DANAHER CORP /DE/
Form 10-Q
April 23, 2015

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended April 3, 2015

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: 1-8089

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, D.C.	20037-1701
(Address of Principal Executive Offices)	(Zip Code)

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

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 ý No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ý No ¨

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

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

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

The number of shares of common stock outstanding at April 17, 2015 was 707,525,745.

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

	April 3, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and equivalents	$2,511.0	$3,005.6
Trade accounts receivable, net	3,446.9	3,633.8
Inventories:		
Finished goods	965.6	932.8
Work in process	263.3	276.6
Raw materials	668.3	622.1
Total inventories	1,897.2	1,831.5
Prepaid expenses and other current assets	919.3	960.4
Total current assets	8,774.4	9,431.3
Property, plant and equipment, net of accumulated depreciation of $2,577.4 and $2,594.1, respectively	2,135.9	2,203.0
Other assets	1,092.1	1,024.0
Goodwill	16,711.5	16,964.2
Other intangible assets, net	7,358.4	7,369.2
Total assets	$36,072.3	$36,991.7
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and current portion of long-term debt	$123.7	$71.9
Trade accounts payable	1,732.3	1,875.0
Accrued expenses and other liabilities	3,096.7	3,449.5
Total current liabilities	4,952.7	5,396.4
Other long-term liabilities	4,675.1	4,744.0
Long-term debt	3,053.8	3,401.5
Stockholders' equity:		
Common stock - $0.01 par value	8.0	7.9
Additional paid-in capital	4,623.6	4,480.9
Retained earnings	20,797.3	20,323.0
Accumulated other comprehensive income (loss)	(2,107.9)	(1,433.7)
Total Danaher stockholders' equity	23,321.0	23,378.1
Non-controlling interests	69.7	71.7
Total stockholders' equity	23,390.7	23,449.8
Total liabilities and stockholders' equity	$36,072.3	$36,991.7

See the accompanying Notes to the Consolidated Condensed Financial Statements.

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

	Three Months Ended	
	April 3, 2015	March 28, 2014
Sales	$4,873.3	$4,662.7
Cost of sales	(2,273.3)	(2,209.8)
Gross profit	2,600.0	2,452.9
Operating costs:		
Selling, general and administrative expenses	(1,486.7)	(1,350.6)
Research and development expenses	(339.1)	(313.4)
Operating profit	774.2	788.9
Non-operating income (expense):		
Interest expense	(30.2)	(32.5)
Interest income	2.3	4.9
Earnings before income taxes	746.3	761.3
Income taxes	(176.5)	(181.6)
Net earnings	$569.8	$579.7
Net earnings per share:		
Basic	$0.81	$0.83
Diluted	$0.79	$0.81
Average common stock and common equivalent shares outstanding:		
Basic	707.2	700.1
Diluted	718.7	714.8

See the accompanying Notes to the Consolidated Condensed Financial Statements.

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

	Three Months Ended	
	April 3, 2015	March 28, 2014
Net earnings	$569.8	$579.7
Other comprehensive income (loss), net of income taxes:		
Foreign currency translation adjustments	(679.8)	(7.2)
Pension and post-retirement plan benefit adjustments	7.0	(1.0)
Unrealized (loss) gain on available-for-sale securities	(1.4)	12.3
Total other comprehensive income (loss), net of income taxes	(674.2)	4.1
Comprehensive income (loss)	$(104.4)	$583.8

See the accompanying Notes to the Consolidated Condensed Financial Statements.

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

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interests
	Shares	Amount				
Balance, December 31, 2014	792.5	$7.9	$4,480.9	$20,323.0	$ (1,433.7)	$71.7
Net earnings for the period	—	—	—	569.8	—	—
Other comprehensive loss	—	—	—	—	(674.2)	—
Dividends declared	—	—	—	(95.5)	—	—
Common stock-based award activity	2.3	0.1	98.4	—	—	—
Common stock issued in connection with LYONs' conversions, including tax benefit of $12.9	1.0	—	44.3	—	—	—
Change in non-controlling interests	—	—	—	—	—	(2.0)
Balance, April 3, 2015	795.8	$8.0	$4,623.6	$20,797.3	$ (2,107.9)	$69.7

See the accompanying Notes to the Consolidated Condensed Financial Statements.

