UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended July 1, 2022

OR

☐ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-08089

DANAHER CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**59-1995548**
(State of Incorporation)	**(I.R.S. Employer Identification Number)**
2200 Pennsylvania Avenue, N.W., Suite 800W **Washington, DC**	**20037-1701**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant's telephone number, including area code: 202-828-0850

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, $0.01 par value	DHR	New York Stock Exchange
5.00% Mandatory Convertible Preferred Stock, Series B, without par value	DHR.PRB	New York Stock Exchange
1.700% Senior Notes due 2024	DHR 24	New York Stock Exchange
0.200% Senior Notes due 2026	DHR/26	New York Stock Exchange
2.100% Senior Notes due 2026	DHR 26	New York Stock Exchange
1.200% Senior Notes due 2027	DHR/27	New York Stock Exchange
0.450% Senior Notes due 2028	DHR/28	New York Stock Exchange
2.500% Senior Notes due 2030	DHR 30	New York Stock Exchange
0.750% Senior Notes due 2031	DHR/31	New York Stock Exchange
1.350% Senior Notes due 2039	DHR/39	New York Stock Exchange
1.800% Senior Notes due 2049	DHR/49	New York Stock Exchange

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-accelerated Filer	☐	Smaller Reporting Company	☐
Emerging Growth Company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The number of shares of common stock outstanding at July 15, 2022 was 727,445,355.

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DANAHER CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
($ in millions, except per share amount)
(unaudited)

	July 1, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and equivalents	$ 3,984	$ 2,586
Trade accounts receivable, less allowance for doubtful accounts of $120 and $124, respectively	4,527	4,631
Inventories:		
Finished goods	1,608	1,343
Work in process	530	473
Raw materials	1,119	951
Total inventories	3,257	2,767
Prepaid expenses and other current assets	1,461	1,664
Total current assets	13,229	11,648
Property, plant and equipment, net of accumulated depreciation of $3,538 and $3,465, respectively	3,794	3,790
Other long-term assets	4,600	3,719
Goodwill	39,276	41,184
Other intangible assets, net	20,907	22,843
Total assets	$ 81,806	$ 83,184
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and current portion of long-term debt	$ 10	$ 8
Trade accounts payable	2,419	2,569
Accrued expenses and other liabilities	5,127	5,563
Total current liabilities	7,556	8,140
Other long-term liabilities	7,597	7,699
Long-term debt	20,052	22,168
Stockholders' equity:		
Preferred stock, no par value, 15.0 million shares authorized; no shares and 1.65 million shares of 4.75% Mandatory Convertible Preferred Stock, Series A, issued and outstanding as of July 1, 2022 and December 31, 2021, respectively; 1.72 million shares of 5.00% Mandatory Convertible Preferred Stock, Series B, issued and outstanding as of July 1, 2022 and December 31, 2021	1,668	3,268
Common stock - $0.01 par value, 2.0 billion shares authorized; 868.4 million issued and 727.4 million outstanding as of July 1, 2022; 855.7 million issued and 715.0 million outstanding as of December 31, 2021	9	9
Additional paid-in capital	11,854	10,090
Retained earnings	35,808	32,827
Accumulated other comprehensive income (loss)	(2,745)	(1,027)
Total Danaher stockholders' equity	46,594	45,167
Noncontrolling interests	7	10
Total stockholders' equity	46,601	45,177
Total liabilities and stockholders' equity	$ 81,806	$ 83,184

See the accompanying Notes to the Consolidated Condensed Financial Statements.

DANAHER CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS
($ and shares in millions, except per share amounts)
(unaudited)

	Three-Month Period Ended		Six-Month Period Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
Sales	$ 7,751	$ 7,218	$ 15,439	$ 14,076
Cost of sales	(3,030)	(2,821)	(6,013)	(5,426)
Gross profit	4,721	4,397	9,426	8,650
Operating costs:				
Selling, general and administrative expenses	(2,085)	(1,966)	(4,177)	(3,842)
Research and development expenses	(431)	(426)	(872)	(806)
Operating profit	2,205	2,005	4,377	4,002
Nonoperating income (expense):				
Other income (expense), net	(87)	97	(107)	237
Interest expense	(51)	(62)	(105)	(120)
Interest income	2	3	3	7
Earnings from continuing operations before income taxes	2,069	2,043	4,168	4,126
Income taxes	(389)	(344)	(763)	(725)
Net earnings from continuing operations	1,680	1,699	3,405	3,401
Earnings from discontinued operations, net of income taxes	—	86	—	86
Net earnings	1,680	1,785	3,405	3,487
Mandatory convertible preferred stock dividends	(22)	(41)	(63)	(82)
Net earnings attributable to common stockholders	$ 1,658	$ 1,744	$ 3,342	$ 3,405
Net earnings per common share from continuing operations:				
Basic	$ 2.28	$ 2.32	$ 4.63	$ 4.65
Diluted	$ 2.25	$ 2.28	$ 4.56	$ 4.57
Net earnings per common share from discontinued operations:				
Basic	$ —	$ 0.12	$ —	$ 0.12
Diluted	$ —	$ 0.12	$ —	$ 0.12
Net earnings per common share:				
Basic	$ 2.28	$ 2.44	$ 4.63	$ 4.77
Diluted	$ 2.25	$ 2.40	$ 4.56	$ 4.68 [(a)]
Average common stock and common equivalent shares outstanding:				
Basic	726.7	714.5	721.5	713.9
Diluted	736.0	736.0	736.8	735.6

[(a)] Net earnings per common share amounts do not add due to rounding. Net earnings per common share amounts for the relevant three-month periods do not add to the six-month period amount due to rounding.

See the accompanying Notes to the Consolidated Condensed Financial Statements.

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

	Three-Month Period Ended		Six-Month Period Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
Net earnings	$ 1,680	$ 1,785	$ 3,405	$ 3,487
Other comprehensive income (loss), net of income taxes:				
Foreign currency translation adjustments	(1,442)	408	(1,785)	(514)
Pension and postretirement plan benefit adjustments	7	11	21	21
Cash flow hedge adjustments	66	228	46	186
Total other comprehensive income (loss), net of income taxes	(1,369)	647	(1,718)	(307)
Comprehensive income	$ 311	$ 2,432	$ 1,687	$ 3,180

See the accompanying Notes to the Consolidated Condensed Financial Statements.

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

	Three-Month Period Ended		Six-Month Period Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
Preferred stock:				
Balance, beginning of period	$ 3,268	$ 3,268	$ 3,268	$ 3,268
Conversion of Mandatory Convertible Preferred Stock to common stock	(1,600)	—	(1,600)	—
Balance, end of period	$ 1,668	$ 3,268	$ 1,668	$ 3,268
Common stock:				
Balance, beginning and end of period	$ 9	$ 9	$ 9	$ 9
Additional paid-in capital:				
Balance, beginning of period	$ 10,123	$ 9,794	$ 10,090	$ 9,698
Common stock-based award	130	96	178	158
Common stock issued in connection with Mandatory Convertible Preferred Stock conversions	1,600	—	1,600	—
Common stock issued in connection with LYONs' conversions, including tax benefit of $10 for the six-month period ended July 2, 2021	—	—	—	34
Change in noncontrolling interests	1	—	(14)	—
Balance, end of period	$ 11,854	$ 9,890	$ 11,854	$ 9,890
Retained earnings:				
Balance, beginning of period	$ 34,332	$ 28,670	$ 32,827	$ 27,159
Net earnings	1,680	1,785	3,405	3,487
Common stock dividends declared	(182)	(150)	(361)	(300)
Mandatory Convertible Preferred Stock dividends declared	(22)	(41)	(63)	(82)
Balance, end of period	$ 35,808	$ 30,264	$ 35,808	$ 30,264
Accumulated other comprehensive income (loss):				
Balance, beginning of period	$ (1,376)	$ (1,322)	$ (1,027)	$ (368)
Other comprehensive income (loss)	(1,369)	647	(1,718)	(307)
Balance, end of period	$ (2,745)	$ (675)	$ (2,745)	$ (675)
Noncontrolling interests:				
Balance, beginning of period	$ 6	$ 11	$ 10	$ 11
Change in noncontrolling interests	1	(1)	(3)	(1)
Balance, end of period	$ 7	$ 10	$ 7	$ 10
Total stockholders' equity, end of period	$ 46,601	$ 42,766	$ 46,601	$ 42,766

See the accompanying Notes to the Consolidated Condensed Financial Statements.

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

	Six-Month Period Ended	
	July 1, 2022	July 2, 2021
Cash flows from operating activities:		
Net earnings	$ 3,405	$ 3,487
Less: earnings from discontinued operations, net of income taxes	—	86
Net earnings from continuing operations	3,405	3,401
Noncash items:		
Depreciation	358	336
Amortization of intangible assets	759	691
Amortization of acquisition-related inventory fair value step-up	—	29
Stock-based compensation expense	181	107
Pretax gain on sale of product lines and investment (gains) losses	122	(215)
Change in trade accounts receivable, net	(145)	(71)
Change in inventories	(668)	(292)
Change in trade accounts payable	(11)	(70)
Change in prepaid expenses and other assets	(99)	143
Change in accrued expenses and other liabilities	66	(68)
Net cash provided by operating activities from continuing operations	3,968	3,991
Cash flows from investing activities:		
Cash paid for acquisitions	(77)	(1,065)
Payments for additions to property, plant and equipment	(546)	(556)
Proceeds from sales of property, plant and equipment	9	13
Payments for purchases of investments	(328)	(552)
Proceeds from sales of investments	17	56
Proceeds from sale of product lines	—	26
All other investing activities	22	18
Total cash used in investing activities for continuing operations	(903)	(2,060)
Cash flows from financing activities:		
(Payments for) proceeds from the issuance of common stock in connection with stock-based compensation, net	(23)	25
Payment of dividends	(411)	(360)
Net (repayments of) proceeds from borrowings (maturities of 90 days or less)	(669)	13
Net repayments of borrowings (maturities longer than 90 days)	(265)	(279)
All other financing activities	(66)	13
Total cash used in financing activities for continuing operations	(1,434)	(588)
Effect of exchange rate changes on cash and equivalents	(233)	(56)
Net change in cash and equivalents	1,398	1,287
Beginning balance of cash and equivalents	2,586	6,035
Ending balance of cash and equivalents	$ 3,984	$ 7,322
Supplemental disclosures:		
Cash interest payments	$ 167	$ 150
Cash income tax payments	625	568

See the accompanying Notes to the Consolidated Condensed Financial Statements.

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 ("SEC"). In this quarterly report, the terms "Danaher" or the "Company" refer to Danaher Corporation, Danaher Corporation and its consolidated subsidiaries, or the consolidated subsidiaries of Danaher Corporation, as the context requires. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") have been condensed or omitted pursuant to SEC rules and regulations; however, the Company believes that the disclosures are adequate to make the information presented not misleading. The Consolidated Condensed Financial Statements included herein should be read in conjunction with the financial statements as of and for the year ended December 31, 2021 and the Notes thereto included in the Company's 2021 Annual Report on Form 10-K filed on February 23, 2022 (the "2021 Annual Report").

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 1, 2022 and December 31, 2021, its results of operations for the three and six-month periods ended July 1, 2022 and July 2, 2021 and its cash flows for each of the six-month periods then ended.

There have been no changes to the Company's significant accounting policies described in the Company's 2021 Annual Report that have a material impact on the Company's Consolidated Condensed Financial Statements and the related Notes. Reclassifications of certain prior year amounts have been made to conform to the current year presentation.

Accounting Standards Recently Adopted—In August 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2020-06, *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. The ASU includes amendments to the guidance on convertible instruments and the derivative scope exception for contracts in an entity's own equity and simplifies the accounting for convertible instruments which include beneficial conversion features or cash conversion features by removing certain separation models in Subtopic 470-20. Additionally, the ASU requires entities to use the "if-converted" method when calculating diluted earnings per common share for convertible instruments. On January 1, 2022, the Company adopted the ASU and the ASU did not have a significant impact on the Company's financial statements.

In November 2021, the FASB issued ASU No. 2021-10, *Government Assistance (Topic 832)*, which requires annual disclosures of transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy. For the Company, these disclosures will initially be required for the Company's financial statements for the year ending December 31, 2022. These required annual disclosures include information on the nature of transactions and related accounting policies used to account for transactions, detail of the line items on the balance sheet and income statement affected by these transactions, including amounts applicable to each line, and significant terms and conditions of the transactions including commitments and contingencies. On January 1, 2022, the Company adopted the ASU. The Company is in the process of assessing the impact of this ASU and drafting the annual disclosures.

In June 2022, the FASB issued ASU No. 2022-03, *Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*. The ASU clarifies the guidance in ASC 820, *Fair Value Measurement,* related to the measurement of the fair value of an equity security subject to contractual sale restrictions and introduces disclosure requirements related to such equity securities. The Company early adopted the ASU effective July 1, 2022. The impact of the adoption of the ASU was not significant.

Operating Leases—As of both July 1, 2022 and December 31, 2021, operating lease right-of-use assets where the Company was the lessee were approximately $1.0 billion and are included within other long-term assets in the accompanying Consolidated Condensed Balance Sheets. The associated operating lease liabilities were approximately $1.1 billion as of both July 1, 2022 and December 31, 2021 and are included in accrued expenses and other liabilities and other long-term liabilities.

NOTE 2. ACQUISITIONS

For a description of the Company's acquisition activity for the year ended December 31, 2021, reference is made to the financial statements as of and for the year ended December 31, 2021 and Note 2 thereto included in the Company's 2021 Annual Report.

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 exceed the fair value of acquired identifiable net assets due to 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 the information used for the purchase price allocation 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. The fair values of acquired intangibles are determined based on estimates and assumptions that are deemed reasonable by the Company. Significant assumptions include the discount rates and certain assumptions that form the basis of the forecasted results of the acquired business including earnings before interest, taxes, depreciation and amortization ("EBITDA"), revenue, revenue growth rates, royalty rates and technology obsolescence rates. These assumptions are forward looking and could be affected by future economic and market conditions. The Company engages third-party valuation specialists who review the Company's critical assumptions and calculations of the fair value of acquired intangible assets in connection with significant acquisitions. Only facts and circumstances that existed as of the acquisition date are considered for subsequent adjustment. The Company is continuing to evaluate certain pre-acquisition contingencies associated with its 2021 and 2022 acquisitions and is also in the process of obtaining valuations of certain acquisition-related assets and 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.

During the six-month period ended July 1, 2022, the Company acquired two businesses for total consideration of $77 million in cash, net of cash acquired. The businesses acquired complement existing units of the Company's Life Science and Environmental & Applied Solutions segments. The aggregate annual sales of the two businesses acquired in 2022 at the time of acquisition, in each case based on the company's revenues for its last completed fiscal year prior to the acquisition, were $7 million.

