions that would hinder water-borne traffic. Federal law also authorizes federal maintenance of the canal by the United States Corps of Engineers. The canal requires bi-annual dredging to maintain its water depth and, while federal funding for this dredging has been provided for over 40 years, there is no assurance that Congressional appropriations sufficient for adequate dredging and other maintenance of the canal will be continued indefinitely. If sufficient funding were not appropriated for that purpose, the Houma Navigation Canal could become impassable by barges or other vessels required to transport many of our products and could result in material and adverse affects on our operations and financial position.

In September of 2005, Hurricane Rita caused major silting problems in the lower reach of the Houma Navigation Canal that restricted vessels to less than 12 feet of draft to utilize the channel. During 2006, the U.S. Army Corps of Engineers performed maintenance dredging to bring the channel back to the design depth in the lower reach. During 2007, the U.S. Corps of Engineers dredged the upper reach back to the design depth from mile 10 to the Gulf Intercoastal Waterway. The proposed activity for 2008 is maintenance dredging of the inland reach as needed and as funded. Although the channel depth is currently limited to 15 feet deep, we have not experienced any material or adverse effects to our Company as a result of the limitation, but are uncertain of events that may occur in the future.

Our operations and properties are subject to a wide variety of increasingly complex and stringent foreign, federal, state and local environmental laws and regulations, including those governing discharges into the air and water, the handling and disposal of solid and hazardous wastes, the remediation of soil and groundwater contaminated by hazardous substances and the health and safety of employees. These laws may provide for strict liability for damages to natural resources and threats to public health and safety, rendering a party liable for the environmental damage without regard to negligence or fault on the part of such party. Sanctions for noncompliance may include revocation of permits, corrective action orders, administrative or civil penalties and criminal prosecution. Certain environmental laws provide for strict, joint and several liability for remediation of spills and other releases of hazardous substances, as well as damage to natural resources. In addition, we may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances. Such laws and regulations may also expose us to liability for the conduct of or conditions caused by others, or for acts that were in compliance with all applicable laws at the time we performed them.

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, and similar laws provide for responses to and liability for releases of hazardous substances into the environment. Additionally, the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, the Safe Drinking Water Act, the Emergency Planning and Community Right to Know Act, each as amended, and similar foreign, state or local counterparts to these federal laws, regulate air emissions, water discharges, hazardous substances and wastes, and require public disclosure related to the use of various hazardous substances. Compliance with such environmental laws and regulations may require the acquisition of permits or other authorizations for certain activities and compliance with various standards or procedural requirements. We believe that our facilities are in substantial compliance with current regulatory standards.

Our operations are also governed by laws and regulations relating to workplace safety and worker health, primarily the Occupational Safety and Health Act and regulations promulgated thereunder. In addition, various other governmental and quasi-governmental agencies require us to obtain certain permits, licenses and certificates with respect to our operations. The kinds of permits, licenses and certificates required by our operations depend upon a number of factors. We believe that we have all material permits, licenses and certificates necessary for the conduct of our existing business.

Our compliance with these laws and regulations has entailed certain additional expenses and changes in operating procedures, which during the last three years have resulted in between $450,000 to $750,000 of expenditures per year. We believe that compliance with these laws and regulations will not have a material adverse effect on our business or financial condition for the foreseeable future. However, future events, such as changes in existing laws and regulations or their interpretation, more vigorous enforcement policies of regulatory agencies, or stricter or different interpretations of existing laws and regulations, may require additional expenditures by us, which expenditures may be material.

Our employees may engage in certain activities, including interconnect piping and other service activities conducted on offshore platforms and activities performed on the spud barges owned by us, which are covered by the provisions of the Jones Act, the Death on the High Seas Act and general maritime law. These laws operate to make the liability limits established under state workers compensation laws inapplicable to these employees and, instead, permit them or their representatives to pursue actions against us for damages or job related injuries, with generally no limitations on our potential liability. Our ownership and operation of vessels can give rise to large and varied liability risks, such as risks of collisions with other vessels or structures, sinkings, fires and other marine casualties, which can result in significant claims for damages against both us and third parties for, among other things, personal injury, death, property damage, pollution and loss of business.

In addition to government regulation, various private industry organizations, such as the American Petroleum Institute, the American Society of Mechanical Engineers, American Welding Society, American Bureau of Shipping, United States Coast Guard, promulgate technical standards that we must adhere to in the fabrication process.

Insurance

We maintain insurance, as well as self-insured retentions, against property damage caused by fire, flood, explosion and similar catastrophic events that may result in physical damage or destruction to our facilities. All policies are subject to deductibles and other coverage limitations. We also maintain a builder s risk policy for construction projects and general liability insurance. The Company and our subsidiaries, Gulf Island, L.L.C., and Dolphin Services are self-insured for workers compensation liability except for losses in excess of $300,000 per occurrence for Louisiana workers compensation and for U.S. longshoreman and harbor workers coverage. We also maintain maritime employer s liability insurance. Gulf Marine s insurance coverage is similar to that maintained by Gulf Island, L.L.C., except that Texas workers compensation is subject to a $300,000 per occurrence deductible as well as for U. S. longshoreman and harbor workers coverage. Gulf Island Resources, L.L.C. has Louisiana and Texas Worker s Compensation policies subject to a $300,000 per occurrence

deductible as well as for U.S. longshoreman and harbor workers coverage. Although management believes that our insurance is adequate, there can be no assurance that we will be able to maintain adequate insurance at rates which management considers commercially reasonable, nor can there be any assurance that such coverage will be adequate to cover all claims that may arise.

Employees

Our workforce varies based on the level of ongoing fabrication activity at any particular time. During 2007, the number of our employees ranged from approximately 1,800 to 1,850, and the number of contract laborers we used ranged from 275 to 550. As of February 28, 2008, we had approximately 1,900 employees. Although there may be a decline in our output during the winter months, we generally do not lay off employees during those months but reduce the number of hours worked per day by many employees to coincide with the reduction in daylight hours during that period. None of our employees are employed pursuant to a collective bargaining agreement, and we believe that our relationship with our employees is good.

Our ability to remain productive and profitable depends substantially on our ability to attract and retain skilled construction workers, primarily welders, fitters and equipment operators. In addition, our ability to expand our operations depends not only upon customer demand but also on our ability to increase our labor force. The demand for such workers is high and the supply is extremely limited, especially during periods of high activity in the oil and gas industry. While we believe our relationship with our skilled labor force is good, a significant increase in the wages paid by competing employers could result in a reduction in our skilled labor force, increases in the wage rates we may pay, or both. If either of these occurred, in the near-term the profits expected from work in progress could be reduced or eliminated and, in the long-term, to the extent such wage increases could not be passed on to our customers, our production capacity could be diminished and the growth potential could be impaired.

In an effort to maintain our workforce, we have instituted and enhanced several incentive programs and expanded our training facility to train our employees on productivity and safety matters.

The demand for skilled piping and steel workers, predominately in the chemical plants and refineries but also throughout the marine construction industry, increased during 2006 and continued to increase significantly in 2007. We have lost and will probably continue to lose additional employees to companies that are paying significantly higher wage rates. We need to replace these employees to a large extent with contract labor, which is typically more expensive than our own workforce. Without a reversal of these trends in the near future, we could potentially see additional reductions in our labor force, thus causing us to be more reliant on contract labor to successfully meet our customer demands. Thus, our estimated costs to complete our contracts could increase further and our profits could decline as a result.

Item 1A. Risk Factors

Cautionary Statements

Our business is subject to significant risks. We caution readers that the following important factors, could affect our actual consolidated results and could cause our actual consolidated results in the future to differ materially from the goals and expectations expressed in the forward-looking statements contained in this report and in any other forward-looking statements made by us or on our behalf.

We are subject to the cyclical nature of the oil and gas industry.

Our business depends primarily on the level of activity by the oil and gas companies in the Gulf of Mexico and along the Gulf Coast. This level of activity has traditionally been volatile as a result of fluctuations in oil and gas prices and their uncertainty in the future. The purchases of the products and services we provide are, to a

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substantial extent, deferrable in the event oil and gas companies reduce capital expenditures. Therefore, the willingness of our customers to make expenditures is critical to our operations. The levels of such capital expenditures are influenced by:

- oil and gas prices and industry perceptions of future prices;
- the cost of exploring for, producing and delivering oil and gas;
- the ability of oil and gas companies to generate capital;
- the sale and expiration dates of offshore leases in the United States and overseas;
- the discovery rate of new oil and gas reserves in offshore areas; and
- local and international political and economic conditions.

Although activity levels in production and development sectors of the oil and gas industry are less immediately affected by changing prices and as a result, less volatile than the exploration sector, producers generally react to declining oil and gas prices by reducing expenditures. This has in the past and may in the future, adversely affect our business. We are unable to predict future oil and gas prices or the level of oil and gas industry activity. A prolonged low level of activity in the oil and gas industry will adversely affect the demand for our products and services and our financial condition and results of operations.

We might be unable to employ a sufficient number of skilled workers.

Our ability to remain productive and profitable depends substantially on our ability to attract and retain skilled construction workers, primarily welders, fitters and equipment operators. In addition, our ability to expand our operations depends not only upon customer demand but also on our ability to increase our labor force. The demand for such workers is high and the supply is extremely limited, especially during periods of high activity in the oil and gas industry. While we believe our relationship with our skilled labor force is good, a significant increase in the wages paid by competing employers could result in a reduction in our skilled labor force, increases in the wage rates we may pay, increase in our use of contract labor, or all of these. If any of these occurred in the near-term, the profits expected from work in progress could be reduced or eliminated and, in the long-term, to the extent such wage increases could not be passed style="vertical-align:bottom;border-bottom:1px solid #000000;background-color:#cceeff;padding-right:2px;padding-top:2px;padding-bottom:2px;">

)

(384.2
)
Net earnings
$
695.6

$
676.4

$
1,265.4

$
1,256.1

Net earnings per share:

Basic
$
0.98

$
0.96

$
1.79

$
1.79

Diluted
$
0.97

$
0.95

$
1.76

$
1.76

Average common stock and common equivalent shares outstanding:

Basic
709.5

701.2

708.4

700.6

Diluted
719.6

715.6

719.2

715.2

See the accompanying Notes to the Consolidated Condensed Financial Statements.

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

	Three Months Ended		Six Months Ended	
	July 3, 2015	June 27, 2014	July 3, 2015	June 27, 2014
Net earnings	$695.6	$676.4	$1,265.4	$1,256.1
Other comprehensive income (loss), net of income taxes:				
Foreign currency translation adjustments	44.8	59.1	(635.0)	51.9
Pension and post-retirement plan benefit adjustments	7.1	3.5	14.1	2.5
Unrealized gain on available-for-sale securities	23.9	24.6	22.5	36.9
Total other comprehensive income (loss), net of income taxes	75.8	87.2	(598.4)	91.3
Comprehensive income	$771.4	$763.6	$667.0	$1,347.4

See the accompanying Notes to the Consolidated Condensed Financial Statements.

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DANAHER CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENT OF STOCKHOLDERS' EQUITY
($ and shares in millions)
(unaudited)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interests
	Shares	Amount				
Balance, December 31, 2014	792.5	$7.9	$4,480.9	$20,323.0	$ (1,433.7)	$71.7
Net earnings for the period	—	—	—	1,265.4	—	—
Other comprehensive loss	—	—	—	—	(598.4)	—
Dividends declared	—	—	—	(191.2)	—	—
Common stock-based award activity	3.8	0.1	197.9	—	—	—
Common stock issued in connection with LYONs' conversions, including tax benefit of $14.4	1.2	—	49.3	—	—	—
Change in non-controlling interests	—	—	—	—	—	(0.9)
Balance, July 3, 2015	797.5	$8.0	$4,728.1	$21,397.2	$ (2,032.1)	$70.8

See the accompanying Notes to the Consolidated Condensed Financial Statements.

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

	Six Months Ended	
	July 3, 2015	June 27, 2014
Cash flows from operating activities:		
Net earnings	$1,265.4	$1,256.1
Non-cash items:		
Depreciation	279.7	272.6
Amortization	216.0	187.5
Stock-based compensation expense	60.8	55.0
Pre-tax gain on sales of investments	—	(19.2)
Change in trade accounts receivable, net	44.7	(158.7)
Change in inventories	(108.5)	(58.8)
Change in trade accounts payable	(101.8)	(51.0)
Change in prepaid expenses and other assets	101.0	81.4
Change in accrued expenses and other liabilities	(139.7)	(62.0)
Net cash provided by operating activities	1,617.6	1,502.9
Cash flows from investing activities:		
Cash paid for acquisitions	(598.9)	(606.7)
Payments for additions to property, plant and equipment	(258.1)	(278.6)
Payments for purchases of investments	(87.1)	—
Proceeds from sales of investments	—	25.0
All other investing activities	6.5	11.2
Net cash used in investing activities	(937.6)	(849.1)
Cash flows from financing activities:		
Proceeds from the issuance of common stock	131.5	60.9
Payment of dividends	(165.9)	(87.4)
Net repayments of borrowings (maturities of 90 days or less)	(259.9)	(13.4)
Repayments of borrowings (maturities longer than 90 days)	(1.8)	(403.6)
All other financing activities	(3.3)	—
Net cash used in financing activities	(299.4)	(443.5)
Effect of exchange rate changes on cash and equivalents	(44.2)	(4.4)
Net change in cash and equivalents	336.4	205.9
Beginning balance of cash and equivalents	3,005.6	3,115.2
Ending balance of cash and equivalents	$3,342.0	$3,321.1
Supplemental disclosures:		
Cash interest payments	$57.7	$60.3
Cash income tax payments	$225.1	$238.3

See the accompanying Notes to the Consolidated Condensed Financial Statements.

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DANAHER CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(unaudited)

NOTE 1. GENERAL
The consolidated condensed financial statements included herein have been prepared by Danaher Corporation ("Danaher" or the “Company”) without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations; however, the Company believes that the disclosures are adequate to make the information presented not misleading. The condensed financial statements included herein should be read in conjunction with the financial statements as of and for the year ended December 31, 2014 and the Notes thereto included in the Company’s 2014 Annual Report on Form 10-K.
In the opinion of the Company, the accompanying financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position of the Company as of July 3, 2015 and December 31, 2014, and its results of operations for the three and six months ended July 3, 2015 and June 27, 2014 and its cash flows for each of the six month periods then ended.
Accumulated Other Comprehensive Income (Loss) - The changes in accumulated other comprehensive income (loss) by component are summarized below ($ in millions). Foreign currency translation adjustments are generally not adjusted for income taxes as they relate to indefinite investments in non-U.S. subsidiaries.

	Foreign Currency Translation Adjustments	Pension and Post-Retirement Plan Benefit Adjustments	Unrealized Gain on Available-For-Sale Securities	Total
For the Three Months Ended July 3, 2015:				
Balance, April 3, 2015	$ (1,501.6)	$ (720.8)	$ 114.5	$ (2,107.9)
Other comprehensive income (loss) before reclassifications:				
Increase	44.8	—	38.3	83.1
Income tax impact	—	—	(14.4)	(14.4)
Other comprehensive income (loss) before reclassifications, net of income taxes	44.8	—	23.9	68.7
Amounts reclassified from accumulated other comprehensive income (loss):				
Increase	—	10.4 (1)	—	10.4
Income tax impact	—	(3.3)	—	(3.3)
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes	—	7.1	—	7.1
Net current period other comprehensive income (loss), net of income taxes	44.8	7.1	23.9	75.8
Balance, July 3, 2015	$ (1,456.8)	$ (713.7)	$ 138.4	$ (2,032.1)

(1) This accumulated other comprehensive income (loss) component is included in the computation of net periodic pension cost (refer to Note 7 for additional details).

