DANAHER CORP /DE/
Form 11-K
June 10, 2016
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

FOR ANNUAL REPORTS OF EMPLOYEE STOCK PURCHASE, SAVINGS AND SIMILAR PLANS PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

ý ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015
OR

¨ TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission file number: 1-8089

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:
Danaher Corporation & Subsidiaries Savings Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:
Danaher Corporation
2200 Pennsylvania Avenue, N.W., Suite 800W
Washington, D.C. 20037-1701
202-828-0850

DANAHER CORPORATION & SUBSIDIARIES SAVINGS PLAN

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015 AND 2014
AND FOR THE YEAR ENDED DECEMBER 31, 2015,
SUPPLEMENTAL SCHEDULE AS OF DECEMBER 31, 2015 AND
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

DANAHER CORPORATION & SUBSIDIARIES SAVINGS PLAN
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FORM 11-K

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Report of Independent Registered Public Accounting Firm

Plan Administrator
Danaher Corporation & Subsidiaries Savings Plan

We have audited the accompanying statements of net assets available for benefits of Danaher Corporation & Subsidiaries Savings Plan as of December 31, 2015 and 2014, and the related statement of changes in net assets available for benefits for the year ended December 31, 2015. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of Danaher Corporation & Subsidiaries Savings Plan at December 31, 2015 and 2014, and the changes in its net assets available for benefits for the year ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2015, has been subjected to audit procedures performed in conjunction with the audit of Danaher Corporation & Subsidiaries Savings Plan’s financial statements. The information in the supplemental schedule is the responsibility of the Plan’s management. Our audit procedures included determining whether the information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule. In forming our opinion on the information, we evaluated whether such information, including its form and content, is presented in conformity with the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ Ernst & Young LLP
McLean, VA
June 9, 2016

DANAHER CORPORATION & SUBSIDIARIES SAVINGS PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
AS OF DECEMBER 31, 2015 AND 2014
($ in millions)

	2015	2014
ASSETS		
Plan's interest in the Master Trust, at fair value	$4,843.1	$4,501.1
Receivables:		
Employer contributions	7.4	6.4
Participant contributions	1.6	0.2
Notes receivable from participants	54.6	55.5
Revenue credit	1.0	0.3
Total receivables	64.6	62.4
Total assets	4,907.7	4,563.5
LIABILITIES		
Administrative expenses payable	0.1	0.1
Total liabilities	0.1	0.1
NET ASSETS AVAILABLE FOR BENEFITS	$4,907.6	$4,563.4

See the accompanying notes to the financial statements.

DANAHER CORPORATION & SUBSIDIARIES SAVINGS PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2015
($ in millions)

ADDITIONS	
Contributions:	
Participant	$192.5
Rollovers	19.2
Employer	132.7
Total contributions	344.4
Investment income:	
Interest income on notes receivable from participants	2.3
Plan's interest in Master Trust's net investment income	47.4
Total investment income	49.7
Total additions	394.1
DEDUCTIONS	
Benefit payments	502.8
Administrative expenses	2.2
Total deductions	505.0
NET DECREASE PRIOR TO PLAN TRANSFERS	(110.9)
NET TRANSFERS INTO PLAN	455.1
NET INCREASE IN ASSETS AVAILABLE FOR BENEFITS	344.2
NET ASSETS AVAILABLE FOR BENEFITS:	
Beginning of year	4,563.4
End of year	$4,907.6

See the accompanying notes to the financial statements.

DANAHER CORPORATION & SUBSIDIARIES SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2015 AND 2014 AND FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1. DESCRIPTION OF THE PLAN

General

The Danaher Corporation & Subsidiaries Savings Plan (the "Plan") is a defined contribution plan established for eligible full-time and part-time non-union employees of Danaher Corporation and its subsidiaries (the "Company"), effective November 30, 2002. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Danaher Corporation is the plan sponsor (the "Plan Sponsor"). Prior to November 30, 2002, these employees participated in the Danaher Corporation & Subsidiaries Retirement and Savings Plan. Plan participants should refer to the formal legal documents of the Plan and the Summary Plan Description for a more complete description of the Plan’s provisions and a full explanation of all limitations, adjustments and special cases in the Plan. Significant provisions related to contributions, benefit payments, and investments are provided below.

