

DANAHER CORPORATION REPORTS RECORD FOURTH QUARTER AND 2002 RESULTS

PRNewswire-FirstCall

WASHINGTON

Danaher Corporation announced today results for the fourth quarter and year ended December 31, 2002. Net earnings for the fourth quarter of 2002, excluding the effect of unusual items, were \$124.4 million, or \$0.79 per diluted share, a 27% increase over 2001. Excluding the effect of unusual items, net earnings for the 2001 fourth quarter were \$92.3 million, or \$0.62 per diluted share. Net earnings for the fourth quarter of 2002 including the impact of all unusual items were \$161.7 million, or \$1.03 per diluted share, compared with \$33.1 million, or \$0.23 per diluted share for the fourth quarter of 2001. As indicated in the reconciliation presented below, the unusual items affecting the fourth quarter of 2002 include benefits resulting from unused reserves associated with the restructuring program announced in the fourth quarter of 2001, a lower effective income tax rate and the reduction of income tax reserves related to a previously discontinued operation. The unusual items affecting the fourth quarter 2001 net earnings included the costs associated with the restructuring program announced in the quarter as well as the effect of goodwill amortization which was required prior to the Company's adoption of Statement of Financial Accounting Standard No. 142 (SFAS 142) as of January 1, 2002. Sales for the 2002 fourth quarter were \$1,275.0 million compared to \$918.9 million for the fourth quarter of 2001, an increase of 39%.

For the full year 2002, net earnings excluding the effect of unusual items were \$426.1 million, or \$2.74 per diluted share. Excluding the effect of unusual items, earnings for the full year 2001 were \$396.1 million, or \$2.66 per diluted share. Net earnings for 2002 including the effect of all unusual items were \$290.4 million, or \$1.88 per diluted share (which includes a charge of \$1.10 per share related to a change in accounting), compared with \$297.7 million, or \$2.01 per diluted share for the fourth quarter of 2001. Consistent with the fourth quarter, the unusual items impacting the full year 2002 included benefits resulting from unused reserves associated with the restructuring program announced in the fourth quarter of 2001, the reduction of income tax reserves related to a previously discontinued operation as well as gains on the sale of real estate. Net earnings for 2002 were negatively impacted by a goodwill impairment charge totaling \$173.8 million (\$1.10 per diluted share) related to the adoption of SFAS 142. The unusual items affecting the full year 2001 net earnings included the negative effects of accruing the costs associated with the restructuring program announced in 2001 as well as the impact of goodwill amortization that ceased upon the Company's adoption of SFAS 142 as of January 1, 2002. Sales for 2002 were \$4.577 billion compared to \$3.782 billion in 2001, an increase of 21%.

H. Lawrence Culp, Jr., President and Chief Executive Officer, stated, "We are pleased to report record fourth quarter and full year results. Total sales for the quarter grew 39%, due primarily to new acquisitions, but also due to a 3.5% core volume increase. Strong gains in our process/environmental controls segment, particularly in the electronic test and motion product lines, offset a slight decline in the tools and components segment. We have again achieved record cash flow with 2002 operating cash flow totaling \$710.3 million, a 17% increase over the 2001 level of \$608.5 million. Although signs of a near term economic recovery are mixed, we remain optimistic regarding our ability to outperform in 2003."

Danaher Corporation is a leading manufacturer of Process/Environmental Controls and Tools and Components. (<http://www.danaher.com/>)