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

	Three Months Ended	
	April 3, 2015	March 28, 2014
Cash flows from operating activities:		
Net earnings	$569.8	$579.7
Non-cash items:		
Depreciation	138.5	132.2
Amortization	108.9	92.5
Stock-based compensation expense	31.4	29.0
Change in trade accounts receivable, net	125.6	(5.9)
Change in inventories	(119.0)	(67.0)
Change in trade accounts payable	(91.3)	(96.8)
Change in prepaid expenses and other assets	(0.1)	36.2
Change in accrued expenses and other liabilities	(240.2)	(188.7)
Net cash provided by operating activities	523.6	511.2
Cash flows from investing activities:		
Cash paid for acquisitions	(487.6)	(162.8)
Payments for additions to property, plant and equipment	(119.2)	(130.9)
Payments for purchases of investments	(87.1)	—
All other investing activities	3.2	9.0
Net cash used in investing activities	(690.7)	(284.7)
Cash flows from financing activities:		
Proceeds from the issuance of common stock	61.6	30.0
Payment of dividends	(70.4)	(17.4)
Net (repayments of) proceeds from borrowings (maturities of 90 days or less)	(247.5)	3.1
Repayments of borrowings (maturities longer than 90 days)	(1.2)	(1.0)
All other financing activities	(3.3)	—
Net cash (used in) provided by financing activities	(260.8)	14.7
Effect of exchange rate changes on cash and equivalents	(66.7)	(9.9)
Net change in cash and equivalents	(494.6)	231.3
Beginning balance of cash and equivalents	3,005.6	3,115.2
Ending balance of cash and equivalents	$2,511.0	$3,346.5
Supplemental disclosures:		
Cash interest payments	$37.3	$37.2
Cash income tax payments	$101.0	$68.2

See the accompanying Notes to the Consolidated Condensed Financial Statements.

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

NOTE 1. GENERAL

The consolidated condensed financial statements included herein have been prepared by Danaher Corporation (the “Company”) without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations; however, the Company believes that the disclosures are adequate to make the information presented not misleading. The condensed financial statements included herein should be read in conjunction with the financial statements as of and for the year ended December 31, 2014 and the Notes thereto included in the Company’s 2014 Annual Report on Form 10-K.

In the opinion of the Company, the accompanying financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position of the Company as of April 3, 2015 and December 31, 2014, and its results of operations and its cash flows for the three months ended April 3, 2015 and March 28, 2014.

Accumulated Other Comprehensive Income (Loss) - The changes in accumulated other comprehensive income (loss) by component are summarized below ($ in millions). Foreign currency translation adjustments are generally not adjusted for income taxes as they relate to indefinite investments in non-U.S. subsidiaries.

	Foreign Currency Translation Adjustments	Pension and Post-Retirement Plan Benefit Adjustments	Unrealized Gain (Loss) on Available-For-Sale Securities	Total
For the Three Months Ended April 3, 2015:				
Balance, December 31, 2014	$(821.8)	$ (727.8)	$ 115.9	$(1,433.7)
Other comprehensive income (loss) before reclassifications:				
Increase (decrease)	(679.8)	—	(2.3)	(682.1)
Income tax impact	—	—	0.9	0.9
Other comprehensive income (loss) before reclassifications, net of income taxes	(679.8)	—	(1.4)	(681.2)
Amounts reclassified from accumulated other comprehensive income (loss):				
Increase (decrease)	—	10.3 (1)	—	10.3
Income tax impact	—	(3.3)	—	(3.3)
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes	—	7.0	—	7.0
Net current period other comprehensive income (loss), net of income taxes	(679.8)	7.0	(1.4)	(674.2)
Balance, April 3, 2015	$(1,501.6)	$ (720.8)	$ 114.5	$(2,107.9)

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

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	Foreign Currency Translation Adjustments	Pension and Post-Retirement Plan Benefit Adjustments	Unrealized Gain on Available-For-Sale Securities	Total
For the Three Months Ended March 28, 2014:				
Balance, December 31, 2013	$413.2	$ (366.7)	$ 168.0	$214.5
Other comprehensive income (loss) before reclassifications:				
Increase (decrease)	(7.2)	(5.5)	19.6	6.9
Income tax impact	—	1.1	(7.3)	(6.2)
Other comprehensive income (loss) before reclassifications, net of income taxes	(7.2)	(4.4)	12.3	0.7
Amounts reclassified from accumulated other comprehensive income (loss):				
Increase (decrease)	—	5.3 (1)	—	5.3
Income tax impact	—	(1.9)	—	(1.9)
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes	—	3.4	—	3.4
Net current period other comprehensive income (loss), net of income taxes	(7.2)	(1.0)	12.3	4.1
Balance, March 28, 2014	$406.0	$ (367.7)	$ 180.3	$218.6

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

New Accounting Standards - In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606), which impacts virtually all aspects of an entity's revenue recognition. The core principle of the new standard is that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. On April 1, 2015, the FASB voted to propose a deferral of the effective date of the standard by one year which would result in the new standard being effective for the Company at the beginning of its first quarter of fiscal year 2018. Management has not yet completed its assessment of the impact of the new standard, including possible transition alternatives, on the Company's financial statements.