The Plan is administered through the trustee, Fidelity Management Trust Company ("Fidelity" or the "Plan Administrator"). Effective July 1, 2013, all of the Plan assets, totaling approximately $2.8 billion as of that date, were transferred into the Danaher Corporation & Subsidiaries Retirement & Savings Plan and Danaher Corporation & Subsidiaries Savings Plan Master Trust (the "Master Trust"), a master trust established by the Company and administered by Fidelity. The Master Trust establishes a single trust to hold and invest assets of the Plan and other eligible tax-qualified defined contribution plans maintained by the Plan Sponsor. Refer to Note 3 for additional information regarding the Master Trust.

Effective January 1, 2015, the Plan has been amended to include a Roth 401(k) feature, automatic enrollment of new hires, automatic annual re-enrollment and annual auto-increase of deferral rates. The first annual cycle of automatic re-enrollment and auto-increase will occur in 2016. In addition, the Plan has been amended such that employees are eligible for employer safe harbor contributions immediately upon participation in the Plan.

On May 13, 2015, the Company announced its intention to separate into two independent publicly traded companies (the “Separation”). Consummation of the Separation will create a multi-industry, science and technology growth company that will retain the Danaher name and a diversified industrial growth company (Fortive Corporation (“Fortive”)). The Company is targeting to complete the Separation on July 2, 2016. In anticipation of the Separation, Fortive created a new savings plan, the Fortive Retirement Savings Plan (the "Fortive Plan") and on May 31, 2016 approximately $1.2 billion, which is the total amount of the balances and the related assets in the Master Trust of the Plan participants who will be employees of Fortive after the Separation, was transferred to the Fortive Plan.

Plan Mergers

On December 31, 2015, the Pall Corporation 401(k) Plan, the Sutron Corporation 401(k)/Profit Sharing Plan and the Nobel Biocare USA 401(k) Plan each merged into the Plan. The merger of these plans during 2015 resulted in assets transferred in of $306.8 million, $11.8 million and $63.5 million, respectively.

On March 17, 2015, $62.1 million of net assets related to the benefits of the former Siemens Healthcare Diagnostics Inc. microbiology business were transferred from the Siemens Savings Plan into the Plan.

In addition, in 2015 there were several other small mergers of various plans into the Plan which resulted in an additional $10.9 million of assets transferred into the Plan.

These plan mergers occurred subsequent to and as a result of Danaher Corporation’s acquisition of the above mentioned companies.

Contributions

Eligible participants may contribute up to 75% of their compensation (subject to annual maximums). Employee contributions and the earnings or losses thereon are fully vested at all times. Employees are eligible for Company retirement contributions upon completion of one year of service.

Effective January 1, 2011, the Company’s matching contributions are considered “safe harbor.” The percentage for the safe harbor matching contributions has been established in the Plan document. The Company matching contribution is

100% of the first 3% of eligible compensation contributed by the participant plus 50% of the next 2% of eligible compensation contributed. Effective January 1, 2011, employees are immediately 100% vested in all safe harbor contributions.

The percentage for the Company's retirement contributions are determined at the discretion of the Plan Sponsor. The discretionary retirement contribution can range from 0% to 2% of eligible compensation. For the year ended December 31, 2015, the retirement contribution was 2% of eligible compensation. The portion of the retirement contribution that is calculated on eligible compensation above the Social Security wage base in effect at the beginning of the Plan year, is calculated and deposited into eligible participant accounts subsequent to the Plan year end. Generally participants become fully vested with respect to the retirement contribution and any other employer contributions made prior to January 1, 2011 upon completion of three years of service, attainment of age 65, death or complete disability.

Benefit Payments

A participant who attains normal retirement age shall be entitled to payment of the balance in their account. A participant who remains employed after attainment of normal retirement age shall continue to participate under the same terms and conditions as applied prior to reaching normal retirement age. A participant must begin receiving distributions no later than April 1 following the later of the year in which they retire from the Company or the calendar year in which they reach the age of 70.5.

The beneficiary or beneficiaries of a deceased participant shall be entitled to payment of the participant's account balance within a reasonable period of time after the participant's death.

Upon total and permanent disability, a participant shall be entitled to payment of the balance in their account within a reasonable period of time after termination of employment.

Upon a participant's termination of employment for reasons other than as specified above, a participant is entitled to payment of their vested account balance. If the vested value of the participant's account is $1,000 (applied separately to Roth and non-Roth balances) or less, payment will automatically be made in a single lump sum. If the vested value of the participant's Roth balances or non-Roth balances is greater than $1,000 and does not exceed $5,000, the Plan Administrator will automatically rollover the Roth balances or non-Roth balances to a separate Fidelity IRA. If the vested value of the participant's account is more than $5,000, the participant must contact the Plan Administrator to request a distribution.