The following summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition for the six-month period ended July 1, 2022 ($ in millions):

Goodwill	$	44
Other intangible assets, primarily technology and customer relationships		35
Deferred tax liabilities		(4)
Other assets and liabilities, net		2
Net cash consideration	$	77

Pro Forma Financial Information

The unaudited pro forma information for the periods set forth below gives effect to the 2021 and 2022 acquisitions as if they had occurred as of January 1, 2021. 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-Month Period Ended		Six-Month Period Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
Sales	$ 7,751	$ 7,320	$ 15,440	$ 14,287
Net earnings from continuing operations	1,679	1,638	3,404	3,265
Diluted net earnings per common share from continuing operations [(a)]	2.25	2.20	4.56	4.38

[(a)] Diluted net earnings per common share from continuing operations is calculated by deducting the Mandatory Convertible Preferred Stock ("MCPS") dividends from net earnings from continuing operations for the anti-dilutive MCPS shares (refer to Note 4 for additional information).

NOTE 3. DISCONTINUED OPERATIONS

On July 2, 2016, the Company completed the separation of its former Test & Measurement segment, Industrial Technologies segment (excluding the product identification businesses) and retail/commercial petroleum business by distributing to Danaher stockholders on a pro rata basis all of the issued and outstanding common stock of Fortive Corporation ("Fortive"), the entity the Company incorporated to hold such businesses. For the three and six-month periods ended July 2, 2021, the Company recorded an income tax benefit of $86 million related to the release of previously provided reserves associated with uncertain tax positions on certain of the Company's tax returns which were jointly filed with Fortive entities. These reserves were released due to the expiration of statutes of limitations for those returns. This income tax benefit is included in earnings from discontinued operations, net of income taxes in the accompanying Consolidated Condensed Statements of Earnings.

NOTE 4. NET EARNINGS PER COMMON SHARE

Basic net earnings per common share from continuing operations ("EPS") is calculated by taking net earnings from continuing operations less the MCPS dividends divided by the weighted average number of common shares outstanding for the applicable period. Diluted net EPS from continuing operations is computed by taking net earnings from continuing operations less the MCPS dividends divided by 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-month periods ended July 1, 2022 and July 2, 2021, approximately 2.4 million and 193 thousand options to purchase shares, respectively, were excluded from the diluted EPS from continuing operations calculation and for the six-month periods ended July 1, 2022 and July 2, 2021, approximately 2.4 million and 132 thousand options, respectively, to purchase shares were excluded from the diluted EPS calculation, as the impact of their inclusion would have been anti-dilutive. Basic and diluted EPS are computed independently for each quarter and year-to-date period, and each period involves the use of different weighted-average share count figures. As a result, and after factoring the effect of rounding to the nearest cent per share, the sum of prior quarterly EPS figures may not equal year-to-date EPS.

The impact of the MCPS Series A calculated under the if-converted method was dilutive for both the three and six-month periods ended July 1, 2022 and July 2, 2021, and as such 1.1 million and 6.0 million shares for the three and six-month periods ended July 1, 2022, respectively, and 11.0 million shares, for both the three and six-month periods ended July 2, 2021, underlying the MCPS Series A were included in the calculation of diluted EPS. The related MCPS Series A dividends of $20 million for the six-month period ended July 1, 2022 and $20 million and $40 million for the three and six-month periods ended July 2, 2021, respectively, were excluded from the calculation of net earnings for diluted EPS. On April 15, 2022, all outstanding shares of the MCPS Series A converted into 11.0 million shares of the Company's common stock. There were no MCPS Series A dividends declared in the second quarter of 2022 prior to their conversion and the MCPS Series A were dilutive for all periods prior to the conversion. Refer to Note 15 for additional information about the MCPS Series A conversion.

The impact of the MCPS Series B calculated under the if-converted method was anti-dilutive for both the three and six-month periods ended July 1, 2022 and July 2, 2021, and as such 8.6 million shares, for both the three and six-month periods underlying the MCPS Series B were excluded from the calculation of diluted EPS and the related MCPS Series B dividends of $22 million and $21 million for the three-month periods, respectively, and $43 million and $42 million for the six-month periods, respectively, were included in the calculation of net earnings for diluted EPS.

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

	Three-Month Period Ended		Six-Month Period Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
Numerator:				
Net earnings from continuing operations	$ 1,680	$ 1,699	$ 3,405	$ 3,401
MCPS dividends	(22)	(41)	(63)	(82)
Net earnings from continuing operations attributable to common stockholders for Basic EPS	1,658	1,658	3,342	3,319
Adjustment for MCPS dividends for dilutive MCPS	—	20	20	40
Net earnings from continuing operations attributable to common stockholders after assumed conversions for Diluted EPS	$ 1,658	$ 1,678	$ 3,362	$ 3,359
Denominator:				
Weighted average common shares outstanding used in Basic EPS	726.7	714.5	721.5	713.9
Incremental common shares from:				
Assumed exercise of dilutive options and vesting of dilutive RSUs and PSUs	8.2	10.5	9.3	10.6
Assumed conversion of the convertible debentures	—	—	—	0.1
Weighted average MCPS converted shares	1.1	11.0	6.0	11.0
Weighted average common shares outstanding used in Diluted EPS	736.0	736.0	736.8	735.6
Basic EPS from continuing operations	$ 2.28	$ 2.32	$ 4.63	$ 4.65
Diluted EPS from continuing operations	$ 2.25	$ 2.28	$ 4.56	$ 4.57

NOTE 5. REVENUE

The following tables present the Company's revenues disaggregated by geographical region and revenue type for the three and six-month periods ended July 1, 2022 and July 2, 2021 ($ in millions). Sales taxes and other usage-based taxes collected from customers are excluded from revenue.

	Life Sciences	Diagnostics	Environmental & Applied Solutions	Total
For the Three-Month Period Ended July 1, 2022:				
Geographical region:				
North America [(b)]	$ 1,576	$ 1,235	$ 571	$ 3,382
Western Europe	972	453	266	1,691
Other developed markets	199	115	32	346
High-growth markets [(a)]	1,220	758	354	2,332
Total	$ 3,967	$ 2,561	$ 1,223	$ 7,751
Revenue type:				
Recurring	$ 2,872	$ 2,301	$ 719	$ 5,892
Nonrecurring	1,095	260	504	1,859
Total	$ 3,967	$ 2,561	$ 1,223	$ 7,751
For the Three-Month Period Ended July 2, 2021:				
Geographical region:				
North America [(b)]	$ 1,349	$ 970	$ 497	$ 2,816
Western Europe	1,052	443	275	1,770
Other developed markets	209	111	30	350
High-growth markets [(a)]	1,124	812	346	2,282
Total	$ 3,734	$ 2,336	$ 1,148	$ 7,218
Revenue type:				
Recurring	$ 2,640	$ 2,022	$ 658	$ 5,320
Nonrecurring	1,094	314	490	1,898
Total	$ 3,734	$ 2,336	$ 1,148	$ 7,218

	Life Sciences	Diagnostics	Environmental & Applied Solutions	Total
For the Six-Month Period Ended July 1, 2022:				
Geographical region:				
North America [(b)]	$ 3,096	$ 2,541	$ 1,099	$ 6,736
Western Europe	2,007	977	535	3,519
Other developed markets	421	239	64	724
High-growth markets [(a)]	2,325	1,448	687	4,460
Total	$ 7,849	$ 5,205	$ 2,385	$ 15,439
Revenue type:				
Recurring	$ 5,710	$ 4,671	$ 1,409	$ 11,790
Nonrecurring	2,139	534	976	3,649
Total	$ 7,849	$ 5,205	$ 2,385	$ 15,439
For the Six-Month Period Ended July 2, 2021:				
Geographical region:				
North America [(b)]	$ 2,612	$ 1,942	$ 989	$ 5,543
Western Europe	2,022	858	554	3,434
Other developed markets	434	229	59	722
High-growth markets [(a)]	2,212	1,485	680	4,377
Total	$ 7,280	$ 4,514	$ 2,282	$ 14,076
Revenue type:				
Recurring	$ 5,169	$ 3,924	$ 1,306	$ 10,399
Nonrecurring	2,111	590	976	3,677
Total	$ 7,280	$ 4,514	$ 2,282	$ 14,076

[(a)] 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 include Eastern Europe, the Middle East, Africa, Latin America and Asia (with the exception of Japan, Australia and New Zealand). The Company defines developed markets as all markets that are not high-growth markets.

[(b)] The Company defines North America as the United States and Canada.

The Company sells equipment to customers as well as consumables and services, some of which customers purchase on a recurring basis. Consumables sold for use with the equipment sold by the Company are typically critical to the use of the equipment and are typically used on a one-time or limited basis, requiring frequent replacement in the customer's operating cycle. Examples of these consumables include reagents used in diagnostic tests, chromatography resins used for research and bioprocessing, filters used in filtration, separation and purification processes and cartridges for marking and coding equipment. Additionally, some of the Company's consumables are used on a standalone basis, such as water treatment solutions. The Company separates its goods and services between those typically sold to a customer on a recurring basis and those typically sold on a nonrecurring basis. Recurring revenue includes revenue from consumables, services and operating-type leases ("OTLs"). Nonrecurring revenue includes sales from equipment and sales-type leases ("STLs"). OTLs and STLs are included in the above revenue amounts. For both the three-month periods ended July 1, 2022 and July 2, 2021, lease revenue was $117 million. For the six-month periods ended July 1, 2022 and July 2, 2021, lease revenue was $241 million and $234 million, respectively.

Remaining performance obligations related to *Topic 606, Revenue from Contracts with Customers,* represent the aggregate transaction price allocated to performance obligations with an original contract term greater than one year which are fully or partially unsatisfied at the end of the period. As of July 1, 2022, the aggregate amount of the transaction price allocated to remaining performance obligations was approximately $4.8 billion. The Company expects to recognize revenue on approximately 60% of the remaining performance obligations over the next 12 months, 24% over the subsequent 12 months, and the remainder recognized thereafter.

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables ("contract assets") and deferred revenue, customer deposits and billings in excess of revenue recognized ("contract liabilities") on the Consolidated Condensed Balance Sheets.

Most of the Company's long-term contracts are billed as work progresses in accordance with the contract terms and conditions, either at periodic intervals or upon achievement of certain milestones. Often this results in billing occurring subsequent to revenue recognition resulting in contract assets. Contract assets are generally classified as other current assets in the Consolidated Condensed Balance Sheets. The balance of contract assets as of July 1, 2022 and December 31, 2021 was $88 million and $75 million, respectively.

The Company often receives cash payments from customers in advance of the Company's performance resulting in contract liabilities that are classified as either current or long-term in the Consolidated Condensed Balance Sheets based on the timing of when the Company expects to recognize revenue. As of July 1, 2022 and December 31, 2021, contract liabilities were approximately $2.0 billion and $1.8 billion, respectively, and are included within accrued expenses and other liabilities and other long-term liabilities in the accompanying Consolidated Condensed Balance Sheets. The increase in the contract liability balance during the six-month period ended July 1, 2022 was primarily a result of cash payments received in advance of satisfying performance obligations, partially offset by revenue recognized during the period that was included in the opening contract liability balance and the impact of foreign currency. Revenue recognized during the six-month periods ended July 1, 2022 and July 2, 2021 that was included in the contract liability balance on December 31, 2021 and December 31, 2020 was $995 million and $775 million, respectively. Contract assets and liabilities are reported on a net basis on the accompanying Consolidated Condensed Balance Sheets on a contract-by-contract basis at the end of each reporting period.

NOTE 6. SEGMENT INFORMATION

The Company operates and reports its results in three separate business segments consisting of the Life Sciences, Diagnostics, and Environmental & Applied Solutions segments. When determining the reportable segments, the Company aggregated operating segments based on their similar economic and operating characteristics. Operating profit represents total revenues less operating expenses, excluding nonoperating income and expense, interest and income taxes. Operating profit amounts in the Other segment consist of unallocated corporate costs and other costs not considered part of management's evaluation of reportable segment operating performance. Intersegment amounts are not significant and are eliminated to arrive at consolidated totals.

Segment results are shown below ($ in millions):

	Three-Month Period Ended		Six-Month Period Ended	
	July 1, 2022	**July 2, 2021**	**July 1, 2022**	**July 2, 2021**
Sales:				
Life Sciences	$ 3,967	$ 3,734	$ 7,849	$ 7,280
Diagnostics	2,561	2,336	5,205	4,514
Environmental & Applied Solutions	1,223	1,148	2,385	2,282
Total	$ 7,751	$ 7,218	$ 15,439	$ 14,076
Operating profit:				
Life Sciences	$ 1,174	$ 1,144	$ 2,292	$ 2,295
Diagnostics	800	649	1,686	1,275
Environmental & Applied Solutions	307	280	543	565
Other	(76)	(68)	(144)	(133)
Total	$ 2,205	$ 2,005	$ 4,377	$ 4,002

NOTE 7. INCOME TAXES

The following table summarizes the Company's effective tax rate:

	Three-Month Period Ended		Six-Month Period Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
Effective tax rate	18.8 %	16.8 %	18.3 %	17.6 %

The Company operates globally, including in certain jurisdictions with lower tax rates than the United States ("U.S.") federal statutory rate. Therefore, the impact of operating in such jurisdictions reduces the effective tax rate compared to the U.S. federal statutory tax rate.

The effective tax rate for the three-month period ended July 1, 2022 differs from the U.S. federal statutory rate of 21.0% principally due the geographic mix of earnings described above and net discrete benefits of $8 million related primarily to changes in estimates associated with prior period uncertain tax positions and excess tax benefits from stock-based compensation. The net discrete benefits reduced the effective tax rate by 0.4% for the three-month period ended July 1, 2022.

The effective tax rate for the six-month period ended July 1, 2022 differs from the U.S. federal statutory rate of 21.0% principally due to the geographic mix of earnings described above and net discrete benefits of $49 million related primarily to excess tax benefits from stock-based compensation and changes in estimates associated with prior period uncertain tax positions. The net discrete benefits reduced the effective tax rate by 1.2% for the six-month period ended July 1, 2022.

The effective tax rate for the three-month period ended July 2, 2021 differs from the U.S. federal statutory rate of 21.0% principally due to net discrete benefits of $76 million related primarily to the release of reserves for uncertain tax positions due to the expiration of statutes of limitation, audit settlements and excess tax benefits from stock-based compensation, net of changes in estimates associated with prior period uncertain tax positions. These factors reduced the effective tax rate by 3.7% for the three-month period ended July 2, 2021.

