



DANAHER CORPORATION ANNUAL REPORT 2000

ABOUT THE COVER:

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

DANAHER CORPORATION

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

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

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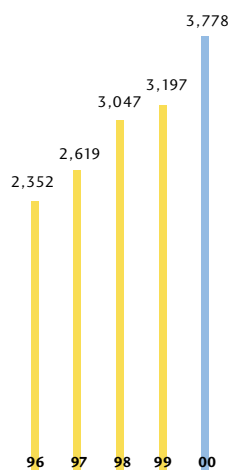
FINANCIAL HIGHLIGHTS

(000's omitted, except per share data and number of associates)

	2000	1999
OPERATIONS:		
Net sales	\$x,xxx,xxx	\$x,xxx,xxx
Operating profit	552,149	458,007
Net earnings	324,213*	261,624*
Earnings per common share (diluted)	2.23*	1.79*
Excluding pooling charge	2.23	1.86
Depreciation expense	101,135	89,151
Capital expenditures, net	88,503	88,909
Number of associates	26,000	19,000
FINANCIAL POSITION AT YEAR-END:		
Total assets	4,031,679	3,047,071
Total debt	795,190	374,634
Stockholders' equity	1,942,333	1,708,754
Total debt as a percent of total capitalization	29.0%	18.0%
Return on equity	16.7%	15.9%
Book value per share	13.68	12.00

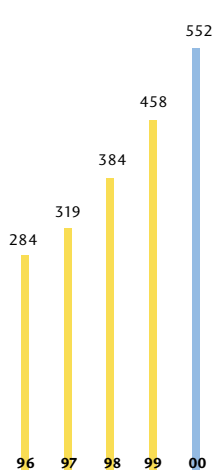
*Includes \$9.8 million in after-tax costs (\$0.07 per share) from the merger with the Hach Company in 1999.

NET SALES
(dollars in millions)



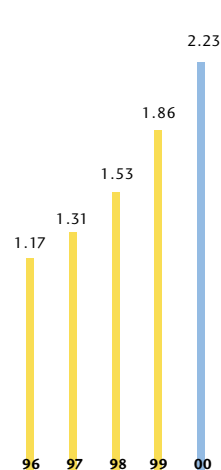
13% compounded annual growth rate

OPERATING PROFIT
(dollars in millions)



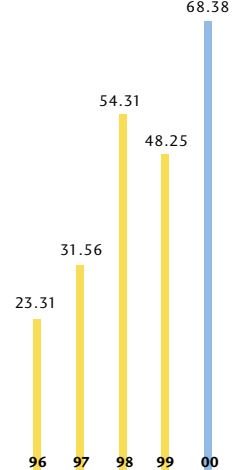
18% compounded annual growth rate

EARNINGS PER SHARE*
(in dollars)



17% compounded annual growth rate

YEAR-END MARKET PRICE OF STOCK
(in dollars)



31% compounded annual growth rate

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

TO OUR SHAREHOLDERS

WE HAVE SUCCEEDED
IN REPOSITIONING
OUR COMPANY
FOR FUTURE GROWTH
AND REDUCED
CYCLICALITY

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anaher Corporation reports another year of record achievements. During 2000, our financial measures, again, reached new heights. Sales grew 18% to \$3.78 billion. Net earnings and earnings per share, before the inclusion of one-time costs associated with the acquisition of the Hach Company in 1999, were up 19% and 20%, respectively, over the record performance achieved in 1999. In 2000, for the ninth consecutive year, Danaher reported record cash flow with free cash flow exceeding net earnings by 31%. Operating cash flow increased \$95 million to a record \$512 million. Our debt to total capital at year-end was 29%, after spending more than \$700 million for cash acquisitions and a two million share buy-back. This excellent financial position provides flexibility to fund aggressive internal growth and to pursue strategic acquisitions, while retaining financial strength.