Eligible participants may request a withdrawal of all or a portion of their vested account while still working for the Company in accordance with procedures established by the Plan Administrator, subject to certain limitations and tax penalties. Different withdrawal rules apply to different Plan accounts.

Notes Receivable from Participants

A participant may receive a loan from the Plan in accordance with the policy established by the Plan Sponsor. Any such loan or loans shall not exceed the lesser of 50% of the participant's vested account balance or $50,000 reduced by the participant's highest outstanding loan balance for the Plan during the one-year period ending on the day before the loan is made. The Plan Administrator shall establish the maximum maturity period that will be permitted to prevent the loan from being treated as a distribution. Plan provisions require that all loans must be paid back within 60 months. The Plan Administrator may require loan payments to be made through payroll deductions.

Participant Accounts

Each participant account is credited with the participant's contributions, employer safe harbor contributions, employer retirement contributions, and an allocation of Plan earnings or losses, and is charged quarterly with administrative expense and recordkeeping fees. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

Administrative Expenses

The Plan's administrative expenses are paid by either the Plan or the Plan Sponsor, as provided by the Plan's provisions. Administrative expenses paid by the Plan include recordkeeping and trustee fees. Expenses relating to purchases, sales or transfers of the Plan's investments are charged to the particular investment fund to which the expenses relate. All other administrative expenses of the Plan are paid by the Plan Sponsor.

A revenue credit program became effective July 1, 2013. When recordkeeping revenue earned in connection with plan services exceeds agreed-upon compensation, the Plan Sponsor can deposit excess revenue, regardless of source, in an unallocated account. The excess revenue can be used to pay ERISA-qualified expenses or can be allocated to eligible participant accounts. The calculated revenue credit is funded quarterly in arrears by the Plan Administrator.

Unallocated Accounts
As of December 31, 2015 and 2014, unallocated non-vested accounts, including forfeited amounts, totaled $1.9 million and $1.4 million, respectively. These amounts will be used to reduce future employer contributions and to pay administrative expenses.
Termination of the Plan
Although the Company, as the Plan Sponsor, has not expressed an intention to do so, the Plan may be terminated at any time. In the event of termination of the Plan, the account balances of participants as of the date of termination shall immediately become nonforfeitable.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES
Basis of Accounting
The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP").
Use of Estimates
The preparation of financial statements in conformity with GAAP requires management to make estimates and judgments that affect the reported amounts of assets, liabilities and changes therein, and the related disclosure of contingent assets and liabilities. Actual results could differ from those estimates.
Risks and Uncertainties
Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants’ account balances and the amounts reported in the Statements of Net Assets Available for Benefits.
Notes Receivable from Participants
Notes receivable from participants represent participant loans that are recorded at their unpaid principal balance plus any accrued but unpaid interest. Interest income on notes receivable from participants is recorded when it is earned. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 2015 or 2014. If a participant ceases to make loan repayments and has reached a distributable event, the loan balance is reduced and a benefit payment is recorded.
Investments
Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Refer to Note 4 for discussion of fair value measurements.
Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on an accrual basis. Dividends are recorded on the ex-dividend date. The income of each fund is reinvested in that fund.
Payment of Benefits
Benefits are recorded when paid.
New Accounting Standards
In July 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2015-12, Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965) I. Fully Benefit-Responsive Investment Contracts, II. Plan Investment Disclosures, III. Measurement Date Practical Expedient. Part I of the ASU eliminates the requirements to measure the fair value of fully benefit-responsive investment contracts and provide certain disclosures. Contract value is the only required measure for fully benefit-responsive investment contracts. Part I of the ASU is not applicable to the Plan. Part II of the ASU eliminates the requirements to disclose individual investments that represent 5% or more of net assets available for benefits and the net appreciation or depreciation in fair value of investments by general type. It also simplifies the level of disaggregation of

investments that are measured using fair value. Plans will continue to disaggregate investments that are measured using fair value by general type; however, plans are no longer required to also disaggregate investments by nature, characteristics and risks. Further, the disclosure of information about fair value measurements shall be provided by general type of plan asset. Part III of the ASU allows a plan with a fiscal year-end that does not coincide with the end of a calendar month to measure its investments and investment-related accounts using the month end closest to its fiscal year-end. Part III of the ASU is not applicable to the Plan. The ASU is effective for fiscal years beginning after December 15, 2015. However, the Plan has elected to early adopt the ASU, and therefore, disclosures included within these financial statements have been updated to reflect the new disclosure requirements including reclassifying prior period amounts to reflect the revised presentation.