The effective tax rate for the six-month period ended July 2, 2021 differs from the U.S. federal statutory rate of 21.0% principally due to net discrete benefits of $120 million related primarily to release of reserves for uncertain tax positions due to the expiration of statutes of limitation, audit settlements and excess tax benefits from stock-based compensation, net of changes in estimates associated with prior period uncertain tax positions. These factors reduced the effective tax rate by 2.9% for the six-month period ended July 2, 2021.

For a description of the Company's significant tax matters, reference is made to the financial statements as of and for the year ended December 31, 2021 and Note 7 thereto included in the Company's 2021 Annual Report.

NOTE 8. OTHER INCOME (EXPENSE), NET

The following sets forth the components of the Company's other income (expense), net ($ in millions):

	Three-Month Period Ended		Six-Month Period Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
Other components of net periodic benefit costs	$ 11	$ 11	$ 15	$ 22
Investment gains (losses):				
Realized investment gains (losses)	27	11	64	38
Unrealized investment gains (losses)	(125)	75	(186)	164
Total investment gains (losses)	(98)	86	(122)	202
Gain on sale of product lines	—	—	—	13
Total other income (expense), net	$ (87)	$ 97	$ (107)	$ 237

Other Components of Net Periodic Benefit Costs

The Company disaggregates the service cost component of net periodic benefit costs of the noncontributory defined benefit pension plans and other postretirement employee benefit plans and presents the other components of net periodic benefit costs in other income (expense), net. These other components of net periodic benefit costs include the assumed rate of return on plan assets, partially offset by amortization of actuarial losses and interest. The Company's net periodic benefit costs for the six-month period ended July 1, 2022 includes a settlement loss of $10 million ($9 million after-tax) as a result of the transfer of a portion of its non-U.S. pension liabilities related to one defined benefit plan to a third-party.

Investment Gains (Losses)

The Company estimates the fair value of its investments in equity securities using the Fair Value Alternative and records adjustments to fair value within net earnings. Additionally, the Company is a limited partner in partnerships that invest primarily in early-stage companies. While the partnerships record these investments at fair value, the Company's investments in the partnerships are accounted for under the equity method of accounting. The investment gains (losses) include realized and unrealized gains and losses related to changes in the fair value of the Company's investments in equity securities and the Company's equity in earnings of the partnerships that reflect the changes in fair value of the investments of the partnerships.

Gain on Sale of Product Lines

During the first quarter of 2021, the Company divested certain product lines for a cash purchase price, net of cash transferred and transaction costs, of $26 million and recognized a pretax gain on sale of $13 million ($10 million after-tax). The divested product lines generated revenues of approximately $88 million in the Environmental & Applied Solutions segment in 2020. The divestiture of these product lines did not represent a strategic shift with a major effect on the Company's operations and financial results and therefore is not reported as a discontinued operation.

NOTE 9. GOODWILL AND OTHER INTANGIBLE ASSETS

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

Balance, December 31, 2021	$	41,184
Attributable to 2022 acquisitions		44
Adjustments due to finalization of purchase price allocations		(15)
Foreign currency translation and other		(1,937)
Balance, July 1, 2022	$	39,276

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

	July 1, 2022		December 31, 2021	
Life Sciences	$	30,003	$	31,638
Diagnostics		6,843		7,044
Environmental & Applied Solutions		2,430		2,502
Total	$	39,276	$	41,184

The Company has not identified any "triggering" events which indicate an impairment of goodwill in 2022.

The Company reviews identified intangible assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. The Company identified impairment triggers during the second quarter of 2022 and the first quarter of 2021 which resulted in the impairment of certain long-lived assets, including technology and customer relationships in 2022 and a trade name in 2021. The Company recorded impairment charges totaling $9 million in the three and six-month periods ended July 1, 2022 and $10 million in the six-month period ended July 2, 2021 related to these long-lived assets.

NOTE 10. 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 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):

	Balance		Quoted Prices in Active Market (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)	
	July 1, 2022	December 31, 2021	July 1, 2022	December 31, 2021	July 1, 2022	December 31, 2021	July 1, 2022	December 31, 2021
Assets:								
Available-for-sale debt securities	$ 15	$ 20	$ —	$ —	$ 15	$ 20	$ —	$ —
Investment in equity securities	316	336	26	88	—	—	—	—
Cross-currency swap derivative contracts	823	50	—	—	823	50	—	—

Available-for-sale debt securities, which are included in other long-term assets in the accompanying Consolidated Condensed Balance Sheets, are measured at fair value using quoted prices reported by investment brokers and dealers based on the underlying terms of the security and comparison to similar securities traded on an active market. As of July 1, 2022 and December 31, 2021, available-for-sale debt securities primarily included U.S. Treasury Notes and corporate debt securities.

The Company's investments in equity securities consist of investments in publicly traded equity securities and investments in non-marketable equity securities. The publicly traded securities are classified as Level 1 in the fair value hierarchy as they are measured based on quotes in active markets. For the non-marketable equity securities, the Company estimates the fair value of the investments in equity securities based on the measurement alternative and adjusts for impairments and observable price changes with a same or similar security from the same issuer within net earnings (the "Fair Value Alternative"). The Company's investments in these equity securities are not classified in the fair value hierarchy due to the use of these measurement methods. Additionally, the Company is a limited partner in partnerships that invest primarily in early-stage companies. While the partnerships record these investments at fair value, the Company's investments in the partnerships are accounted for under the equity method of accounting and are not subject to fair value measurement disclosures. As of July 1, 2022 and December 31, 2021, the Company's equity method investments included investments in partnerships with a carrying value of approximately $1.5 billion and $1.3 billion, respectively. During the three and six-month periods ended July 1, 2022, the Company recorded net realized and unrealized losses of $98 million and $122 million, respectively, and during the three and six-month periods ended July 2, 2021, the Company recorded net realized and unrealized gains of $86 million and $202 million, respectively, related to changes in the fair value of the Company's investments in equity securities and the Company's equity in earnings of the partnerships that reflect the changes in fair value of the investments of the partnerships. Refer to Note 8 for additional information on gains and losses on the Company's investments including investments in the partnerships. These gains and losses are reflected in other income (expense), net in the Company's Consolidated Condensed Statements of Earnings.

The cross-currency swap derivative contracts are used to partially hedge the Company's net investments in non-U.S. operations against adverse movements in exchange rates between the U.S. dollar and the Danish kroner, Japanese yen, euro and Swiss franc. The Company also uses cross-currency swap derivative contracts to hedge the exchange rate exposure from long-term debt issuances in a foreign currency other than the functional currency of the borrower. The cross-currency swap derivative contracts are classified as Level 2 in the fair value hierarchy as they are measured using the income approach with the relevant interest rates and foreign currency current exchange rates and forward curves as inputs. Refer to Note 12 for additional information.

Fair Value of Other Financial Instruments

The carrying amounts and fair values of the Company's other financial instruments were as follows ($ in millions):

	July 1, 2022		December 31, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Debt obligations:				
Notes payable and current portion of long-term debt	$ 10	$ 10	$ 8	$ 8
Long-term debt	20,052	17,706	22,168	22,796

As of July 1, 2022 and December 31, 2021, 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 is attributable to changes in market interest rates and/or the Company's credit ratings subsequent to the incurrence of the borrowing. The fair values of borrowings with original maturities of one year or less, 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 11. FINANCING

As of July 1, 2022, the Company was in compliance with all of its debt covenants. The components of the Company's debt were as follows ($ in millions):

Description and Aggregate Principal Amount	July 1, 2022	December 31, 2021
U.S. dollar-denominated commercial paper	$ —	$ 1,440
Euro-denominated commercial paper (€1.9 billion and €1.2 billion, respectively)	2,008	1,366
Floating rate senior unsecured notes due 6/30/2022 (€250 million) (the "Floating Rate 2022 Euronotes")	—	284
2.05% senior unsecured notes due 11/15/2022 (the "2022 Biopharma Notes")	700	699
0.5% senior unsecured bonds due 12/08/2023 (CHF 540 million) (the "2023 CHF Bonds")	563	592
1.7% senior unsecured notes due 3/30/2024 (€900 million) (the "2024 Euronotes")	936	1,021
2.2% senior unsecured notes due 11/15/2024 (the "2024 Biopharma Notes")	698	698
3.35% senior unsecured notes due 9/15/2025 (the "2025 U.S. Notes")	498	498
0.2% senior unsecured notes due 3/18/2026 (€1.3 billion) (the "2026 Biopharma Euronotes")	1,298	1,416
2.1% senior unsecured notes due 9/30/2026 (€800 million) (the "2026 Euronotes")	832	907
0.3% senior unsecured notes due 5/11/2027 (¥30.8 billion) (the "2027 Yen Notes")	227	267
1.2% senior unsecured notes due 6/30/2027 (€600 million) (the "2027 Euronotes")	624	680
0.45% senior unsecured notes due 3/18/2028 (€1.3 billion) (the "2028 Biopharma Euronotes")	1,296	1,413
1.125% senior unsecured bonds due 12/08/2028 (CHF 210 million) (the "2028 CHF Bonds")	222	233
2.6% senior unsecured notes due 11/15/2029 (the "2029 Biopharma Notes")	796	795
2.5% senior unsecured notes due 3/30/2030 (€800 million) (the "2030 Euronotes")	834	910
0.75% senior unsecured notes due 9/18/2031 (€1.8 billion) (the "2031 Biopharma Euronotes")	1,814	1,980
0.65% senior unsecured notes due 5/11/2032 (¥53.2 billion) (the "2032 Yen Notes")	392	461
1.35% senior unsecured notes due 9/18/2039 (€1.3 billion) (the "2039 Biopharma Euronotes")	1,288	1,406
3.25% senior unsecured notes due 11/15/2039 (the "2039 Biopharma Notes")	890	890
4.375% senior unsecured notes due 9/15/2045 (the "2045 U.S. Notes")	499	499
1.8% senior unsecured notes due 9/18/2049 (€750 million) (the "2049 Biopharma Euronotes")	773	844
3.4% senior unsecured notes due 11/15/2049 (the "2049 Biopharma Notes")	889	889
2.6% senior unsecured notes due 10/01/2050 (the "2050 U.S. Notes")	980	980
2.8% senior unsecured notes due 12/10/2051 (the "2051 U.S. Notes")	984	983
Other	21	25
Total debt	20,062	22,176
Less: currently payable	(10)	(8)
Long-term debt	$ 20,052	$ 22,168

For additional details regarding the Company's debt financing, refer to Note 14 of the Company's financial statements as of and for the year ended December 31, 2021 included in the Company's 2021 Annual Report.

The Company has historically satisfied 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. dollar and euro-denominated commercial paper programs. The Company's $5.0 billion unsecured, multi-year revolving credit facility with a syndicate of banks that expires on August 27, 2024 (the "Five-Year Facility"), is available for direct borrowings and provides credit support for the commercial paper programs. For a description of the Five-Year Facility, refer to the Company's 2021 Annual Report. On February 21, 2022, the Company and the syndicate of banks amended the Five-Year Facility to replace references to the London Interbank Offered Rate with references to the Sterling Overnight Index Average Reference Rate, the Tokyo Interbank Offer Rate or the Euro Interbank Offer Rate depending on the applicable currency of the borrowing.

As of July 1, 2022, borrowings outstanding under the Company's euro-denominated commercial paper program had a weighted average annual interest rate of negative 0.2% and a weighted average remaining maturity of approximately 25 days.

On June 30, 2022, the Company repaid the €250 million aggregate principal amount of the Floating Rate 2022 Euronotes upon their maturity using available cash.

Debt discounts, premiums and debt issuance costs totaled $123 million and $130 million as of July 1, 2022 and December 31, 2021, respectively, and have been netted against the aggregate principal amounts of the related debt in the components of debt table above.

Guarantors of Debt

The Company has guaranteed long-term debt and commercial paper issued by certain of its wholly-owned subsidiaries. The Floating Rate 2022 Euronotes (prior to repayment in the second quarter of 2022) and 2027 Euronotes were issued by DH Europe Finance S.A. ("Danaher International"). The 2022 Biopharma Notes, 2024 Biopharma Notes, 2026 Biopharma Euronotes, 2028 Biopharma Euronotes, 2029 Biopharma Notes, 2031 Biopharma Euronotes, 2039 Biopharma Euronotes, 2039 Biopharma Notes, 2049 Biopharma Euronotes and 2049 Biopharma Notes and euro-denominated commercial paper were issued by DH Europe Finance II S.a.r.l. ("Danaher International II"). The 2023 CHF Bonds and 2028 CHF Bonds were issued by DH Switzerland Finance S.A. ("Danaher Switzerland"). The 2027 Yen Notes and 2032 Yen Notes were issued by DH Japan Finance S.A. ("Danaher Japan"). Each of Danaher International, Danaher International II, Danaher Switzerland and Danaher Japan are wholly-owned finance subsidiaries of Danaher Corporation. All of the outstanding and future securities issued by each of these entities are or will be fully and unconditionally guaranteed by the Company and these guarantees rank on parity with the Company's unsecured and unsubordinated indebtedness.

NOTE 12. HEDGING TRANSACTIONS AND DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses cross-currency swap derivative contracts to partially hedge its net investments in non-U.S. operations against adverse movements in exchange rates between the U.S. dollar and the Danish kroner, Japanese yen, euro and Swiss franc. The cross-currency swap derivative contracts are agreements to exchange fixed-rate payments in one currency for fixed-rate payments in another currency. These contracts effectively convert U.S. dollar-denominated bonds to obligations denominated in Danish kroner, Japanese yen, euro and Swiss franc, and partially offset the impact of changes in currency rates on the Company's foreign currency denominated net investments. These contracts also reduce the interest rate from the stated interest rates on the U.S. dollar-denominated debt to the interest rates of the swaps. The changes in the spot rate of these instruments are recorded in accumulated other comprehensive income (loss) in stockholders' equity, partially offsetting the foreign currency translation adjustment of the Company's related net investment that is also recorded in accumulated other comprehensive income (loss). Any ineffective portions of net investment hedges are reclassified from accumulated other comprehensive income (loss) into earnings during the period of change. The interest income or expense from these swaps are recorded in interest expense in the accompanying Consolidated Condensed Statements of Earnings consistent with the classification of interest expense attributable to the underlying debt. These instruments mature on dates ranging from September 2025 to December 2031.

The Company also uses cross-currency swap derivative contracts to hedge U.S. dollar-denominated long-term debt issuances in a foreign subsidiary whose functional currency is the euro against adverse movements in exchange rates between the U.S. dollar and the euro. These contracts effectively convert these U.S. dollar-denominated bonds to obligations denominated in euro. The changes in the fair value of these instruments are recorded in accumulated other comprehensive income (loss), with a reclassification from accumulated other comprehensive income (loss) to net earnings to offset the remeasurement of the hedged debt that is also recorded in net earnings. Any ineffective portions of the cash flow hedges are reclassified from accumulated other comprehensive income (loss) into earnings during the period of change. The interest income or expense from these swaps are recorded in interest expense in the accompanying Consolidated Condensed Statements of Earnings consistent with the classification of interest expense attributable to the underlying debt. These instruments mature on dates ranging from November 2022 to November 2049.