GROWTH Beyond our financial accomplishments, we have succeeded in repositioning our company for future growth and reduced cyclicalities. Approximately half of our sales for the past year came from businesses that were not part of our company three years ago. During the past few years, we have deliberately broadened our product offerings in higher growth, multi-billion dollar global markets. Today, we enjoy leading positions in three higher growth business platforms that were only part of our strategic plans as recently as three years ago. These new business areas – water quality, electronic test and measurement and precision motion control – position us well for future success and are discussed in more detail on Pages 6 through 11 in this report. This repositioning has allowed us to grow our Process/Environmental Controls business segment from 23% of sales in 1990 to 65% of sales in 2000. During 2000, our sales outside the U.S., including both exports and direct sales abroad, grew 25% to a record \$1.2 billion or 32% of sales.

Our shift into these new markets has allowed us to achieve superior results even in adverse economic conditions. During 2000, we experienced a substantial slow-down in our Jacobs Vehicle Systems business, which now represents less than 4% of total sales. We also felt the impact of consumer sales slow-downs in several of our Tools and Components businesses during the fourth quarter. Despite these adversities, our core volume growth in 2000 exceeded 6%, nearly 8% before Jacobs Vehicle Systems and foreign currency translation decreases, which approximated 1.5% of sales.

We remain focused on growth through share gains, international expansion, aggressive new product and service developments, e-commerce initiatives and acquisitions. During 2000, we completed three significant acquisitions: American Precision Industries, Kollmorgen Corporation and the motion control business of Warner Electric Company. Each of these companies fit in our Process/Environmental Controls Business Segment and strengthens our leadership position in the precision motion control market.



GEORGE M. SHERMAN
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

OPERATING PHILOSOPHY Once again, the improved performance we achieved in 2000 was due in large part to the management process we refer to as the Danaher Business System (DBS). The system represents a team effort that focuses our worldwide associates on common goals and objectives – the relentless pursuit of customer satisfaction by meeting or exceeding their expectations. We continue to look beyond our immediate competition by setting expectations for quality, customer service and cost at stretch levels – world class standards. This unique culture permeates our organization, as DBS provides the tools and methodology to outperform competition by a large margin and will continue to provide us with a long-term competitive advantage.

ORGANIZATIONAL DEVELOPMENT When I joined Danaher eleven years ago, sales totaled less than \$750 million, and the company sold a fragmented assortment of products. We set our objectives: to achieve above average growth with reduced cyclicity, to produce top quartile financial performance and to improve shareholder value. Over the next decade, we achieved these goals as we evolved Danaher into a global corporation with leading positions in higher growth multi-billion dollar markets. Over the last ten years, our sales and earnings per share have grown, respectively, at a 15% and 21% compounded annual growth rate. Our shareholders have been rewarded, as Danaher stock has appreciated over the past ten years at a 33% compounded annual growth rate. An investment of \$100 in Danaher stock on December 31, 1990, with dividends reinvested was worth \$1,739 on December 31, 2000, as compared to \$499 for a comparable investment in the S&P500.

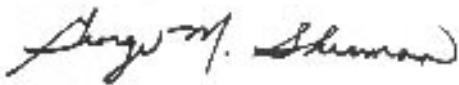
While we were developing a stronger business mix and a clearly articulated operating philosophy and culture around our powerful DBS system, we also grew our organizational capability. Shortly after I arrived at Danaher in 1990, my first hire was H. Lawrence (Larry) Culp, Jr., a talented individual who has been a major contributor to the successes we have reported. Larry has demonstrated both the leadership and vision needed to deliver outstanding results. He has the ability to develop winning strategies and to build strong organizations, and he is committed to the Danaher Business System. In recognition of his achievements, Larry was named Chief Operating Officer last summer, and he will become the President and Chief Executive Officer and a member of the Board of Directors at the Annual Meeting in May 2001 when I will retire.

Larry is supported by an able and proven team of individuals, beginning with our Executive Vice Presidents, Patrick W. Allender, Philip W. Knisely and Steven E. Simms. Larry, Pat, Phil and Steve will constitute the Office of the Chief Executive upon my retirement in May. This group has delivered excellent results over time and they will lead an organization deep in managerial strength spread throughout the company across business lines and geographical areas.

OUTLOOK Clearly, the manufacturing sector in the United States experienced a softening economy during the last quarter of 2000. Danaher was not immune; however, we had repositioned our company to provide for growth and reduced our costs accordingly. The U.S. economy entering 2001 is exhibiting a continuation of the softness experienced late last year. The repositioning of our company to higher growth global markets and our proactive approach to productivity gains and cost reduction should provide the ability to outperform competition in the short term and an even brighter future. We have the financial strength and flexibility, business mix and global breadth for future growth. Danaher is poised for long-term success, and I am confident that the company will continue to deliver superior results.