SUPPLEMENTAL INCOME STATEMENT DATA

(in thousands, except per share amounts)

| | Quarter Ended | | Year Ended | |
|--|---------------|----------|------------|-----------|
| | 12/31/02 | 12/31/01 | 12/31/02 | 12/31/01 |
| Net earnings before unusual items | \$124,443 | \$92,346 | \$426,061 | 396,143 |
| Gains on sale of real estate, net of tax | 609 | -- | 3,940 | -- |
| Effect of lower tax rate on prior quarters (A) | 2,520 | -- | -- | -- |
| After-tax impact of restructuring charge | 4,140 | (43,500) | 4,140 | (43,500) |
| Goodwill amortization, net of tax | -- | (15,734) | -- | (54,978) |
| Reduction of tax reserves related to previously discontinued operation | 30,000 | -- | 30,000 | -- |
| Effect of accounting change, net of tax, SFAS 142 | -- | -- | (173,750) | -- |
| Net earnings | \$161,712 | \$33,112 | \$290,391 | \$297,665 |
| Diluted net earnings per share before unusual items | \$0.79 | \$0.62 | \$2.74 | \$2.66 |
| Gains on sale of real estate, net of tax | -- | -- | 0.02 | -- |
| Effect of lower tax rate on prior quarters (A) | 0.02 | -- | -- | -- |
| After-tax impact of restructuring charge | 0.03 | (0.29) | 0.03 | (0.29) |
| Goodwill amortization, net of tax | -- | (0.10) | -- | (0.36) |
| Reduction of tax reserves related to previously discontinued operation | 0.19 | -- | 0.19 | -- |
| Effect of accounting change, net of tax, SFAS 142 | -- | -- | (1.10) | -- |
| Diluted net earnings per share | \$1.03 | \$0.23 | \$1.88 | \$2.01 |

(A) Represents the effect on the fourth quarter of lowering the full year effective income tax rate to 34% from 34.5% used during the first three quarters of 2002.

Statements in this release, including the attachments to this release, that are not strictly historical may be forward-looking statements, which involve risks and uncertainties. These include economic and currency conditions, market demand, pricing, and competitive and technological factors, among others, as set forth in the company's SEC filings.

DANAHER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(in thousands, except per share amounts)

| | Quarter Ended | | Year Ended | |
|--|---------------|-------------|---------------|---------------|
| | 12/31/02 | 12/31/01 | 12/31/02 | 12/31/01 |
| Net sales | \$1,274,978 | \$918,932 | \$4,577,232 | \$3,782,444 |
| Cost of sales | 769,435 | 580,699 | 2,791,175 | 2,338,027 |
| Selling, general and administrative | 305,872 | 209,167 | 1,097,365 | 872,680 |
| Gains on sale of real estate | (952) | -- | (6,157) | -- |
| Restructuring expenses | (6,273) | 69,726 | (6,273) | 69,726 |
| Total operating expenses | 1,068,082 | 859,592 | 3,876,110 | 3,280,433 |
| Operating profit | 206,896 | 59,340 | 701,122 | 502,011 |
| Interest expense, net | 11,151 | 6,362 | 43,654 | 25,747 |
| Earnings before income taxes | 195,745 | 52,978 | 657,468 | 476,264 |
| Income taxes | 64,033 | 19,866 | 223,327 | 178,599 |
| Net earnings before effect of accounting change and reduction of income tax reserves | 131,712 | 33,112 | 434,141 | 297,665 |
| Reduction of income tax reserves related to previously discontinued operation | 30,000 | -- | 30,000 | -- |
| Effect of accounting change, net | | | | |

of tax, adoption of SFAS No. 142 -- -- (173,750) --

Net earnings \$161,712 \$33,112 \$290,391 \$297,665

Basic net earnings per share:

Net earnings before effect of

accounting change and reduction

of income tax reserves \$0.87 \$0.23 \$2.89 \$2.07

Add: Reduction of income tax

reserves 0.20 -- 0.20 --

Less: Effect of accounting

change -- -- (1.16) --

Net earnings \$1.07 \$0.23 \$1.93 \$2.07

Diluted net earnings per share:

Net earnings before effect of

accounting change and reduction

of income tax reserves \$0.84 \$0.23 \$2.79 \$2.01

Add: Reduction of income tax

reserves 0.19 -- 0.19 --

Less: Effect of accounting

change -- -- (1.10) --

Net earnings \$1.03 \$0.23 \$1.88 \$2.01

Average common stock and common

equivalent shares outstanding:

Basic 152,607 143,794 150,224 143,630

Diluted 160,328 152,088 158,482 151,848

These statements are presented for reference only. The final audited statements will include footnotes, which should be referenced when available, to more fully understand the contents of these statements.

