

DANAHER CORPORATION
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES

Adjusted Diluted Net Earnings Per Share

	Three-Month Period Ended	
	March 29, 2019 ¹	March 30, 2018
Diluted Net Earnings Per Share (GAAP)	\$ 0.46	\$ 0.80
Pretax amortization of acquisition-related intangible assets ^A	0.25	0.24
Pretax separation and duplicative general and administrative costs related to the Dental business separation and initial public offering ^B	0.01	-
Pretax transaction costs deemed significant and integration preparation costs related to the anticipated GE Biopharma acquisition ^C	0.02	-
Provision for a legal contingency ^D	0.05	-
Tax effect of all adjustments reflected above ^E	(0.06)	(0.05)
Discrete tax adjustments and other tax-related adjustments ^F	0.34	-
Adjusted Diluted Net Earnings Per Share (Non-GAAP)	\$ 1.07	\$ 0.99

¹ Each of the per share adjustments was calculated assuming the Mandatory Convertible Preferred Stock ("MCPS") had been converted.

Forecasted Adjusted Diluted Net Earnings Per Share ²

	Three-Month Period Ending				Year Ending			
	June 28, 2019 ³		December 31, 2019 ³					
	Low End	High End	Low End	High End				
Forecasted Diluted Net Earnings Per Share (GAAP)	\$ 0.89	\$ 0.92	\$ 3.34	\$ 3.42				
Anticipated pretax amortization of acquisition-related intangible assets ^A	0.24	0.24	0.97	0.97				
Anticipated pretax separation and duplicative general and administrative costs related to the Dental business separation and initial public offering ^B	0.02	0.02	0.10	0.10				
Anticipated pretax transaction costs deemed significant and integration preparation costs related to the anticipated GE Biopharma acquisition ^C	0.02	0.02	0.12	0.12				
Provision for a legal contingency ^D	-	-	0.05	0.05				
Tax effect of all adjustments reflected above ^E	(0.05)	(0.05)	(0.23)	(0.23)				
Discrete tax adjustments and other tax-related adjustments ^F	-	-	0.33	0.33				
Anticipated dividends on the MCPS assuming "if-converted" method ^G	0.01	0.01	0.04	0.04				
Forecasted Adjusted Diluted Net Earnings Per Share (Non-GAAP)	\$ 1.13	\$ 1.16	\$ 4.72	\$ 4.80				

² These forward-looking estimates do not reflect future gains and charges that are inherently difficult to predict and estimate due to their unknown timing, effect and/or significance, such as certain future gains or losses on the sale of investments, acquisition or divestiture-related gains or charges, discrete tax items and legal contingency provisions.

³ Each of the per share adjustments was calculated assuming MCPS had been converted. Certain Adjusted Earnings Per Share components impact are different between the three-month period ending March 29, 2019 and the year ending December 31, 2019 since the MCPS were issued in March 2019 and have less of a dilutive impact on the three-month period than the full year.

See the accompanying Notes to Reconciliation of GAAP to Non-GAAP Financial Measures

Core Revenue ⁴

	% Change Three-Month Period Ended March 29, 2019 vs. Comparable 2018 Period
Total sales growth (GAAP)	4.0%
Less the impact of:	
Acquisitions	(2.5%)
Currency exchange rates	4.0%
Core revenue growth (Non-GAAP)	5.5%

⁴ We use the term "core revenue" to refer to GAAP revenue excluding (1) sales from acquired businesses recorded prior to the first anniversary of the acquisition less the amount of sales attributable to divested businesses or product lines not considered discontinued operations ("acquisitions") and (2) the impact of currency translation. The portion of GAAP revenue attributable to currency translation is calculated as the difference between (a) the period-to-period change in revenue (excluding acquisition sales) and (b) the period-to-period change in revenue (excluding acquisition sales) after applying current period foreign exchange rates to the prior year period. We use the term "core revenue growth" to refer to the measure of comparing current period core revenue with the corresponding period of the prior year.