APPRECIATION Our succession planning began with our Board of Directors five years ago and culminated with the announcement of Larry Culp's appointment to Chief Operating Officer and my retirement on May 1, 2001. It has been a long-term goal of mine to build a management capability and a company so strong that I could retire before I reached the age of 60. This year, I will turn 60 and be able to spend more time with my family, focus on private investments and philanthropic interests and participate in recreational activities that I have deferred during my professional career.

As I leave my career with Danaher, I want to express my personal thanks to the associates, customers and suppliers who have worked so hard to make this company such a success. I respect your efforts, value your friendship and will never forget you. For the future, I will remain interested in Danaher's growth for both personal and substantial financial reasons.



GEORGE M. SHERMAN
PRESIDENT AND CHIEF EXECUTIVE OFFICER
FEBRUARY 23, 2000



PAT ALLENDER
EXECUTIVE VICE PRESIDENT,
CHIEF FINANCIAL OFFICER
AND SECRETARY

STEVE SIMMS
EXECUTIVE VICE PRESIDENT

PHIL KNISELY
EXECUTIVE VICE PRESIDENT



LARRY CULP
EXECUTIVE VICE PRESIDENT
AND CHIEF OPERATING OFFICER

I LOOK AHEAD
WITH GREAT
CONFIDENCE TO A
FUTURE FULL OF
POTENTIAL FOR
DANAHER.

My appointment to CEO is both a thrill and an honor. I am grateful to George Sherman for his counsel and mentoring through the years. I am also thankful to the Board for their support. Additionally, I want to recognize my Danaher colleagues and associates who have influenced my thinking, developed my skills and contributed to our collective success.

I look ahead with great confidence to a future full of potential for Danaher. Led by Pat, Steve and Phil in our Office of the Chief Executive, we have a talented and motivated team of people throughout Danaher. The power of the Danaher Business System (DBS) and the quality of our portfolio of companies create an exceptional foundation for future growth and continued superior financial performance.

Those expecting radical changes under my leadership will be disappointed. I have been clear with everyone who asks; there will be no change in our values or in our level of expectation. But certain changes are inevitable for an organization built on kaizen, or continuous improvement.

We will continue to evolve our business model. Simply stated, our model assumes exceptional people conceive superior business plans and make them a reality through the passionate use of DBS, thus yielding superior financial performance. Those results serve as a magnet for more outstanding people and the cycle starts over again, albeit with more momentum and strength.

Additionally, we will nurture the opportunities created by the advance of technology, particularly the Internet, and the globalization of many of our served and as-yet-unserved markets to create a truly unique and successful enterprise for years to come.

LARRY CULP
EXECUTIVE VICE PRESIDENT
AND CHIEF OPERATING OFFICER

WATER

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lean water has emerged as a critical issue for the new millennium. In many countries around the world, basic needs for clean water are going unmet. The World Health Organization estimates that 1.1 billion people lack access to safe drinking water and 2.4 billion lack safe sanitation. Without any change to the current situation, population growth will bring these numbers to 3 and 4 billion by 2025. Even where safe water is taken for granted, problems exist.

As the global leader in water testing equipment, the Danaher Water Quality Group will play a key role in efforts to meet the world's clean water needs. Danaher's products range from simple disposable test strips and portable test kits used to spot-check source and drinking waters to sophisticated networked instruments that continuously monitor plant processes, from microbiological media that detect living parasites such as e. coli to spectrophotometers that measure dissolved chemicals such as arsenic. By helping customers meet regulatory requirements as well as reduce chemical and energy usage in their treatment processes, Danaher's products provide users with solutions to cost-effectively ensure high-quality water.

As researchers continuously identify new health hazards, safe drinking water standards and regulations evolve and expand, and testing is usually necessary to ensure adherence. The Danaher Water Quality Group has built customer loyalty by providing cost-effective ways of meeting many of these new requirements. In response to the U.S. Environmental Protection Agency's recent Disinfectants and Disinfection Byproducts Rule, Danaher introduced the Total Trihalomethanes Test, which enables users to measure these carcinogenic byproducts in water for less than \$10 in under 30 minutes – versus traditional laboratory methods that cost hundreds of dollars and take several days.