The Company has also issued foreign currency denominated long-term debt as partial hedges of its net investments in foreign operations against adverse movements in exchange rates between the U.S. dollar and the euro, Japanese yen and Swiss franc. These foreign currency denominated long-term debt issuances are designated and qualify as nonderivative hedging instruments. Accordingly, the foreign currency translation of these debt instruments is recorded in accumulated other comprehensive income (loss), offsetting the foreign currency translation adjustment of the Company's related net investment that is also recorded in accumulated other comprehensive income (loss). Any ineffective portions of net investment hedges are reclassified from accumulated other comprehensive income (loss) into earnings during the period of change. These instruments mature on dates ranging from July 2022 to May 2032.

The Company used interest rate swap agreements to hedge the variability in cash flows due to changes in benchmark interest rates related to a portion of the U.S. debt the Company issued to fund the acquisition of Cytiva and a portion of the 2051 Notes. These contracts effectively fixed the interest rate for a portion of the Company's U.S. dollar-denominated debt equal to the notional amount of the swaps to the rate specified in the interest rate swap agreements and were settled in November 2019 and December 2021, respectively. The changes in the fair value of these instruments were recorded in accumulated other comprehensive income (loss) prior to the issuance of the debt and are subsequently being reclassified to interest expense over the life of the related debt.

The following table summarizes the notional values as of July 1, 2022 and July 2, 2021 and pretax impact of changes in the fair values of instruments designated as net investment hedges and cash flow hedges in accumulated other comprehensive income ("OCI") for the three and six-month periods ended July 1, 2022 and July 2, 2021 ($ in millions):

	Original Notional Amount	Notional Amount Outstanding	Gain (Loss) Recognized in OCI	Amounts Reclassified from OCI
For the Three-Month Period Ended July 1, 2022:				
Net investment hedges:				
Cross-currency contracts	$ 3,875	$ 3,000	$ 216	$ —
Foreign currency denominated debt	5,870	5,870	271	—
Cash flow hedges:				
Cross-currency contracts	4,000	4,000	381	(224)
Interest rate swaps	1,600	—	—	1
Total	$ 15,345	$ 12,870	$ 868	$ (223)
For the Three-Month Period Ended July 2, 2021:				
Net investment hedges:				
Cross-currency contracts	$ 2,875	$ 2,000	$ 43	$ —
Foreign currency denominated debt	3,524	3,524	(36)	—
Cash flow hedges:				
Cross-currency contracts	4,000	4,000	192	35
Interest rate swaps	850	—	—	1
Total	$ 11,249	$ 9,524	$ 199	$ 36
For the Six-Month Period Ended July 1, 2022:				
Net investment hedges:				
Cross-currency contracts	$ 3,875	$ 3,000	$ 267	$ —
Foreign currency denominated debt	5,870	5,870	395	—
Cash flow hedges:				
Cross-currency contracts	4,000	4,000	506	(340)
Interest rate swaps	1,600	—	—	2
Total	$ 15,345	$ 12,870	$ 1,168	$ (338)
For the Six-Month Period Ended July 2, 2021				
Net investment hedges:				
Cross-currency contracts	$ 2,875	$ 2,000	$ 66	$ —
Foreign currency denominated debt	3,524	3,524	184	—
Cash flow hedges:				
Cross-currency contracts	4,000	4,000	302	(117)
Interest rate swaps	850	—	—	1
Total	$ 11,249	$ 9,524	$ 552	$ (116)

Gains or losses related to net investment hedges are classified as foreign currency translation adjustments in the schedule of changes in OCI in Note 15, as these items are attributable to the Company's hedges of its net investment in foreign operations. Gains or losses related to the cash flow hedges are classified as cash flow hedge adjustments in the schedule of changes in OCI in Note 15. The amounts reclassified from other comprehensive income (loss) for the cross-currency swap derivative contracts that are cash flow hedges of the Company's U.S. dollar-denominated debt was equal to the remeasurement amount recorded in the three and six-month periods on the hedged debt.

The Company did not reclassify any other deferred gains or losses related to net investment hedges or cash flow hedges from accumulated other comprehensive income (loss) to earnings during the three and six-month periods ended July 1, 2022 and July 2, 2021. In addition, the Company did not have any ineffectiveness related to net investment hedges or cash flow hedges during the three and six-month periods ended July 1, 2022 and July 2, 2021. The cash inflows and outflows associated with the Company's derivative contracts designated as net investment hedges are classified in all other investing activities in the accompanying Consolidated Condensed Statements of Cash Flows. The cash inflows and outflows associated with the Company's derivative contracts designated as cash flow hedges are classified in cash flows from operating activities in the accompanying Consolidated Condensed Statements of Cash Flows.

The Company's derivative instruments, as well as its nonderivative debt instruments designated and qualifying as net investment hedges, were classified in the Company's Consolidated Condensed Balance Sheets as follows ($ in millions):

	July 1, 2022	December 31, 2021
Derivative assets:		
Other long-term assets	$ 823	$ 50
Nonderivative hedging instruments:		
Long-term debt	5,870	3,883

Amounts related to the Company's derivatives expected to be reclassified from accumulated other comprehensive income (loss) to net earnings during the next 12 months, if interest rates and foreign exchange rates remain unchanged, are not significant.

NOTE 13. DEFINED BENEFIT PLANS

The following sets forth the components of the Company's net periodic benefit costs of the noncontributory defined benefit pension plans and other postretirement employee benefit plans ($ in millions):

	Three-Month Period Ended		Six-Month Period Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
U.S. pension benefits:				
Service cost	$ —	$ —	$ —	$ —
Interest cost	(14)	(11)	(27)	(23)
Expected return on plan assets	33	31	65	62
Amortization of actuarial loss	(9)	(11)	(18)	(22)
Net periodic pension benefit	$ 10	$ 9	$ 20	$ 17
Non-U.S. pension benefits:				
Service cost	$ (9)	$ (11)	$ (19)	$ (22)
Interest cost	(6)	(5)	(12)	(10)
Expected return on plan assets	8	11	18	22
Amortization of actuarial loss	(1)	(3)	(1)	(6)
Settlement losses recognized	—	—	(10)	—
Net periodic pension cost	$ (8)	$ (8)	$ (24)	$ (16)
Other postretirement employee benefit plans:				
Service cost	$ —	$ —	$ —	$ —
Interest cost	—	—	(1)	(1)
Amortization of actuarial loss	—	(1)	—	(1)
Amortization of prior service credit	—	—	1	1
Net periodic benefit cost	$ —	$ (1)	$ —	$ (1)

The service cost component of net periodic benefit costs is presented in cost of goods sold and selling, general and administrative expenses while the other cost components are presented in other income (expense), net. The Company's net periodic pension cost for the six-month period ended July 1, 2022 includes a settlement loss of $10 million as a result of the transfer of a portion of its non-U.S. pension liabilities related to one defined benefit plan to a third-party.

Employer Contributions

During 2022, the Company's cash contribution requirements for its U.S. and non-U.S. defined benefit pension plans are forecasted to be approximately $10 million and $44 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 14. COMMITMENTS AND CONTINGENCIES

The Company reviews the adequacy of its legal reserves on a quarterly basis and establishes reserves for loss contingencies that are both probable and reasonably estimable. For a further description of the Company's litigation and contingencies, refer to Note 18 of the Company's financial statements as of and for the year ended December 31, 2021 included in the Company's 2021 Annual Report.

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 periods depend on the nature of the product and range from the date of such sale up to ten years. 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. As of July 1, 2022 and December 31, 2021, the Company had accrued warranty liabilities of $87 million and $97 million, respectively.

NOTE 15. STOCKHOLDERS' EQUITY AND STOCK-BASED COMPENSATION

Stockholders' Equity

Neither the Company nor any "affiliated purchaser" repurchased any shares of Company common stock during the six-month period ended July 1, 2022. 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 1, 2022, 20 million shares remained available for repurchase pursuant to the Repurchase Program.

The following table summarizes the Company's share activity (shares in millions):

	Three-Month Period Ended		Six-Month Period Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
Preferred stock - shares issued:				
Balance, beginning of period	3.4	3.4	3.4	3.4
Conversion of MCPS to common stock	(1.7)	—	(1.7)	—
Balance, end of period	1.7	3.4	1.7	3.4
Common stock - shares issued:				
Balance, beginning of period	857.0	853.7	855.7	851.3
Common stock-based compensation awards	0.4	0.7	1.7	2.2
Common stock issued in connection with Liquid Yield Option Notes ("LYONs") conversions	—	—	—	0.9
Conversion of MCPS to common stock	11.0	—	11.0	—
Balance, end of period	868.4	854.4	868.4	854.4

On April 15, 2022, all outstanding shares of the Company's 4.75% MCPS Series A converted to common shares at a rate of 6.6632 common shares per share of preferred stock into an aggregate of 11.0 million shares of the Company's common stock, pursuant to the terms of the Certificate of Designation governing the Series A Preferred Stock. Danaher issued cash in lieu of fractional shares of common stock in the conversion. The final quarterly cash dividend of $11.875 per share was paid on April 15, 2022.

Unless converted earlier in accordance with the terms of the applicable certificate of designations, each share of MCPS Series B mandatorily converts on April 15, 2023 (the Mandatory Conversion Date) into a number of shares of the Company's common stock between the Minimum Conversion Rate of 5.0130 shares and the Maximum Conversion Rate of 6.1409 shares (subject to further anti-dilution adjustments). The number of shares of the Company's common stock issued and issuable upon conversion is determined based on the average volume-weighted average price per share of the Company's common stock over the 20 consecutive trading day period beginning on, and including, the 21st scheduled trading day immediately before the Mandatory Conversion Date. Subject to certain exceptions, at any time prior to the Mandatory Conversion Date, holders may elect to convert the MCPS Series B shares into common stock based on the Minimum Conversion Rate (subject to further anti-dilution adjustments). In the event of a fundamental change, the MCPS Series B shares will convert at the fundamental change rates specified in the applicable certificate of designations, and the holders of MCPS Shares would be entitled to a fundamental change make-whole dividend.

Holders of MCPS Series B are entitled to receive, when and if declared by the Company's Board of Directors, cumulative dividends at the Annual Cumulative Dividend Rate of 5.00% of the Liquidation Preference of $1,000 per share, payable in cash or, subject to certain limitations, by delivery of shares of the Company's common stock or any combination of cash and shares of the Company's common stock, at the Company's election. If declared, dividends on the MCPS Series B shares are payable quarterly on January 15, April 15, July 15 and October 15 of each year (to, and including, the Mandatory Conversion Date), to the holders of record of the MCPS Series B shares as they appear on the Company's stock register at the close of business on the immediately preceding December 31, March 31, June 30 and September 30, respectively.

Stock-Based Compensation

For a full description of the Company's stock-based compensation programs, refer to Note 19 of the Company's financial statements as of and for the year ended December 31, 2021 included in the Company's 2021 Annual Report. As of July 1, 2022, approximately 44 million shares of the Company's common stock were reserved for issuance under the 2007 Omnibus Incentive Plan.

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

	Three-Month Period Ended		Six-Month Period Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
Restricted stock units ("RSUs")/performance stock units ("PSUs"):				
Pretax compensation expense	$ 58	$ 31	$ 104	$ 64
Income tax benefit	(12)	(6)	(21)	(13)
RSU/PSU expense, net of income taxes	46	25	83	51
Stock options:				
Pretax compensation expense	43	22	77	43
Income tax benefit	(9)	(5)	(16)	(9)
Stock option expense, net of income taxes	34	17	61	34
Total stock-based compensation:				
Pretax compensation expense	101	53	181	107
Income tax benefit	(21)	(11)	(37)	(22)
Total stock-based compensation expense, net of income taxes	$ 80	$ 42	$ 144	$ 85

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 1, 2022, $292 million of total unrecognized compensation cost related to RSUs/PSUs is expected to be recognized over a weighted average period of approximately two years. As of July 1, 2022, $300 million of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted average period of approximately two years. Future compensation amounts will be adjusted for any changes in estimated forfeitures.

Accumulated Other Comprehensive Income

Accumulated other comprehensive income (loss) refers to certain gains and losses that under U.S. GAAP are included in comprehensive income (loss) but are excluded from net earnings as these amounts are initially recorded as an adjustment to stockholders' equity. Foreign currency translation adjustments generally relate to indefinite investments in non-U.S. subsidiaries, as well as the impact from the Company's hedges of its net investment in foreign operations, including the Company's cross-currency swap derivatives, net of any income tax impacts.

The changes in accumulated other comprehensive income (loss) by component are summarized below ($ in millions).

	Foreign Currency Translation Adjustments	Pension and Postretirement Plan Benefit Adjustments	Cash Flow Hedge Adjustments	Accumulated Comprehensive Income (Loss)
For the Three-Month Period Ended July 1, 2022:				
Balance, April 1, 2022	$ (882)	$ (536)	$ 42	$ (1,376)
Other comprehensive income (loss) before reclassifications:				
(Decrease) increase	(1,390)	—	381	(1,009)
Income tax impact	(52)	—	(92)	(144)
Other comprehensive income (loss) before reclassifications, net of income taxes	(1,442)	—	289	(1,153)
Reclassification adjustments:				
Increase (decrease)	—	10 [a]	(223) [b]	(213)
Income tax impact	—	(3)	—	(3)
Reclassification adjustments, net of income taxes	—	7	(223)	(216)
Net other comprehensive income (loss), net of income taxes	(1,442)	7	66	(1,369)
Balance, July 1, 2022	$ (2,324)	$ (529)	$ 108	$ (2,745)
For the Three-Month Period Ended July 2, 2021:				
Balance, April 2, 2021	$ (177)	$ (918)	$ (227)	$ (1,322)
Other comprehensive income (loss) before reclassifications:				
Increase	418	—	192	610
Income tax impact	(10)	—	—	(10)
Other comprehensive income (loss) before reclassifications, net of income taxes	408	—	192	600
Reclassification adjustments:				
Increase	—	15 [a]	36 [b]	51
Income tax impact	—	(4)	—	(4)
Reclassification adjustments, net of income taxes	—	11	36	47
Net other comprehensive income (loss), net of income taxes	408	11	228	647
Balance, July 2, 2021	$ 231	$ (907)	$ 1	$ (675)

	Foreign Currency Translation Adjustments	Pension and Postretirement Plan Benefit Adjustments	Cash Flow Hedge Adjustments	Accumulated Comprehensive Income (Loss)
For the Six-Month Period Ended July 1, 2022:				
Balance, December 31, 2021	$ (539)	$ (550)	$ 62	$ (1,027)
Other comprehensive income (loss) before reclassifications:				
(Decrease) increase	(1,721)	—	506	(1,215)
Income tax impact	(64)	—	(122)	(186)
Other comprehensive income (loss) before reclassifications, net of income taxes	(1,785)	—	384	(1,401)
Reclassification adjustments:				
Increase (decrease)	—	28 [a]	(338) [b]	(310)
Income tax impact	—	(7)	—	(7)
Reclassification adjustments, net of income taxes	—	21	(338)	(317)
Net other comprehensive income (loss), net of income taxes	(1,785)	21	46	(1,718)
Balance, July 1, 2022	$ (2,324)	$ (529)	$ 108	$ (2,745)
For the Six-Month Period Ended July 2, 2021:				
Balance, December 31, 2020	$ 745	$ (928)	$ (185)	$ (368)
Other comprehensive income (loss) before reclassifications:				
(Decrease) increase	(499)	—	302	(197)
Income tax impact	(15)	—	—	(15)
Other comprehensive income (loss) before reclassifications, net of income taxes	(514)	—	302	(212)
Reclassification adjustments:				
Increase (decrease)	—	28 [a]	(116) [b]	(88)
Income tax impact	—	(7)	—	(7)
Reclassification adjustments, net of income taxes	—	21	(116)	(95)
Net other comprehensive income (loss), net of income taxes	(514)	21	186	(307)
Balance, July 2, 2021	$ 231	$ (907)	$ 1	$ (675)

[a] This accumulated other comprehensive income (loss) component is included in the computation of net periodic benefit cost (refer to Notes 8 and 13 for additional details).