NOTE 2. ACQUISITIONS

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

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

The Company makes an initial allocation of the purchase price at the date of acquisition based upon its understanding of the fair value of the acquired assets and assumed liabilities. The Company obtains this information during due diligence and through other sources. In the months after closing, as the Company obtains additional information about these assets and liabilities, including through tangible and intangible asset appraisals, and learns more about the newly acquired business, it is able to refine the estimates of fair value and more accurately allocate the purchase price. Only items identified as of the acquisition date are considered for subsequent adjustment. The Company is continuing to evaluate certain pre-acquisition contingencies associated with certain of its 2015 and 2014 acquisitions and is also in the process of obtaining valuations of certain property, plant and equipment, acquired intangible assets and certain acquisition related liabilities in connection with these acquisitions. The Company will make appropriate adjustments to the purchase price allocation prior to completion of the

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measurement period, as required. The Company evaluated whether any adjustments to the prior periods' purchase price allocations were material and concluded no retrospective adjustment to prior period financial statements was required.
During the first three months of 2015, the Company acquired three businesses for total consideration of $488 million in cash, net of cash acquired. The businesses acquired complement existing units of the Life Sciences & Diagnostics, Dental and Industrial Technologies segments. The aggregate annual sales of these three businesses at the time of their respective acquisitions, in each case based on the company's revenues for its last completed fiscal year prior to the acquisition, were approximately $245 million. The Company preliminarily recorded an aggregate of $183 million of goodwill related to these acquisitions.
The following summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition for all acquisitions consummated during the three months ended April 3, 2015 ($ in millions):

Trade accounts receivable	$56.4
Inventories	23.0
Property, plant and equipment	20.3
Goodwill	183.3
Other intangible assets, primarily customer relationships, trade names and technology	196.2
Trade accounts payable	(8.1)
Other assets and liabilities, net	17.2
Assumed debt	(0.7)
Net cash consideration	$487.6

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

	Three Months Ended	
	April 3, 2015	March 28, 2014
Sales	$4,894.9	$5,015.2
Net earnings	584.2	568.7
Diluted net earnings per share	0.81	0.80

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

NOTE 3. DISTRIBUTION OF COMMUNICATIONS BUSINESS
In the fourth quarter of 2014, Danaher entered into a definitive agreement with NetScout Systems, Inc. ("NetScout") to combine the majority of the Company's Test & Measurement segment's communications business with NetScout (Danaher will retain the data communications cable installation business and the communication service provider (field and test tool systems) business of Fluke Networks and these will become part of the Test & Measurement segment's instruments business following the closing of the transaction). The transaction will be structured as a distribution of the communications business to Danaher shareholders in either a spin-off transaction, a split-off transaction, or a combination split-off and spin-off, followed by a merger of the communications business with a subsidiary of NetScout for consideration of 62.5 million NetScout shares, subject to adjustment. Both the distribution

and merger are expected to qualify as tax-free transactions to Danaher and its shareholders, except to the extent that cash is paid to Danaher stockholders in lieu of fractional shares. If Danaher elects a spin-off, all Danaher shareholders will participate pro-rata. If Danaher elects a split-off, Danaher will conduct an exchange offer pursuant to which its shareholders will elect whether to exchange Danaher shares for common units of the communications business. If the split-off exchange offer is not fully subscribed, the additional common units of the

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communications business held by Danaher will be distributed in a spin-off on a pro-rata basis to Danaher shareholders. Danaher will determine which approach it will take prior to closing the transaction and no decision has been made at this time. At closing, depending on the number of shares of NetScout common stock outstanding, Danaher shareholders will receive approximately 60% of the shares of NetScout common stock outstanding following the combination.

The transaction remains subject to approval by NetScout's shareholders, other customary closing conditions, Danaher's receipt of a ruling by the U.S. Internal Revenue Service and an opinion of counsel regarding certain tax matters, and the absence of a material adverse change with respect to either the communications business or NetScout. On December 24, 2014, NetScout received a request for additional information ("second request") from the U.S. Department of Justice. On March 19, 2015, NetScout and Danaher certified substantial compliance with the second request, and on April 22, 2015, NetScout received notification from the U.S. Department of Justice that it has closed its investigation into the transaction. Upon the closing of the transaction, the Company will classify the communications business as a discontinued operation in its historical financial statements. For the year ended December 31, 2014, sales of the communications business to be combined with NetScout were $760 million. The transaction is expected to close in mid-2015.