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	Foreign Currency Translation Adjustments	Pension and Post-Retirement Plan Benefit Adjustments	Unrealized Gain on Available-For-Sale Securities	Total
For the Three Months Ended June 27, 2014:				
Balance, March 28, 2014	$ 406.0	$ (367.7)	$ 180.3	$ 218.6
Other comprehensive income (loss) before reclassifications:				
Increase	59.1	—	58.7	117.8
Income tax impact	—	—	(22.1)	(22.1)
Other comprehensive income (loss) before reclassifications, net of income taxes	59.1	—	36.6	95.7
Amounts reclassified from accumulated other comprehensive income (loss):				
Increase (decrease)	—	5.4 (1)	(19.2) (2)	(13.8)
Income tax impact	—	(1.9)	7.2	5.3
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes	—	3.5	(12.0)	(8.5)
Net current period other comprehensive income (loss), net of income taxes	59.1	3.5	24.6	87.2
Balance, June 27, 2014	$ 465.1	$ (364.2)	$ 204.9	$ 305.8
For the Six Months Ended July 3, 2015:				
Balance, December 31, 2014	$ (821.8)	$ (727.8)	$ 115.9	$ (1,433.7)
Other comprehensive income (loss) before reclassifications:				
(Decrease) increase	(635.0)	—	36.0	(599.0)
Income tax impact	—	—	(13.5)	(13.5)
Other comprehensive income (loss) before reclassifications, net of income taxes	(635.0)	—	22.5	(612.5)
Amounts reclassified from accumulated other comprehensive income (loss):				
Increase	—	20.7 (1)	—	20.7
Income tax impact	—	(6.6)	—	(6.6)
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes	—	14.1	—	14.1
Net current period other comprehensive income (loss), net of income taxes	(635.0)	14.1	22.5	(598.4)
Balance, July 3, 2015	$ (1,456.8)	$ (713.7)	$ 138.4	$ (2,032.1)
For the Six Months Ended June 27, 2014:				
Balance, December 31, 2013	$ 413.2	$ (366.7)	$ 168.0	$ 214.5
Other comprehensive income (loss) before reclassifications:				
Increase (decrease)	51.9	(5.5)	78.3	124.7
Income tax impact	—	1.1	(29.4)	(28.3)
Other comprehensive income (loss) before reclassifications, net of income taxes	51.9	(4.4)	48.9	96.4
Amounts reclassified from accumulated other comprehensive income (loss):				
Increase (decrease)	—	10.7 (1)	(19.2) (2)	(8.5)

Income tax impact	—	(3.8)	7.2	3.4
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes	—	6.9	(12.0)	(5.1)
Net current period other comprehensive income (loss), net of income taxes	51.9	2.5	36.9	91.3
Balance, June 27, 2014	$ 465.1	$ (364.2)	$ 204.9	$ 305.8

(1) This accumulated other comprehensive income (loss) component is included in the computation of net periodic pension cost (refer to Note 7 for additional details).
(2) Included in other income in the accompanying Consolidated Condensed Statement of Earnings.

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New Accounting Standards - In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606), which impacts virtually all aspects of an entity's revenue recognition. The core principle of the new standard is that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. On July 9, 2015, the FASB deferred the effective date of the standard by one year which results in the new standard being effective for the Company at the beginning of its first quarter of fiscal year 2018. Management has not yet completed its assessment of the impact of the new standard, including possible transition alternatives, on the Company's financial statements.

NOTE 2. ACQUISITIONS

For a description of the Company’s acquisition activity for the year ended December 31, 2014, reference is made to the financial statements as of and for the year ended December 31, 2014 and Note 2 thereto included in the Company’s 2014 Annual Report on Form 10-K.

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

The Company makes an initial allocation of the purchase price at the date of acquisition based upon its understanding of the fair value of the acquired assets and assumed liabilities. The Company obtains this information during due diligence and through other sources. In the months after closing, as the Company obtains additional information about these assets and liabilities, including through tangible and intangible asset appraisals, and learns more about the newly acquired business, it is able to refine the estimates of fair value and more accurately allocate the purchase price. Only items identified as of the acquisition date are considered for subsequent adjustment. The Company is continuing to evaluate certain pre-acquisition contingencies associated with certain of its 2015 and 2014 acquisitions and is also in the process of obtaining valuations of certain property, plant and equipment, acquired intangible assets and certain acquisition related liabilities in connection with these acquisitions. The Company will make appropriate adjustments to the purchase price allocation prior to completion of the measurement period, as required. The Company evaluated whether any adjustments to the prior periods' purchase price allocations were material and concluded no retrospective adjustment to prior period financial statements was required.

During the first six months of 2015, the Company acquired seven businesses for total consideration of $599 million in cash, net of cash acquired. The businesses acquired complement existing units of the Environmental, Life Sciences & Diagnostics, Dental and Industrial Technologies segments. The aggregate annual sales of these seven businesses at the time of their respective acquisitions, in each case based on the company’s revenues for its last completed fiscal year prior to the acquisition, were approximately $305 million. The Company preliminarily recorded an aggregate of $269 million of goodwill related to these acquisitions.

The following summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition for all acquisitions consummated during the six months ended July 3, 2015 ($ in millions):

Trade accounts receivable	$55.3	
Inventories	26.4	
Property, plant and equipment	20.6	
Goodwill	269.3	
Other intangible assets, primarily customer relationships, trade names and technology	205.8	
Trade accounts payable	(11.4	)

Other assets and liabilities, net	32.9
Net cash consideration	$598.9

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Pro Forma Financial Information

The unaudited pro forma information for the periods set forth below gives effect to the 2015 and 2014 acquisitions as if they had occurred as of January 1, 2014. The pro forma information is presented for informational purposes only and is not necessarily indicative of the results of operations that actually would have been achieved had the acquisitions been consummated as of that time ($ in millions, except per share amounts):

	Three Months Ended		Six Months Ended	
	July 3, 2015	June 27, 2014	July 3, 2015	June 27, 2014
Sales	$5,132.9	$5,317.8	$10,042.7	$10,348.0
Net earnings	695.5	691.2	1,279.5	1,267.8
Diluted net earnings per share	0.97	0.97	1.78	1.78

The 2014 unaudited pro forma revenue and earnings set forth above were adjusted to include the impact of non-recurring acquisition date fair value adjustments to inventory related to the Nobel Biocare acquisition (which acquisition occurred in December 2014) of $27 million pre-tax. The 2015 unaudited pro forma revenue and earnings were adjusted to exclude the impact of the above noted acquisition date fair value adjustments.

Pending Acquisition

On May 12, 2015, Danaher and Pentagon Merger Sub, Inc., a New York corporation and an indirect, wholly-owned subsidiary of the Company (“Merger Sub”), and Pall Corporation ("Pall"), a New York corporation, entered into an Agreement and Plan of Merger (the “Merger Agreement”), pursuant to which the Company agreed to acquire all of the outstanding shares of common stock of Pall for $127.20 per share in cash, for a total enterprise value of approximately $13.8 billion, including assumed debt and net of acquired cash (the “Pall Acquisition”). Pall is a leading global provider of filtration, separation and purification solutions that remove contaminants or separate substances from a variety of solids, liquids and gases. In its fiscal year ended July 2014, Pall generated consolidated revenues of approximately $2.8 billion, with approximately $1.5 billion from its Life Sciences segment and approximately $1.3 billion from its Industrial segment. The Life Sciences segment serves customers in the biopharmaceutical market, as well as food and beverage and medical markets. The Industrial segment serves customers in the process technologies, aerospace and microelectronics markets. The acquisition of Pall is expected to provide additional sales and earnings growth opportunities for the Company by expanding geographic and product line diversity, including new product and service offerings in the areas of filtration, separation and purification, and through the potential acquisition of complementary businesses. As Pall is integrated into the Company, the Company also expects to realize significant cost synergies through the application of the Danaher Business System and the combined purchasing power of the Company and Pall.

Under the Merger Agreement, Merger Sub will, subject to the satisfaction or waiver of specified conditions, merge with and into Pall (the “Merger”), with Pall surviving the Merger as an indirect, wholly-owned subsidiary of the Company. The Merger is expected to be completed in the second half of 2015. The Company expects to finance the transaction primarily with available cash and proceeds from the issuance of commercial paper and other indebtedness, including the Euronotes described in Note 6. The closing of the Merger is subject to customary closing conditions, including, among other things, approval of the Merger by holders of at least two-thirds of the outstanding shares of Pall common stock, receipt of required antitrust approvals and the absence of a material adverse effect on Pall. The Merger Agreement can be terminated by the Company or Pall under certain circumstances, and Pall will be required to pay the Company a termination fee of approximately $423 million in connection with certain terminations.

NOTE 3. DANAHER SEPARATION AND DISPOSITION OF COMMUNICATIONS BUSINESS

Danaher Separation

On May 13, 2015, the Company announced its intention to separate into two independent publicly traded companies (the “Separation”). Consummation of the Separation will create:

- a science and technology growth company (“New Danaher”). This company will retain the Danaher name and will include businesses that generated approximately $16.5 billion in revenues (adjusted to include the revenues of Pall - refer to Note 2), in their most recently completed fiscal year; and
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a diversified industrial growth company (“NewCo”). The businesses expected to comprise NewCo generated approximately $6.0 billion in revenues in their most recently completed fiscal year.

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The transaction is expected to occur through a tax-free separation. The Company is targeting to complete the Separation by the end of 2016, subject to the satisfaction of certain conditions, including obtaining final approval from the Danaher Board of Directors, satisfactory completion of financing, receipt of tax opinions, receipt of favorable rulings from the Internal Revenue Service and receipt of other regulatory approvals.

Disposition of Communications Business

On July 14, 2015, the Company consummated the split-off of the majority of its Test & Measurement segment's communications business (other than the data communications cable installation business and the communication service provider business of Fluke Networks which are now part of the instruments business of the Company's Test & Measurement segment) to Danaher shareholders who elected to exchange Danaher shares for ownership interests in the communications business, and the subsequent merger of the communications business with a subsidiary of NetScout Systems, Inc. ("NetScout"). Danaher shareholders who participated in the exchange offer tendered 26.0 million shares of Danaher common stock and received 62.5 million of NetScout shares which represents approximately 60% of the shares of NetScout common stock outstanding following the combination.

As the disposition occurred during the third quarter of 2015, the Company will classify the communications business as a discontinued operation in its historical financial statements beginning in the third quarter of 2015. The Company also expects to report a non-cash gain on the transaction representing the difference between the fair value of the Danaher shares tendered by Danaher's shareholders over the carrying value of the net assets transferred to shareholders. Finalization of this gain will occur in the third quarter of 2015 and will be included in the results of discontinued operations in future reporting periods. For the year ended December 31, 2014, the disposed communications business had revenues of $760 million. Below is a summary of the communications business' sales and operating profit ($ in millions):

	Three Months Ended		Six Months Ended	
	July 3, 2015	June 27, 2014	July 3, 2015	June 27, 2014
Sales	$167.1	$180.1	$345.7	$403.6
Operating profit	(3.1)	13.7	16.0	64.6

NOTE 4. GOODWILL

The following is a rollforward of the Company’s goodwill ($ in millions):

Balance, December 31, 2014	$16,964.2
Attributable to 2015 acquisitions	269.3
Foreign currency translation & other	(298.4)
Balance, July 3, 2015	$16,935.1

The carrying value of goodwill by segment is summarized as follows ($ in millions):

	July 3, 2015	December 31, 2014
Test & Measurement	$3,203.7	$3,238.4
Environmental	1,953.4	1,937.3
Life Sciences & Diagnostics	6,394.1	6,345.2
Dental	3,127.3	3,142.9
Industrial Technologies	2,256.6	2,300.4
Total goodwill	$16,935.1	$16,964.2

The Company has not identified any "triggering" events which indicate a potential impairment of goodwill in 2015.

NOTE 5. FAIR VALUE MEASUREMENTS

Accounting standards define fair value based on an exit price model, establish a framework for measuring fair value where the Company’s assets and liabilities are required to be carried at fair value and provide for certain disclosures related to the valuation methods used within a valuation hierarchy as established within the accounting standards. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets

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or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets in markets that are not active, or other observable characteristics for the asset or liability, including interest rates, yield curves and credit risks, or inputs that are derived principally from, or corroborated by, observable market data through correlation. Level 3 inputs are unobservable inputs based on the Company's assumptions. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

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

	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
July 3, 2015:				
Assets:				
Available-for-sale securities	$380.6	—	—	$380.6
Liabilities:				
Deferred compensation plans	—	$ 76.3	—	76.3
December 31, 2014:				
Assets:				
Available-for-sale securities	$257.5	—	—	$257.5
Liabilities:				
Deferred compensation plans	—	$ 75.0	—	75.0

Available-for-sale securities are measured at fair value using quoted market prices in an active market and are included in other long-term assets in the accompanying Consolidated Condensed Balance Sheets.

The Company has established nonqualified deferred compensation programs that permit officers, directors and certain management employees to defer a portion of their compensation, on a pre-tax basis, until their termination of employment (or board service, as applicable). All amounts deferred under such plans are unfunded, unsecured obligations of the Company and are presented as a component of the Company's compensation and benefits accrual included in other long-term liabilities in the accompanying Consolidated Condensed Balance Sheets. Participants may choose among alternative earning rates for the amounts they defer, which are primarily based on investment options within the Company's 401(k) program (except that the earnings rates for amounts deferred by the Company's directors and amounts contributed unilaterally by the Company are entirely based on changes in the value of the Company's common stock). Changes in the deferred compensation liability under these programs are recognized based on changes in the fair value of the participants' accounts, which are based on the applicable earnings rates.

Fair Value of Financial Instruments

The carrying amounts and fair values of financial instruments were as follows ($ in millions):

	July 3, 2015		December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Available-for-sale securities	$380.6	$380.6	$257.5	$257.5
Liabilities:				
Short-term borrowings	110.1	110.1	71.9	71.9
Long-term borrowings	3,052.7	3,380.0	3,401.5	3,809.1

As of July 3, 2015 and December 31, 2014, available-for-sale securities and short and long-term borrowings were categorized as Level 1.

The fair value of long-term borrowings was based on quoted market prices. The difference between the fair value and the carrying amounts of long-term borrowings (other than the Company's Liquid Yield Option Notes due 2021 (the "LYONs")) is attributable to changes in market interest rates and/or the Company's credit ratings subsequent to the

incurrence of the

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borrowing. In the case of the LYONs, differences in the fair value from the carrying value are attributable to changes in the price of the Company's common stock due to the LYONs' conversion features. The fair values of short-term borrowings, as well as cash and cash equivalents, trade accounts receivable, net and trade accounts payable approximate their carrying amounts due to the short-term maturities of these instruments.

NOTE 6. FINANCING

As of July 3, 2015, the Company was in compliance with all of its debt covenants. The components of the Company's debt were as follows ($ in millions):

	July 3, 2015	December 31, 2014
Commercial paper	$450.0	$764.6
2.3% senior unsecured notes due 2016	500.0	500.0
5.625% senior unsecured notes due 2018	500.0	500.0
5.4% senior unsecured notes due 2019	750.0	750.0
3.9% senior unsecured notes due 2021	600.0	600.0
4.0% bonds due 2016 (CHF 120.0 million aggregate principal amount)	135.7	129.9
Zero-coupon LYONs due 2021	76.7	110.6
Other	150.4	118.3
Subtotal	3,162.8	3,473.4
Less currently payable	110.1	71.9
Long-term debt	$3,052.7	$3,401.5

For a full description of the Company's debt financing, reference is made to Note 9 of the Company's financial statements as of and for the year ended December 31, 2014 included in the Company's 2014 Annual Report on Form 10-K.

During the six months ended July 3, 2015, holders of certain of the Company's LYONs converted such LYONs into an aggregate of approximately 1.2 million shares of the Company's common stock, par value $0.01 per share. The Company's deferred tax liability associated with the book and tax basis difference in the converted LYONs of approximately $14 million was transferred to additional paid-in capital as a result of the conversions.

The Company satisfies any short-term liquidity needs that are not met through operating cash flow and available cash primarily through issuances of commercial paper under its U.S. and Euro commercial paper programs. As of July 3, 2015, borrowings outstanding under the Company's U.S. commercial paper program had a weighted average annual interest rate of 0.2% and a weighted average remaining maturity of approximately seven days. There was no commercial paper outstanding under the Euro commercial paper program as of July 3, 2015. The Company has classified its borrowings outstanding under the commercial paper program as of July 3, 2015, as well as its 2.3% senior unsecured notes due June 2016, as long-term debt in the accompanying Consolidated Condensed Balance Sheet as the Company had the intent and ability, as supported by availability under the credit facility referenced below, to refinance these borrowings for at least one year from the balance sheet date.

Credit support for the commercial paper program during the second quarter of 2015 was provided by a $2.5 billion unsecured multi-year revolving credit facility with a syndicate of banks that was scheduled to expire on July 15, 2016 (the "Superseded Credit Facility"). As of July 3, 2015, no borrowings were outstanding under the Superseded Credit Facility as mentioned above and the Company was in compliance with all covenants under such facility. In addition to the Superseded Credit Facility, the Company has entered into reimbursement agreements with various commercial banks to support the issuance of letters of credit. On July 10, 2015, the Superseded Credit Facility was replaced by an expanded credit facility described below.