DANAHER CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands)

As of December 31,

ASSETS

2002 2001

Current assets:

Cash and equivalents \$810,463 \$706,559

Trade accounts receivable, less

| | | |
|---|-------------|-------------|
| allowance for doubtful accounts of \$64,000 and \$44,000 | 759,028 | 585,318 |
| Inventories | 485,587 | 408,236 |
| Prepaid expenses and other | 332,188 | 174,502 |
| Total current assets | 2,387,266 | 1,874,615 |
| Property, plant and equipment, net | 597,379 | 533,572 |
| Other assets | 36,796 | 119,639 |
| Goodwill and other intangible assets | 3,007,704 | 2,292,657 |
| | \$6,029,145 | \$4,820,483 |

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

| | | |
|--|-----------|-----------|
| Notes payable and current portion of long-term debt | \$112,542 | \$72,356 |
| Trade accounts payable | 366,587 | 235,501 |
| Accrued expenses | 786,183 | 709,437 |
| Total current liabilities | 1,265,312 | 1,017,294 |
| Other liabilities | 556,812 | 455,270 |
| Long-term debt | 1,197,422 | 1,119,333 |
| Stockholders' equity: | | |
| Common stock, one cent par value; 500,000 shares authorized; 166,545 and 157,327 issued; 152,532 and 143,314 outstanding | 1,665 | 1,573 |
| Additional paid-in capital | 915,562 | 375,279 |
| Accumulated other comprehensive income | (105,973) | (69,736) |
| Retained earnings | 2,198,345 | 1,921,470 |

| | | |
|----------------------------|-----------|-----------|
| Total stockholders' equity | 3,009,599 | 2,228,586 |
|----------------------------|-----------|-----------|

| | | |
|--|-------------|-------------|
| | \$6,029,145 | \$4,820,483 |
|--|-------------|-------------|

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DANAHER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

Year Ended

12/31/02 12/31/01 12/31/00

Cash flows from operating activities:

| | | | |
|--|-----------|-----------|-----------|
| Net earnings | \$290,391 | \$297,665 | \$324,213 |
| Reduction of income tax reserves | (30,000) | -- | -- |
| Effect of change in accounting principle | 173,750 | -- | -- |
| | 434,141 | 297,665 | 324,213 |
| Depreciation and amortization | 129,565 | 178,390 | 149,721 |
| Change in trade accounts receivable | 59,030 | 142,308 | (15,926) |
| Change in inventories | 77,544 | 66,833 | (38,451) |
| Change in accounts payable | 54,008 | (38,138) | (81) |
| Change in prepaid expenses and other assets | (71,536) | (62,641) | (78,599) |
| Change in accrued expenses and other liabilities | 27,595 | 24,054 | 171,368 |
| Total operating cash flows | 710,347 | 608,471 | 512,245 |

Cash flows from investing activities:

| | | | |
|--|-------------|-----------|-----------|
| Payments for additions to property, plant and equipment | (65,430) | (84,457) | (103,718) |
| Proceeds from disposals of property, plant and equipment | 26,466 | 3,872 | 15,215 |
| Cash paid for acquisitions | (1,158,129) | (439,814) | (708,594) |
| Proceeds from divestitures | 52,562 | 32,826 | 1,800 |
| Net cash used in investing activities | (1,144,531) | (487,573) | (795,297) |