[b] Reflects reclassification to earnings related to cash flow hedges of certain long-term debt (refer to Note 12 for additional details).

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 material information relevant to an assessment of Danaher Corporation's ("Danaher," the "Company," "we," "us" or "our") financial condition and results of operations, including an evaluation of the amounts and certainty of cash flows from operations and from outside sources. The MD&A is designed to focus specifically on material events and uncertainties known to management that are reasonably likely to cause reported financial information not to be necessarily indicative of future operating results or of future financial condition. This includes descriptions and amounts of matters that have had a material impact on reported operations, as well as matters that are reasonably likely based on management's assessment to have a material impact on future operations. The Company's MD&A is divided into five sections:

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

You should read this discussion along with the Company's MD&A and audited financial statements and Notes thereto as of and for the year ended December 31, 2021, included in the Company's 2021 Annual Report and the Company's Consolidated Condensed Financial Statements and related Notes as of and for the three and six-month periods ended July 1, 2022 included in this Quarterly Report on Form 10-Q ("Report").

Unless otherwise indicated, all financial results in this Report refer to continuing operations.

INFORMATION RELATING TO FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Report, in other documents we file with or furnish to the Securities and Exchange Commission, in our press releases, webcasts, conference calls, materials delivered to shareholders and other communications, are "forward-looking statements" within the meaning of the U.S. 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, pricing, 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 and the integration thereof, divestitures, spin-offs, split-offs or other distributions, 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; future regulatory approvals and the timing and conditionality thereof; outstanding claims, legal proceedings, tax audits and assessments and other contingent liabilities; future foreign currency exchange rates and fluctuations in those rates; the potential or anticipated direct or indirect impact of COVID-19 on our business, results of operations and/or financial condition; general economic and capital markets conditions; the anticipated 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," "will," "plan," "expect," "estimate," "project," "target," "may," "possible," "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. 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 in some cases have affected us in the past and that in the future could cause actual results to differ materially from those envisaged in the forward-looking statements include the following:

Business and Strategic Risks

- The COVID-19 pandemic has adversely impacted, and continues to pose risks to, certain elements of our business and our financial statements, the nature and extent of which are highly uncertain and unpredictable.
- Conditions in the global economy (including the current, high levels of inflation and supply chain challenges), the particular markets we serve and the financial markets can adversely affect our business and financial statements.
- We face intense competition and if we are unable to compete effectively, we may experience decreased demand and market share. Even if we compete effectively, we may be required to reduce the prices we charge.
- Our growth depends on the timely development and commercialization, and customer acceptance, of new and enhanced products and services based on technological innovation. Our growth can also suffer if the markets into which we sell our products and services decline, do not grow as anticipated or experience cyclicality.
- The health care industry and related industries that we serve have undergone, and are in the process of undergoing, significant changes in an effort to reduce (and increase the predictability of) costs, which can adversely affect our business and financial statements.
- Non-U.S. economic, political, legal, compliance, social and business factors (including the conflict in Ukraine and the United Kingdom's ("U.K") departure from the European Union ("EU")) can negatively affect our business and financial statements.
- Collaborative partners and other third-parties we rely on for development, supply and marketing of certain products, potential products and technologies could fail to perform sufficiently.

Acquisitions, Divestitures and Investment Risks

- Any inability to consummate acquisitions at our historical rate and appropriate prices, and to make appropriate investments that support our long-term strategy, could negatively impact our business. Our acquisition of businesses, investments, joint ventures and other strategic relationships could also negatively impact our business and financial statements and our indemnification rights may not fully protect us from liabilities related thereto.
- Divestitures or other dispositions could negatively impact our business, and contingent liabilities from businesses that we or our predecessors have disposed could adversely affect our business and financial statements. For example, we could incur significant liability if any of the split-off or spin-off transactions we have consummated is determined to be a taxable transaction or otherwise pursuant to our indemnification obligations with respect to such transactions.

Operational Risks

- Significant disruptions in, or breaches in security of, our information technology systems or data; other losses or disruptions due to catastrophe; and labor disputes can all adversely affect our business and financial statements.
- Defects and unanticipated use or inadequate disclosure with respect to our products or services, or allegations thereof, can adversely affect our business and financial statements.
- If we encounter problems manufacturing products, fail or are unable to adjust our manufacturing capacity or related purchases to reflect changing conditions, or suffer disruptions due to sole or limited sources of supply or due to limited availability of labor, our business and financial statements may suffer. Adverse changes with respect to key distributors and other channel partners can also adversely affect our business and financial statements.
- Climate change, or legal or regulatory measures to address climate change, may negatively affect us.
- Our success depends on our ability to recruit, retain and motivate talented employees representing diverse backgrounds, experiences and skill sets.
- Our restructuring actions can have long-term adverse effects on our business and financial statements.

Intellectual Property Risks

- Any inability to adequately protect or avoid third-party infringement of our intellectual property, and third-party claims we are infringing intellectual property rights, can adversely affect our business and financial statements.

Financial and Tax Risks

- Our outstanding debt has increased significantly as a result of acquisitions and we may incur additional debt in the future. Our existing and future indebtedness may limit our operations and our use of our cash flow and negatively impact our credit ratings; and any failure to comply with the covenants that apply to our indebtedness could adversely affect our business and financial statements.

- Our business and financial statements can be adversely affected by foreign currency exchange rates, changes in our tax rates (including as a result of changes in tax laws) or income tax liabilities/assessments, the outcome of tax audits or litigation, financial market risks related to our defined benefit pension plans, recognition of impairment charges for our goodwill or other intangible assets and fluctuations in the cost and availability of commodities.

Legal, Regulatory, Compliance and Reputational Risks

- Our businesses are subject to extensive regulation (including regulations applicable to the healthcare industry). Failure to comply with those regulations (including by our employees, agents or business partners) or significant developments or changes in U.S. laws or policies can adversely affect our business and financial statements. Changes in governmental regulations can also reduce demand for our offerings or increase our expenses.

- With respect to the regulated medical devices we offer, certain modifications to such products may require new regulatory clearance (such as 510(k) clearances) or other marketing authorizations and may require us to recall or cease marketing such products; off-label marketing of such products could result in liabilities; and clinical trials we conduct with respect to such products or potential products may have results that are unexpected or are perceived unfavorably by the market, all of which could adversely affect our business and financial statements.

- We are subject to or otherwise responsible for a variety of litigation and other legal and regulatory proceedings in the course of our business that can adversely affect our business and financial statements.

- Our operations, products and services also expose us to the risk of environmental, health and safety liabilities, costs and violations that could adversely affect our business and financial statements.

- Our By-law exclusive forum provisions could limit our stockholders' ability to choose their preferred judicial forum for disputes with us or our directors, officers or employees.

See Part I—Item 1A of the Company's 2021 Annual Report and Part II-Item 1A of this report for 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. Except to the extent required by applicable law, 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 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 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 and identify and consummate appropriate investments and strategic partnerships, develop innovative and differentiated new products and services 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 global environment. The Company is making significant investments, organically and through acquisitions and investments, 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) to be responsive to the Company's customers throughout the world and improve the efficiency of the Company's operations.

Business Performance and Outlook

During the second quarter of 2022, the Company's overall revenues increased 7.5% compared to the comparable period of 2021. Core sales increased 9.5% in the second quarter of 2022 compared to the prior period and acquisitions contributed 2.5% to the increase in revenues. The impact of currency translation decreased reported sales 4.5%. For the six-month period ended July 1, 2022, overall revenues increased 9.5%. Core sales increased 10.5% in the six-month period ended July 1, 2022 compared to the prior period and acquisitions contributed 2.5% to the increase in revenues. The impact of foreign currency exchange rates decreased revenues by 3.5%. For the definition of "core sales" refer to "—Results of Operations" below.

Geographically, the Company saw increases in core sales in both developed markets and the high-growth markets during the second quarter of 2022 compared to the second quarter of 2021. Developed markets core sales grew at a low-double digit rate driven primarily by North America and Western Europe. High-growth markets core sales grew mid-single digits, driven primarily by China, as the Company largely recovered from COVID-19 related shutdowns early in the second quarter. High-growth markets represented approximately 30% of the Company's total sales in the second quarter of 2022. For additional information regarding the Company's sales by geographical region during the three and six-month periods ended July 1, 2022 and July 2, 2021, refer to Note 5 to the accompanying Consolidated Condensed Financial Statements.

The Company's net earnings from continuing operations for the three and six-month periods ended July 1, 2022 totaled $1,680 million and $3,405 million, respectively, and the Company's net earnings from continuing operations for the three and six-month periods ended July 2, 2021 totaled $1,699 million and $3,401 million, respectively. Net earnings attributable to common stockholders for the three and six-month periods ended July 1, 2022 totaled $1,658 million or $2.25 per diluted common share and $3,342 million or $4.56 per diluted common share, respectively, compared to $1,744 million or $2.40 per diluted common share and $3,405 million or $4.68 per diluted common share, respectively, for the three and six-month periods ended July 2, 2021. Increased core sales, offset by the impact of foreign currency exchange rates, investment losses and higher material, transportation and labor costs drove the change in net earnings from continuing operations and diluted net earnings per common share from continuing operations for both the three and six-month periods ended July 1, 2022.

During the three and six-month periods ended July 1, 2022, supply chain disruptions (including in some cases shortages of supply, cost inflation and shipping delays), labor availability constraints and labor costs impacted a number of the Company's businesses. Through the application of DBS tools and processes, the Company largely mitigated the impact of these pressures on the Company's profitability and as a result such pressures did not have a material adverse effect on the business in the three and six-month periods ended July 1, 2022. The Company continues to monitor these supply chain and inflation factors, as well as the uncertainty resulting from the overall economic environment and rising interest rates.

Russia-Ukraine Conflict

In response to the ongoing conflict in Ukraine, in addition to suspending sales prohibited by sanctions, the Company has suspended the shipment of products to Russia with the exception of products for the purposes of diagnosing and treating patients and producing vaccines and therapeutics. In the first quarter of 2022, the Company recorded a pretax charge of $43 million, primarily related to the impairment of accounts receivable and inventory, as well as accruals for contractual obligations related to Russian operations. The Company will continue monitoring the military, social, political, regulatory and economic environment in Ukraine and Russia, and will consider further actions as appropriate.

The COVID-19 Pandemic

The Company continues to actively monitor the COVID-19 pandemic, including the current spread of certain variants of the virus and plan for potential impacts on its business. The Company is also deploying our capabilities, expertise and scale to address the critical health needs related to COVID-19, including developing and making available diagnostic tests for the rapid detection of COVID-19 as well as providing critical support to firms that are developing and producing vaccines and therapies for COVID-19. While conditions related to the pandemic generally have improved in 2022 compared to 2021, conditions vary significantly by geography. Late in the first quarter of 2022, an increase of COVID-19 related cases in certain parts of China resulted in the re-imposition of widespread shut-downs and restrictions. These measures continued through most of the second quarter of 2022, impacting portions of the Company's operations in China prior to the easing of restrictions in May and the return to more normalized activity levels by the end of June. The extent to which these restrictions may recur in the future will depend upon the prevalence of COVID-19 in the impacted regions of China. Due to the speed with which the COVID-19 situation continues to evolve, the global breadth of its spread, the range of governmental and community responses thereto and our geographic and business line diversity, its further impact on our business remains highly uncertain, but may be materially negative to certain elements of our business. The potential negative impact will depend on future developments including but not limited to:

- the degree of spread and severity of COVID-19 variants such as Omicron BA.5 and government responses thereto;
- the timing and durability of continued recovery in the global demand for our non-COVID-19 related products and services; and
- the degree of ongoing demand for products supporting COVID-19 testing and for products related to developing and producing vaccines and therapies for COVID-19.

For additional information on the risks of COVID-19 to the Company's operations, refer to the "Item 1A. Risk Factors" section of the Company's 2021 Annual Report.

Acquisitions

During the six-month period ended July 1, 2022, the Company acquired two businesses for total consideration of $77 million in cash, net of cash acquired. The businesses acquired complement existing units of the Company's Life Science and Environmental & Applied Solutions segments. The aggregate annual sales of the two businesses acquired in 2022 at the time of acquisition, in each case based on the company's revenues for its last completed fiscal year prior to the acquisition, were $7 million.

Currency Exchange Rates

On a year-over-year basis, currency exchange rates negatively impacted reported sales by approximately 4.5% and 3.5% for the three and six-month periods ended July 1, 2022, respectively, compared to the comparable periods of 2021, primarily due to the strengthening of the U.S. dollar against most major currencies in 2022. If the currency exchange rates in effect as of July 1, 2022 were to prevail throughout the remainder of 2022, currency exchange rates would decrease the Company's estimated second half 2022 sales by approximately 4.0% and full year sales by approximately 3.5% on a year-over-year basis. From July 1, 2022 through the date of this Report, the U.S. dollar continued to strengthen compared to other major currencies including the euro. Any further strengthening of the U.S. dollar against major currencies would adversely impact the Company's sales and results of operations for the remainder of the year, and any weakening of the U.S. dollar against major currencies would positively impact the Company's sales and results of operations for the remainder of the year.