On July 8, 2015, DH Europe Finance S.A., a wholly-owned finance subsidiary of the Company completed the underwritten public offering of each of the following series of euro-denominated senior unsecured notes (collectively, the "Euronotes"):

€500 million aggregate principal amount of floating rate senior notes due 2017 (the "2017 Euronotes"). The 2017 Euronotes were issued at 100% of their principal amount, will mature on June 30, 2017 and bear interest at a floating

rate equal to three-month EURIBOR plus 0.45% per year.

- €600 million aggregate principal amount of 1.0% senior notes due 2019 (the "2019 Euronotes"). The 2019 Euronotes were issued at 99.696% of their principal amount, will mature on July 8, 2019 and bear interest at the rate of 1.0% per year.
- €800 million aggregate principal amount of 1.7% senior notes due 2022 (the "2022 Euronotes"). The 2022 Euronotes were issued at 99.651% of their principal amount, will mature on January 4, 2022 and bear interest at the rate of 1.7% per year.
- €800 million aggregate principal amount of 2.5% senior notes due 2025 (the "2025 Euronotes"). The 2025 Euronotes were issued at 99.878% of their principal amount, will mature on July 8, 2025 and bear interest at the rate of 2.5% per year.

The Euronotes are fully and unconditionally guaranteed by the Company. Danaher received net proceeds, after underwriting discounts and commissions and offering expenses, of approximately €2.7 billion and anticipates using the net proceeds from the offering to pay a portion of the purchase price for the acquisition of Pall and for general corporate purposes. Interest on the Euronotes will be payable:

- on the floating rate 2017 Euronotes quarterly in arrears on March 30, June 30, September 30 and December 30 of each year, commencing on September 30, 2015;
- on the 2019 Euronotes and 2025 Euronotes annually in arrears on July 8 of each year, commencing on July 8, 2016; and
- on the 2022 Euronotes annually in arrears on January 4 of each year, commencing on January 4, 2016.

The indenture under which the Euronotes were issued contains customary covenants, all of which the Company was in compliance with as of July 22, 2015.

At any time prior to April 8, 2019 (three months prior to the maturity date of the 2019 Euronotes), in the case of the 2019 Euronotes, January 4, 2022 (the maturity date of the 2022 Euronotes), in the case of the 2022 Euronotes and April 8, 2025 (three months prior to the maturity date of the 2025 Euronotes), in the case of the 2025 Euronotes, the Company may redeem the applicable series of Euronotes, in whole or in part, by paying the principal amount and a "make-whole" premium, plus accrued and unpaid interest. If the Company does not consummate the acquisition of Pall on or prior to May 12, 2016, or if the merger agreement in respect of the Pall acquisition is terminated prior to that date, the Company will be required to redeem, in whole and not in part, each series of Euronotes on the special mandatory redemption date specified in the indenture at a redemption price equal to 101% of the aggregate principal amount of the Euronotes outstanding, plus accrued and unpaid interest. If a change of control triggering event occurs with respect to the Euronotes, each holder of Euronotes may require the Company to repurchase some or all of its Euronotes at a purchase price equal to 101% of the principal amount of the Euronotes, plus accrued and unpaid interest. A change of control triggering event means the occurrence of both a change of control and a rating event, each as defined in the indenture.

In connection with the Euronotes offering, the Company entered into €2.7 billion of currency exchange forward contracts to lock in a U.S. dollar value which is approximately equal to the aggregate principal amount owed under the Euronotes, with an average conversion rate of $1.106 per €1.00.

In addition, on July 10, 2015, the Company expanded the aggregate capacity of its U.S. and Euro commercial paper programs to $11.0 billion. The Company also expanded its credit facility borrowing capacity to $11.0 billion to provide liquidity support for issuances under such programs. The Company replaced its existing $2.5 billion unsecured multi-year revolving credit facility with an amended and restated $4.0 billion unsecured multi-year revolving credit facility with a syndicate of banks that expires on July 10, 2020, subject to a one-year extension option at the request of the Company with the consent of the lenders (the "5-Year Credit Facility"), and entered into a new $7.0 billion 364-day unsecured revolving credit facility with a syndicate of banks that expires on July 8, 2016, subject to the Company's option to convert any then-outstanding borrowings into term loans that are due and payable one year following such expiration date (the "364-Day Facility" and together with the 5-Year Credit Facility, the "Credit Facilities").

The Company intends to use proceeds from the issuance of commercial paper to fund a portion of the purchase price for the Pall acquisition (refer to Note 2), and the increase in the size of the Company's commercial paper programs is intended to provide sufficient capacity therefor. The Company also anticipates that a portion of the commercial paper

that will be issued to finance the Pall acquisition will be refinanced with net proceeds from the future issuance of debt securities. Under the Company’s U.S. and Euro commercial paper programs, the Company or a subsidiary of the Company, as applicable, may issue and sell unsecured, short-term promissory notes. Interest expense on the notes is paid at maturity and is generally based on the

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ratings assigned to the Company by credit rating agencies at the time of the issuance and prevailing market rates measured by reference to LIBOR. The Credit Facilities provide liquidity support for issuances under the Company's commercial paper programs, and can also be used for working capital and other general corporate purposes. The availability of the Credit Facilities as standby liquidity facilities to repay maturing commercial paper is an important factor in maintaining the existing credit ratings of the Company's commercial paper programs. The Company expects to limit any borrowings under the Credit Facilities to amounts that would leave sufficient available borrowing capacity under such facilities to allow the Company to borrow, if needed, to repay all of the outstanding commercial paper as it matures.

Under the Credit Facilities, borrowings (other than bid loans under the 5-Year Credit Facility) bear interest at a rate equal to (at the Company's option) either (1) a LIBOR-based rate (the "LIBOR-Based Rate"), or (2) the highest of (a) the Federal funds rate plus 1/2 of 1%, (b) the prime rate and (c) the LIBOR-Based Rate plus 1%, plus in each case a margin that, in the case of the 5-Year Credit Facility, varies according to the Company's long-term debt credit rating. In addition to certain initial fees the Company paid with respect to the 5-Year Credit Facility at inception of the facility, the Company is obligated to pay an annual commitment or facility fee under each Credit Facility that, in the case of the 5-Year Credit Facility, varies according to the Company's long-term debt credit rating. Each of the Credit Facilities requires the Company to maintain a consolidated leverage ratio (as defined in the respective facility) of 0.65 to 1.00 or less, and also contains customary representations, warranties, conditions precedent, events of default, indemnities and affirmative and negative covenants. As of July 22, 2015, no borrowings were outstanding under either of the Credit Facilities and the Company was in compliance with all covenants under each facility.

NOTE 7. DEFINED BENEFIT PLANS

The following sets forth the components of the Company's net periodic benefit cost of the noncontributory defined benefit pension plans ($ in millions):

U.S. Pension Benefits

	Three Months Ended		Six Months Ended	
	July 3, 2015	June 27, 2014	July 3, 2015	June 27, 2014
Service cost	$1.5	$1.5	$3.0	$3.0
Interest cost	24.5	26.5	48.6	53.0
Expected return on plan assets	(33.4)	(32.3)	(66.2)	(64.6)
Amortization of actuarial loss	6.5	4.6	13.0	9.2
Net periodic pension cost	$(0.9)	$0.3	$(1.6)	$0.6

Non-U.S. Pension Benefits

	Three Months Ended		Six Months Ended	
	July 3, 2015	June 27, 2014	July 3, 2015	June 27, 2014
Service cost	$11.3	$8.0	$22.7	$16.0
Interest cost	8.6	11.8	17.3	23.5
Expected return on plan assets	(9.5)	(10.6)	(19.0)	(21.1)
Amortization of actuarial loss	4.1	1.8	8.5	3.5
Amortization of prior service credit	—	—	(0.1)	—
Settlement gain recognized	(0.1)	—	(0.5)	—
Net periodic pension cost	$14.4	$11.0	$28.9	$21.9

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The following sets forth the components of the Company's net periodic benefit cost of the other post-retirement employee benefit plans ($ in millions):

	Three Months Ended		Six Months Ended	
	July 3, 2015	June 27, 2014	July 3, 2015	June 27, 2014
Service cost	$0.3	$0.3	$0.6	$0.6
Interest cost	2.0	2.1	4.0	4.2
Amortization of actuarial loss	0.7	—	1.4	—
Amortization of prior service credit	(0.8)	(1.0)	(1.6)	(2.0)
Net periodic benefit cost	$2.2	$1.4	$4.4	$2.8

Net periodic pension and benefit costs are included in cost of sales and selling, general and administrative expenses in the accompanying Consolidated Condensed Statements of Earnings.

Employer Contributions

During 2015, the Company's cash contribution requirements for its U.S. and non-U.S. defined benefit pension plans are expected to be approximately $25 million and $55 million, respectively. The ultimate amounts to be contributed depend upon, among other things, legal requirements, underlying asset returns, the plan's funded status, the anticipated tax deductibility of the contribution, local practices, market conditions, interest rates and other factors.

NOTE 8. INCOME TAXES

The Company's effective tax rate for the three and six months ended July 3, 2015 was 23.0% and 23.3%, respectively, as compared to 23.0% and 23.4% for the three and six months ended June 27, 2014, respectively.

The Company's effective tax rate for 2015 and 2014 differs from the U.S. federal statutory rate of 35.0% due principally to the Company's earnings outside the United States that are indefinitely reinvested and taxed at rates lower than the U.S. federal statutory rate. The effective tax rate for each of the three and six months ended July 3, 2015 reflects benefits from foreign exchange losses and expiration of statutes of limitation, partially offset by tax expense incurred for transactions in preparation for the disposition of the Company's communications business to NetScout (refer to Note 3). The Company incurred $17 million ($0.02 per diluted share) of discrete tax expense in the second quarter of 2015 on transactions related to this disposition. The Company also realized other discrete tax benefits of $16 million (0.02 per diluted share) during the three months ended July 3, 2015 which offset this charge. The effective tax rate for the three and six months ended June 27, 2014 includes tax benefits in foreign tax jurisdictions for release of valuation allowances and expiration of statutes of limitation, partially offset by audit settlements in various tax jurisdictions.

Tax authorities in Denmark have raised significant issues related to interest accrued by certain of the Company's subsidiaries. On December 10, 2013, the Company received assessments from the Danish tax authority ("SKAT") totaling approximately DKK 1.2 billion including interest through July 3, 2015 (approximately $178 million based on exchange rates as of July 3, 2015), imposing withholding tax relating to interest accrued in Denmark on borrowings from certain of the Company's subsidiaries for the years 2004-2009. If the SKAT claims are successful, it is likely that the Company would be assessed additional amounts for years 2010-2012 totaling approximately DKK 675 million including interest through July 3, 2015 (approximately $100 million based on exchange rates as of July 3, 2015). Management believes the positions the Company has taken in Denmark are in accordance with the relevant tax laws and intends to vigorously defend its positions. The Company appealed these assessments with the National Tax Tribunal in 2014 and intends on pursuing this matter through the European Court of Justice should this appeal be unsuccessful. The ultimate resolution of this matter is uncertain, could take many years, and could result in a material adverse impact to the Company's financial statements, including its effective tax rate.

NOTE 9. STOCK TRANSACTIONS AND STOCK-BASED COMPENSATION

Neither the Company nor any "affiliated purchaser" repurchased any shares of Company common stock during the three or six months ended July 3, 2015. On July 16, 2013, the Company's Board of Directors approved a repurchase program (the "Repurchase Program") authorizing the repurchase of up to 20 million shares of the Company's common stock from time to time on the open market or in privately negotiated transactions. As of July 3, 2015, 20 million

shares remained available for repurchase pursuant to the Repurchase Program.
For a full description of the Company's stock-based compensation programs, reference is made to Note 17 of the Company's financial statements as of and for the year ended December 31, 2014 included in the Company's 2014 Annual Report on Form

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10-K. As of July 3, 2015, approximately 24 million shares of the Company's common stock were reserved for issuance under the 2007 Stock Incentive Plan.

In 2015, the Company introduced into its executive equity compensation program performance stock units ("PSUs") that vest based on the Company's total shareholder return ranking relative to the S&P 500 Index over a three-year performance period. As a result, effective in 2015 one-half of the annual equity awards granted to the Company's executive officers are granted as stock options, one-quarter are granted as restricted stock units ("RSUs") and one-quarter are granted as PSUs. The PSUs are issued under the Company's 2007 Stock Incentive Plan.

The following summarizes the assumptions used in the Black-Scholes Merton option pricing model ("Black-Scholes") to value options granted during the six months ended July 3, 2015:

Risk-free interest rate	1.6% - 1.9%	
Weighted average volatility	23.2	%
Dividend yield	0.6	%
Expected years until exercise	5.5 - 8.0	

The following summarizes the components of the Company's stock-based compensation expense ($ in millions):

	Three Months Ended		Six Months Ended	
	July 3, 2015	June 27, 2014	July 3, 2015	June 27, 2014
RSUs/PSUs:				
Pre-tax compensation expense	$18.7	$15.9	$38.1	$33.8
Income tax benefit	(6.5)	(4.4)	(12.4)	(9.6)
RSU/PSU expense, net of income taxes	12.2	11.5	25.7	24.2
Stock options:				
Pre-tax compensation expense	10.7	10.1	22.7	21.2
Income tax benefit	(3.7)	(2.9)	(7.3)	(6.3)
Stock option expense, net of income taxes	7.0	7.2	15.4	14.9
Total stock-based compensation:				
Pre-tax compensation expense	29.4	26.0	60.8	55.0
Income tax benefit	(10.2)	(7.3)	(19.7)	(15.9)
Total stock-based compensation expense, net of income taxes	$19.2	$18.7	$41.1	$39.1

Stock-based compensation has been recognized as a component of selling, general and administrative expenses in the accompanying Consolidated Condensed Statements of Earnings. As of July 3, 2015, $141 million of total unrecognized compensation cost related to RSUs/PSUs is expected to be recognized over a weighted average period of approximately three years. As of July 3, 2015, $122 million of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted average period of approximately three years. Future compensation amounts will be adjusted for any changes in estimated forfeitures.

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The following summarizes option activity under the Company's stock plans (in millions, except weighted exercise price and number of years):

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2014	24.3	$48.92		
Granted	1.3	86.99		
Exercised	(3.1)	34.44		
Cancelled/forfeited	(0.8)	61.49		
Outstanding as of July 3, 2015	21.7	$52.82	6	$738.4
Vested and expected to vest as of July 3, 2015 [1]	20.6	$52.00	6	$717.6
Vested as of July 3, 2015	11.3	$39.78	4	$533.1

[1] The "Expected to vest" options are the net unvested options that remain after applying the forfeiture rate assumption to total unvested options.

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the Company's closing stock price on the last trading day of the second quarter of 2015 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on July 3, 2015. The amount of aggregate intrinsic value will change based on the price of the Company's common stock.

The aggregate intrinsic value of options exercised during the six months ended July 3, 2015 and June 27, 2014 was $163 million and $71 million, respectively. Exercise of options during the first six months of 2015 and 2014 resulted in cash receipts of $108 million and $56 million, respectively. The Company realized a tax benefit of $26 million and $52 million in the three and six months ended July 3, 2015 related to the exercise of employee stock options. The net income tax benefit in excess of the expense recorded for financial reporting purposes (the "excess tax benefit") has been recorded as an increase to additional paid-in capital and is reflected as a financing cash inflow in the accompanying Consolidated Condensed Statements of Cash Flows.

The following summarizes information on unvested RSU and PSU activity (in millions, except weighted average grant-date fair value):

	Number of RSUs/PSUs	Weighted Average Grant-Date Fair Value
Unvested as of December 31, 2014	4.9	$61.64
Granted	0.5	85.24
Vested	(0.7)	57.38
Forfeited	(0.3)	65.70
Unvested as of July 3, 2015	4.4	$64.61

The Company realized a tax benefit of $2 million and $21 million in the three and six months ended July 3, 2015 related to the vesting of RSUs. The excess tax benefit attributable to RSUs has been recorded as an increase to additional paid-in capital and is reflected as a financing cash inflow in the accompanying Consolidated Condensed Statements of Cash Flows.