Danaher's market leadership also encompasses new and innovative ways of reaching customers. Recognizing that water treatment is a 24-hour-a-day, 365-day-a-year business, Danaher launched an e-commerce site at the beginning of 2000 that provides customers the ability to perform numerous activities, from ordering products to getting chemical safety information, at their convenience. Usage of this service has grown tremendously, with online information requests quickly surpassing all other forms of media.

With manufacturing facilities on two continents, direct sales operations in over ten countries, and tens of thousands of customers around the globe, the Danaher Water Quality Group is widely recognized as the standard in water quality testing and as an organization firmly committed to safeguarding the environment.



Safeguarding the environment



DANAHER'S GLOBAL LEADERSHIP IN WATER QUALITY TESTING WILL PLAY AN IMPORTANT ROLE IN ADDRESSING THE WORLD'S CLEAN WATER NEEDS.

ELECTRONIC TEST AND MEASUREMENT

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anaher's Electronic Test and Measurement platform is well-positioned to benefit from "digital" trends driving electronic controls and networks in industries ranging from Internet to traditional manufacturing. This is not "dot com" hype, these are real companies producing real products, profitably. Two companies, Fluke and Fluke Networks, which emerged from Danaher's July 1998 acquisition of Fluke Corporation, are capturing these opportunities, albeit in unique ways.

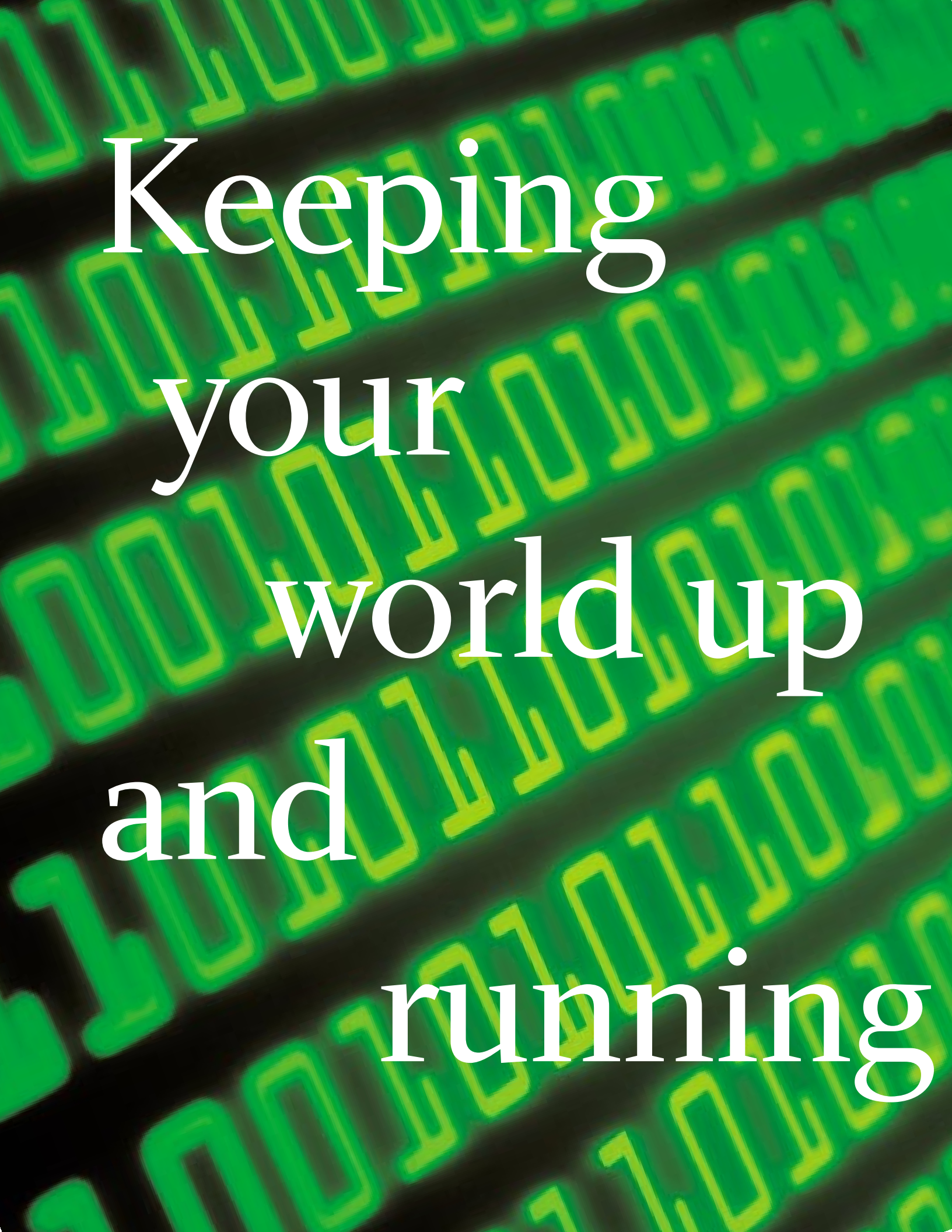
The rapid rate of change and the world's increased dependence on networks has created a global network monitoring and analysis market of roughly \$1.5 billion, growing 20%+ annually. Engineers who support e-commerce web sites, streaming video and audio and other business critical applications not only face the growing complexities of their Internet infrastructure, but they are also forced to support more users, increasing bandwidth demands and around-the-clock availability needs. Compounding their challenge is a chronic shortage of skilled personnel.