RESULTS OF OPERATIONS

Non-GAAP Measures

In this report, references to the non-GAAP measures of core sales (also referred to as core revenues or sales/revenues from existing businesses) refer to sales calculated according to U.S. GAAP, but excluding:

- sales from acquired businesses (as defined below, as applicable); and
- the impact of currency translation.

References to sales or operating profit attributable to acquisitions or acquired businesses refer to sales or operating profit, as applicable, from acquired businesses recorded prior to the first anniversary of the acquisition less any sales and operating profit, during the applicable period, attributable to divested product lines not considered discontinued operations. The portion of revenue attributable to currency translation is calculated as the difference between:

- the period-to-period change in revenue (excluding sales from acquired businesses (as defined above)); and
- the period-to-period change in revenue (excluding sales from acquired businesses (as defined above)) after applying current period foreign exchange rates to the prior year period.

Core sales growth 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 this non-GAAP financial measure provides useful information to investors by helping identify underlying growth trends in Danaher's business and facilitating comparisons of Danaher's revenue performance with its performance in prior and future periods and to Danaher's peers. Management also uses this non-GAAP financial measure to measure the Company's operating and financial performance and uses core sales growth as one of the performance measures in the Company's executive short-term cash incentive compensation program. The Company excludes the effect of currency translation from this measure 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, timing 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.

Throughout this discussion, references to sales growth or decline refer to the impact of both price and unit sales and references to productivity improvements generally refer to improved cost-efficiencies resulting from the ongoing application of the Danaher Business System.

Core Sales Growth

	% Change Three-Month Period Ended July 1, 2022 vs. Comparable 2021 Period	% Change Six-Month Period Ended July 1, 2022 vs. Comparable 2021 Period
Total sales growth (GAAP)	7.5 %	9.5 %
Impact of:		
Acquisitions/divestitures	(2.5)%	(2.5)%
Currency exchange rates	4.5 %	3.5 %
Core sales growth (non-GAAP)	9.5 %	10.5 %

2022 Sales Compared to 2021

Total sales increased 7.5% and 9.5% during the three and six-month periods ended July 1, 2022 compared to the three and six-month periods ended July 2, 2021, respectively, primarily as a result of the increase in core sales resulting from the factors discussed below by segment as well as an increase in sales from acquired businesses. The impact of currency translation decreased reported sales 4.5% and 3.5% on a year-over-year basis during the three and six-month periods ended July 1, 2022, respectively, primarily due to the unfavorable impact of the strengthening of the U.S. dollar against most other major currencies in 2022 compared to the comparable periods of 2021. Price increases contributed 4.0% and 3.0% to sales growth on a year-over-year basis during the three and six-month periods ended July 1, 2022, respectively, and are reflected as a component of core sales growth above.

Operating Profit Performance

Operating profit margins increased 60 basis points from 27.8% during the three-month period ended July 2, 2021 to 28.4% for the three-month period ended July 1, 2022.

Second quarter 2022 vs. second quarter 2021 operating profit margin comparisons were favorably impacted by:

- Higher second quarter 2022 core sales, the impact of product mix and incremental year-over-year cost savings associated with continuing productivity improvement initiatives, net of incremental year-over-year costs associated with various new product development, sales and marketing growth initiatives and incremental year-over-year material, transportation and labor costs - 100 basis points

Second quarter 2022 vs. second quarter 2021 operating profit margin comparisons were unfavorably impacted by:

- Incremental dilutive effect in 2022 of acquired businesses, net of product line dispositions which did not qualify as discontinued operations - 30 basis points
- Second quarter impairment charge related to technology and customer relationships in the Environmental & Applied Solutions segment - 10 basis points

Operating profit margins were unchanged at 28.4% for both six-month periods ended July 2, 2021 and July 1, 2022.

Year-to-date 2022 vs. Year-to-date 2021 operating profit margin comparisons were favorably impacted by:

- First half of 2021 acquisition-related fair value adjustments to inventory and deferred revenue related to the acquisition of Cytiva - 35 basis points
- First half of 2022 core sales, the impact of product mix and incremental year-over-year cost savings associated with continuing productivity improvement initiatives, net of incremental year-over-year costs associated with various new

product development, sales and marketing growth initiatives and incremental year-over-year material, transportation and labor costs - 25 basis points

Year-to-date 2022 vs. Year-to-date 2021 operating profit margin comparisons were unfavorably impacted by:

- Incremental dilutive effect in 2022 of acquired businesses, net of product line dispositions which did not qualify as discontinued operations - 35 basis points
- First half of 2022 impairment of accounts receivable and inventory as well as accruals for contractual obligations in Russia - 25 basis points

Business Segments

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

	Three-Month Period Ended		Six-Month Period Ended	
	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
Life Sciences	$ 3,967	$ 3,734	$ 7,849	$ 7,280
Diagnostics	2,561	2,336	5,205	4,514
Environmental & Applied Solutions	1,223	1,148	2,385	2,282
Total	$ 7,751	$ 7,218	$ 15,439	$ 14,076

For information regarding the Company's sales by geographical region, refer to Note 5 to the accompanying Consolidated Condensed Financial Statements.

LIFE SCIENCES

The Life Sciences segment offers a broad range of instruments and consumables that are primarily used by customers 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 and manufacture new drugs and vaccines.

Life Sciences Selected Financial Data

	Three-Month Period Ended		Six-Month Period Ended	
($ in millions)	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
Sales	$ 3,967	$ 3,734	$ 7,849	$ 7,280
Operating profit	1,174	1,144	2,292	2,295
Depreciation	70	64	142	116
Amortization of intangible assets	310	280	631	557
Operating profit as a % of sales	29.6 %	30.6 %	29.2 %	31.5 %
Depreciation as a % of sales	1.8 %	1.7 %	1.8 %	1.6 %
Amortization as a % of sales	7.8 %	7.5 %	8.0 %	7.7 %

Core Sales Growth

	% Change Three-Month Period Ended July 1, 2022 vs. Comparable 2021 Period	% Change Six-Month Period Ended July 1, 2022 vs. Comparable 2021 Period
Total sales growth (GAAP)	6.0 %	8.0 %
Impact of:		
Acquisitions/divestitures	(4.0)%	(4.0)%
Currency exchange rates	5.0 %	3.0 %
Core sales growth (non-GAAP)	7.0 %	7.0 %

Price increases in the segment contributed 4.0% and 3.5% to sales growth on a year-over-year basis during the three and six-month periods ended July 1, 2022, respectively, and are reflected as a component of core sales growth.

Total segment sales increased 6.0% and 8.0% during the three and six-month periods, respectively, led by increased core sales resulting from the factors discussed below as well as the impact of the acquisition of Aldevron L.L.C. (for a description of the Aldevron Acquisition, refer to Note 2 in the Company's 2021 Annual Report). Core sales in the bioprocess business increased during the three and six-month periods with continued strong underlying demand for non-COVID-19 related instruments and consumables. Core sales increased in both periods despite a difficult prior year comparison partially due to strong sales in 2021 of instruments and consumables used in the research and development of COVID-19-related treatments and vaccines and the completion of a major project in the first half of 2021. Geographically, core sales in the business in the three-month period were led by North America and China and in the six-month period were led by North America and Western Europe. Core sales for filtration, separation and purification technologies increased in the three and six-month periods of 2022 versus the comparable periods in 2021, led by North America, Western Europe and China in both the three and six-month periods. Demand for these products in both periods was led by the biopharmaceuticals, microelectronics and aerospace end-markets. Demand for the Company's flow cytometry, genomics, lab automation, centrifugation, particle counting and characterization business decreased in both the three and six-month periods, primarily as a result of declines in Western Europe due to lower demand for genomic sample preparation consumables for COVID-19 testing, partially offset by core sales growth from other products. Core sales in the mass spectrometry business increased during both the three and six-month periods across most major end-markets and geographies driven in part by demand from recent product launches.

Depreciation increased as a percentage of sales during both the three and six-month periods ended July 1, 2022 as compared to the comparable periods of 2021 primarily as a result of the impact of depreciation from recent capital expenditures related to manufacturing capacity expansion. Amortization increased as a percentage of sales during both the three and six-month periods ended July 1, 2022 as compared to the comparable period of 2021 primarily due to the impact of the Aldevron Acquisition.

Operating Profit Performance

Operating profit margins decreased 100 basis points during the three-month period ended July 1, 2022 as compared to the comparable period of 2021. For the three-month period, the impact of higher 2022 core sales was offset by incremental year-over-year costs associated with various new product development, sales, service and marketing growth investments and incremental year-over-year material, transportation and labor costs.

<u>Second quarter 2022 vs. second quarter 2021 operating profit margin comparisons were unfavorably impacted by:</u>

- The incremental dilutive effect in 2022 of acquired businesses - 100 basis points

Operating profit margins decreased 230 basis points during the six-month period ended July 1, 2022 as compared to the comparable period of 2021.

<u>Year-to-date 2022 vs. Year-to-date 2021 operating profit margin comparisons were favorably impacted by:</u>

- First half of 2021 acquisition-related fair value adjustments to inventory and deferred revenue related to the acquisition of Cytiva - 65 basis points

<u>Year-to-date 2022 vs. Year-to-date 2021 operating profit margin comparisons were unfavorably impacted by:</u>

- Incremental net dilutive effect in the first half of 2022 of acquired businesses, net of product line dispositions which did not qualify as discontinued operations - 125 basis points
- Incremental year-over-year costs associated with various new product development, sales, service and marketing growth investments, incremental year-over-year material, transportation and labor costs, the impact of product mix and incremental year-over year costs associated with continuing productivity improvement initiatives in the first half of 2022, net of the impact of higher 2022 core sales - 120 basis points
- First half of 2022 impairment of accounts receivable and inventory as well as accruals for contractual obligations in Russia - 50 basis points

DIAGNOSTICS

The Diagnostics segment offers clinical 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.

Diagnostics Selected Financial Data

	Three-Month Period Ended		Six-Month Period Ended	
($ in millions)	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
Sales	$ 2,561	$ 2,336	$ 5,205	$ 4,514
Operating profit	800	649	1,686	1,275
Depreciation	98	102	192	195
Amortization of intangible assets	50	51	101	102
Operating profit as a % of sales	31.2 %	27.8 %	32.4 %	28.2 %
Depreciation as a % of sales	3.8 %	4.4 %	3.7 %	4.3 %
Amortization as a % of sales	2.0 %	2.2 %	1.9 %	2.3 %

Core Sales Growth

	% Change Three-Month Period Ended July 1, 2022 vs. Comparable 2021 Period	% Change Six-Month Period Ended July 1, 2022 vs. Comparable 2021 Period
Total sales growth (GAAP)	9.5 %	15.5 %
Impact of:		
Acquisitions/divestitures	(1.0)%	(1.0)%
Currency exchange rates	4.0 %	3.0 %
Core sales growth (non-GAAP)	12.5 %	17.5 %

Price increases in the segment contributed 1.5% and 1.0% to sales growth on a year-over-year basis during the three and six-month periods ended July 1, 2022, respectively, and are reflected as a component of core sales growth.

Total segment sales increased 9.5% and 15.5% during the three and six-month periods, respectively, primarily as a result of increased core sales resulting from the factors discussed below, particularly higher year-over-year core sales of molecular diagnostics tests for COVID-19 which contributed significantly to overall segment core sales growth. Core sales in the segment's clinical lab business grew on a year-over-year basis in the three and six-month periods ended July 1, 2022, driven by North America, partially offset by China. The chemistry, immunoassay, automation and microbiology product lines drove core sales growth in both periods. During the three and six-month periods, core sales in the molecular diagnostics business increased on a year-over-year basis led by North America and Western Europe as the business experienced strong growth in sales of consumables, driven primarily by increased sales of diagnostic test solutions for COVID-19 as well as higher year-over-year demand for non-respiratory disease tests. Additional production capacity added in 2021 allowed the business to produce more diagnostic tests and contributed to the year-over-year core sales growth. Core sales in the acute care diagnostic business increased year-over-year in the three and six-month periods due to increased demand for blood gas consumables. Geographically, demand was driven by North America, Western Europe and China in both the three and six-month periods. Core sales in the pathology business grew year-over-year across most major product lines in the three and six-month periods ended July 1, 2022, led by demand in North America, Western Europe and China.

Operating Profit Performance

Operating profit margins increased 340 basis points during the three-month period ended July 1, 2022 as compared to the comparable period of 2021.

<u>Second quarter 2022 vs. second quarter 2021 operating profit margin comparisons were favorably impacted by:</u>

- Higher second quarter 2022 core sales, the impact of product mix and incremental year-over-year cost savings associated with continuing productivity improvement initiatives, net of incremental year-over-year costs associated with various new product development, sales and marketing growth initiatives and incremental year-over-year material, transportation and labor costs - 295 basis points
- The incremental accretive effect in 2022 of acquired businesses - 45 basis points

Operating profit margins increased 420 basis points during the six-month period ended July 1, 2022 as compared to the comparable period of 2021.

Year-to-date 2022 vs. Year-to-date 2021 operating profit margin comparisons were favorably impacted by:

- Higher first half of 2022 core sales, the impact of product mix and incremental year-over-year cost savings associated with continuing productivity improvement initiatives, net of incremental year-over-year costs associated with various new product development, sales and marketing growth initiatives and incremental year-over-year material, transportation and labor costs - 355 basis points
- The incremental accretive effect in 2022 of acquired businesses - 45 basis points
- First quarter 2021 impairment charge related to a trade name - 25 basis points

Year-to-date 2022 vs. Year-to-date 2021 operating profit margin comparisons were unfavorably impacted by:

- First half of 2022 impairments of accounts receivable as well as accruals for contractual obligations in Russia - 5 basis points

Depreciation and amortization of intangible assets both decreased as a percentage of sales during the three and six-month periods ended July 1, 2022 primarily as a result of the increase in sales.

ENVIRONMENTAL & APPLIED SOLUTIONS

The Environmental & Applied Solutions segment offers products and services that help protect precious resources and keep global food and water supplies safe. The Company's water quality business provides instrumentation, consumables, software, services and disinfection systems to help analyze, treat and manage the quality of ultra-pure, potable, industrial, waste, ground, source and ocean water in residential, commercial, municipal, industrial and natural resource applications. The Company's product identification business provides instruments, software, services and consumables for various color and appearance management, packaging design and quality management, packaging converting, printing, marking, coding and traceability applications for consumer, pharmaceutical and industrial products.