In connection with the exercise of certain stock options and the vesting of RSUs previously issued by the Company, a number of shares sufficient to fund statutory minimum tax withholding requirements has been withheld from the total shares issued or released to the award holder (though under the terms of the applicable plan, the shares are considered to have been issued and are not added back to the pool of shares available for grant). During the first six months of 2015, 284 thousand shares with an aggregate value of $25 million were withheld to satisfy the requirement. The withholding is treated as a reduction in additional paid-in capital in the accompanying Consolidated Condensed Statement of Stockholders' Equity.

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NOTE 10. CONTINGENCIES

For a description of the Company's litigation and contingencies, reference is made to Note 16 of the Company's financial statements as of and for the year ended December 31, 2014 included in the Company's 2014 Annual Report on Form 10-K.

The Company generally accrues estimated warranty costs at the time of sale. In general, manufactured products are warranted against defects in material and workmanship when properly used for their intended purpose, installed correctly, and appropriately maintained. Warranty period terms depend on the nature of the product and range from ninety days up to the life of the product. The amount of the accrued warranty liability is determined based on historical information such as past experience, product failure rates or number of units repaired, estimated cost of material and labor, and in certain instances estimated property damage. The accrued warranty liability is reviewed on a quarterly basis and may be adjusted as additional information regarding expected warranty costs becomes known.

The following is a rollforward of the Company's accrued warranty liability ($ in millions):

Balance, December 31, 2014	$139.1
Accruals for warranties issued during the period	58.2
Settlements made	(65.7)
Additions due to acquisitions	0.8
Effect of foreign currency translation	(2.0)
Balance, July 3, 2015	$130.4

NOTE 11. NET EARNINGS PER SHARE

Basic net earnings per share ("EPS") is calculated by dividing net earnings by the weighted average number of common shares outstanding for the applicable period. Diluted net EPS is computed based on the weighted average number of common shares outstanding increased by the number of additional shares that would have been outstanding had the potentially dilutive common shares been issued and reduced by the number of shares the Company could have repurchased with the proceeds from the issuance of the potentially dilutive shares. For the three and six months ended July 3, 2015 and June 27, 2014, approximately 1 million options to purchase shares were not included in the diluted earnings per share calculation as the impact of their inclusion would have been anti-dilutive.

Information related to the calculation of net earnings per share of common stock is summarized as follows ($ and shares in millions, except per share amounts):

	Net Earnings (Numerator)	Shares (Denominator)	Per Share Amount
For the Three Months Ended July 3, 2015:			
Basic EPS	$695.6	709.5	$0.98
Adjustment for interest on convertible debentures	0.6	—	
Incremental shares from assumed exercise of dilutive options and vesting of dilutive RSUs and PSUs	—	7.5	
Incremental shares from assumed conversion of the convertible debentures	—	2.6	
Diluted EPS	$696.2	719.6	$0.97
For the Three Months Ended June 27, 2014:			
Basic EPS	$676.4	701.2	$0.96
Adjustment for interest on convertible debentures	1.0	—	
Incremental shares from assumed exercise of dilutive options and vesting of dilutive RSUs and PSUs	—	9.2	
Incremental shares from assumed conversion of the convertible debentures	—	5.2	
Diluted EPS	$677.4	715.6	$0.95

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	Net Earnings (Numerator)	Shares (Denominator)	Per Share Amount
For the Six Months Ended July 3, 2015:			
Basic EPS	$1,265.4	708.4	$1.79
Adjustment for interest on convertible debentures	1.2	—	
Incremental shares from assumed exercise of dilutive options and vesting of dilutive RSUs and PSUs	—	7.9	
Incremental shares from assumed conversion of the convertible debentures	—	2.9	
Diluted EPS	$1,266.6	719.2	$1.76
For the Six Months Ended June 27, 2014:			
Basic EPS	$1,256.1	700.6	$1.79
Adjustment for interest on convertible debentures	1.7	—	
Incremental shares from assumed exercise of dilutive options and vesting of dilutive RSUs and PSUs	—	9.4	
Incremental shares from assumed conversion of the convertible debentures	—	5.2	
Diluted EPS	$1,257.8	715.2	$1.76

NOTE 12. SEGMENT INFORMATION

The Company operates and reports its results in five separate business segments consisting of the Test & Measurement, Environmental, Life Sciences & Diagnostics, Dental and Industrial Technologies segments. As of July 3, 2015, there had been no material change in total assets or liabilities by segment since December 31, 2014. Subsequent to July 3, 2015, the Company completed the disposition of the Test & Measurement segment's communications business (refer to Note 3). The impact of this disposition will be reflected in segment results in the third quarter of 2015 when the business is classified as discontinued operations.

Segment results are shown below ($ in millions):

	Three Months Ended		Six Months Ended	
Sales:	July 3, 2015	June 27, 2014	July 3, 2015	June 27, 2014
Test & Measurement	$842.4	$856.5	$1,699.9	$1,727.5
Environmental	892.3	876.0	1,715.5	1,644.7
Life Sciences & Diagnostics	1,840.3	1,790.0	3,536.0	3,449.6
Dental	687.6	528.1	1,350.0	1,037.8
Industrial Technologies	864.5	913.0	1,699.0	1,766.7
Total	$5,127.1	$4,963.6	$10,000.4	$9,626.3
Operating Profit:				
Test & Measurement	$160.6	$157.8	$331.3	$350.5
Environmental	201.1	183.8	361.7	329.4
Life Sciences & Diagnostics	285.9	282.7	501.4	502.4
Dental	97.3	77.9	157.4	153.4
Industrial Technologies	221.4	217.5	426.6	409.2
Other	(35.2)	(30.4)	(73.1)	(66.7)
Total	$931.1	$889.3	$1,705.3	$1,678.2

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

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to provide a reader of Danaher Corporation's ("Danaher," the "Company," "we," "us" or "our") financial statements with a narrat from the perspective of Company management. The Company's MD&A is divided into four main sections:

- Information Relating to Forward-Looking Statements
- Overview
- Results of Operations
- Liquidity and Capital Resources

You should read this discussion along with the Company's MD&A and audited financial statements as of and for the year ended December 31, 2014 and Notes thereto, included in the Company's 2014 Annual Report on Form 10-K, and the Company's Consolidated Condensed Financial Statements and related Notes as of and for the three and six months ended July 3, 2015 included in this Report.

INFORMATION RELATING TO FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this quarterly report, in other documents we file with or furnish to the Securities and Exchange Commission ("SEC"), in our press releases, webcasts, conference calls, materials delivered to shareholders and other communications, are "forward-looking statements" within the meaning of the United States federal securities laws. All statements other than historical factual information are forward-looking statements, including without limitation statements regarding: projections of revenue, expenses, profit, profit margins, tax rates, tax provisions, cash flows, pension and benefit obligations and funding requirements, our liquidity position or other projected financial measures; management's plans and strategies for future operations, including statements relating to anticipated operating performance, cost reductions, restructuring activities, new product and service developments, competitive strengths or market position, acquisitions (including the pending acquisition of Pall Corporation), divestitures, spin-offs, split-offs or other distributions (including the anticipated separation of Danaher into two independent companies by the end of 2016), strategic opportunities, securities offerings, stock repurchases, dividends and executive compensation; growth, declines and other trends in markets we sell into; new or modified laws, regulations and accounting pronouncements; outstanding claims, legal proceedings, tax audits and assessments and other contingent liabilities; foreign currency exchange rates and fluctuations in those rates; general economic and capital markets conditions; the timing of any of the foregoing; assumptions underlying any of the foregoing; and any other statements that address events or developments that Danaher intends or believes will or may occur in the future. Terminology such as "believe," "anticipate," "should," "could," "intend," "plan," "expect," "estimate," "project," "target," "ma "potential," "forecast" and "positioned" and similar references to future periods are intended to identify forward-looking statements, although not all forward-looking statements are accompanied by such words.

Forward-looking statements are based on assumptions and assessments made by our management in light of their experience and perceptions of historical trends, current conditions, expected future developments and other factors they believe to be appropriate. Forward-looking statements are not guarantees of future performance and actual results may differ materially from the results, developments and business decisions contemplated by our forward-looking statements. Accordingly, you should not place undue reliance on any such forward-looking statements. Important factors that could cause actual results to differ materially from those envisaged in the forward-looking statements include the following:

- Conditions in the global economy, the markets we serve and the financial markets may adversely affect our business and financial statements.
- Our restructuring actions could have long-term adverse effects on our business.
- Our growth could suffer if the markets into which we sell our products (including software) and services decline, do not grow as anticipated or experience cyclicality.
- We face intense competition and if we are unable to compete effectively, we may experience decreased demand and decreased market share. Even if we compete effectively, we may be required to reduce prices for our products and services.

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- Our growth depends in part on the timely development and commercialization, and customer acceptance, of new and enhanced products and services based on technological innovation.
- Our reputation, ability to do business and financial statements may be impaired by improper conduct by any of our employees, agents or business partners.
- Any inability to consummate acquisitions at our historical rate and at appropriate prices could negatively impact our growth rate and stock price.
- Our acquisition of businesses, joint ventures and strategic relationships could negatively impact our financial statements.
- Our anticipated acquisition of Pall Corporation may not be completed on the currently contemplated timeline, or at all, and if completed could negatively impact our financial position, profitability and return on invested capital.
- The indemnification provisions of acquisition agreements by which we have acquired companies may not fully protect us and as a result we may face unexpected liabilities.
- Divestitures and other dispositions could negatively impact our business, and contingent liabilities from businesses that we have sold could adversely affect our financial statements.
- We are pursuing a plan to separate into two independent publicly traded companies. The proposed separation may not be completed on the currently contemplated timeline, or at all, and may not achieve the intended benefits.
- Certain of our businesses are subject to extensive regulation by the U.S. Food and Drug Administration (“FDA”) and by comparable agencies of other countries, as well as laws regulating fraud and abuse in the healthcare industry and the privacy and security of health information. Failure to comply with those regulations could adversely affect our reputation and financial statements.
- The healthcare industry and related industries that we serve have undergone, and are in the process of undergoing, significant changes in an effort to reduce costs, which could adversely affect our financial statements.
- Our operations, products and services expose us to the risk of environmental, health and safety liabilities, costs and violations that could adversely affect our reputation and financial statements.
- Our businesses are subject to extensive regulation; failure to comply with those regulations could adversely affect our financial statements and reputation.
- We may be required to recognize impairment charges for our goodwill and other intangible assets.
- Foreign currency exchange rates may adversely affect our financial statements.
- Changes in our tax rates or exposure to additional income tax liabilities or assessments could affect our profitability. In addition, audits by tax authorities could result in additional tax payments for prior periods.
- We are subject to a variety of litigation and other legal and regulatory proceedings in the course of our business that could adversely affect our financial statements.
- If we do not or cannot adequately protect our intellectual property, or if third parties infringe our intellectual property rights, we may suffer competitive injury or expend significant resources enforcing our rights.
- Third parties may claim that we are infringing or misappropriating their intellectual property rights and we could suffer significant litigation expenses, losses or licensing expenses or be prevented from selling products or services.
- Defects and unanticipated use or inadequate disclosure with respect to our products (including software) or services could adversely affect our business, reputation and financial statements.
- The manufacture of many of our products is a highly exacting and complex process, and if we directly or indirectly encounter problems manufacturing products, our reputation, business and financial statements could suffer.
- Our indebtedness may limit our operations and our use of our cash flow, and any failure to comply with the covenants that apply to our indebtedness could adversely affect our liquidity and financial statements.

- Adverse changes in our relationships with, or the financial condition, performance, purchasing patterns or inventory levels of, key distributors and other channel partners could adversely affect our financial statements.
- Our financial results are subject to fluctuations in the cost and availability of commodities that we use in our operations.
- If we cannot adjust our manufacturing capacity or the purchases required for our manufacturing activities to reflect changes in market conditions and customer demand, our profitability may suffer. In addition, our reliance upon sole or limited sources of supply for certain materials, components and services could cause production interruptions, delays and inefficiencies.
- Changes in governmental regulations may reduce demand for our products or services or increase our expenses.
- Work stoppages, union and works council campaigns and other labor disputes could adversely impact our productivity and results of operations.
- International economic, political, legal, compliance and business factors could negatively affect our financial statements.
- If we suffer loss to our facilities, supply chains, distribution systems or information technology systems due to catastrophe or other events, our operations could be seriously harmed.
- A significant disruption in, or breach in security of, our information technology systems could adversely affect our reputation and business.
- Our defined benefit pension plans are subject to financial market risks that could adversely affect our financial statements.

See Part I – Item 1A of the Company's 2014 Annual Report on Form 10-K for a further discussion regarding reasons that actual results may differ materially from the results, developments and business decisions contemplated by our forward-looking statements. Forward-looking statements speak only as of the date of the report, document, press release, webcast, call, materials or other communication in which they are made. We do not assume any obligation to update or revise any forward-looking statement, whether as a result of new information, future events and developments or otherwise.

OVERVIEW

General

As a result of the Company's geographic and industry diversity, the Company faces a variety of opportunities and challenges, including rapid technological development (including with respect to computing, mobile connectivity, communications and digitization) in most of the Company's served markets, the expansion and evolution of opportunities in high-growth markets, trends and costs associated with a global labor force, consolidation of the Company's competitors and increasing regulation. The Company defines high-growth markets as developing markets of the world experiencing extended periods of accelerated growth in gross domestic product and infrastructure which includes Eastern Europe, the Middle East, Africa, Latin America and Asia with the exception of Japan and Australia. The Company operates in a highly competitive business environment in most markets, and the Company's long-term growth and profitability will depend in particular on its ability to expand its business in high-growth geographies and high-growth market segments, identify, consummate and integrate appropriate acquisitions, develop innovative and differentiated new products, services and software with higher gross profit margins, expand and improve the effectiveness of the Company's sales force, continue to reduce costs and improve operating efficiency and quality, and effectively address the demands of an increasingly regulated environment. The Company is making significant investments, organically and through acquisitions, to address the rapid pace of technological change in its served markets and to globalize its manufacturing, research and development and customer-facing resources (particularly in high-growth markets) in order to be responsive to the Company's customers throughout the world and improve the efficiency of the Company's operations.

Business Performance and Outlook

While differences exist among the Company's businesses, on an overall basis, demand for the Company's products, software and services increased during the second quarter of 2015 as compared to the comparable period of 2014

resulting in aggregate year-over-year sales growth from existing businesses of 3.5%. The Company's continued investments in sales growth initiatives and the other business-specific factors discussed below also contributed to year-over-year sales growth. Geographically, year-over-year sales growth rates from existing businesses during the second quarter of 2015 were relatively

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balanced across the regions. Sales growth rates from existing businesses in high-growth markets grew at a mid-single digit rate during the second quarter of 2015 as compared to the comparable period of 2014 led by strength in China and the Middle East, partially offset by weakness in Russia and Brazil. High-growth markets represented approximately 27% of the Company's total sales in the second quarter of 2015. Sales from existing businesses in developed markets grew at a low-single digit rate during the second quarter of 2015 and were driven by mid-single digit growth in the United States and Western Europe, offset by slower growth in other developed markets. The Company expects overall sales growth to continue but remains cautious about challenges due to macro-economic and geopolitical uncertainties, including global uncertainties related to monetary and fiscal policies.

Acquisitions

During the first six months of 2015, the Company acquired seven businesses for total consideration of $599 million in cash, net of cash acquired. The businesses acquired complement existing units of the Environmental, Life Sciences & Diagnostics, Dental and Industrial Technologies segments. The aggregate annual sales of these seven businesses at the time of their respective acquisitions, in each case based on the company's revenues for its last completed fiscal year prior to the acquisition, were approximately $305 million.

Pending Acquisition

On May 12, 2015, Danaher and Pentagon Merger Sub, Inc., a New York corporation and an indirect, wholly-owned subsidiary of the Company ("Merger Sub"), and Pall Corporation ("Pall"), a New York corporation, entered into an Agreement and Plan of Merger (the "Merger Agreement"), pursuant to which the Company agreed to acquire all of the outstanding shares of common stock of Pall for $127.20 per share in cash, for a total enterprise value of approximately $13.8 billion, including assumed debt and net of acquired cash (the "Pall Acquisition"). Pall is a leading global provider of filtration, separation and purification solutions that remove contaminants or separate substances from a variety of solids, liquids and gases. In its fiscal year ended July 2014, Pall generated consolidated revenues of approximately $2.8 billion, with approximately $1.5 billion from its Life Sciences segment and approximately $1.3 billion from its Industrial segment. The Life Sciences segment serves customers in the biopharmaceutical market, as well as food and beverage and medical markets. The Industrial segment serves customers in the process technologies, aerospace and microelectronics markets. The acquisition of Pall is expected to provide additional sales and earnings growth opportunities for the Company by expanding geographic and product line diversity, including new product and service offerings in the areas of filtration, separation and purification, and through the potential acquisition of complementary businesses. As Pall is integrated into the Company, the Company also expects to realize significant cost synergies through the application of the Danaher Business System and the combined purchasing power of the Company and Pall.