NOTE 4. GOODWILL

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

Balance, December 31, 2014	$16,964.2
Attributable to 2015 acquisitions	183.3
Foreign currency translation & other	(436.0)
Balance, April 3, 2015	$16,711.5

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

	April 3, 2015	December 31, 2014
Test & Measurement	$3,197.4	$3,238.4
Environmental	1,894.1	1,937.3
Life Sciences & Diagnostics	6,331.0	6,345.2
Dental	3,047.4	3,142.9
Industrial Technologies	2,241.6	2,300.4
Total goodwill	$16,711.5	$16,964.2

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

NOTE 5. FAIR VALUE MEASUREMENTS

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

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

	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
April 3, 2015:				
Assets:				
Available-for-sale securities	$342.3	—	—	$342.3
Liabilities:				
Deferred compensation plans	—	$ 75.3	—	75.3
December 31, 2014:				
Assets:				
Available-for-sale securities	$257.5	—	—	$257.5
Liabilities:				
Deferred compensation plans	—	$ 75.0	—	75.0

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

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

	April 3, 2015		December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Available-for-sale securities	$342.3	$342.3	$257.5	$257.5
Liabilities:				
Short-term borrowings	123.7	123.7	71.9	71.9
Long-term borrowings	3,053.8	3,400.2	3,401.5	3,809.1

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

The fair value of long-term borrowings was based on quoted market prices. The difference between the fair value and the carrying amounts of long-term borrowings (other than the Company's Liquid Yield Option Notes due 2021 (the "LYONs")) is attributable to changes in market interest rates and/or the Company's credit ratings subsequent to the incurrence of the borrowing. In the case of the LYONs, differences in the fair value from the carrying value are attributable to changes in the price of the Company’s common stock due to the LYONs' conversion features. The fair values of short-term borrowings, as well as cash and cash equivalents, trade accounts receivable, net and trade accounts payable approximate their carrying amounts due to the short-term maturities of these instruments.

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NOTE 6. FINANCING

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

	April 3, 2015	December 31, 2014
Commercial paper	$450.0	$764.6
2.3% senior unsecured notes due 2016	500.0	500.0
5.625% senior unsecured notes due 2018	500.0	500.0
5.4% senior unsecured notes due 2019	750.0	750.0
3.9% senior unsecured notes due 2021	600.0	600.0
4.0% bonds due 2016 (CHF 120.0 million aggregate principal amount)	133.0	129.9
Zero-coupon LYONs due 2021	79.8	110.6
Other	164.7	118.3
Subtotal	3,177.5	3,473.4
Less currently payable	123.7	71.9
Long-term debt	$3,053.8	$3,401.5

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

During the three months ended April 3, 2015, holders of certain of the Company's LYONs converted such LYONs into an aggregate of approximately 1.0 million shares of the Company's common stock, par value $0.01 per share. The Company's deferred tax liability associated with the book and tax basis difference in the converted LYONs of approximately $13 million was transferred to additional paid-in capital as a result of the conversions.

The Company satisfies any short-term liquidity needs that are not met through operating cash flow and available cash primarily through issuances of commercial paper under its U.S. and Euro commercial paper programs. As of April 3, 2015, borrowings outstanding under the Company's U.S. commercial paper program had a weighted average annual interest rate of 0.17% and a weighted average remaining maturity of approximately seven days. There was no commercial paper outstanding under the Euro commercial paper program as of April 3, 2015. The Company has classified its borrowings outstanding under the commercial paper program as of April 3, 2015 as long-term debt in the accompanying Consolidated Condensed Balance Sheet as the Company had the intent and ability, as supported by availability under the Credit Facility referenced below, to refinance these borrowings for at least one year from the balance sheet date.

Credit support for the commercial paper program is provided by a $2.5 billion unsecured multi-year revolving credit facility with a syndicate of banks that expires on July 15, 2016 (the "Credit Facility"). The Credit Facility can also be used for working capital and other general corporate purposes. As of April 3, 2015, no borrowings were outstanding under the Credit Facility and the Company was in compliance with all covenants under the facility. In addition to the Credit Facility, the Company has entered into reimbursement agreements with various commercial banks to support the issuance of letters of credit.