In May 2015, the FASB issued ASU 2015-07, Disclosures for Investments in Certain Entities that Calculate Net Asset Value Per Share (or its Equivalent); ("ASU 2015-07"). ASU 2015-07 removes the requirement to categorize within the fair value hierarchy investments for which fair values are estimated using the net asset value practical expedient provided by Accounting Standards Codification 820, Fair Value Measurement. Disclosures about investments in certain entities that calculate net asset value per share are limited under ASU 2015-07 to those investments for which the Plan has elected to estimate the fair value using the net asset value practical expedient. ASU 2015-07 is effective for entities (other than public business entities) for fiscal years beginning after December 15, 2016, with retrospective application to all periods presented. Early application is permitted. The Plan has elected to early adopt ASU 2015-07, and therefore, disclosures included within these financial statements have been updated to reflect the new disclosure requirements including reclassifying prior period amounts to reflect the revised presentation.

NOTE 3. MASTER TRUST

As discussed in Note 1, effective July 1, 2013, the Company established a Master Trust whereby investments are now held collectively for certain defined contribution plans maintained by the Plan Sponsor. Each participating plan's interest in the investment funds of the Master Trust is based on account balances of the participants and their elected funds. The Master Trust assets are allocated among the participating plans by assigning to each plan those transactions (primarily contributions, benefit payments, and plan-specific expenses) that can be specifically identified and by allocating among all plans, in proportion to the fair value of the assets assigned to each plan, income and expenses resulting from the collective investment of the assets of the Master Trust. The Plan's interest in the Master Trust's net investment income presented in the Statement of Changes in Net Assets Available for Benefits consists of the realized and unrealized gains and the earnings on those investments. As of December 31, 2015 and 2014, the Plan's interest in the net assets of the Master Trust was approximately 98%.

The following summarizes the value of the net assets of the Master Trust as of December 31 ($ in millions):

	2015	2014
Money market funds	$158.5	$136.6
Danaher Corporation Stock Fund	491.3	466.9
Mutual funds	1,185.2	1,347.9
Common/collective trusts	1,912.0	1,769.0
Separately managed funds	1,088.0	799.8
Self-directed brokerage account	96.3	70.2
Total investments in Master Trust, at fair value	4,931.3	4,590.4
Receivables	1.9	—
Total net assets in Master Trust	$4,933.2	$4,590.4

Refer to Note 4 for the table that sets forth by level, within the fair value hierarchy, the Master Trust net investments as of December 31, 2015 and 2014.

The net investment income of the Master Trust (including gains and losses on investments bought and sold, as well as held) for the year ended December 31, 2015 was as follows ($ in millions):

Net depreciation of the fair value of investments	$(23.0)
Interest and dividend income	72.3
Total investment income of the Master Trust	$49.3

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NOTE 4. FAIR VALUE MEASUREMENTS

Accounting standards define fair value based on an exit price model, establish a framework for measuring fair value where the 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 Plan'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.

The Company has some investments that are valued using Net Asset Value ("NAV") as the practical expedient. However, none of these investments have limits on their redemption. These investments valued using NAV consist primarily of common collective trusts which allow the Company to allocate investments across a broad array of types of funds and diversify the portfolio.

The fair values of the Master Trust's investments as of December 31, 2015, by asset category, were as follows ($ in millions):

	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Money market funds	$158.5	$ —	$ —	$158.5
Danaher Corporation Stock Fund	491.3	—	—	491.3
Mutual funds	1,185.2	—	—	1,185.2
Separately managed funds:				
Money market funds	18.0	—	—	18.0
Common stock	684.2	—	—	684.2
Mutual funds	295.8	—	—	295.8
Other [b]	90.0	—	—	90.0
Self-directed brokerage account	96.3	—	—	96.3
	$3,019.3	$ —	$ —	3,019.3
Investments measured at NAV [a]				
Common/collective trusts				1,912.0
Total investments in Master Trust, at fair value				$4,931.3

[a] The fair value amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the total of investments in the Master Trust at fair value as presented in Note 3.

[b] Pending transaction of $84.5 million are included within Other.