Under the Merger Agreement, Merger Sub will, subject to the satisfaction or waiver of specified conditions, merge with and into Pall (the "Merger"), with Pall surviving the Merger as an indirect, wholly-owned subsidiary of the Company. The Merger is expected to be completed in the second half of 2015. The Company expects to finance the transaction primarily with available cash and proceeds from the issuance of commercial paper and other indebtedness, including the Euronotes described below. For a further description of the Company's anticipated plan for financing the Pall acquisition, please see "—Liquidity and Capital Resources - Financing for Pall Acquisition." The closing of the Merger is subject to customary closing conditions, including, among other things, approval of the Merger by holders of at least two-thirds of the outstanding shares of Pall common stock, receipt of required antitrust approvals and the absence of a material adverse effect on Pall. The Merger Agreement can be terminated by the Company or Pall under certain circumstances, and Pall will be required to pay the Company a termination fee of approximately $423 million in connection with certain terminations.

Danaher Separation

On May 13, 2015, the Company announced its intention to separate into two independent publicly traded companies (the "Separation"). Consummation of the Separation will create:

- a science and technology growth company ("New Danaher"). This company will retain the Danaher name and will include businesses that generated approximately $16.5 billion in revenues (adjusted to include the revenues of Pall - refer to Note 2 of the Consolidated Condensed Financial Statements), in their most recently completed fiscal year; and
-

a diversified industrial growth company ("NewCo"). The businesses expected to comprise NewCo generated approximately $6.0 billion in revenues in their most recently completed fiscal year.

The transaction is expected to occur through a tax-free separation. The Company is targeting to complete the Separation by the end of 2016, subject to the satisfaction of certain conditions, including obtaining final approval from the Danaher Board of

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Directors, satisfactory completion of financing, receipt of tax opinions, receipt of favorable rulings from the Internal Revenue Service and receipt of other regulatory approvals.

Disposition of Communications Business

On July 14, 2015, the Company consummated the split-off of the majority of its Test & Measurement segment's communications business (other than the data communications cable installation business and the communication service provider business of Fluke Networks which are now part of the instruments business of the Company's Test & Measurement segment) to Danaher shareholders who elected to exchange Danaher shares for ownership interests in the communications business, and the subsequent merger of the communications business with a subsidiary of NetScout Systems, Inc. ("NetScout"). Danaher shareholders who participated in the exchange offer tendered 26.0 million shares of Danaher common stock and received 62.5 million of NetScout shares which represents approximately 60% of the shares of NetScout common stock outstanding following the combination.

As the disposition occurred during the third quarter of 2015, the Company will classify the communications business as a discontinued operation in its historical financial statements beginning in the third quarter of 2015. The Company also expects to report a non-cash gain on the transaction representing the difference between the fair value of the Danaher shares tendered by Danaher's shareholders over the carrying value of the net assets transferred to shareholders. Finalization of this gain will occur in the third quarter of 2015 and will be included in the results of discontinued operations in future reporting periods. For the year ended December 31, 2014, the disposed communications business had revenues of $760 million.

Currency Exchange Rates

On a year-over-year basis, currency exchange rates adversely impacted reported sales for the three and six month periods ended July 3, 2015 by approximately 6.5%, as compared to exchange rate levels during the comparable periods of 2014 primarily due to the strengthening of the U.S. dollar against most major currencies. If the currency exchange rates in effect as of July 3, 2015 were to prevail throughout the remainder of 2015, currency exchange rates would reduce the Company’s estimated full-year 2015 sales by approximately 5.5% on a year-over-year basis. Additional strengthening of the U.S. dollar against other major currencies would further adversely impact the Company's sales and results of operations, and any weakening of the U.S. dollar against other major currencies would positively impact the Company’s sales and results of operations for the remainder of the year.

RESULTS OF OPERATIONS

Consolidated sales for the three months ended July 3, 2015 increased 3.5% compared to the three months ended June 27, 2014. Sales from existing businesses contributed 3.5% growth, and sales from acquired businesses contributed 6.5% growth on a year-over-year basis. Currency translation decreased reported sales by 6.5% on a year-over-year basis.

Consolidated sales for the six months ended July 3, 2015 increased 4.0% compared to the six months ended June 27, 2014. Sales from existing businesses contributed 4.0% growth, and sales from acquired businesses contributed 6.5% growth on a year-over-year basis. Currency translation decreased reported sales by 6.5% on a year-over-year basis.

In this report, references to sales from existing businesses refers to sales calculated according to generally accepted accounting principles in the United States (“GAAP”) but excluding (1) sales from acquired businesses and (2) the impact of currency translation. References to sales or operating profit attributable to acquisitions or acquired businesses refer to GAAP sales or operating profit, as applicable, from acquired businesses recorded prior to the first anniversary of the acquisition less the amount of sales and operating profit, as applicable, attributable to divested product lines not considered discontinued operations. The portion of revenue attributable to currency translation is calculated as the difference between (a) the period-to-period change in revenue (excluding sales from acquired businesses) and (b) the period-to-period change in revenue (excluding sales from acquired businesses) after applying current period foreign exchange rates to the prior year period. Sales from existing businesses should be considered in addition to, and not as a replacement for or superior to, sales, and may not be comparable to similarly titled measures reported by other companies. Management believes that reporting the non-GAAP financial measure of sales from existing businesses provides useful information to investors by helping identify underlying growth trends in our business and facilitating easier comparisons of our revenue performance with our performance in prior and future

periods and to our peers. The Company excludes the effect of currency translation from sales from existing businesses because currency translation is not under management's control, is subject to volatility and can obscure underlying business trends, and excludes the effect of acquisitions and divestiture related items because the nature, size and number of acquisitions and divestitures can vary dramatically from period to period and between the Company and its peers and can also obscure underlying business trends and make comparisons of long-term performance difficult. References to sales volume refer to the impact of both price and unit sales.

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Operating profit margins were 18.2% for the three months ended July 3, 2015 as compared to 17.9% in the comparable period of 2014. The following factors impacted year-over-year operating profit margin comparisons.

2015 vs. 2014 operating profit margin comparisons were favorably impacted by:

- Higher 2015 sales volumes and incremental year-over-year cost savings associated with the restructuring actions and continuing productivity improvement initiatives taken in 2014, net of incremental year-over-year costs associated with various new product development, sales and marketing growth investments and the effect of a strong U.S. dollar - 80 basis points

2015 vs. 2014 operating profit margin comparisons were unfavorably impacted by:

- The incremental net dilutive effect in 2015 of acquired businesses and the product line disposition which occurred in the third quarter of 2014 - 50 basis points

Operating profit margins were 17.1% for the six months ended July 3, 2015 as compared to 17.4% in the comparable period of 2014. The following factors impacted year-over-year operating profit margin comparisons.

2015 vs. 2014 operating profit margin comparisons were favorably impacted by:

- Higher 2015 sales volumes and incremental year-over-year cost savings associated with the restructuring actions and continuing productivity improvement initiatives taken in 2014, net of incremental year-over-year costs associated with various new product development, sales and marketing growth investments and the continued effect of a strong U.S. dollar - 55 basis points

2015 vs. 2014 operating profit margin comparisons were unfavorably impacted by:

- The incremental net dilutive effect in 2015 of acquired businesses and the product line disposition which occurred in the third quarter of 2014 - 65 basis points
- Acquisition related charges associated with fair value adjustments to acquired inventory recorded in 2015 in connection with the Nobel Biocare acquisition (which acquisition occurred in December 2014) - 20 basis points

Business Segments

Sales by business segment for each of the periods indicated were as follows ($ in millions):

	Three Months Ended		Six Months Ended	
	July 3, 2015	June 27, 2014	July 3, 2015	June 27, 2014
Test & Measurement	$842.4	$856.5	$1,699.9	$1,727.5
Environmental	892.3	876.0	1,715.5	1,644.7
Life Sciences & Diagnostics	1,840.3	1,790.0	3,536.0	3,449.6
Dental	687.6	528.1	1,350.0	1,037.8
Industrial Technologies	864.5	913.0	1,699.0	1,766.7
Total	$5,127.1	$4,963.6	$10,000.4	$9,626.3

TEST & MEASUREMENT

The Company’s Test & Measurement segment offerings help customers design cutting-edge innovations and keep their businesses up and running. The Company's instrument business offers test, measurement and monitoring products that are used in electronic design, manufacturing and advanced technology development, as well as for installation, service and maintenance of electrical, industrial, electronic and calibration applications. The Company's communications business, which as noted above was disposed of in the third quarter of 2015, is a leading provider of products and solutions used in the design, deployment, monitoring and security of traditional, virtualized, mobile and cloud-based networks operated by communications service providers, hosting service providers, enterprises and government agencies worldwide. Customers for these products and services include manufacturers of electronic instruments; service, installation and maintenance professionals; manufacturers who design, develop, manufacture and deploy network equipment; and service providers who implement, maintain and manage communications networks and services. See Note 3 to the Consolidated Condensed Financial Statements for additional information related to the disposition of the communications business. The communications business continues to be reflected in the operating results of the periods presented. Also included in the Test & Measurement segment are the Company’s mobile tool and wheel service businesses.

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Test & Measurement Selected Financial Data

($ in millions)	Three Months Ended July 3, 2015	Three Months Ended June 27, 2014	Six Months Ended July 3, 2015	Six Months Ended June 27, 2014
Sales	$842.4	$856.5	$1,699.9	$1,727.5
Operating profit	160.6	157.8	331.3	350.5
Depreciation	9.8	10.5	19.4	21.1
Amortization	21.9	23.4	44.1	46.0
Operating profit as a % of sales	19.1 %	18.4 %	19.5 %	20.3 %
Depreciation as a % of sales	1.2 %	1.2 %	1.1 %	1.2 %
Amortization as a % of sales	2.6 %	2.7 %	2.6 %	2.7 %

Components of Sales Growth

	% Change Three Months Ended July 3, 2015 vs. Comparable 2014 Period	% Change Six Months Ended July 3, 2015 vs. Comparable 2014 Period
Existing businesses	2.5 %	2.5 %
Acquisitions	— %	— %
Currency exchange rates	(4.0)%	(4.0)%
Total	(1.5)%	(1.5)%

Year-over-year price increases in the segment contributed 0.5% to sales growth on a year-over-year basis during both the three and six month periods ended July 3, 2015 and are reflected as a component of the change in sales from existing businesses. On an overall basis, sales from existing businesses in the segment’s instruments, mobile tool and wheel service businesses grew during both the three and six month periods ended July 3, 2015, which was partly offset by sales declines in the segment's communications businesses during those same periods.

Sales from existing businesses in the segment's instruments businesses grew at a low-single digit rate during the three months ended July 3, 2015 and at a mid-single digit rate during the six months ended July 3, 2015, as compared to the comparable periods of 2014, due to increased year-over-year sales of calibration, industrial and biomedical products, primarily from strong sales in developed markets. The businesses also experienced growth in certain high-performance instrument categories as a result of continued recapitalization in technology related end markets. In addition, the additional days in the Company's first fiscal quarter of 2015 as compared to the comparable 2014 period also contributed to year-over-year sales growth during the six month period ended July 3, 2015. Geographically, growth continued to be strong in Western Europe, Asia and to a lesser extent North America while weak demand continued in Russia and Latin America.

Sales from existing businesses in the segment's communications businesses declined at a low-single digit rate during the three months ended July 3, 2015 and declined at a high-single digit rate during the six months ended July 3, 2015, as compared to the comparable periods of 2014 as certain large North American network management solutions customers were in the process of migrating to next-generation communication network technology infrastructures, and as a result delayed capital spending on their networks. During the first half of 2015, the business had a positive book-to-bill ratio and began delivering the first phase of its next-generation product. As a result, North American markets returned to growth in the second quarter of 2015. This growth was more than offset by declines in Europe and Asia during the three month period ended July 3, 2015 as certain large projects were completed in the comparable 2014 period in these regions. In addition, in the segment’s network security product line sales from existing businesses grew at a low-double digit rate on a year-over-year basis in both the three and six month period ended July 3, 2015, led by North America and Western Europe.

Operating profit margins increased 70 basis points during the three months ended July 3, 2015 as compared to the comparable period of 2014. Year-over-year operating profit margin comparisons were favorably impacted by higher sales volumes, as well as incremental year-over-year cost savings associated with the restructuring actions and

continuing productivity improvement initiatives taken in 2014 and continued cost controls in the business which were partially offset by the impact of the strong U.S. dollar.

Operating profit margins declined 80 basis points during the six months ended July 3, 2015 as compared to the comparable period of 2014. Year-over-year operating profit margin comparisons were unfavorably impacted by the mix of product sales, particularly lower levels of high margin communications business sales and the continued effect of a strong U.S. dollar, net of

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incremental year-over-year cost savings associated with the restructuring actions and continuing productivity improvement initiatives taken in 2014.

ENVIRONMENTAL

The Company's Environmental segment products and services help protect the global water supply, facilitate environmental stewardship, enhance the safety of personal data and improve business efficiencies. The Company's water quality business provides instrumentation and disinfection systems to help analyze, treat and manage the quality of ultra-pure, potable, waste, ground and ocean water in residential, commercial, industrial and natural resource applications. The Company's retail/commercial petroleum business is a leading worldwide provider of solutions and services focused on fuel dispensing, remote fuel management, point-of-sale and payment systems, environmental compliance, vehicle tracking and fleet management.

Environmental Selected Financial Data

	Three Months Ended		Six Months Ended	
($ in millions)	July 3, 2015	June 27, 2014	July 3, 2015	June 27, 2014
Sales	$892.3	$876.0	$1,715.5	$1,644.7
Operating profit	201.1	183.8	361.7	329.4
Depreciation	14.1	14.2	26.9	24.2
Amortization	9.1	8.8	18.1	16.8
Operating profit as a % of sales	22.5 %	21.0 %	21.1 %	20.0 %
Depreciation as a % of sales	1.6 %	1.6 %	1.6 %	1.5 %
Amortization as a % of sales	1.0 %	1.0 %	1.1 %	1.0 %

Components of Sales Growth

	% Change Three Months Ended July 3, 2015 vs. Comparable 2014 Period	% Change Six Months Ended July 3, 2015 vs. Comparable 2014 Period
Existing businesses	3.0 %	5.5 %
Acquisitions	5.5 %	5.5 %
Currency exchange rates	(6.5)%	(6.5)%
Total	2.0 %	4.5 %

Year-over-year price increases in the segment had a negligible impact on sales during both the three and six month periods ended July 3, 2015.

Sales from existing businesses in the segment's water quality businesses grew at a mid-single digit rate during both the three and six month periods ended July 3, 2015 as compared to the comparable periods of 2014. Sales growth in the analytical instrumentation product line continued to be led by strong sales of instruments and related consumables and services in all major geographies. Year-over-year sales growth for the three and six month periods in the business' chemical treatment solutions product line was due primarily to new product introductions in the U.S. as well as continued business expansion in Latin America. Sales in the business' ultraviolet water disinfection product line grew year-over-year during the first six months of 2015 due to improved demand in industrial disinfection end markets in the United States and municipal end markets in Western Europe.

Sales from existing businesses in the segment's retail petroleum equipment businesses grew at a low-single digit rate during the three months ended July 3, 2015 and at a mid-single digit rate during the six months ended July 3, 2015 as compared to the comparable periods of 2014 as demand for the business' dispenser systems, point-of-sale systems and vapor recovery products continues to be strong in North America and China offset somewhat by declines in Europe, Australia and Russia. Customers in the United States have begun to upgrade point-of-sale systems to comply with upcoming deadlines for enhanced security requirements based on the EMV global standard and the Company expects this trend to continue to drive growth throughout 2015.

The additional days in the Company's first fiscal quarter of 2015 as compared to the comparable 2014 period also contributed to year-over-year sales growth in both the water quality and retail petroleum equipment businesses for the six month period ended July 3, 2015.