Fluke Networks provides critical solutions for the engineers and technicians that keep the Net Economy running. "Network SuperVision™" is Fluke Networks' promise to the customer and unique contribution to the marketplace. A passion for customer satisfaction has driven Fluke Networks to deliver breakthrough products that uniquely enable engineers to identify and resolve network issues in minutes versus hours. Recent innovations include the new NetTool™ Connectivity Tester, a palm-sized device targeted at PC Help Desk Technicians, and the OptiView™ Integrated Network Analyzer, a powerful tool that combines the functions of a number of more expensive network analysis tools. Both products give the network engineer the quickest, most complete view into the network available. This passion and innovation has catapulted Fluke Networks to a leadership position with strong brand recognition in its high growth markets.

Completing Danaher's outstanding Electronic Test platform is Fluke Corporation, the birthplace of Fluke Networks and the leading brand worldwide in hand-held, professional electrical test tools for industrial, electronic and engineering customers. Fluke made significant progress in 2000 by revamping its product development process. The objective was to upgrade and revise Fluke's core product line, the digital multi-meter (DMM), while cutting time-to-market by 50%.

Using the Danaher Business System's tools, combined with customer research driving product look, feel and functionality, the team employed concurrent engineering to deliver on its objectives. The result was "The World's Smartest Meter," a versatile DMM encompassing a comprehensive feature set with broad customer appeal. Launched in November, 2000, the Fluke 189 meter exceeded time-to-market goals and delivered exceptional customer satisfaction. With renewed strength in its core DMM line, Fluke is enjoying accelerated growth and profitability while strengthening its global brand leadership.

Both Fluke and Fluke Networks continue to grow faster than their served markets through the relentless pursuit of new products and solutions geared toward helping their customers take full advantage of the digital age.



Keeping
your
world up
and
running



MAJOR BROADCASTING COMPANIES GLOBALLY STRUGGLE TO CONNECT HARD-WIRED NETWORKS TO MOBILE LOCATIONS SO THAT THEY CAN DELIVER THE WORLD'S NEWS AS IT HAPPENS. FLUKE NETWORKS' PRODUCTS ENABLE NETWORK ENGINEERS TO BUILD MOBILE CONNECTIONS AND RESOLVE ISSUES IN MINUTES INSTEAD OF HOURS, ENSURING THAT NEWS IS DELIVERED TO THE WORLD REAL-TIME WITHOUT INTERRUPTION.

MOTION CONTROLS



Advanced motion control is changing your life. Initially implemented in military, semiconductor and aerospace applications, precision control of motion is rapidly revolutionizing common machinery ranging from food-handling to wheelchairs to specialized power tools. Danaher Motion Control is driving this technological transition, as we do not simply focus on products that move objects, but instead we design entire systems with far greater power to move quickly and precisely and to accelerate and decelerate with increased control.