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The fair values of the Master Trust's investments as of December 31, 2014, by asset category, were as follows ($ in millions):

	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Money market funds	$136.6	$ —	$ —	$136.6
Danaher Corporation Stock Fund	466.9	—	—	466.9
Mutual funds	1,347.9	—	—	1,347.9
Separately managed funds:				
Money market funds	7.2	—	—	7.2
Common stock	640.0	—	—	640.0
Mutual funds	152.6	—	—	152.6
Self-directed brokerage account	70.2	—	—	70.2
	$2,821.4	$ —	$ —	2,821.4
Investments measured at NAV [(a)]				
Common/collective trusts				1,769.0
Total investments in Master Trust, at fair value				$4,590.4

[(a)] The fair value amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the total of investments in the Master Trust at fair value as presented in Note 3.

Refer to Note 3 for additional disclosures regarding the Master Trust.

Following is a description of the valuation techniques and inputs used for each major class of assets measured at fair value. There have been no changes in the methodologies used as of December 31, 2015 and 2014.

Money market funds and mutual funds are valued at the quoted closing price reported on the active market on which the individual securities are traded.

The Danaher Corporation Stock Fund consists of shares of the Company’s stock and nominal cash balance and is valued based on the quoted market price of the Company’s common stock and the cost of short-term money market investments.

The self-directed brokerage assets consist of common stock, mutual funds and other investments, which are valued at the last reported sales price on the last business day of the year, and uninvested cash, which is recorded at carrying value as maturities are less than three months.

The common/collective trusts are valued based on the plan’s interest, represented by investment units, in the underlying investments held within the trust that are traded in an active market by the trustee.

The separately managed funds consist of common stock, money market funds, mutual funds and other investments, which are valued at the last reported sales price on the last business day of the year, and uninvested cash, which is recorded at carrying value as maturities are less than three months.

The methods described above may produce a fair value estimate that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes the valuation methods are appropriate and consistent with the methods used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

For the years ended December 31, 2015 and 2014, there were no investments transferred between levels.

NOTE 5. TAX STATUS OF THE PLAN

The Plan received a determination letter from the Internal Revenue Service ("IRS") dated November 21, 2014, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the "Code") and, therefore, the related trust is exempt from taxation. Subsequent to the issuance of this determination letter, the Plan was amended. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan Sponsor believes that the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan is qualified and the related trust is tax-exempt.

Accounting standards require plan management to evaluate uncertain tax positions taken by the Plan. The financial statement effects of a tax position are recognized when the position is more likely than not, based on the technical merits, to be sustained upon examination by the IRS. The Plan Sponsor has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2015 and 2014, there are no uncertain positions taken or expected to be taken. The Plan has recognized no interest or penalties related to uncertain tax positions. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits of the Plan for any tax periods in progress. The Plan Sponsor believes the Plan is no longer subject to income tax examinations for years prior to 2012.

NOTE 6. RELATED PARTY TRANSACTIONS AND PARTIES IN INTEREST TRANSACTIONS

Certain investments are held in shares of mutual funds managed by Fidelity. Fidelity is the trustee as defined by the Plan and, therefore, these qualify as party in interest transactions.

Additionally, as of December 31, 2015 and 2014, the Master Trust invested in 5.2 million and 5.4 million shares, respectively, of Danaher Corporation common stock as part of the Danaher Corporation Stock Fund. During the year ended December 31, 2015, the Master Trust received $2.7 million of dividends on shares of Danaher Corporation common stock.

NOTE 7. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The accompanying financial statements present fully benefit-responsive investment contracts at contract value. The Form 5500 requires fully benefit-responsive contracts to be reported at fair value. Therefore, the adjustment from fair value to contract value for fully benefit-responsive investment contracts represents a reconciling item.

Notes receivable from participants in the accompanying financial statements include all loans in the plan as of the end of the year. The participant loans in the Form 5500 only include loans that are active or deemed loans with post-default payments remitted during the year. The difference between these two amounts represents a reconciling item.