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NOTE 7. DEFINED BENEFIT PLANS
The following sets forth the components of the Company's net periodic benefit cost of the noncontributory defined benefit pension plans ($ in millions):

	U.S. Three Months Ended		Non-U.S. Three Months Ended	
	April 3, 2015	March 28, 2014	April 3, 2015	March 28, 2014
Service cost	$1.5	$1.5	$11.4	$8.0
Interest cost	24.1	26.5	8.7	11.7
Expected return on plan assets	(32.8)	(32.3)	(9.5)	(10.5)
Amortization of actuarial loss	6.5	4.6	4.4	1.7
Amortization of prior service credit	—	—	(0.1)	—
Settlement losses recognized	—	—	(0.4)	—
Net periodic pension cost	$(0.7)	$0.3	$14.5	$10.9

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

	Three Months Ended	
	April 3, 2015	March 28, 2014
Service cost	$0.3	$0.3
Interest cost	2.0	2.1
Amortization of actuarial loss	0.7	—
Amortization of prior service credit	(0.8)	(1.0)
Net periodic benefit cost	$2.2	$1.4

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

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

NOTE 8. INCOME TAXES
The Company's effective tax rate for the three months ended April 3, 2015 was 23.7% as compared to 23.9% for the three months ended March 28, 2014.
The Company's effective tax rate for 2015 and 2014 differs from the U.S. federal statutory rate of 35.0% due principally to the Company's earnings outside the United States that are indefinitely reinvested and taxed at rates lower than the U.S. federal statutory rate. The effective tax rate for both the three months ended April 3, 2015 and March 28, 2014 includes tax effects of certain discrete items specific to the quarter, none of which are significant individually or in the aggregate.

Tax authorities in Denmark have raised significant issues related to interest accrued by certain of the Company's subsidiaries. On December 10, 2013, the Company received assessments from the Danish tax authority ("SKAT") totaling approximately DKK 1.2 billion (approximately $174 million based on exchange rates as of April 3, 2015) including interest through April 3, 2015, imposing withholding tax relating to interest accrued in Denmark on borrowings from certain of the Company's subsidiaries for the years 2004-2009. If the SKAT claims are successful, it is likely that the Company would be assessed additional amounts for years 2010-2012 totaling approximately DKK 663 million (approximately $96 million based on exchange rates as of April 3, 2015). Management believes the positions the Company has taken in Denmark are in accordance with the relevant tax laws and intends to vigorously defend its positions. The Company appealed these assessments with the

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National Tax Tribunal in 2014 and intends on pursuing this matter through the European Court of Justice should this appeal be unsuccessful. The ultimate resolution of this matter is uncertain, could take many years, and could result in a material adverse impact to the Company's financial statements, including its effective tax rate.

NOTE 9. STOCK TRANSACTIONS AND STOCK-BASED COMPENSATION

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

For a full description of the Company’s stock-based compensation programs, reference is made to Note 17 of the Company’s financial statements as of and for the year ended December 31, 2014 included in the Company’s 2014 Annual Report on Form 10-K. As of April 3, 2015, approximately 24 million shares of the Company’s common stock were reserved for issuance under the 2007 Stock Incentive Plan.

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

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

Risk-free interest rate	1.55% - 1.86%	
Weighted average volatility	23.3	%
Dividend yield	0.6	%
Expected years until exercise	5.5 - 8.0	

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

	Three Months Ended			
	April 3, 2015		March 28, 2014	
RSUs/PSUs:				
Pre-tax compensation expense	$19.4		$17.9	
Income tax benefit	(5.9	)	(5.2	)
RSU/PSU expense, net of income taxes	13.5		12.7	
Stock options:				
Pre-tax compensation expense	12.0		11.1	
Income tax benefit	(3.6	)	(3.4	)
Stock option expense, net of income taxes	8.4		7.7	
Total stock-based compensation:				
Pre-tax compensation expense	31.4		29.0	
Income tax benefit	(9.5	)	(8.6	)
Total stock-based compensation expense, net of income taxes	$21.9		$20.4	

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 April 3, 2015, $166 million of total unrecognized compensation cost related to RSUs/PSUs is expected to be recognized over a weighted average period of approximately three years. As of April 3, 2015, $138 million of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted average period of approximately three years. Future compensation amounts will be adjusted for any changes in estimated forfeitures.

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

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2014	24.3	$48.92		
Granted	1.2	87.04		
Exercised	(1.7)	34.02		
Cancelled/forfeited	(0.3)	56.16		
Outstanding as of April 3, 2015	23.5	$51.74	6	$767.4
Vested and expected to vest as of April 3, 2015 (1)	22.4	$50.89	6	$747.6
Vested as of April 3, 2015	12.8	$39.06	4	$577.0

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

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

The aggregate intrinsic value of options exercised during the three months ended April 3, 2015 and March 28, 2014 was $84 million and $33 million, respectively. Exercise of options during the first three months of 2015 and 2014 resulted in cash receipts of $55 million and $26 million, respectively. The Company realized a tax benefit of $26 million in the three months ended April 3, 2015 related to the exercise of employee stock options. The net income tax benefit in excess of the expense recorded for financial reporting purposes (the "excess tax benefit") has been recorded as an increase to additional paid-in capital and is reflected as a financing cash inflow in the accompanying Consolidated Condensed Statements of Cash Flows.