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

(\$ in millions)	Three Month Period Ended		% Decrease
	March 29, 2019	March 30, 2018	
Net Operating Cash Used in Investing Activities GAAP	\$ (498.5)	\$ (122.7)	
Net Operating Cash Provided by (Used in) Financing Activities (GAAP)	2,877.8	(321.7)	
Net Operating Cash Provided by Operating Activities (GAAP)	\$ 703.3	\$ 828.9	≈ -15.0%
Less: payments for additions to property, plant & equipment (capital expenditures) (GAAP)	(155.7)	(137.9)	
Plus: proceeds from sales of property, plant & equipment (capital disposals) (GAAP)	0.8	0.4	
Free Cash Flow (Non-GAAP)	\$ 548.4	\$ 691.4	≈ -20.5%
Net Earnings (GAAP)	\$ 333.8	\$ 566.6	
Free Cash Flow to Net Earnings Conversion Ratio (Non-GAAP)	<u>1.64</u>	<u>1.22</u>	

Adjusted Diluted Shares Outstanding

(shares in millions)	Three-Month Period Ended				Forecasted	
	March 29, 2019	March 30, 2018	June 29, 2018	Year Ended December 31, 2018	Three-Month Period Ending June 28, 2019	Year Ending December 31, 2019
Average common stock and common equivalent shares outstanding - diluted	718.5	709.5	709.5	710.2	730.1	728.8
Converted shares ⁵	4.3	-	-	-	12.9	10.8
Adjusted average common stock and common equivalent shares outstanding - diluted	<u>722.8</u>	<u>709.5</u>	<u>709.5</u>	<u>710.2</u>	<u>743.0</u>	<u>739.6</u>

⁵ The number of converted shares assumes the conversion of all 1.65 million shares of common stock underlying the MCPS applying the "if-converted" method of accounting and using an average 20 trading-day trailing volume weighted average price ("VWAP") of \$128.09 as of March 29, 2019.

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(continued)

Notes to Reconciliation of GAAP to Non-GAAP Financial Measures

^A Amortization of acquisition-related intangible assets in the following historical and forecasted periods (\$ in millions) (only the pretax amounts set forth below are reflected in the amortization line item above):

	Three-Month Period Ended		Forecasted	
	March 29, 2019	March 30, 2018	Three-Month Period Ending June 28, 2019	Year Ending December 31, 2019
	March 29, 2019	March 30, 2018	June 28, 2019	December 31, 2019
Pretax	\$ 179.9	\$ 172.3	\$ 178.3	\$ 714.8
After-tax	144.3	137.0	142.6	572.2