The following is a reconciliation of net assets available for benefits per the financial statements as of December 31 to the Form 5500:

	2015	2014
Net assets available for benefits per the financial statements	$4,907,523,467	$4,563,391,153
Loans with no post-default payment activity that are deemed distributions	(1,086,060)	(930,988)
Net assets available for benefits per the Form 5500	$4,906,437,407	$4,562,460,165

The following is a reconciliation of the net decrease prior to plan transfers per the financial statements to net income in the Form 5500 for the year ended December 31, 2015:

Net decrease prior to plan transfers per the financial statements	$(110,898,881)
Payments received post-default	5,590
Loan defaults previously deemed distributed that reached a distributable event	26,221
Adjustment from fair value to contract value for fully benefit-responsive investment contracts as of December 31, 2014	(6,356,339)
Interest payments on loans deemed distributed that have had no post-default payment activity	(83,005)
Deemed distributions	(91,935)
Net income per the Form 5500	$(117,398,349)

The following is a reconciliation of net transfers per the financial statement to net transfers in the Form 5500 for the year ended December 31, 2015:

Net transfers into the plan per the financial statements	$455,031,195
Loan transfers with no post-default payment activity that are deemed distributions	(11,942)
Transfers of assets per the Form 5500	$455,019,253

SUPPLEMENTAL SCHEDULE

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DANAHER CORPORATION & SUBSIDIARIES SAVINGS PLAN
EIN: 59-1995548, PLAN NO. 004
FORM 5500, SCHEDULE H, LINE 4i —
SCHEDULE OF ASSETS (HELD AT END OF YEAR)
AS OF DECEMBER 31, 2015

(a)	(b) Identity of issue, borrower, lessor or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost	(e) Current value
*	Participant loans	Interest rates range from 3.3% to 10.3% with maturity at various dates	**	$53,492,238

* Party in interest.
** Historical cost not required to be presented as all investments are participant-directed.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

	DANAHER CORPORATION & SUBSIDIARIES SAVINGS PLAN	
June 9, 2016	By:	/s/ Joseph B. Cavallaro Joseph B. Cavallaro Vice President, Total Rewards

EXHIBIT INDEX

Exhibit Number	Description
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm

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e to time, chosen to abandon previously filed applications. Moreover, we may face difficulties in registering our existing trademarks in new jurisdictions in which we operate. We cannot guarantee that the intellectual property protection measures that we have taken will be sufficient to prevent misappropriation of our technology or trademarks or that our competitors will not independently develop technologies that are substantially equivalent or superior to ours. In addition, the legal systems of many foreign countries do not protect or honor intellectual property rights to the same extent as the legal system of the United States. For example, in China, the legal system in general, and the intellectual property regime in particular, are still in the development stage. It may be very difficult, time-consuming and costly for us to attempt to enforce our intellectual property rights in these jurisdictions.

We may be subject to claims that we infringe the intellectual property rights of others, which could substantially harm our business.

The industry in which we compete is moving towards aggressive assertion, licensing, and litigation of patents and other intellectual property rights. From time to time, we have become aware of the possibility or have been notified that we may be infringing certain patents or other intellectual property rights of others. Regardless of their merit, responding to such claims could be time consuming, divert management s attention and resources and cause us to incur significant expenses. In addition, although some of our supplier contracts provide for indemnification from the supplier with respect to losses or expenses incurred in connection with any infringement claim, some of our contracts do not provide for such protection. Moreover, certain of our sales contracts provide that we must indemnify our customers against claims by third parties for intellectual property rights infringement related to our products. There are no limitations on the maximum potential future payments under these guarantees. Therefore, we may incur substantial costs related to any infringement claim, which may substantially harm our results of operations and financial condition.

We may, in the future, become subject to litigation to defend against claimed infringements of the rights of others or to determine the scope and validity of the proprietary rights of others. Future litigation may also be necessary to enforce and protect our trade secrets and other intellectual property rights. Any intellectual property litigation or threatened intellectual property litigation could be costly, and adverse determinations or settlements could result in the loss of our proprietary rights, subject us to significant liabilities, require us to seek licenses from or pay royalties to third parties which may not be available on commercially reasonable terms, if at all, and/or prevent us from manufacturing or selling our products, which could cause disruptions to our operations.

In the event that there is a successful claim of infringement against us and we fail to develop non-infringing technology or license the propriety rights on commercially reasonable terms and conditions, our business, results of operations or financial condition could be materially and adversely impacted.

Our multinational operations subject us to various economic, political, regulatory and legal risks.