Furthermore, high-tech motion control is enabling new industries previously impossible. Think of the nanometer-level control necessary to split molecules for gene splicing or to position light waves for fiber-optic splicing. Recognizing the growth potential of this market, Danaher built its position in precision motion control systems from \$30 million of niche component sales in 1998 to a leading market share with over \$800 million in sales today.

This driving need for accuracy, customization and protection of the environment has led to market growth rates in excess of 10% over the past decade. Yet we estimate that precision motion control has only 10% penetration into applicable machine designs. Meanwhile, new industries enabled by our technologies further bolster the market growth. We expect these factors to push growth rates well into the double digits for the foreseeable future. Danaher's technology and leading market position combined with our manufacturing focus enables us to outpace market growth.

Danaher grew its motion control business in 2000 through aggressive internal expansion and acquisition: In late 1999, a controls business was acquired from Atlas Copco and renamed Inmotion Technologies. This Swedish based provider of complete servo motor, drive and control solutions brought both a European presence and a well recognized high-volume design and manufacturing capability.

American Precision Industries (API) was acquired in March of 2000. API is a diversified U.S. & European motion control supplier that expanded the system scope of Danaher.

Acquired in June of 2000, Kollmorgen provides specialized servo and stepper motor systems to general industrial, medical and aerospace applications in Europe and Asia. Kollmorgen's patented "Direct Drive" technology allows for rapid replacement of mechanical and hydraulic systems, eliminating the inefficiency, expense and complexity of gearing systems. The acquisition of Warner Electric, a leading provider of linear positioning equipment and unique motor solutions in both the U.S. and Europe, was completed in July.

Strong brands, leading market positions and superior product innovation position Danaher as a leader in this high value, high growth global market.



Improving
performance
with
speed and
accuracy



MANUFACTURERS GLOBALLY RECOGNIZE THE OPPORTUNITY THAT ADVANCED MOTION CONTROL PROVIDES. RIGID, HARD-TOOLED MACHINES AND PROCESSES ARE BEING REINVENTED AT UNPARALLELED RATES TO ALLOW FOR FLEXIBILITY AND PRECISION. CONSIDER A BOTTLING MACHINE THAT HISTORICALLY REQUIRED HOURS OF MANUAL ADJUSTMENT TO SET UP FOR EACH PACKAGE TYPE; DANAHER MOTION SYSTEMS ENABLE THE MACHINE TO ADJUST ITSELF TO NEARLY ANY PACKAGE TYPE AUTOMATICALLY WITHIN SECONDS, AS WELL AS TRIPLE THE MACHINE OUTPUT.

DANAHER BUSINESS SEGMENTS

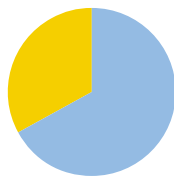
PROCESS/ENVIRONMENTAL CONTROLS The Process/Environmental Controls Business Segment produces a broad range of monitoring, sensing, controlling, measuring, counting, electrical power quality and electronic test products, systems, instruments and components. Significant additions in 2000 included American Precision Industries, Kollmorgen Corporation and Warner Motion (motion control systems and components) Zellweger (water quality analytical instrumentation) and United Power Corporation (electrical power conditioning products) in early 2001. In addition, the segment's business lines include A.L. Hyde, American Sigma, Anderson Instruments, Clark Controls, Communication Technology, Contronics, Current Technology, Cyberex, Danaher Controls, Dr. Bruno Lange, Dolan-Jenner, Fisher Pierce, Fluke, Gems Sensors, Hach, Hengstler, InMotion, Jennings Technology, Joslyn Electronic Systems, Joslyn Hi-Voltage, Joslyn Sunbank, Kistler-Morse, McCrometer, M&M Precision Systems, Namco Controls, Pacific Scientific, Partlow, QualiTROL, Radiometer, Sonix, Veeder-Root, Warrick and West.

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



2000 SALES

PROCESS/ENVIRONMENTAL CONTROLS **65%**
TOOLS AND COMPONENTS **35%**



2000 OPERATING PROFIT

PROCESS/ENVIRONMENTAL CONTROLS **67%**
TOOLS AND COMPONENTS **33%**



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