- ^B Pretax costs incurred (or anticipated to be incurred, as applicable) in the three-month period ended March 29, 2019, (\$11 million pretax as reported in this line item, \$10 million after-tax), the three-month period ending June 28, 2019 (\$17 million pretax as reported in this line item, \$15 million after-tax) and the year ending December 31, 2019 (\$76 million pretax as reported in this line item, \$66 million after-tax) related to preparation for the anticipated Dental business separation and initial public offering primarily related to professional fees for legal, tax, finance and information technology services and duplicative general and administrative costs related to establishing a public company infrastructure for the business including incremental salaries, benefits and rent expense.
- ^C Pretax costs incurred (or anticipated to be incurred, as applicable) for transaction costs deemed significant and integration preparation costs in the three-month period ended March 29, 2019, (\$15 million pretax as reported in this line item, \$13 million after-tax), the three-month period ending June 28, 2019 (\$15 million pretax as reported in this line item, \$14 million after-tax) and the year ending December 31, 2019 (\$90 million pretax as reported in this line item, \$81 million after-tax) related to the anticipated GE Biopharma acquisition. The Company deems acquisition-related transaction costs incurred in a given period to be significant (generally relating to the Company's larger acquisitions) if it determines that such costs exceed the range of acquisition-related transaction costs typical for Danaher in a given period.
- ^D Provision for potential costs and liabilities in connection with a legal contingency (\$36 million pretax as presented in this line item, \$29 million after-tax) recorded in the three-month period ended March 29, 2019.
- ^E This line item reflects the aggregate tax effect of all nontax adjustments reflected in the preceding line items of the table. In addition, the footnote above indicates the after-tax amount of each individual adjustment item. Danaher estimates the tax effect of each adjustment item by applying Danaher's overall estimated effective tax rate to the pretax amount, unless the nature of the item and/or the tax jurisdiction in which the item has been recorded requires application of a specific tax rate or tax treatment, in which case the tax effect of such item is estimated by applying such specific tax rate or tax treatment. The MCPS are not tax deductible and therefore the tax effect of the adjustments does not include any tax impact of the MCPS dividends.
- ^F Discrete tax adjustments and other tax-related adjustments for the three-month period ended March 29, 2019 include the impact of net discrete tax charges of \$242 million (\$0.34 per diluted share) related primarily to changes in estimates associated with prior period uncertain tax positions and audit settlements, net of the release of valuation allowances associated with certain foreign tax credits and tax benefits resulting from a change in law and excess tax benefits from stock-based compensation realized in the three-month period ended March 29, 2019 in excess of anticipated levels. The Company anticipates excess tax benefits from stock compensation of approximately \$7 million per quarter and therefore excludes benefits in excess of this amount in the calculation of Adjusted Diluted Net Earnings Per Share.
- ^G In March 2019, the Company issued \$1.65 billion in aggregate liquidation preference of our 4.75% MCPS. Dividends on the MCPS are payable on a cumulative basis at an annual rate of 4.75% on the liquidation preference of \$1,000 per share. Unless earlier converted, each share of MCPS will automatically convert on April 15, 2022 into between 6.6368 and 8.1300 shares of Danaher's common stock, subject to further anti-dilution adjustments. The number of shares of Danaher's common stock issuable on conversion of the MCPS will be determined based on the VWAP per share of our common stock over the 20 consecutive trading day period beginning on, and including, the 21st scheduled trading day immediately before April 15, 2022. For the purposes of calculating adjusted earnings per share, the Company has excluded the anticipated MCPS dividends and assumed the "if converted" method of share dilution (the incremental shares of common stock deemed outstanding applying the "if-converted" method of calculating share dilution are referred to as the "Converted Shares.") The Company believes that using the "if-converted" method provides additional insight to investors on the potential impact of the MCPS once they are converted into common stock no later than April 15, 2022.

Statement Regarding Non-GAAP Measures

Each of the non-GAAP measures set forth above should be considered in addition to, and not as a replacement for or superior to, the comparable GAAP measure, and may not be comparable to similarly titled measures reported by other companies. Management believes that these measures provide useful information to investors by offering additional ways of viewing Danaher Corporation's ("Danaher" or the "Company") results that, when reconciled to the corresponding GAAP measure, help our investors to:

- with respect to Adjusted Diluted Net Earnings Per Share, understand the long-term profitability trends of our business and compare our profitability to prior and future periods and to our peers;
- with respect to core revenue, identify underlying growth trends in our business and compare our revenue performance with prior and future periods and to our peers; and
- with respect to free cash flow (the "FCF Measure"), understand Danaher's ability to generate cash without external financings, strengthen its balance sheet, invest in its business and grow its business through acquisitions and other strategic opportunities (although a limitation of free cash flow is that it does not take into account the Company's debt service requirements and other non-discretionary expenditures, and as a result the entire free cash flow amount is not necessarily available for discretionary expenditures).

Management uses these non-GAAP measures to measure the Company's operating and financial performance, and uses core revenue and non-GAAP measures similar to Adjusted Diluted Net Earnings Per Share and the FCF Measure in the Company's executive compensation program.

The items excluded from the non-GAAP measures set forth above have been excluded for the following reasons:

- With respect to Adjusted Diluted Net Earnings Per Share:
 - We exclude the amortization of acquisition-related intangible assets because the amount and timing of such charges are significantly impacted by the timing, size, number and nature of the acquisitions we consummate. While we have a history of significant acquisition activity we do not acquire businesses on a predictable cycle, and the amount of an acquisition's purchase price allocated to intangible assets and related amortization term are unique to each acquisition and can vary significantly from acquisition to acquisition. Exclusion of this amortization expense facilitates more consistent comparisons of operating results over time between our newly acquired and long-held businesses, and with both acquisitive and non-acquisitive peer companies. We believe however that it is important for investors to understand that such intangible assets contribute to revenue generation and that intangible asset amortization related to past acquisitions will recur in future periods until such intangible assets have been fully amortized.
 - We exclude costs incurred pursuant to discrete restructuring plans that are fundamentally different (in terms of the size, strategic nature and planning requirements, as well as the inconsistent frequency, of such plans) from the ongoing productivity improvements that result from application of the Danaher Business System. Because these restructuring plans are incremental to the core activities that arise in the ordinary course of our business and we believe are not indicative of Danaher's ongoing operating costs in a given period, we exclude these costs from the calculation of Adjusted Diluted Net Earnings Per Share to facilitate a more consistent comparison of operating results over time.
 - With respect to the other items excluded from Adjusted Diluted Net Earnings Per Share, we exclude these items because they are of a nature and/or size that occur with inconsistent frequency, occur for reasons that may be unrelated to Danaher's commercial performance during the period and/or we believe that such items may obscure underlying business trends and make comparisons of long-term performance difficult. For example, the first quarter 2019 legal contingency charges excluded from Adjusted Earnings Per Share were excluded because legal contingencies of this nature and amount are atypical for our businesses, infrequent and not representative of a trend in our underlying business.
- With respect to core revenue, (1) we exclude the impact of currency translation because it is not under management's control, is subject to volatility and can obscure underlying business trends, and (2) we exclude the effect of acquisitions and divested product lines because the timing, size, number and nature of such transactions can vary significantly from period-to-period and between us and our peers, which we believe may obscure underlying business trends and make comparisons of long-term performance difficult.
- With respect to the FCF Measure, we exclude payments for additions to property, plant and equipment (net of the proceeds from capital disposals) to demonstrate the amount of operating cash flow for the period that remains after accounting for the Company's capital expenditure requirements

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<u>Year-Over-Year Core Operating Margin Changes</u>	<u>Segments</u>				
	<u>Total Company</u>	<u>Life Sciences</u>	<u>Diagnostics</u>	<u>Dental</u>	<u>Environmental & Applied Solutions</u>
Three-Month Period Ended March 30, 2018 Operating Profit Margins (GAAP)	15.80%	18.40%	16.30%	7.60%	22.10%
First quarter 2019 impact from operating profit margins of businesses that have been owned for less than one year or were disposed of during such period and did not qualify as discontinued operations	(0.10)	(0.40)	-	-	(0.30)
First quarter 2019 transaction costs deemed significant related to the anticipated acquisition of the GE Biopharma business	(0.30)	-	-	-	-
First quarter 2019 Dental business separation costs and costs related to establishing new separate company infrastructure in connection with the Dental business initial public offering, primarily related to incremental salaries, benefits and rent expense	(0.25)	-	-	-	-
First quarter 2019 costs and estimated liabilities related to a legal contingency	(0.75)	-	-	-	-
Year-over-year core operating profit margin changes for first quarter 2019 (defined as all year-over-year operating profit margin changes other than the changes identified in the line item above) (non-GAAP)	0.40	1.00	(1.10)	(0.30)	1.40
Three-Month Period Ended March 29, 2019 Operating Profit Margins (GAAP)	14.80%	19.00%	15.20%	7.30%	23.20%

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

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Core operating profit margin changes for first quarter 2019 excluding the impact of foreign currency

	Total Company
Three-Month Period Ended March 30, 2018 Operating Profit Margins (GAAP)	15.80%
First quarter 2019 impact from operating profit margins of businesses that have been owned for less than one year or were disposed of during such period and did not qualify as discontinued operations	(0.10)
First quarter 2019 transaction costs deemed significant related to the anticipated acquisition of the GE Biopharma business	(0.30)
First quarter 2019 Dental business separation costs and costs related to establishing new separate company infrastructure in connection with the Dental business initial public offering, primarily related to incremental salaries, benefits and rent expense	(0.25)
First quarter 2019 costs and estimated liabilities related to a legal contingency	(0.75)
Year-over-year core operating profit margin changes for first quarter 2019 (defined as all year over-year operating profit margin changes other than the changes identified in the line item above) ("Core Operating Profit Margin Changes") (non-GAAP)	0.40
Three-Month Period Ended March 29, 2019 Operating Profit Margins (GAAP)	14.80%
Core Operating Profit Margin Changes for first quarter 2019 (non-GAAP)	0.40
Impact of foreign currency for first quarter 2019	(0.50)
Core Operating Profit Margin Changes for first quarter 2019 excluding the impact of foreign currency (non-GAAP)	0.90

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