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Operating profit margins increased 150 basis points during the three months ended July 3, 2015 as compared to the comparable period of 2014. The following factors favorably impacted year-over-year operating profit margin comparisons:

- Higher 2015 sales volumes and incremental year-over-year cost savings associated with the restructuring actions and continuing productivity improvement initiatives taken in 2014, net of incremental year-over-year costs associated with various new product development initiatives and the effect of a strong U.S. dollar - 145 basis points
- The incremental accretive effect in 2015 of acquired businesses - 5 basis points

Operating profit margins increased 110 basis points during the six months ended July 3, 2015 as compared to the comparable period of 2014. The following factors impacted year-over-year operating profit margin comparisons.

2015 vs. 2014 operating profit margin comparisons were favorably impacted by:

- Higher 2015 sales volumes and incremental year-over-year cost savings associated with the restructuring actions and continuing productivity improvement initiatives taken in 2014, net of incremental year-over-year costs associated with various new product development initiatives and the continued effect of a strengthening U.S. dollar - 160 basis points

2015 vs. 2014 operating profit margin comparisons were unfavorably impacted by:

- The incremental net dilutive effect in 2015 of acquired businesses - 50 basis points

LIFE SCIENCES & DIAGNOSTICS

The Company's diagnostics business offers analytical instruments, reagents, consumables, software and services that hospitals, physicians' offices, reference laboratories and other critical care settings use to diagnose disease and make treatment decisions. The Company's life sciences business offers a broad range of research tools that scientists use to study the basic building blocks of life, including genes, proteins, metabolites and cells in order to understand the causes of disease, identify new therapies and test new drugs and vaccines.

Life Sciences & Diagnostics Selected Financial Data

	Three Months Ended		Six Months Ended	
($ in millions)	July 3, 2015	June 27, 2014	July 3, 2015	June 27, 2014
Sales	$1,840.3	$1,790.0	$3,536.0	$3,449.6
Operating profit	285.9	282.7	501.4	502.4
Depreciation	92.1	92.9	182.0	182.5
Amortization	47.4	40.3	93.9	79.5
Operating profit as a % of sales	15.5 %	15.8 %	14.2 %	14.6 %
Depreciation as a % of sales	5.0 %	5.2 %	5.1 %	5.3 %
Amortization as a % of sales	2.6 %	2.3 %	2.7 %	2.3 %

Components of Sales Growth

	% Change Three Months Ended July 3, 2015 vs. Comparable 2014 Period	% Change Six Months Ended July 3, 2015 vs. Comparable 2014 Period
Existing businesses	4.5 %	5.0 %
Acquisitions	5.5 %	5.0 %
Currency exchange rates	(7.0)%	(7.5)%
Total	3.0 %	2.5 %

Year-over-year price increases in the segment contributed 0.5% to sales growth on a year-over-year basis during both the three and six month periods ended July 3, 2015 and are reflected as a component of the change in sales from existing businesses.

Sales from existing businesses in the segment's diagnostics business grew at a mid-single digit rate during the three and six month periods ended July 3, 2015 as compared to the comparable periods of 2014. Demand in the clinical business increased on a year over-year-basis in both the three and six month periods ended July 3, 2015 led by continuing growth in the installed base in high-growth markets with strong demand for immunoassay product lines.

Strong global consumable sales related to the installed base of acute care instruments drove the majority of the year-over-year sales growth in the acute care diagnostic

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business in both the three and six month periods, which was led by the high-growth markets. Increased demand for advanced staining instruments primarily in North America and strong consumables demand in North America and China drove the majority of the year-over-year sales growth in the pathology diagnostics business. The additional days in the Company's first fiscal quarter of 2015 as compared to the comparable 2014 period also contributed to year-over-year sales growth for the six month period ended July 3, 2015.

Sales from existing businesses in the segment's life sciences businesses grew at a low-single digit rate during the three months ended July 3, 2015 and at a mid-single digit rate during the six months ended July 3, 2015 as compared to the comparable period of 2014. Sales of the business' broad range of mass spectrometers continued to grow on a year-over-year basis led by strong sales growth in the clinical and pharmaceutical markets in North America and Western Europe. Sales of microscopy products declined slightly on a year-over-year basis as strong growth in North America was more than offset by declines in Western Europe, Latin America and Asia. Demand for the business' flow cytometry instruments and centrifugation was strong during the first half of 2015 as compared to the comparable period in 2014, particularly in Europe and Japan. As noted above, the additional days in the Company's first fiscal quarter of 2015 as compared to the comparable 2014 period also contributed to year-over-year sales growth for the six month period ended July 3, 2015.

Operating profit margins declined 30 basis points during the three months ended July 3, 2015 as compared to the comparable period of 2014. The following factors impacted year-over-year operating profit margin comparisons.

2015 vs. 2014 operating profit margin comparisons were favorably impacted by:

- Incremental year-over-year cost savings associated with the restructuring actions and continuing productivity improvement initiatives taken in 2014, net of incremental year-over-year costs associated with sales and marketing growth investments and the effect of a strong U.S. dollar - 55 basis points

2015 vs. 2014 operating profit margin comparisons were unfavorably impacted by:

- The incremental net dilutive effect in 2015 of acquired businesses - 85 basis points

Operating profit margins declined 40 basis points during the six months ended July 3, 2015 as compared to the comparable period of 2014. The following factors impacted year-over-year operating profit margin comparisons.

2015 vs. 2014 operating profit margin comparisons were favorably impacted by:

- Incremental year-over-year cost savings associated with the restructuring actions and continuing productivity improvement initiatives taken in 2014, net of incremental year-over-year costs associated with various new product development and the continued effect of a strengthening U.S. dollar - 85 basis points

2015 vs. 2014 operating profit margin comparisons were unfavorably impacted by:

- The incremental net dilutive effect in 2015 of acquired businesses - 125 basis points

DENTAL

The Company’s Dental segment provides products that are used to diagnose, treat and prevent disease and ailments of the teeth, gums and supporting bone, as well as to improve the aesthetics of the human smile. The Company is a leading worldwide provider of a broad range of dental consumables, equipment and services, and is dedicated to driving technological innovations that help dental professionals improve clinical outcomes and enhance productivity.

Dental Selected Financial Data

	Three Months Ended		Six Months Ended	
($ in millions)	July 3, 2015	June 27, 2014	July 3, 2015	June 27, 2014
Sales	$687.6	$528.1	$1,350.0	$1,037.8
Operating profit	97.3	77.9	157.4	153.4
Depreciation	12.3	8.9	25.0	17.6
Amortization	19.4	11.6	41.5	23.4
Operating profit as a % of sales	14.2 %	14.8 %	11.7 %	14.8 %
Depreciation as a % of sales	1.8 %	1.7 %	1.9 %	1.7 %
Amortization as a % of sales	2.8 %	2.2 %	3.1 %	2.3 %

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Components of Sales Growth

	% Change Three Months Ended July 3, 2015 vs. Comparable 2014 Period	% Change Six Months Ended July 3, 2015 vs. Comparable 2014 Period
Existing businesses	1.0 %	0.5 %
Acquisitions	37.5 %	38.5 %
Currency exchange rates	(8.5)%	(9.0)%
Total	30.0 %	30.0 %

Year-over-year price increases in the segment contributed 1.0% to sales growth on a year-over-year basis during both the three and six month periods ended July 3, 2015 and are reflected as a component of the change in sales from existing businesses.

Sales from existing businesses grew on a year-over-year basis for the three month period ended July 3, 2015 as a result of improving demand for dental consumables including orthodontic and implant products primarily in North America, China and the Middle East. This growth was partially offset by a modest decline in dental technologies including imaging products due to destocking in the North American distribution channel. For the six month period ended July 3, 2015, sales were relatively flat largely reflecting the effect of distributors destocking in North America as discussed above. The additional days in the Company's first fiscal quarter of 2015 as compared to the comparable 2014 period also contributed to year-over-year sales growth during the six month period ended July 3, 2015. The acquisition of Nobel Biocare in December 2014 has provided additional sales and earnings growth opportunities for the Company's Dental segment by expanding the businesses' geographic and product line diversity, including new and complementary product and service offerings in the area of implant based tooth replacements.

Operating profit margins declined 60 basis points during the three months ended July 3, 2015 as compared to the comparable period of 2014. Year-over-year operating profit margin comparisons were unfavorably impacted by:

- Incremental year-over-year costs associated with various product development, sales and marketing growth investments and the effect of a strong U.S. dollar, net of incremental year-over-year cost savings associated with the restructuring actions and continuing productivity improvement initiatives taken in 2014 - 25 basis points
- The incremental net dilutive effect in 2015 of acquired businesses (as Nobel Biocare is integrated into the Company, the Company expects to realize significant cost synergies through the application of the Danaher Business System and the combined purchasing power of the Company and Nobel Biocare) - 35 basis points

Operating profit margins declined 310 basis points during the six months ended July 3, 2015 as compared to the comparable period of 2014. The following factors impacted year-over-year operating profit margin comparisons.

2015 vs. 2014 operating profit margin comparisons were favorably impacted by:

- The incremental net accretive effect in 2015 of acquired businesses - 40 basis points

2015 vs. 2014 operating profit margin comparisons were unfavorably impacted by:

- Lower 2015 sales volumes from existing businesses and incremental year-over-year costs associated with various product development, sales and marketing growth investments and the continued effect of a strong U.S. dollar, net of incremental year-over-year cost savings associated with the restructuring actions and continuing productivity improvement initiatives taken in 2014 - 200 basis points
- Acquisition related charges associated with fair value adjustments to acquired inventory recorded in 2015 in connection with the Nobel Biocare acquisition - 150 basis points

Depreciation and amortization increased during both the three and six month periods ended July 3, 2015 as compared to the comparable periods of 2014 due primarily to the impact of recently acquired businesses.

INDUSTRIAL TECHNOLOGIES

The Company's Industrial Technologies segment solutions help protect the world's food supply, improve packaging design and quality, verify pharmaceutical dosages and authenticity and power innovative machines. The Company's product identification business develops and manufactures equipment, consumables and software for various printing,

marking, coding, design and color management applications on consumer and industrial products. The Company's automation business provides mechanical and electromechanical motion control solutions for the automation market. In addition to the product identification and automation strategic lines of business, the segment also includes Danaher's sensors and controls, energetic materials and engine retarder businesses.

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Industrial Technologies Selected Financial Data

	Three Months Ended		Six Months Ended	
	July 3, 2015	June 27, 2014	July 3, 2015	June 27, 2014
Sales	$864.5	$913.0	$1,699.0	$1,766.7
Operating profit	221.4	217.5	426.6	409.2
Depreciation	10.9	11.9	22.3	23.4
Amortization	9.3	10.9	18.4	21.8
Operating profit as a % of sales	25.6 %	23.8 %	25.1 %	23.2 %
Depreciation as a % of sales	1.3 %	1.3 %	1.3 %	1.3 %
Amortization as a % of sales	1.1 %	1.2 %	1.1 %	1.2 %

Components of Sales Growth

	% Change Three Months Ended July 3, 2015 vs. Comparable 2014 Period	% Change Six Months Ended July 3, 2015 vs. Comparable 2014 Period
Existing businesses	4.0 %	5.5 %
Acquisitions (divestitures), net	(3.5)%	(3.5)%
Currency exchange rates	(6.0)%	(6.0)%
Total	(5.5)%	(4.0)%

Price increases in the segment contributed 1.0% to sales growth on a year-over-year basis during both the three and six month periods ended July 3, 2015 and are reflected as a component of the change in sales from existing businesses.

Sales from existing businesses in the segment's product identification businesses grew at a high-single digit rate during both the three and six months ended July 3, 2015 as compared to the comparable periods of 2014, due to continued increased demand for marking and coding equipment and related consumables as well as packaging and color solutions. Year-over-year sales growth was strong in all major geographies, led by Western Europe and North America.

Sales from existing businesses in the segment's automation businesses grew at a low-single digit rate and at a mid-single digit rate during the three and six month periods ended July 3, 2015, respectively, as compared to the comparable periods of 2014. Continued growth in industrial automation and North America distribution related end-markets and strong year-over-year demand in the defense and technology related end-markets, particularly in North America during the three month period, was partially offset by lower year-over-year demand in agricultural related end-markets in both periods. Geographically, year-over-year sales growth was strong in both periods in all major geographies, with particular strength in Western Europe and high-growth markets. During the third quarter of 2014, the Company sold its electric vehicle systems/hybrid product line. The impact of this divestiture is reflected in "Acquisitions (divestitures), net" in the Components of Sales Growth table above as the disposition was not deemed a discontinued operation for financial reporting purposes.

Sales from existing businesses in the segment's other businesses collectively declined at a low-single digit rate during the three month period and grew at a low-single digit rate during the six month period ended July 3, 2015 as compared to the comparable periods of 2014. Sales in the segment's sensors and controls businesses were essentially flat on a year-over-year basis during the three month period, primarily due to soft demand in North America, but grew during the six month period. The segment's engine retarder business continued to grow on a year-over-year basis in both periods and partially offset the lower sales levels in the segment's energetic materials business in both periods.

The additional days in the Company's first fiscal quarter of 2015 as compared to the comparable period of 2014 also contributed to year-over-year sales growth during the six month period ended July 3, 2015.

Operating profit margins increased 180 basis points during the three months ended July 3, 2015 as compared to the comparable period of 2014. Year-over-year operating profit margin comparisons were favorably impacted by:

- Higher 2015 sales volumes, incremental year-over-year cost savings associated with the restructuring actions and continuing productivity improvement initiatives taken in 2014, net of incremental year-over-year costs associated with various new product development and sales and marketing growth investments - 165 basis points

- The incremental net accretive effect in 2015 of the product line disposition which occurred in the third quarter of 2014 - 15 basis points

Operating profit margins increased 190 basis points during the six months ended July 3, 2015 as compared to the comparable period of 2014. Year-over-year operating profit margin comparisons were favorably impacted by:

- Higher 2015 sales volumes, incremental year-over-year cost savings associated with the restructuring actions and continuing productivity improvement initiatives taken in 2014, net of incremental year-over-year costs associated with various new product development and sales and marketing growth investments - 170 basis points
- The incremental net accretive effect in 2015 of the product line disposition which occurred in the third quarter of 2014 - 20 basis points

COST OF SALES AND GROSS PROFIT

	Three Months Ended		Six Months Ended	
($ in millions)	July 3, 2015	June 27, 2014	July 3, 2015	June 27, 2014
Sales	$5,127.1	$4,963.6	$10,000.4	$9,626.3
Cost of sales	(2,366.9)	(2,343.4)	(4,640.2)	(4,553.2)
Gross profit	2,760.2	2,620.2	5,360.2	5,073.1
Gross profit margin	53.8 %	52.8 %	53.6 %	52.7 %

The year-over-year increase in cost of sales during both the three and six month periods ended July 3, 2015 as compared to the comparable periods in 2014, is due primarily to the impact of higher year-over-year sales volumes, including sales volumes from recently acquired businesses, and 2015 acquisition-related charges associated with fair value adjustments to acquired inventory in connection with the acquisition of Nobel Biocare during the fourth quarter of 2014, partially offset by incremental year-over-year cost savings associated with the restructuring and continued productivity improvement actions in 2014.

The year-over-year increase in gross profit margins during both the three and six month periods ended July 3, 2015 as compared to the comparable periods in 2014, is due primarily to the favorable impact of higher year-over-year sales volumes, higher gross profit margins of recently acquired businesses and incremental year-over-year cost savings associated with 2014 restructuring activities and continued productivity improvements, partially offset by 2015 acquisition related charges associated with fair value adjustments to acquired inventory in connection with the acquisition of Nobel Biocare during the fourth quarter of 2014.

OPERATING EXPENSES

	Three Months Ended		Six Months Ended	
($ in millions)	July 3, 2015	June 27, 2014	July 3, 2015	June 27, 2014
Sales	$5,127.1	$4,963.6	$10,000.4	$9,626.3
Selling, general and administrative ("SG&A") expenses	1,484.2	1,394.5	2,970.9	2,745.1
Research and development ("R&D") expenses	344.9	336.4	684.0	649.8
SG&A as a % of sales	28.9 %	28.1 %	29.7 %	28.5 %
R&D as a % of sales	6.7 %	6.8 %	6.8 %	6.8 %

Selling, general and administrative expenses as a percentage of sales increased 80 and 120 basis points on a year-over-year basis for the three and six month periods ended July 3, 2015, respectively, as compared with the comparable periods of 2014. The increase in selling, general and administrative expenses as a percentage of sales was driven by continued investments in sales and marketing growth initiatives and higher relative spending levels at recently acquired businesses.