We market and sell our products globally, with the majority of our sales made in China. The expansion of our existing multinational operations and entry into new markets will require significant management attention and financial resources. Multinational operations are subject to a variety of risks, such as:

the burden of complying with a variety of foreign laws and regulations;

the burden of complying with United States laws and regulations for foreign operations, including the Foreign Corrupt Practices Act;

difficulty complying with continually evolving and changing global product and communications standards and regulations for both our end products and their component technology;

market acceptance of our new products, including longer product acceptance periods in new markets into which we enter;

reliance on local original equipment manufacturers (OEMs), third-party distributors and agents to effectively market and sell our products;

unusual contract terms required by customers in developing markets;

changes in local governmental control or influence over our customers;

changes to import and export regulations, including quotas, tariffs, licensing restrictions and other trade barriers;

evolving and unpredictable nature of the economic, regulatory, competitive and political environments;

reduced protection for intellectual property rights in some countries;

longer accounts receivable collection periods; and

difficulties and costs of staffing and managing multinational operations, including but not limited to internal control and compliance.

We do business in markets that are not fully developed, which subjects us to various economic, political, regulatory and legal risks unique to developing economies.

Less developed markets present additional risks, such as the following:

- customers that may be unable to pay for our products in a timely manner or at all;
- new and unproven markets for our products and the telecommunications services that our products enable;
- inconsistent infrastructure support;
- lack of a large, highly trained workforce;
- difficulty in controlling local operations from our headquarters;
- variable ethical standards and an increased potential for fraud;
- unstable political and economic environments; and
- a lack of a secure environment for our personnel, facilities and equipment.

In particular, these factors create the potential for physical loss of inventory and operating assets. We have in the past experienced cases of vandalism and armed theft of our equipment that had been or was being installed in the field. If disruptions for any of these reasons become too severe in any particular market, it may become necessary for us to terminate contracts and withdraw from that market and suffer the associated costs and lost revenue.

We are subject to risks relating to currency rate fluctuations and exchange controls.

Because most of our sales are made in foreign countries, we are exposed to market risk for changes in foreign exchange rates on our foreign currency-denominated accounts and notes receivable balances. We do not currently hedge our foreign currency-denominated transactions. Historically, the majority of our sales have been made in China and denominated in Renminbi. The impact of currency fluctuations of Renminbi thus far has been insignificant as it is fixed to the U.S. dollar.

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However, in the future, China could choose to devalue the Renminbi versus the U.S. dollar, or the Renminbi-U.S. dollar exchange rate could float, and the Renminbi could depreciate relative to the U.S. dollar. Fluctuations in currency exchange rates in the future may have a material adverse effect on our results of operations.

We enter into transactions that may expose us to foreign currency rate fluctuation risk. Historically, the largest component of our foreign currency exchange loss has resulted from our purchasing inventory denominated in foreign currencies. If we continue to purchase inventory in foreign currencies, we may incur additional foreign currency exchange losses, causing our operating results to suffer.

Moreover, some of the foreign countries in which we do business might impose currency restriction that may limit the ability of our subsidiaries and joint ventures in such countries to obtain and remit foreign currency necessary for the purchase of imported components and may limit our ability to obtain and remit foreign currency in exchange for foreign earnings. For example, China employs currency controls restricting Renminbi conversion, limiting our ability to engage in currency hedging activities in China. Various foreign exchange controls may also make it difficult for us to repatriate earnings, which could have a material adverse effect on our ability to conduct business globally.

Business interruptions could adversely affect our business.

Our operations are vulnerable to interruption by fire, earthquake, power loss, telecommunications failure, external interference with our information technology systems, incidents of terrorism and other events beyond our control. For example, our Hangzhou manufacturing facility s ability to produce sufficient products is dependent upon a continuous power supply, and the power required to source our manufacturing operations is inconsistent. The Hangzhou facility has in the past been subject to power shortages, which has affected our ability to produce and ship sufficient products. We do not have a detailed disaster recovery plan, and the occurrence of any events like these that disrupt our business could harm our operating results.

We may suffer losses with respect to equipment held at customer sites, which could harm our business.

We face the risk of loss relating to our equipment held at customer sites. In some cases, our equipment held at customer sites is under contract, pending final acceptance by the customer. We do not hold title or risk of loss on such equipment, as title and risk of loss are typically transferred to the customer upon delivery of our equipment. However, we do not recognize revenue and accounts receivable with respect to the sale of such equipment until we obtain acceptance from the customer. If we do not obtain final acceptance, we may not be able to collect the contract price and recover this equipment or its associated costs. In other cases, particularly in China, where governmental approval is required to finalize certain contracts, inventory not under contract may be held at customer sites. We hold title and risk of loss on this inventory until the contracts are finalized and, as such, are subject to any losses incurred resulting from any damage to or loss of this inventory. If our contract negotiations fail or if the government of China otherwise delays approving contracts, we may not recover or receive payment for this inventory. Moreover, our insurance may not cover all losses incurred if our inventory at customer sites not under contracts is damaged prior to contract finalization. If we incur a loss relating to inventory for any of the above reasons, our operating results could be harmed.