Cash flows from financing activities:

| | | | |
|---|-----------|-----------|-----------|
| Proceeds from issuance of common stock | 512,105 | 28,169 | 26,580 |
| Dividends paid | (13,516) | (11,676) | (10,015) |
| Proceeds from debt borrowings | 37,528 | 517,564 | 340,409 |
| Debt repayments | (19,820) | (107,048) | (74,319) |
| Purchase of treasury stock | -- | (17,299) | (82,174) |
| Net cash provided by financing activities | 516,297 | 409,710 | 200,481 |
| Effect of exchange rate changes on cash | 21,791 | (973) | (786) |
| Net change in cash and equivalents | 103,904 | 529,635 | (83,357) |
| Beginning balance of cash and equivalents | 706,559 | 176,924 | 260,281 |
| Ending balance of cash and equivalents | \$810,463 | \$706,559 | \$176,924 |

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DANAHER CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL SEGMENT INFORMATION

Year Ended December 31, 2002

(in thousands)

| | 1Q | 2Q | 3Q | 4Q | Full Year |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Sales: | | | | | |
| Process/ Environmental Controls | \$734,229 | \$843,527 | \$840,222 | \$967,176 | \$3,385,154 |
| Tools and Components | 269,978 | 302,799 | 311,499 | 307,802 | 1,192,078 |
| Total | \$1,004,207 | \$1,146,326 | \$1,151,721 | \$1,274,978 | \$4,577,232 |

Operating Margins before
Restructuring Impact:

| | | | | | |
|---------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Process/ Environmental Controls | \$107,444 | \$130,228 | \$139,932 | \$158,148 | \$535,752 |
|---------------------------------------|-----------|-----------|-----------|-----------|-----------|

| | | | | | |
|-------------------------|-----------|-----------|-----------|-----------|-----------|
| Tools and Components | 34,780 | 45,453 | 51,723 | 47,835 | 179,791 |
| Other | (5,003) | (6,106) | (4,225) | (5,360) | (20,694) |
| Total | \$137,221 | \$169,575 | \$187,430 | \$200,623 | \$694,849 |

| | | | | | |
|---------------------------------------|--------|--------|--------|--------|--------|
| Process/ Environmental Controls | 14.6 % | 15.4 % | 16.7 % | 16.4 % | 15.8 % |
|---------------------------------------|--------|--------|--------|--------|--------|

| | | | | | |
|-------------------------|--------|--------|--------|--------|--------|
| Tools and Components | 12.9 % | 15.0 % | 16.6 % | 15.5 % | 15.1 % |
| Total | 13.7 % | 14.8 % | 16.3 % | 15.7 % | 15.2 % |

Operating Margins after
Restructuring Impact:

| | | | | | |
|---------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Process/ Environmental Controls | \$107,444 | \$130,228 | \$139,932 | \$162,853 | \$540,457 |
|---------------------------------------|-----------|-----------|-----------|-----------|-----------|

| | | | | | |
|-------------------------|-----------|-----------|-----------|-----------|-----------|
| Tools and Components | 34,780 | 45,453 | 51,723 | 49,403 | 181,359 |
| Other | (5,003) | (6,106) | (4,225) | (5,360) | (20,694) |
| Total | \$137,221 | \$169,575 | \$187,430 | \$206,896 | \$701,122 |

| | | | | | |
|---------------------------------------|--------|--------|--------|--------|--------|
| Process/ Environmental Controls | 14.6 % | 15.4 % | 16.7 % | 16.8 % | 16.0 % |
|---------------------------------------|--------|--------|--------|--------|--------|

| | | | | | |
|-------------------------|--------|--------|--------|--------|--------|
| Tools and Components | 12.9 % | 15.0 % | 16.6 % | 16.1 % | 15.2 % |
| Total | 13.7 % | 14.8 % | 16.3 % | 16.2 % | 15.3 % |

This information is presented for reference only. Final audited financial statements will include footnotes, which should be referenced when available, to more fully understand the contents of this information.

SOURCE: Danaher Corporation

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Web site: <http://www.danaher.com/>

<https://investors.danaher.com/2003-01-30-Danaher-Corporation-Reports-Record-Fourth-Quarter-and-2002-Results>