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

	Number of RSUs/PSUs	Weighted Average Grant-Date Fair Value
Unvested as of December 31, 2014	4.9	$61.64
Granted	0.5	85.28
Vested	(0.6)	47.92
Forfeited	(0.2)	63.83
Unvested as of April 3, 2015	4.6	$66.13

The Company realized a tax benefit of $19 million in the three months ended April 3, 2015 related to the vesting of RSUs. The excess tax benefit attributable to RSUs has been recorded as an increase to additional paid-in capital and is reflected as a financing cash inflow in the accompanying Consolidated Condensed Statements of Cash Flows.

In connection with the exercise of certain stock options and the vesting of RSUs previously issued by the Company, a number of shares sufficient to fund statutory minimum tax withholding requirements has been withheld from the total shares issued or released to the award holder (though under the terms of the applicable plan, the shares are considered to have been issued and are not added back to the pool of shares available for grant). During the first three months of

2015, 261 thousand shares with an aggregate value of $23 million were withheld to satisfy the requirement. The withholding is treated as a reduction in additional paid-in capital in the accompanying Consolidated Condensed Statement of Stockholders' Equity.

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NOTE 10. CONTINGENCIES

For a description of the Company's litigation and contingencies, reference is made to Note 15 of the Company's financial statements as of and for the year ended December 31, 2014 included in the Company's 2014 Annual Report on Form 10-K.

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

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

Balance, December 31, 2014	$139.1
Accruals for warranties issued during the period	28.9
Settlements made	(33.4)
Additions due to acquisitions	0.4
Effect of foreign currency translation	(2.6)
Balance, April 3, 2015	$132.4

NOTE 11. NET EARNINGS PER SHARE

Basic net earnings per share ("EPS") is calculated by dividing net earnings by the weighted average number of common shares outstanding for the applicable period. Diluted net EPS is computed based on the weighted average number of common shares outstanding increased by the number of additional shares that would have been outstanding had the potentially dilutive common shares been issued and reduced by the number of shares the Company could have repurchased with the proceeds from the issuance of the potentially dilutive shares. For both the three months ended April 3, 2015 and March 28, 2014, approximately 1 million options to purchase shares were not included in the diluted earnings per share calculation as the impact of their inclusion would have been anti-dilutive.

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

	Net Earnings (Numerator)	Shares (Denominator)	Per Share Amount
For the Three Months Ended April 3, 2015:			
Basic EPS	$569.8	707.2	$0.81
Adjustment for interest on convertible debentures	0.6	—	
Incremental shares from assumed exercise of dilutive options and vesting of dilutive RSUs and PSUs	—	8.4	
Incremental shares from assumed conversion of the convertible debentures	—	3.1	
Diluted EPS	$570.4	718.7	$0.79
For the Three Months Ended March 28, 2014:			
Basic EPS	$579.7	700.1	$0.83
Adjustment for interest on convertible debentures	0.7	—	
Incremental shares from assumed exercise of dilutive options and vesting of dilutive RSUs and PSUs	—	9.4	
Incremental shares from assumed conversion of the convertible debentures	—	5.3	

Diluted EPS	$580.4	714.8	$0.81

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NOTE 12. SEGMENT INFORMATION

The Company operates and reports its results in five separate business segments consisting of the Test & Measurement, Environmental, Life Sciences & Diagnostics, Dental and Industrial Technologies segments. There has been no material change in total assets or liabilities by segment since December 31, 2014.

Segment results are shown below ($ in millions):

	Sales		Operating Profit	
	Three Months Ended		Three Months Ended	
	April 3, 2015	March 28, 2014	April 3, 2015	March 28, 2014
Test & Measurement	$857.5	$871.0	$170.7	$192.7
Environmental	823.2	768.7	160.6	145.6
Life Sciences & Diagnostics	1,695.7	1,659.6	215.5	219.7
Dental	662.4	509.7	60.1	75.5
Industrial Technologies	834.5	853.7	205.2	191.7
Other	—	—	(37.9)	(36.3)
Total	$4,873.3	$4,662.7	$774.2	$788.9

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

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

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

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

INFORMATION RELATING TO FORWARD-LOOKING STATEMENTS

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

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

- Conditions in the global economy, the markets we serve and the financial markets may adversely affect our business and financial statements.

- Our restructuring actions could have long-term adverse effects on our business.

- Our growth could suffer if the markets into which we sell our products (including software) and services decline, do not grow as anticipated or experience cyclicality.