Environmental & Applied Solutions Selected Financial Data

	Three-Month Period Ended		Six-Month Period Ended	
($ in millions)	July 1, 2022	July 2, 2021	July 1, 2022	July 2, 2021
Sales	$ 1,223	$ 1,148	$ 2,385	$ 2,282
Operating profit	307	280	543	565
Depreciation	10	11	21	22
Amortization of intangible assets	13	16	27	32
Operating profit as a % of sales	25.1 %	24.4 %	22.8 %	24.8 %
Depreciation as a % of sales	0.8 %	1.0 %	0.9 %	1.0 %
Amortization as a % of sales	1.1 %	1.4 %	1.1 %	1.4 %

Core Sales Growth

	% Change Three-Month Period Ended July 1, 2022 vs. Comparable 2021 Period	% Change Six-Month Period Ended July 1, 2022 vs. Comparable 2021 Period
Total sales growth (GAAP)	6.5 %	4.5 %
Impact of:		
Acquisitions/divestitures	— %	1.0 %
Currency exchange rates	3.5 %	3.0 %
Core sales growth (non-GAAP)	10.0 %	8.5 %

Price increases in the segment contributed 8.0% and 6.5% to sales growth on a year-over-year basis during the three and six-month periods ended July 1, 2022, respectively, and are reflected as a component of core sales growth.

Total segment sales increased 6.5% and 4.5% during the three and six-month periods, respectively, primarily as a result of core sales growth driven by the factors discussed below.

Core sales in the segment's water quality businesses increased at a low-double digit rate during both the three and six-month periods ended July 1, 2022 compared to the comparable periods of 2021. Year-over-year core sales in the analytical instrumentation product line increased in both the three and six-month periods driven by increased core sales in the municipal and industrial end-markets. Geographically, core sales increased in Western Europe and North America, partially offset by declines in China. Core sales in the business' chemical treatment solutions product line increased during both the three and six-month periods as a result of increased core sales across most major end-markets. Geographically, the increase in core sales of chemical treatment solutions was driven by North America and Latin America in both the three and six-month periods.

Core sales in the segment's product identification businesses grew at a mid-single digit rate during both the three and six-month periods ended July 1, 2022 compared to the comparable periods of 2021. Core sales in the marking and coding business increased during both the three and six-month periods across most major end-markets, led by consumables. Geographically, the increase in core sales for the marking and coding business in both the three and six-month periods was led by North America, Western Europe and the high-growth markets. For the packaging and color solutions products and services, core sales increased in both the three and six-month periods.

Operating Profit Performance

Operating profit margins increased 70 basis points during the three-month period ended July 1, 2022 as compared to the comparable period of 2021.

Second quarter 2022 vs. second quarter 2021 operating profit margin comparisons were favorably impacted by:

- Higher second quarter 2022 core sales, lower year-over-year costs associated with various new product development initiatives, and lower year-over year costs associated with continuing productivity improvement initiatives, net of incremental year-over-year costs associated with sales, service and marketing growth investments and incremental year-over-year material, transportation and labor costs - 130 basis points
- The incremental net accretive effect in 2022 of acquired businesses, net of product line dispositions which did not qualify as discontinued operations - 10 basis points

Second quarter 2022 vs. second quarter 2021 operating profit margin comparisons were unfavorably impacted by:

- Second quarter 2022 impairment charge related to technology and customer relationships - 70 basis points

Operating profit margins decreased 200 basis points during the six-month period ended July 1, 2022 as compared to the comparable period of 2021.

Year-to-date 2022 vs. Year-to-date 2021 operating profit margin comparisons were favorably impacted by:

- The incremental net accretive effect in 2022 of acquired businesses, net of product line dispositions which did not qualify as discontinued operations - 30 basis points

Year-to-date 2022 vs. Year-to-date 2021 operating profit margin comparisons were unfavorably impacted by:

- Incremental year-over-year costs associated with various new commercial growth investments, incremental year-over-year material, transportation and labor costs, the impact of product mix and incremental year-over year costs associated with continuing productivity improvement initiatives in the first half of 2022, net of higher 2022 core sales - 190 basis points
- Second quarter 2022 impairment charge related to technology and customer relationships - 35 basis points
- First half of 2022 impairments of accounts receivable and inventory in Russia - 5 basis points

COST OF SALES AND GROSS PROFIT

($ in millions)	Three-Month Period Ended July 1, 2022	Three-Month Period Ended July 2, 2021	Six-Month Period Ended July 1, 2022	Six-Month Period Ended July 2, 2021
Sales	$ 7,751	$ 7,218	$ 15,439	$ 14,076
Cost of sales	(3,030)	(2,821)	(6,013)	(5,426)
Gross profit	$ 4,721	$ 4,397	$ 9,426	$ 8,650
Gross profit margin	60.9 %	60.9 %	61.1 %	61.5 %

The year-over-year increase in cost of sales during both the three and six-month periods ended July 1, 2022 as compared to the comparable periods in 2021, was due primarily to the impact of higher year-over-year sales volumes, including sales from recently acquired businesses, and incremental year-over-year material, transportation and labor costs. Additionally, cost of sales for the first half of 2022 included an inventory charge related to Russia. These increases were partially offset by the impact of acquisition-related charges associated with fair value adjustments to inventory in connection with the acquisition of Cytiva which increased cost of sales by $29 million in the first half of 2021.

The year-over-year gross profit margins remained flat during the three-month period ended July 1, 2022 and decreased during the six-month period ended July 1, 2022 as compared to the comparable periods in 2021. The gross profit margins in both periods were negatively impacted by incremental year-over-year material, transportation and labor costs. In addition, the gross profit margin for the first half of 2022 was negatively impacted by an inventory charge related to Russia. Gross profit margins in both periods were favorably impacted by increased core sales, product mix and year-over-year productivity improvement initiatives as well as the impact of first half of 2021 acquisition-related charges associated with fair value adjustments to inventory and deferred revenue recorded in connection with the acquisition of Cytiva totaling $46 million.

OPERATING EXPENSES

($ in millions)	Three-Month Period Ended July 1, 2022	Three-Month Period Ended July 2, 2021	Six-Month Period Ended July 1, 2022	Six-Month Period Ended July 2, 2021
Sales	$ 7,751	$ 7,218	$ 15,439	$ 14,076
Selling, general and administrative (“SG&A”) expenses	2,085	1,966	4,177	3,842
Research and development (“R&D”) expenses	431	426	872	806
SG&A as a % of sales	26.9 %	27.2 %	27.1 %	27.3 %
R&D as a % of sales	5.6 %	5.9 %	5.6 %	5.7 %

SG&A expenses as a percentage of sales declined slightly for both the three and six-month periods ended July 1, 2022 as compared to the comparable periods in 2021, driven in both periods by the benefit of increased leverage of the Company’s general and administrative cost base, including amortization expense, resulting from higher 2022 sales, including sales volumes from recently acquired businesses, and incremental year-over-year cost savings associated with continuing productivity improvement initiatives. These declines were partially offset in both the three and six-month periods by continued investments in sales and marketing growth initiatives, increased labor costs and higher amortization expense, as well as an impairment charge related to technology and customer relationships in the second quarter of 2022, net of the impact of an impairment charge related to a trade name which was incurred in the first quarter of 2021 for the six-month period. A charge related to impairments of certain accounts receivable and accrual of contractual obligations incurred in Russia during the first quarter of 2022 also partially offset the decline for the six-month period.

R&D expenses (consisting principally of internal and contract engineering personnel costs) as a percentage of sales declined during both the three and six-month periods ended July 1, 2022 as compared to the comparable periods of 2021, primarily due to sales growth rates in 2022 exceeding the spending growth related to the Company’s new product development initiatives.

OTHER INCOME (EXPENSE), NET

For a description of the Company’s other income (expense), net during the three and six-month periods ended July 1, 2022 and July 2, 2021, refer to Note 8 to the accompanying Consolidated Condensed Financial Statements.

INTEREST COSTS AND FINANCING

For a discussion of the Company’s outstanding indebtedness, refer to Note 11 to the accompanying Consolidated Condensed Financial Statements.

In June 2022, the Company repatriated approximately $2.5 billion of non-U.S. cash and used a portion of the funds for the repayment of the Company's outstanding U.S. commercial paper and the Floating Rate 2022 Euronotes. The remaining funds were deposited into short-term bank deposits and interest-bearing investment-grade securities.

Interest expense of $51 million and $105 million for the three and six-month periods ended July 1, 2022, respectively, was $11 million lower and $15 million lower than the comparable periods of 2021, due primarily to lower average debt balances in the three and six-month periods in 2022 versus the comparable periods of 2021 and the impact of the stronger U.S. dollar in 2022 on the interest expense for the Company's foreign currency denominated debt (and U.S. dollar debt that has been converted into a foreign currency through cross-currency swap derivative contracts).

Interest income of $2 million and $3 million for the three and six-month periods ended July 1, 2022, respectively, was $1 million lower and $4 million lower than the comparable periods of 2021, due primarily to lower average cash balances in 2022 compared to 2021 during both periods.

INCOME TAXES

The following table summarizes the Company's effective tax rate:

	Three-Month Period Ended		Six-Month Period Ended	
	July 1, 2022	**July 2, 2021**	**July 1, 2022**	**July 2, 2021**
Effective tax rate	18.8 %	16.8 %	18.3 %	17.6 %

The Company operates globally, including in certain jurisdictions with lower tax rates than the U.S. federal statutory rate. Therefore, the impact of operating in such jurisdictions reduces the effective tax rate compared to the U.S. federal statutory tax rate.

The effective tax rate for the three-month period ended July 1, 2022 differs from the U.S. federal statutory rate of 21.0% principally due the geographic mix of earnings described above and net discrete benefits of $8 million related primarily to changes in estimates associated with prior period uncertain tax positions and excess tax benefits from stock-based compensation. The net discrete benefits reduced the effective tax rate by 0.4% for the three-month period ended July 1, 2022.

The effective tax rate for the six-month period ended July 1, 2022 differs from the U.S. federal statutory rate of 21.0% principally due to the geographic mix of earnings described above and net discrete benefits of $49 million related primarily to excess tax benefits from stock-based compensation and changes in estimates associated with prior period uncertain tax positions. The net discrete benefits reduced the effective tax rate by 1.2% for the six-month period ended July 1, 2022.

The effective tax rate for the three-month period ended July 2, 2021 differs from the U.S. federal statutory rate of 21.0% principally due to net discrete benefits of $76 million related primarily to the release of reserves for uncertain tax positions due to the expiration of statutes of limitation, audit settlements and excess tax benefits from stock-based compensation, net of changes in estimates associated with prior period uncertain tax positions. These factors reduced the effective tax rate by 3.7% for the three-month period ended July 2, 2021.

The effective tax rate for the six-month period ended July 2, 2021 differs from the U.S. federal statutory rate of 21.0% principally due to net discrete benefits of $120 million related primarily to release of reserves for uncertain tax positions due to the expiration of statutes of limitation, audit settlements and excess tax benefits from stock-based compensation, net of changes in estimates associated with prior period uncertain tax positions. These factors reduced the effective tax rate by 2.9% for the six-month period ended July 2, 2021.

The Company conducts business globally, and files numerous consolidated and separate income tax returns in federal, state and foreign jurisdictions. In addition to the Company's significant presence in the U.S., the Company also has a significant presence in China, Denmark, Germany, Singapore, Sweden, Switzerland and the UK. Excluding these jurisdictions, the Company believes that a change in the statutory tax rate of any individual foreign country would not have a material impact on the Company's financial statements given the geographical dispersion of the Company's taxable income.

The Company and its subsidiaries are routinely examined by various domestic and international taxing authorities. The Internal Revenue Service has completed the examinations of substantially all of the Company's federal income tax returns through 2015 and is currently examining certain of the Company's federal income tax returns for 2016 through 2018. In addition, the Company has subsidiaries in Belgium, Canada, China, Denmark, France, Germany, India, Italy, Japan, Korea, Switzerland, the UK and various other countries, states and provinces that are currently under audit for years ranging from 2004 through 2020.

The Company expects its effective tax rate for the remainder of 2022 to be approximately 19.5%. The Company's effective tax rate could vary as a result of many factors, including but not limited to the following:

- The expected rate for the remainder of 2022 includes the anticipated discrete income tax benefits from excess tax deductions related to the Company's stock compensation programs, which are reflected as a reduction in tax expense, though the actual benefits (if any) will depend on the Company's stock price and stock option exercise patterns.
- The actual mix of earnings by jurisdiction could fluctuate from the Company's projection.
- The tax effects of other 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.
- Any future changes in tax law or the implementation of recently proposed increases in tax rates, the impact of future regulations and any related additional tax planning efforts to address these changes.

As a result of the uncertainty in predicting these items, it is reasonably possible that the actual effective tax rate used for financial reporting purposes will change in future periods.

Refer to Note 7 to the Consolidated Condensed Financial Statements for discussion regarding the Company's significant tax matters.

DISCONTINUED OPERATIONS

On July 2, 2016, the Company completed the separation of its former Test & Measurement segment, Industrial Technologies segment (excluding the product identification businesses) and retail/commercial petroleum business by distributing to Danaher stockholders on a pro rata basis all of the issued and outstanding common stock of Fortive Corporation ("Fortive"), the entity the Company incorporated to hold such businesses. For the three and six-month periods ended July 2, 2021, the Company recorded an income tax benefit of $86 million related to the release of previously provided reserves associated with uncertain tax positions on certain of the Company's tax returns which were jointly filed with Fortive entities. These reserves were released due to the expiration of statutes of limitations for those returns. This income tax benefit is included in earnings from discontinued operations, net of income taxes in the accompanying Consolidated Condensed Statements of Earnings.

COMPREHENSIVE INCOME

In 2022, comprehensive income decreased approximately $2.1 billion for the three-month period ended July 1, 2022 and decreased approximately $1.5 billion for the six-month period ended July 1, 2022 as compared to the comparable periods of 2021, primarily driven by increased losses from foreign currency translation adjustments, lower gains from cash flow hedge adjustments and lower net earnings. The Company recorded foreign currency translation losses of approximately $1.4 billion and $1.8 billion for the three and six-month periods ended July 1, 2022, respectively, as compared to a gain of $408 million and a loss of $514 million for the three and six-month periods ended July 2, 2021, respectively. The Company recorded gains of $66 million and $46 million from cash flow hedge adjustments related to the Company's cross-currency swap derivative contracts for the three and six-month periods ended July 1, 2022, respectively, as compared to gains of $228 million and $186 million for the comparable periods of 2021.

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, cash on hand and other sources of liquidity will be sufficient to allow it to continue investing in existing businesses (including capital expenditures), consummating strategic acquisitions and investments, paying interest and servicing debt, paying dividends, funding restructuring activities and managing its capital structure on a short-term and long-term basis.

The Company has relied primarily on borrowings under its commercial paper program to address liquidity requirements that exceed the capacity provided by its operating cash flows and cash on hand, while also accessing the capital markets from time to time including to secure financing for more significant acquisitions. Subject to any limitations that may result from the COVID-19 pandemic or other market disruptions, the Company anticipates following the same approach in the future.