Research and development expenses (consisting principally of internal and contract engineering personnel costs) as a percentage of sales decreased 10 basis points during the three month period and were flat during the six month period ended July 3, 2015 as compared to the comparable periods of 2014. The decrease during the three month period is due to year-over-year differences in the timing of investments in the Company's new product development initiatives partially offset by higher relative spending levels at recently acquired businesses.

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INTEREST COSTS AND FINANCING

For a discussion of the Company’s outstanding indebtedness, refer to Note 6 of the Consolidated Condensed Financial Statements.

Interest expense of $30 million and $60 million for the three and six months ended July 3, 2015, respectively, was $3 million and $6 million lower than the comparable periods of 2014. The decrease in interest expense for the three and six months ended July 3, 2015 results primarily from the repayment of the $400 million principal amount of 1.3% senior notes due 2014 upon maturity in June 2014.

INCOME TAXES

The Company’s effective tax rate for the three and six months ended July 3, 2015 was 23.0% and 23.3%, respectively, as compared to 23.0% and 23.4% for the three and six months ended June 27, 2014, respectively.

The Company's effective tax rate for 2015 and 2014 differs from the U.S. federal statutory rate of 35.0% due principally to the Company’s earnings outside the United States that are indefinitely reinvested and taxed at rates lower than the U.S. federal statutory rate. The effective tax rate for each of the three and six months ended July 3, 2015 reflects benefits from foreign exchange losses and expiration of statutes of limitation, partially offset by tax expense incurred for transactions in preparation for the disposition of the Company's communications business to NetScout. The Company incurred $17 million ($0.02 per diluted share) of discrete tax expense in the second quarter of 2015 on transactions related to this disposition. The Company also realized other discrete tax benefits of $16 million ($0.02 per diluted share) during the three months ended July 3, 2015 which offset this charge. The effective tax rate for the three and six months ended June 27, 2014 includes tax benefits in foreign tax jurisdictions for release of valuation allowances and expiration of statutes of limitation, partially offset by audit settlements in various tax jurisdictions.

The Company conducts business globally, and files numerous consolidated and separate income tax returns in federal, state and foreign jurisdictions. The countries in which the Company has a significant presence that have significantly lower statutory tax rates than the United States include China, Denmark, Germany and the United Kingdom. The Company's ability to obtain a tax benefit from lower statutory tax rates outside of the United States is dependent on its levels of taxable income in these foreign countries. The Company believes that a change in the statutory tax rate of any individual foreign country would not have a material effect on the Company's financial statements given the geographic dispersion of the Company's taxable income.

The Company and its subsidiaries are routinely examined by various domestic and international taxing authorities. The U.S. Internal Revenue Service (“IRS”) has completed examinations of certain of the Company's federal income tax returns through 2009 and is currently examining certain of the Company's federal income tax returns for 2010 through 2013. In addition, the Company has subsidiaries in Belgium, Brazil, Canada, China, Denmark, France, Finland, Germany, India, Italy, Japan, Singapore, Sweden, the United Kingdom and various other countries, states and provinces that are currently under audit for years ranging from 2002 through 2013.

Tax authorities in Denmark have raised significant issues related to interest accrued by certain of the Company's subsidiaries. On December 10, 2013, the Company received assessments from the Danish tax authority (“SKAT”) totaling approximately DKK 1.2 billion including interest through July 3, 2015 (approximately $178 million based on exchange rates as of July 3, 2015), imposing withholding tax relating to interest accrued in Denmark on borrowings from certain of the Company's subsidiaries for the years 2004-2009. If the SKAT claims are successful, it is likely that the Company would be assessed additional amounts for years 2010-2012 totaling approximately DKK 675 million including interest through July 3, 2015 (approximately $100 million based on exchange rates as of July 3, 2015). Management believes the positions the Company has taken in Denmark are in accordance with the relevant tax laws and intends to vigorously defend its positions. The Company appealed these assessments with the National Tax Tribunal in 2014 and intends on pursuing this matter through the European Court of Justice should this appeal be unsuccessful. The ultimate resolution of this matter is uncertain, could take many years, and could result in a material adverse impact to the Company's financial statements, including its effective tax rate.

The effective tax rate for the second half of 2015 is forecasted to be approximately 23.5% based on the projected mix of earnings before tax by jurisdiction, excluding the impact of any matters that would be treated as “discrete.” The actual mix of earnings by jurisdiction could fluctuate from the Company's projection which would impact the Company's

effective tax rate for the period. In addition, the tax effects of discrete items, including accruals related to tax contingencies, the resolution of worldwide tax matters, tax audit settlements, statute of limitations expirations and changes in tax regulations, are reflected in the period in which they occur. As a result, it is reasonably possible that the actual effective tax rate used for financial reporting purposes will change in future periods.

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COMPREHENSIVE INCOME

For the three month period ended July 3, 2015, comprehensive income increased $8 million as compared to the comparable period of 2014, primarily due to increased net earnings. For the six month period ended July 3, 2015, comprehensive income decreased $680 million as compared to the comparable period of 2014, primarily due to the impact of foreign currency translation adjustments resulting from the strengthening of the U.S. dollar compared to most major currencies during the first half of 2015. For the six months ended July 3, 2015, the Company recorded a foreign currency translation loss of $635 million compared to a translation gain of $52 million for the six months ended June 27, 2014.

INFLATION

The effect of inflation on the Company's revenues and net earnings was not significant in the three and six month periods ended July 3, 2015.

LIQUIDITY AND CAPITAL RESOURCES

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

Following is an overview of the Company's cash flows and liquidity for the six months ended July 3, 2015:

Overview of Cash Flows and Liquidity

	Six Months Ended	
($ in millions)	July 3, 2015	June 27, 2014
Total operating cash flows	$1,617.6	$1,502.9
Cash paid for acquisitions	$(598.9)	$(606.7)
Payments for additions to property, plant and equipment	(258.1)	(278.6)
Payments for purchases of investments	(87.1)	—
Proceeds from sales of investments	—	25.0
All other investing activities	6.5	11.2
Net cash used in investing activities	$(937.6)	$(849.1)
Proceeds from the issuance of common stock	$131.5	$60.9
Payment of dividends	(165.9)	(87.4)
Repayments of borrowings (maturities of 90 days or less)	(259.9)	(13.4)
Repayments of borrowings (maturities longer than 90 days)	(1.8)	(403.6)
All other financing activities	(3.3)	—
Net cash used in financing activities	$(299.4)	$(443.5)

- Operating cash flows increased $115 million during the first half of 2015 as compared to the first half of 2014, primarily due to higher operating profit as well as higher non-cash charges for depreciation, amortization and stock compensation, decreased income tax payments and lower levels of investment in working capital during 2015 compared to 2014.
- Cash paid for acquisitions constituted the most significant use of cash during the first half of 2015. The Company acquired seven businesses during the first half of 2015 for total consideration (net of cash acquired) of $599 million.
- As of July 3, 2015, the Company held approximately $3.3 billion of cash and cash equivalents.

Operating Activities

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

Operating cash flows were approximately $1.6 billion for the first half of 2015, an increase of $115 million as compared to the comparable period of 2014. The year-over-year change in operating cash flows from 2014 to 2015 was primarily attributable to the following factors:

- The aggregate of trade accounts receivable, inventories and trade accounts payable used $166 million in operating cash flows during the first half of 2015, compared to $269 million used in the comparable period of 2014. The amount of cash flow generated from or used by the aggregate of trade accounts receivable, inventories and trade accounts payable depends upon how effectively the Company manages the cash conversion cycle, which effectively represents the number of days that elapse from the day it pays for the purchase of raw materials and components to the collection of cash from its customers and can be significantly impacted by the timing of collections and payments in a period.
- The aggregate of prepaid expenses and other assets and accrued expenses and other liabilities used $39 million of operating cash during the first half of 2015, compared to $19 million provided in the comparable period of 2014. The increase in deferred revenue offset by the timing of cash payments for income taxes as well as payments of various employee related liabilities, including with respect to recently acquired companies, drove the majority of this change.
- Net earnings for the first half of 2015 increased $9 million and included an increase of $36 million of depreciation and amortization expense as compared to the comparable period of 2014. Amortization expense primarily relates to the amortization of intangible assets acquired in connection with acquisitions and increased due to the impact of recently acquired businesses. Depreciation expense relates to both the Company's manufacturing and operating facilities as well as instrumentation leased to customers under operating-type lease arrangements and increased due primarily to increases in assets leased to customers and the impact of recently acquired businesses. Depreciation and amortization are non-cash expenses that decrease earnings without a corresponding impact to operating cash flows.

Investing Activities

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

Net cash used in investing activities was $938 million during the first half of 2015 compared to $849 million of cash used in the first half of 2014. For a discussion of the Company’s acquisitions during the first half of 2015 refer to “—Overview.”

Capital expenditures are made primarily for increasing capacity, replacing equipment, supporting new product development, improving information technology systems and the manufacture of instruments that are used in operating-type lease arrangements that certain of the Company’s businesses enter into with customers. Capital expenditures decreased $21 million on a year-over-year basis for the first half of 2015 compared to 2014 due primarily to the timing of these investments within the year. For the full year 2015, the Company expects capital spending to be between $650 million and $700 million, though actual expenditures will ultimately depend on business conditions.

Financing Activities and Indebtedness

Cash flows relating to financing activities consist primarily of cash flows associated with the issuance and repayments of commercial paper and other debt, issuance of common stock, excess tax benefits from stock-based compensation, and payments of cash dividends to shareholders. Financing activities used cash of $299 million during the first half of 2015 compared to $444 million of cash used in the comparable period of 2014. Cash used in financing activities during the six month period ended July 3, 2015 primarily relates to the $260 million of net repayments of commercial paper borrowings under the Euro commercial paper program in the first quarter of 2015. In the six months ended June 27, 2014, cash used in financing activities was driven by the repayment of $400 million of 1.3% senior notes which matured in June 2014.

For a description of the Company’s outstanding debt as of July 3, 2015, refer to Note 6 of the Consolidated Condensed Financial Statements. As of July 3, 2015, the Company was in compliance with all of its debt covenants.

The Company satisfies any short-term liquidity needs that are not met through operating cash flow and available cash primarily through issuances of commercial paper under its U.S. and Euro commercial paper programs. As of July 3, 2015, borrowings outstanding under the Company’s U.S. commercial paper program had a weighted average annual interest rate of 0.2% and a weighted average remaining maturity of approximately seven days. There was no commercial paper outstanding under the

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Euro commercial paper program as of July 3, 2015. As commercial paper obligations mature, the Company may issue additional short-term commercial paper obligations to refinance all or part of these borrowings. The Company has classified its borrowings outstanding under the commercial paper program as of July 3, 2015, as well as its 2.3% senior unsecured notes due June 2016, as long-term debt in the accompanying Consolidated Condensed Balance Sheet as the Company has the intent and ability, as supported by availability under the Superseded Credit Facility referenced below, to refinance these borrowings for at least one year from the balance sheet date.

As of July 3, 2015, no borrowings were outstanding under the Superseded Credit Facility, as defined below, and the Company was in compliance with all covenants under such facility. The Company has also entered into reimbursement agreements with various commercial banks to support the issuance of letters of credit.

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

Neither the Company nor any “affiliated purchaser” repurchased any shares of Company common stock during the three or six months ended July 3, 2015. On July 16, 2013, the Company's Board of Directors approved a repurchase program (the “Repurchase Program”) authorizing the repurchase of up to 20 million shares of the Company's common stock from time to time on the open market or in privately negotiated transactions. As of July 3, 2015, 20 million shares remained available for repurchase pursuant to the Repurchase Program.

Aggregate cash payments for dividends during the first half of 2015 were $166 million. The Company increased its quarterly dividend rate in both 2015 and 2014 effective with respect to the dividend paid in the second quarter of 2015 and 2014, respectively. In the second quarter of 2015, the Company declared a regular quarterly dividend of $0.135 per share payable on July 31, 2015 to holders of record on June 26, 2015, reflecting a 35% increase in the per share amount of the Company's quarterly dividend compared to the second quarter of 2014.

Cash and Cash Requirements

As of July 3, 2015, the Company held approximately $3.3 billion of cash and cash equivalents that were invested in highly liquid investment grade debt instruments with a maturity of 90 days or less with an approximate weighted average annual interest rate of 0.3%. Of this amount, approximately $1.6 billion was held within the United States and approximately $1.7 billion was held outside of the United States. The Company will continue to have cash requirements to support working capital needs, capital expenditures and acquisitions (including the acquisition of Pall), to pay interest and service debt, pay taxes and any related interest or penalties, fund its restructuring activities and pension plans as required, repurchase shares of the Company’s common stock, pay dividends to shareholders and support other business needs. The Company’s financing plans with respect to the Pall acquisition are described below. With respect to the Company’s other cash requirements, the Company generally intends to use available cash and internally generated funds to meet these cash requirements, but in the event that additional liquidity is required, particularly in connection with acquisitions, the Company may also borrow under its commercial paper program or the Credit Facilities, enter into new credit facilities and either borrow directly thereunder or use such credit facilities to backstop additional borrowing capacity under its commercial paper program and/or access the capital markets. The Company also may from time to time access the capital markets to take advantage of favorable interest rate environments or other market conditions.

While repatriation of some cash held outside the United States may be restricted by local laws, most of the Company's foreign cash balances could be repatriated to the United States but, under current law, could be subject to U.S federal income taxes, less applicable foreign tax credits. For most of its foreign subsidiaries, the Company makes an election regarding the amount of earnings intended for indefinite reinvestment, with the balance available to be repatriated to the United States. A deferred tax liability has been accrued for the funds that are available to be repatriated to the United States. No provisions for U.S. income taxes have been made with respect to earnings that are planned to be reinvested indefinitely outside the United States, and the amount of U.S. income taxes that may be applicable to such earnings is not readily determinable given the various tax planning alternatives the Company could employ if it

repatriated these earnings. The cash that the Company's foreign subsidiaries hold for indefinite reinvestment is generally used to finance foreign operations and investments, including acquisitions. As of July 3, 2015, management believes that it has sufficient liquidity to satisfy its cash needs, including its cash needs in the United States.
During 2015, the Company’s cash contribution requirements for its U.S. and its non-U.S. defined benefit pension plans are expected to be approximately $25 million and $55 million, respectively. The ultimate amounts to be contributed depend upon,

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among other things, legal requirements, underlying asset returns, the plan's funded status, the anticipated tax deductibility of the contribution, local practices, market conditions, interest rates and other factors.

Financing for Pall Acquisition

Danaher expects to finance the acquisition of Pall with available cash and proceeds from the issuance of commercial paper and other indebtedness, including the Euronotes described below.

On July 8, 2015, DH Europe Finance S.A., a wholly-owned finance subsidiary of the Company completed the underwritten public offering of each of the following series of euro-denominated senior unsecured notes (collectively, the "Euronotes"):

- €500 million aggregate principal amount of floating rate senior notes due 2017 (the "2017 Euronotes"). The 2017 Euronotes were issued at 100% of their principal amount, will mature on June 30, 2017 and bear interest at a floating rate equal to three-month EURIBOR plus 0.45% per year.
- €600 million aggregate principal amount of 1.0% senior notes due 2019 (the "2019 Euronotes"). The 2019 Euronotes were issued at 99.696% of their principal amount, will mature on July 8, 2019 and bear interest at the rate of 1.0% per year.
- €800 million aggregate principal amount of 1.7% senior notes due 2022 (the "2022 Euronotes"). The 2022 Euronotes were issued at 99.651% of their principal amount, will mature on January 4, 2022 and bear interest at the rate of 1.7% per year.
- €800 million aggregate principal amount of 2.5% senior notes due 2025 (the "2025 Euronotes"). The 2025 Euronotes were issued at 99.878% of their principal amount, will mature on July 8, 2025 and bear interest at the rate of 2.5% per year.