- We face intense competition and if we are unable to compete effectively, we may experience decreased demand and decreased market share. Even if we compete effectively, we may be required to reduce prices for our products and services.

- Our growth depends in part on the timely development and commercialization, and customer acceptance, of new and enhanced products and services based on technological innovation.

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- Our reputation, ability to do business and financial statements may be impaired by improper conduct by any of our employees, agents or business partners.
- Any inability to consummate acquisitions at our historical rate and at appropriate prices could negatively impact our growth rate and stock price.
- Our acquisition of businesses, joint ventures and strategic relationships could negatively impact our financial statements.
- The indemnification provisions of acquisition agreements by which we have acquired companies may not fully protect us and as a result we may face unexpected liabilities.
- Divestitures and other dispositions could negatively impact our business, and contingent liabilities from businesses that we have sold could adversely affect our financial statements.
- We are pursuing a plan to distribute ownership of our communications business to Danaher shareholders and merge the business into a subsidiary of NetScout in a tax-free transaction. The proposed transaction may not be completed on the currently contemplated timeline or at all and may not achieve the intended benefits.
- Certain of our businesses are subject to extensive regulation by the U.S. Food and Drug Administration (“FDA”) and by comparable agencies of other countries, as well as laws regulating fraud and abuse in the healthcare industry and the privacy and security of health information. Failure to comply with those regulations could adversely affect our reputation and financial statements.
- The healthcare industry and related industries that we serve have undergone, and are in the process of undergoing, significant changes in an effort to reduce costs, which could adversely affect our financial statements.
- Our operations, products and services expose us to the risk of environmental, health and safety liabilities, costs and violations that could adversely affect our reputation and financial statements.
- Our businesses are subject to extensive regulation; failure to comply with those regulations could adversely affect our financial statements and reputation.
- We may be required to recognize impairment charges for our goodwill and other intangible assets.
- Foreign currency exchange rates may adversely affect our financial statements.
- Changes in our tax rates or exposure to additional income tax liabilities or assessments could affect our profitability. In addition, audits by tax authorities could result in additional tax payments for prior periods.
- We are subject to a variety of litigation and other legal and regulatory proceedings in the course of our business that could adversely affect our financial statements.
- If we do not or cannot adequately protect our intellectual property, or if third parties infringe our intellectual property rights, we may suffer competitive injury or expend significant resources enforcing our rights.
- Third parties may claim that we are infringing or misappropriating their intellectual property rights and we could suffer significant litigation expenses, losses or licensing expenses or be prevented from selling products or services.

- Defects and unanticipated use or inadequate disclosure with respect to our products (including software) or services could adversely affect our business, reputation and financial statements.

- The manufacture of many of our products is a highly exacting and complex process, and if we directly or indirectly encounter problems manufacturing products, our reputation, business and financial statements could suffer.

- Our indebtedness may limit our operations and our use of our cash flow, and any failure to comply with the covenants that apply to our indebtedness could adversely affect our liquidity and financial statements.

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- Adverse changes in our relationships with, or the financial condition, performance, purchasing patterns or inventory levels of, key distributors and other channel partners could adversely affect our financial statements.

- Our financial results are subject to fluctuations in the cost and availability of commodities that we use in our operations.

- If we cannot adjust our manufacturing capacity or the purchases required for our manufacturing activities to reflect changes in market conditions and customer demand, our profitability may suffer. In addition, our reliance upon sole or limited sources of supply for certain materials, components and services could cause production interruptions, delays and inefficiencies.

- Changes in governmental regulations may reduce demand for our products or services or increase our expenses.

- Work stoppages, union and works council campaigns and other labor disputes could adversely impact our productivity and results of operations.

- International economic, political, legal, compliance and business factors could negatively affect our financial statements.

- If we suffer loss to our facilities, supply chains, distribution systems or information technology systems due to catastrophe or other events, our operations could be seriously harmed.

- A significant disruption in, or breach in security of, our information technology systems could adversely affect our business.

- Our defined benefit pension plans are subject to financial market risks that could adversely affect our financial statements.