Overview of Cash Flows and Liquidity

Following is an overview of the Company's cash flows and liquidity ($ in millions):

($ in millions)	Six-Month Period Ended July 1, 2022	Six-Month Period Ended July 2, 2021
Total operating cash provided by continuing operations	$ 3,968	$ 3,991
Cash paid for acquisitions	$ (77)	$ (1,065)
Payments for additions to property, plant and equipment	(546)	(556)
Proceeds from sales of property, plant and equipment	9	13
Payments for purchases of investments	(328)	(552)
Proceeds from sales of investments	17	56
Proceeds from sale of product lines	—	26
All other investing activities	22	18
Total cash used in investing activities for continuing operations	$ (903)	$ (2,060)
(Payments for) proceeds from the issuance of common stock in connection with stock-based compensation, net	$ (23)	$ 25
Payment of dividends	(411)	(360)
Net (repayments of) proceeds from borrowings (maturities of 90 days or less)	(669)	13
Net repayments of borrowings (maturities longer than 90 days)	(265)	(279)
All other financing activities	(66)	13
Total cash used in financing activities for continuing operations	$ (1,434)	$ (588)

- Operating cash flows from continuing operations decreased $23 million, or 1%, during the six-month period ended July 1, 2022 as compared to the comparable period of 2021, as higher net earnings from continuing operations (after excluding in both periods charges for depreciation, amortization (including intangible assets and inventory step-up), stock compensation, gain on sale of product lines and unrealized investment gains/losses) were more than offset by higher cash used in aggregate for accounts receivables, inventories, trade accounts payable and accrued and prepaid expenses in 2022 compared to the prior year.

- Net cash used in investing activities for continuing operations consisted primarily of investments and capital expenditures and decreased year-over-year primarily as a result of lower cash paid for acquisitions and investments in the 2022 period compared to 2021. Refer to Note 2 to the accompanying Consolidated Condensed Financial Statements for information on the Company's acquisitions.

- As of July 1, 2022, the Company held approximately $4.0 billion of cash and cash equivalents.

Operating Activities

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

Operating cash flows from continuing operations were approximately $4.0 billion for the first six months of 2022, a decrease of $23 million, or 1%, as compared to the comparable period of 2021. The year-over-year change in operating cash flows from 2021 to 2022 was primarily attributable to the following factors:

- 2022 operating cash flows reflected an increase of $4 million in net earnings from continuing operations for the first six months of 2022 as compared to the comparable period in 2021.

- Net earnings for the first six months of 2022 also reflected an increase of $472 million of depreciation, intangible asset amortization, stock compensation expense and unrealized investment gains/losses and the gain on sale of product lines as compared to the comparable period of 2021, net of a decrease in amortization of an acquisition-related inventory step-up in 2022 compared to 2021. Amortization expense primarily relates to the amortization of intangible assets and inventory fair value adjustments. Depreciation expense relates to both the Company's manufacturing and operating facilities as well as instrumentation leased to customers under operating-type lease arrangements. Depreciation, amortization and stock compensation are noncash expenses that decrease earnings without a corresponding impact to operating cash flows. Cash flows from the gain on sale of product lines are reflected in cash flows from investing activities while unrealized investment gains/losses impact net earnings without immediately impacting cash flows as the cash flow impact from investments occurs when the invested capital is returned to the Company.

- The aggregate of trade accounts receivable, inventories and trade accounts payable used $824 million in operating cash flows during the first six months of 2022, compared to $433 million of operating cash flows used in the comparable period of 2021. 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, as well as actions to increase inventory to mitigate supply chain disruptions.

- The aggregate of prepaid expenses and other assets, deferred income taxes and accrued expenses and other liabilities used $33 million of operating cash flows during the first six months of 2022, compared to $75 million of operating cash flows provided in the comparable period of 2021. The timing of cash payments for income taxes, various employee-related liabilities, customer funding and changes in accrued expenses, drove the majority of this change.

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 decreased $1,157 million in the six-month period ended July 1, 2022 compared to the comparable period of 2021, primarily as a result of cash used for the Company's acquisitions in the first half of 2021 exceeding the cash used for acquisitions in the first half of 2022. For a discussion of the Company's acquisitions during the first six months of 2022 refer to "—Overview". In addition, in the first half of 2022 and 2021, the Company invested $328 million and $552 million, respectively, in non-marketable equity securities and partnerships.

Capital expenditures are made primarily for increasing manufacturing capacity, replacing equipment, supporting new product development, improving information technology systems and the manufacture of instruments that are used in OTL arrangements that certain of the Company's businesses enter into with customers. Capital expenditures decreased $10 million on a year-over-year basis for the six-month period ended July 1, 2022 compared to the comparable period in 2021, due to declines in expenditures for instruments used in operating-type lease arrangements, partially offset by expenditures to increase capacity, including incremental capital expenditures as a result of the Cytiva and Aldevron acquisitions. For the full year 2022, the Company forecasts capital spending to be approximately $1.5 billion, driven primarily by continued expenditures to support customer demand.

Financing Activities and Indebtedness

Cash flows relating to financing activities typically consist primarily of cash flows associated with the issuance and repayments of commercial paper, issuance and repayment of long-term debt, borrowings under committed credit facilities, issuance and repurchases of common stock, issuance of preferred stock and payments of cash dividends to shareholders. Financing activities used cash of $1,434 million during the six-month period ended July 1, 2022 compared to $588 million of cash used in the comparable period of 2021. The year-over-year increase in cash used by financing activities was due primarily to repayment of borrowings in 2022.

For a description of the Company's outstanding debt as of July 1, 2022 and the Company's commercial paper programs and credit facility, refer to Note 11 to the accompanying Consolidated Condensed Financial Statements. As of July 1, 2022, the Company was in compliance with all of its respective debt covenants.

All outstanding shares of the Company's 4.75% MCPS Series A converted to common shares on April 15, 2022 at a rate of 6.6632 common shares per share of preferred stock. For a description of the conversion, refer to Note 15 in the accompanying Consolidated Condensed Financial Statements.

Stock Repurchase Program

For information regarding the Company's stock repurchase program, refer to Part II—Item 2, "Unregistered Sales of Equity Securities and Use of Proceeds".

Dividends

Aggregate cash payments for dividends on Company common stock during the six-month period ended July 1, 2022 were $329 million and aggregate cash payments for dividends on the Company's MCPS during the six-month period ended July 1, 2022 were $82 million. The increase in dividend payments over the comparable period of 2021 primarily relates to an increase in the quarterly dividend rate for common stock beginning with respect to the dividend paid in the second quarter of 2021.

In the second quarter of 2022, the Company declared a regular quarterly dividend of $0.25 per share of Company common stock payable on July 29, 2022 to holders of record as of June 24, 2022. In addition, the Company declared a quarterly cash dividend of $12.50 per MCPS Series B that was paid on July 15, 2022 to holders of record as of June 30, 2022.

Cash and Cash Requirements

As of July 1, 2022, the Company held approximately $4.0 billion of cash and cash equivalents that were held on deposit with financial institutions or invested in highly liquid investment-grade debt instruments with a maturity of 90 days or less. Of the cash and cash equivalents, approximately $1.7 billion was held within the United States and approximately $2.3 billion was held outside of the United States. The Company will continue to have cash requirements to support general corporate purposes, which may include working capital needs, capital expenditures, acquisitions and investments, paying interest and servicing debt, paying taxes and any related interest or penalties, funding its restructuring activities and pension plans as required, paying dividends to shareholders, repurchasing shares of the Company's common stock and supporting other business needs.

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, the Company may also borrow under its commercial paper programs (if available) or borrow under the Company's Five-Year Facility, enter into new credit facilities and either borrow directly thereunder or use such credit facilities to backstop additional borrowing capacity under its commercial paper programs (if available) and/or access the capital markets (if available). The Company also may from time to time seek to access the capital markets to take advantage of favorable interest rate environments or other market conditions. With respect to the commercial paper and other notes scheduled to mature during the remainder of 2022, the Company expects to repay the principal amounts when due using available cash, proceeds from new issuances of commercial paper (if available), drawing on its Five-Year Facility and/or proceeds from other debt issuances.

While repatriation of some cash held outside the United States may be restricted by local laws, most of the Company's foreign cash could be repatriated to the United States. Following enactment of the Tax Cuts and Jobs Act and the associated Transition Tax, in general, repatriation of cash to the United States can be completed with no incremental U.S. tax; however, repatriation of cash could subject the Company to non-U.S. taxes on distributions. The cash that the Company's non-U.S. subsidiaries hold for indefinite reinvestment is generally used to finance foreign operations and investments, including acquisitions. The income taxes, if any, applicable to such earnings including basis differences in our foreign subsidiaries are not readily determinable. As of July 1, 2022, management believes that it has sufficient sources of liquidity to satisfy its cash needs, including its cash needs in the United States. For information on the second quarter repatriation of cash held outside the United States, refer to "-Interest Costs and Financing."

During 2022, the Company's cash contribution requirements for its U.S. and non-U.S. defined benefit pension plans are forecasted to be approximately $10 million and $44 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.

CRITICAL ACCOUNTING ESTIMATES

There have been no material changes to the Company's critical accounting estimates as described in the 2021 Annual Report.

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 2021 Annual Report. There were no material changes during the quarter ended July 1, 2022 to this information as reported in the Company's 2021 Annual Report.

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.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For additional information regarding legal proceedings, refer to the section titled "Legal Proceedings" in the MD&A section of the Company's 2021 Annual Report.

ITEM 1A. RISK FACTORS

The Company is supplementing the risk factors previously disclosed in the Company's 2021 Annual Report with the following risk factor. Additional information regarding risk factors can be found 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 the Company's 2021 Annual Report.

The military conflict between Russia and Ukraine has adversely affected and may further adversely affect our business and financial statements.

Given the nature of our business and our global operations, military, political, economic, social and other conditions in non-U.S. countries and regions, including geopolitical risks such as the current military conflict between Russia and Ukraine, may adversely affect our business and financial statements. For the year ended December 31, 2021, approximately 1% of the Company's sales were derived from customers based in Russia, and Ukraine accounted for a de minimis percentage of the Company's sales. In light of the situation in Ukraine, in addition to suspending sales prohibited by sanctions, the Company has suspended the shipment of products to Russia with the exception of products for the purposes of diagnosing and treating patients and producing vaccines and therapeutics. We incurred a pretax charge of $43 million in the first half of 2022 as a result of Russia-related asset impairments, accruals for contractual obligations and similar items and we may incur additional charges in the future. The conflict in Ukraine may escalate and/or expand in scope and the broader consequences of this conflict, which have included and/or may in the future include sanctions, embargoes, regional instability and geopolitical shifts; potential retaliatory action by the Russian government against companies, including us, such as nationalization of foreign businesses in Russia; and increased tensions between the United States and countries in which we operate cannot be predicted, nor can we predict the conflict's impact on the global economy and on our business and financial statements.

The Russia and Ukraine conflict may also heighten many other risks disclosed in our Annual Report, any of which could materially and adversely affect our business and financial statements. Such risks include, but are not limited to, adverse effects on macroeconomic conditions, including increased inflation, constraints on the availability of commodities, supply chain disruption and decreased business spending; disruptions to our or our business partners' global technology infrastructure, including through cyber-attack or cyber-intrusion; adverse changes in international trade policies and relations; claims, litigation and regulatory enforcement; our ability to implement and execute our business strategy; terrorist activities; our exposure to foreign currency fluctuations; reputational risk; and constraints, volatility, or disruption in the capital markets.

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 six-month period ended July 1, 2022. 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 members of 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 1, 2022, 20 million shares remained available for repurchase pursuant to the Repurchase Program. The Company expects to fund any future stock repurchases using the Company's available cash balances or proceeds from the issuance of debt.

ITEM 5. OTHER INFORMATION

Disclosure Pursuant to Section 13(r) of the Exchange Act

Pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012, which amended the Exchange Act to add Section 13(r) thereof, an issuer is required to disclose in its annual or quarterly reports, as applicable, whether, during the relevant reporting period, it or any entity acting on its behalf knowingly engaged in certain activities, transactions or dealings related to parties subject to sanctions administered by the Office of Foreign Assets Control ("OFAC") within the U.S. Department of the Treasury, even if those transactions are authorized by law.

On March 2, 2021, the U.S. government designated the Russian Federal Security Service (the "FSB") as a blocked party under Executive Order 13382. On the same day, the U.S. Department of the Treasury's Office of Foreign Assets Control issued General License No. 1B (the "OFAC General License"), which generally authorizes U.S. companies to engage in certain transactions and dealings with the FSB necessary and ordinarily incident to requesting or obtaining licenses, permits, certifications or notifications issued or registered by the FSB for the importation, distribution or use of information technology products in Russia. Section 13(r) of the Exchange Act now requires disclosure of dealings with FSB, even where the activities were conducted in compliance with applicable laws and regulations.

In the normal course of business, as permitted and authorized by the OFAC General License (but subject to the Company's suspension of sales prohibited by sanctions and suspension of certain product shipments to Russia as a result of the conflict with Ukraine, as described above), certain of the Company's subsidiaries may file notifications with, or apply for import licenses and permits from, the FSB as required pursuant to Russian encryption product import controls for the purpose of enabling such subsidiaries or their channel partners to import and distribute certain products in the Russian Federation. There are no gross revenues or net profits directly associated with these activities, and neither the Company nor any of its subsidiaries distribute or sell products or provide services to the FSB.

ITEM 6. EXHIBITS

(a) Exhibits:

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)
3.2	Certificate of Designations of the 4.75% Mandatory Convertible Preferred Stock, Series A, filed with the Secretary of State of the State of Delaware on February 28, 2019 (incorporated by reference from Exhibit 3.1 to Danaher Corporation's Current Report on Form 8-K filed March 1, 2019)
3.3	Certificate of Designations of the 5.00% Mandatory Convertible Preferred Stock, Series B, filed with the Secretary of State of the State of Delaware on May 11, 2020 (incorporated by reference from Exhibit 3.1 to Danaher Corporation's Current Report on Form 8-K filed May 12, 2020)
3.4	Amended and Restated By-laws of Danaher Corporation (incorporated by reference from Exhibit 3.1 to Danaher Corporation's Current Report on Form 8-K filed July 13, 2021)
22.1	Subsidiary guarantors and issuers of guaranteed securities and affiliates whose securities collateralize securities of the Registrant
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	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

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 20, 2022	By:	/s/ Matthew R. McGrew
			Matthew R. McGrew
			Executive Vice President and Chief Financial Officer
Date:	July 20, 2022	By:	/s/ Christopher M. Bouda
			Christopher M. Bouda
			Vice President and Chief Accounting Officer