The Euronotes are fully and unconditionally guaranteed by the Company. Danaher received net proceeds, after underwriting discounts and commissions and offering expenses, of approximately €2.7 billion and anticipates using the net proceeds from the offering to pay a portion of the purchase price for the acquisition of Pall and for general corporate purposes. Interest on the Euronotes will be payable:

- on the floating rate 2017 Euronotes quarterly in arrears on March 30, June 30, September 30 and December 30 of each year, commencing on September 30, 2015;
- on the 2019 Euronotes and 2025 Euronotes annually in arrears on July 8 of each year, commencing on July 8, 2016; and
- on the 2022 Euronotes annually in arrears on January 4 of each year, commencing on January 4, 2016.

The indenture under which the Euronotes were issued contains customary covenants, all of which the Company was in compliance with as of July 22, 2015.

At any time prior to April 8, 2019 (three months prior to the maturity date of the 2019 Euronotes), in the case of the 2019 Euronotes, January 4, 2022 (the maturity date of the 2022 Euronotes), in the case of the 2022 Euronotes and April 8, 2025 (three months prior to the maturity date of the 2025 Euronotes), in the case of the 2025 Euronotes, the Company may redeem the applicable series of Euronotes, in whole or in part, by paying the principal amount and a "make-whole" premium, plus accrued and unpaid interest. If the Company does not consummate the acquisition of Pall on or prior to May 12, 2016, or if the merger agreement in respect of the Pall acquisition is terminated prior to that date, the Company will be required to redeem, in whole and not in part, each series of Euronotes on the special mandatory redemption date specified in the indenture at a redemption price equal to 101% of the aggregate principal amount of the Euronotes outstanding, plus accrued and unpaid interest. If a change of control triggering event occurs with respect to the Euronotes, each holder of Euronotes may require the Company to repurchase some or all of its Euronotes at a purchase price equal to 101% of the principal amount of the Euronotes, plus accrued and unpaid interest. A change of control triggering event means the occurrence of both a change of control and a rating event, each as defined in the indenture.

In connection with the Euronotes offering, the Company entered into €2.7 billion of currency exchange forward contracts to lock in a U.S. dollar value which is approximately equal to the aggregate principal amount owed under the Euronotes, with an average conversion rate of $1.106 per €1.00.

In addition, on July 10, 2015, the Company expanded the aggregate capacity of its U.S. and Euro commercial paper programs to $11.0 billion. The Company also expanded its credit facility borrowing capacity to $11.0 billion to

provide liquidity support

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for issuances under such programs. The Company replaced its existing $2.5 billion unsecured multi-year revolving credit facility (the "Superseded Credit Facility") with an amended and restated $4.0 billion unsecured multi-year revolving credit facility with a syndicate of banks that expires on July 10, 2020, subject to a one-year extension option at the request of the Company with the consent of the lenders (the “5-Year Credit Facility”), and entered into a new $7.0 billion 364-day unsecured revolving credit facility with a syndicate of banks that expires on July 8, 2016, subject to the Company’s option to convert any then-outstanding borrowings into term loans that are due and payable one year following such expiration date (the “364-Day Facility” and together with the 5-Year Credit Facility, the “Credit Facilities”).

The Company intends to use proceeds from the issuance of commercial paper to fund a portion of the purchase price for the Pall acquisition (refer to Note 2 of the Consolidated Condensed Financial Statements), and the increase in the size of the Company’s commercial paper programs is intended to provide sufficient capacity therefor. The Company also anticipates that a portion of the commercial paper that will be issued to finance the Pall acquisition will be refinanced with net proceeds from the future issuance of debt securities. Under the Company’s U.S. and Euro commercial paper programs, the Company or a subsidiary of the Company, as applicable, may issue and sell unsecured, short-term promissory notes. Interest expense on the notes is paid at maturity and is generally based on the ratings assigned to the Company by credit rating agencies at the time of the issuance and prevailing market rates measured by reference to LIBOR. The Credit Facilities provide liquidity support for issuances under the Company’s commercial paper programs, and can also be used for working capital and other general corporate purposes. The availability of the Credit Facilities as standby liquidity facilities to repay maturing commercial paper is an important factor in maintaining the existing credit ratings of the Company’s commercial paper programs. The Company expects to limit any borrowings under the Credit Facilities to amounts that would leave sufficient available borrowing capacity under such facilities to allow the Company to borrow, if needed, to repay all of the outstanding commercial paper as it matures.

Under the Credit Facilities, borrowings (other than bid loans under the 5-Year Credit Facility) bear interest at a rate equal to (at the Company’s option) either (1) a LIBOR-based rate (the “LIBOR-Based Rate”), or (2) the highest of (a) the Federal funds rate plus 1/2 of 1%, (b) the prime rate and (c) the LIBOR-Based Rate plus 1%, plus in each case a margin that, in the case of the 5-Year Credit Facility, varies according to the Company’s long-term debt credit rating. In addition to certain initial fees the Company paid with respect to the 5-Year Credit Facility at inception of the facility, the Company is obligated to pay an annual commitment or facility fee under each Credit Facility that, in the case of the 5-Year Credit Facility, varies according to the Company’s long-term debt credit rating. Each of the Credit Facilities requires the Company to maintain a consolidated leverage ratio (as defined in the respective facility) of 0.65 to 1.00 or less, and also contains customary representations, warranties, conditions precedent, events of default, indemnities and affirmative and negative covenants. As of July 22, 2015, no borrowings were outstanding under either of the Credit Facilities and the Company was in compliance with all covenants under each facility.

CRITICAL ACCOUNTING POLICIES

There were no material changes during the three months ended July 3, 2015 to the items that the Company disclosed as its critical accounting policies and estimates in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s 2014 Annual Report on Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and qualitative disclosures about market risk appear in “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Financial Instruments and Risk Management,” in the Company’s 2014 Annual Report on Form 10-K. There were no material changes during the three months ended July 3, 2015 to this information reported in the Company’s 2014 Annual Report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

The Company’s management, with the participation of the Company’s President and Chief Executive Officer, and Executive Vice President and Chief Financial Officer, has evaluated the effectiveness of the Company’s disclosure

controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report. Based on such evaluation, the Company’s President and Chief Executive Officer, and Executive Vice President and Chief Financial Officer, have concluded that, as of the end of such period, the Company’s disclosure controls and procedures were effective.

There have been no changes in the Company’s internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the Company’s most recent completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

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PART II - OTHER INFORMATION

ITEM 1A. RISK FACTORS

In addition to the risks identified below, information regarding risk factors appears in “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Information Related to Forward-Looking Statements,” in Part I - Item 2 of this Form 10-Q and in Part I - Item 1A of Danaher’s 2014 Annual Report on Form 10-K. Other than as set forth below, there were no material changes during the quarter ended July 3, 2015 to the risk factors reported in the Company’s 2014 Annual Report on Form 10-K.

Our anticipated acquisition of Pall may not be completed on the currently contemplated timeline, or at all, and if completed could negatively impact our financial position, profitability and return on invested capital.

We have signed a definitive merger agreement with Pall pursuant to which we have agreed to acquire all of the outstanding shares of Pall and Pall will become an indirect wholly-owned subsidiary of Danaher. The proposed transaction is subject to customary closing conditions and may not be completed on the currently contemplated timeline, or at all. If consummated, the acquisition of Pall will expand Danaher’s business into new markets and regulatory areas and involve a number of legal, financial, accounting, managerial, operational and other risks and challenges, including the following. Any of these risks and challenges could adversely affect our financial position, profitability and return on invested capital.

- Pall could under-perform relative to our expectations and the price that we pay for it, or not perform in accordance with our anticipated timetable.
- Pall could cause our financial results to differ from our own or the investment community’s expectations in any given period, or over the long-term.
- Earnings charges relating to the acquisition of Pall could adversely impact our operating results in any given period, and the impact may be substantially different from period to period.
- The integration of Pall could create demands on our management, operational resources and financial and internal control systems that we are unable to effectively manage.
- We could experience difficulty in integrating Pall’s personnel, operations and financial and other systems and retaining key employees and customers.
- We may be unable to achieve the cost savings or other synergies that we anticipate realizing as a result of the acquisition of Pall.
- By acquiring Pall we may assume unknown liabilities or internal control deficiencies, and the liabilities that we assume as a result of the acquisition may prove greater than anticipated. Any of these liabilities or deficiencies may increase our expenses, adversely affect our financial position or cause us to fail to meet our public financial reporting obligations.
- As a result of the acquisition of Pall, we expect to record significant goodwill and other indefinite lived intangible assets on our balance sheet. If we are not able to realize the value of these assets, we may be required to incur charges relating to the impairment of these assets.

We are pursuing a plan to separate into two independent publicly traded companies. The proposed separation may not be completed on the currently contemplated timeline or at all and may not achieve the intended benefits.

In May 2015, we announced a plan to separate into two independent public companies by the end of 2016 through a spin-off of certain of our businesses. Unanticipated developments, including possible delays in obtaining various tax rulings, regulatory approvals or clearances and trade qualifications, uncertainty of the financial markets and challenges in establishing infrastructure or processes, could delay or prevent the proposed separation or cause the proposed separation to occur on terms or conditions that are less favorable and/or different than expected. Even if the transaction is completed, we may not realize some or all of the anticipated benefits from the spin-off. Expenses incurred to accomplish the proposed separation may be significantly higher than what we currently anticipate. Executing the proposed separation also requires significant time and attention from management, which could distract them from other tasks in operating our business. Following the proposed separation, the combined value of the common stock of the two publicly-traded companies may not be equal to or greater than what the value of our common stock would have been had the proposed separation not occurred.

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ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Neither the Company nor any "affiliated purchaser" repurchased any shares of Company common stock during the three and six month periods ended July 3, 2015. On July 16, 2013, the Company's Board of Directors approved a repurchase program (the "Repurchase Program") authorizing the repurchase of up to 20 million shares of the Company's common stock from time to time on the open market or in privately negotiated transactions. There is no expiration date for the Repurchase Program, and the timing and amount of any shares repurchased under the program will be determined by the Company's management based on its evaluation of market conditions and other factors. The Repurchase Program may be suspended or discontinued at any time. Any repurchased shares will be available for use in connection with the Company's equity compensation plans (or any successor plans) and for other corporate purposes. As of July 3, 2015, 20 million shares remained available for repurchase pursuant to the Repurchase Program.

During the second quarter of 2015, holders of certain of the Company's Liquid Yield Option Notes due 2021 ("LYONs") converted such LYONs into an aggregate of 118,280 shares of Danaher common stock, par value $0.01 per share. In each case, the shares of common stock were issued solely to existing security holders upon conversion of the LYONs pursuant to the exemption from registration provided under Section 3(a)(9) of the Securities Act of 1933, as amended.

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ITEM 6. EXHIBITS

(a) Exhibits:

2.1	Agreement and Plan of Merger, dated as of May 12, 2015, by and among Danaher Corporation, Pentagon Merger Sub, Inc. and Pall Corporation (incorporated by reference from Exhibit 2.1 to Danaher Corporation's Current Report on Form 8-K filed on May 13, 2015 (Commission File Number: 1-8089)) +
3.1	Restated Certificate of Incorporation of Danaher Corporation (incorporated by reference from Exhibit 3.1 to Danaher Corporation's Quarterly Report on Form 10-Q for the quarter ended June 29, 2012 (Commission File Number: 1-8089))
3.2	Amended and Restated By-laws of Danaher Corporation (incorporated by reference from Exhibit 3.2 to Danaher Corporation's Annual Report on Form 10-K for the year ended December 31, 2011 (Commission File Number: 1-8089))
4.1	Indenture dated as of July 8, 2015, by and between Danaher Corporation, as guarantor, DH Europe Finance S.A., as issuer, and The Bank of New York Mellon Trust Company, N.A. as trustee (“Danaher International Indenture”) (incorporated by reference from Exhibit 4.1 to Danaher Corporation's Current Report on Form 8-K filed on July 8, 2015 (Commission File Number: 1-8089))
4.2	First Supplemental Indenture to Danaher International Indenture, dated as of July 8, 2015, by and between Danaher Corporation, as guarantor, DH Europe Finance S.A., as issuer, and The Bank of New York Mellon Trust Company, N.A. as trustee relating to the Floating Rate Senior Notes due 2017, the 1.000% Senior Notes due 2019, the 1.700% Senior Notes due 2022 and the 2.500% Senior Notes due 2025 (incorporated by reference from Exhibit 4.2 to Danaher Corporation's Current Report on Form 8-K filed on July 8, 2015 (Commission File Number: 1-8089))
4.3	Paying and Calculation Agency Agreement, dated as of July 8, 2015, by and among Danaher International, Danaher Corporation, and The Bank of New York Mellon, London Branch, as paying and calculation agent (incorporated by reference from Exhibit 4.3 to Danaher Corporation's Current Report on Form 8-K filed on July 8, 2015 (Commission File Number: 1-8089))
4.4	Form of Floating Rate Senior Notes due 2017 (included in Exhibit 4.2)
4.5	Form of 1.000% Senior Notes due 2019 (included in Exhibit 4.2)
4.6	Form of 1.700% Senior Notes due 2022 (included in Exhibit 4.2)
4.7	Form of 2.500% Senior Notes due 2025 (included in Exhibit 4.2)
10.1	Danaher Corporation 2007 Stock Incentive Plan, as amended * (incorporated by reference from Exhibit 10.1 to Danaher Corporation’s Current Report on Form 8-K filed on May 11, 2015 (Commission File Number: 1-8089))
10.2	Form of Danaher Corporation 2007 Stock Incentive Plan Stock Option Agreement for Non-Employee Directors *
10.3	Form of Danaher Corporation 2007 Stock Incentive Plan RSU Agreement for Non-Employee Directors *
10.4	Form of Danaher Corporation 2007 Stock Incentive Plan Stock Option Agreement *

10.5	Form of Danaher Corporation 2007 Stock Incentive Plan RSU Agreement *
10.6	Form of Danaher Corporation 2007 Stock Incentive Plan Performance Stock Unit Agreement *
10.7	Credit Agreement, dated as of July 10, 2015, among Danaher Corporation, Bank of America, N.A., as Administrative Agent and a Swing Line lender, Citibank, N.A. as Syndication Agent, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., The Bank Of Tokyo - Mitsubishi UFJ, Ltd., BNP Paribas Securities Corp., US Bank National Association, HSBC Securities (USA) Inc. and Wells Fargo Securities, LLC as Joint Lead Arrangers and Joint Book Managers, and the other lenders referred to therein (incorporated by reference from Exhibit 4.1 to Danaher Corporation's Current Report on Form 8-K filed on July 10, 2015 (Commission File Number: 1-8089))
10.8	Credit Agreement, dated as of July 10, 2015, among Danaher Corporation, Citibank, N.A. as Administrative Agent, Bank of America, N.A., as Syndication Agent, Deutsche Bank Securities Corp. and Barclays Bank Plc, as Documentation Agents, Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Deutsche Bank Securities Corp. and Barclays Bank Plc, as Joint Lead Arrangers and Joint Bookrunners and the other lenders referred to therein (incorporated by reference from Exhibit 4.2 to Danaher Corporation's Current Report on Form 8-K filed on July 10, 2015 (Commission File Number: 1-8089))
11.1	Computation of per-share earnings (See Note 11, "Net Earnings Per Share", to our Consolidated Condensed Financial Statements).

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12.1	Calculation of ratio of earnings to fixed charges
31.1	Certification of Chief Executive Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer, Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document **
101.SCH	XBRL Taxonomy Extension Schema Document **
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document **
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document **
101.LAB	XBRL Taxonomy Extension Label Linkbase Document **
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document **

+ The schedules to the Agreement and Plan of Merger have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. Danaher will furnish copies of such schedules to the Securities and Exchange Commission upon request.

* Indicates management contract or compensatory plan, contract or arrangement.

** Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Condensed Balance Sheets as of July 3, 2015 and December 31, 2014, (ii) Consolidated Condensed Statements of Earnings for the three and six months ended July 3, 2015 and June 27, 2014, (iii) Consolidated Condensed Statements of Comprehensive Income for the three and six months ended July 3, 2015 and June 27, 2014, (iv) Consolidated Condensed Statement of Stockholders' Equity for the six months ended July 3, 2015, (v) Consolidated Condensed Statements of Cash Flows for the six months ended July 3, 2015 and June 27, 2014, and (vi) Notes to Consolidated Condensed Financial Statements.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	DANAHER CORPORATION:
Date: July 22, 2015	By: /s/ Daniel L. Comas Daniel L. Comas Executive Vice President and Chief Financial Officer
Date: July 22, 2015	By: /s/ Robert S. Lutz Robert S. Lutz Senior Vice President and Chief Accounting Officer

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