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

OVERVIEW

General

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

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Business Performance and Outlook

While differences exist among the Company’s businesses, on an overall basis, demand for the Company’s products, software and services increased during the first quarter of 2015 as compared to the comparable period of 2014 resulting in aggregate year-over-year sales growth from existing businesses of 5.0%. The Company's continued investments in sales growth initiatives and the other business-specific factors discussed below also contributed to year-over-year sales growth. Year-over-year sales growth in the three months ended April 3, 2015, particularly related to sales of services and consumables, also benefited from additional days in the Company's first fiscal quarter of 2015 as compared to the first fiscal quarter of 2014. The benefit of these extra days in the fiscal first quarter will be offset by fewer days in the Company's fiscal fourth quarter of 2015 as compared to the prior year. Geographically, sales from existing businesses in both the high-growth and developed markets grew at mid-single digit rates during the first quarter of 2015 as compared to the comparable period of 2014. Growth rates in the high-growth markets were somewhat higher than in developed markets led by strength in China and India, partially offset by weakness in Russia and Latin America. High-growth markets represented approximately 28% of the Company's total sales in the first quarter of 2015. Sales from existing businesses in developed markets were driven primarily by growth in North America and Europe, offset somewhat by declines in Japan. The Company expects overall sales growth to continue but remains cautious about challenges due to macro-economic and geopolitical uncertainties, including global uncertainties related to monetary and fiscal policies.

Acquisitions

During the first three months of 2015, the Company acquired three businesses for total consideration of $488 million in cash, net of cash acquired. The businesses acquired complement existing units of the Life Sciences & Diagnostics, Dental, and Industrial Technologies segments. The aggregate annual sales of these three businesses at the time of their respective acquisitions, in each case based on the company’s revenues for its last completed fiscal year prior to the acquisition, were approximately $245 million.

Distribution of Communications Business

In the fourth quarter of 2014, Danaher entered into a definitive agreement with NetScout Systems, Inc. ("NetScout") to combine the majority of the Company's Test & Measurement segment's communications business with NetScout (Danaher will retain the data communications cable installation business and the communication service provider (field and test tool systems) business of Fluke Networks and these will become part of the Test & Measurement segment’s instruments business following the closing of the transaction). The transaction will be structured as a distribution of the communications business to Danaher shareholders in either a spin-off transaction, a split-off transaction, or a combination split-off and spin-off, followed by a merger of the communications business with a subsidiary of NetScout for consideration of 62.5 million NetScout shares, subject to adjustment. Both the distribution and merger are expected to qualify as tax-free transactions to Danaher and its shareholders, except to the extent that cash is paid to Danaher stockholders in lieu of fractional shares. If Danaher elects a spin-off, all Danaher shareholders will participate pro-rata. If Danaher elects a split-off, Danaher will conduct an exchange offer pursuant to which its shareholders will elect whether to exchange Danaher shares for common units of the communications business. If the split-off exchange offer is not fully subscribed, the additional common units of the communications business held by Danaher will be distributed in a spin-off on a pro-rata basis to Danaher shareholders. Danaher will determine which approach it will take prior to closing the transaction and no decision has been made at this time. At closing, depending on the number of shares of NetScout common stock outstanding, Danaher shareholders will receive approximately 60% of the shares of NetScout common stock outstanding following the combination.

The transaction remains subject to approval by NetScout’s shareholders, other customary closing conditions, Danaher’s receipt of a ruling by the U.S. Internal Revenue Service and an opinion of counsel regarding certain tax matters, and the absence of a material adverse change with respect to either the communications business or NetScout. On December 24, 2014, NetScout received a request for additional information (“second request”) from the U.S. Department of Justice. On March 19, 2015, NetScout and Danaher certified substantial compliance with the second request, and on April 22, 2015, NetScout received notification from the U.S. Department of Justice that it has closed its investigation into the transaction. Upon the closing of the transaction, the Company will classify the communications business as a discontinued operation in its historical financial statements. For the year ended

December 31, 2014, sales of the communications business to be combined with NetScout were $760 million. The transaction is expected to close in mid-2015.

Currency Exchange Rates

On a year-over-year basis, currency exchange rates adversely impacted reported sales for the three months ended April 3, 2015 by approximately 6.5%, primarily due to the continued strengthening of the U.S. dollar against most major currencies as compared to exchange rate levels during the comparable period of 2014. If the currency exchange rates in effect as of April 3,

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2015 were to prevail throughout the remainder of 2015, currency exchange rates would reduce the Company's estimated full-year 2015 sales by approximately 6.0% on a year-over-year basis. Additional strengthening of the U.S. dollar against other major currencies would further adversely impact the Company's sales and results of operations, and any weakening of the U.S. dollar against other major currencies would positively impact the Company's sales and results of operations for the remainder of the year.

RESULTS OF OPERATIONS

Consolidated sales for the three months ended April 3, 2015 increased 4.5% compared to the three months ended March 28, 2014. Sales from existing businesses contributed 5.0% growth, and sales from acquired businesses contributed 6.0% growth on a year-over-year basis. Currency translation decreased reported sales by 6.5% on a year-over-year basis.

In this report, references to sales from existing businesses refers to sales calculate