We have been named as a defendant in securities litigation.

We and various underwriters for our initial public offering are defendants in a purported shareholder class action. The complaint alleges undisclosed improper underwriting practices concerning the allocation of IPO shares, in violation of the federal securities laws. Similar complaints have been filed concerning the IPOs of more than 300 companies, and the litigation has been coordinated in United States District Court for the Southern District of New York as In re Initial Public Offering Securities Litigation, 21 MC 92. Although we believe we have valid defenses to the claims against us and intend to defend the litigation vigorously, until the matter is resolved, it will be necessary for us to continue to expend time and financial resources on the matter. Moreover, an adverse judgment in the litigation could materially harm our operations.

Standards for compliance with Section 404 of the Sarbanes-Oxley Act of 2002 are uncertain, and if we fail to comply in a timely manner, our business could be harmed and our stock price could decline.

We must comply with the rules promulgated under Section 404 of the Sarbanes-Oxley Act of 2002 (Section 404) by December 31, 2004. Rules describing the requirements for our auditors to be able to attest to our compliance under Section 404 were adopted in June, 2004, and we, along with our external service providers, are currently interpreting what qualifies as compliance with Section 404. Because the matter of Section 404 compliance is new, there is no precedent or proven method for such compliance, and our management must exercise significant judgment in our effort to comply with

Section 404. As a result of this uncertainty, we cannot be certain that we will comply with the requirements of Section 404 in a timely manner. If we fail to comply in a timely manner, public perception of our internal controls could be damaged, causing our financial results to suffer and our stock price to decline.

Recently enacted and proposed changes in securities laws and regulations are likely to increase our costs.

The Sarbanes-Oxley Act of 2002 has required and will continue to require changes in some of our corporate governance and securities disclosure or compliance practices. That Act also requires the SEC to promulgate new rules on a variety of subjects, in addition to rule proposals already made, and The Nasdaq National Market has revised its requirements for companies that are Nasdaq-listed. We expect these developments (i) will require us to devote additional resources to our operational, financial and management information systems procedures and controls to ensure our continued compliance with current and future laws and regulations, (ii) will make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage, increase our level of self-insurance, or incur substantially higher costs to obtain coverage, and (iii) could make it more difficult for us to attract and retain qualified members of our board of directors, or qualified executive officers. We are presently evaluating and monitoring regulatory developments and cannot estimate the timing or magnitude of additional costs we may incur as a result.

Changes in accounting rules.

We prepare our financial statements in conformity with accounting principles generally accepted in the United States of America. These principles are subject to interpretation by the Securities and Exchange Commission and various bodies formed to interpret and create appropriate accounting policies. A change in these policies can have a significant effect on our reported results and may even retroactively affect previously reported transactions. In particular, changes to Financial Accounting Standards Board (FASB) guidelines relating to accounting for stock-based compensation will likely increase our compensation expense, could make our net income less predictable in any given reporting period and could change the way we compensate our employees or cause other changes in the way we conduct our business.

RISKS RELATED TO CONDUCTING BUSINESS IN CHINA

China s governmental and regulatory reforms may impact our ability to do business in China.

The Chinese government, through the Ministry of Information Industry, the Chinese telecommunication industry s regulating body, has broad discretion and authority over all aspects of the telecommunications and information technology industry in China, with the power to permit or prohibit the sales of any of our products. Since 1978, the Chinese government has been in a state of evolution and reform. The reforms have resulted in and are expected to continue to result in significant economic and social development in China. Many of the reforms are unprecedented or experimental and may be subject to change or readjustment due to a variety of political, economic and social factors. While we anticipate that the basic principles underlying the reforms will remain unchanged, any of the following changes in China s political and economic conditions and governmental policies could have a substantial impact on our business:

- the promulgation of new laws and regulations and the interpretation of those laws and regulations;

inconsistent enforcement and application of the telecommunications industry s rules and regulations by the Chinese government between foreign and domestic companies;

the introduction of measures to control inflation or stimulate growth;

the introduction of new guidelines for tariffs and service rates, which affect our ability to competitively price our products and services;

changes in the rate or method of taxation;

the imposition of additional restrictions on currency conversion and remittances abroad; or

any actions which limit our ability to develop, manufacture, import or sell our products in China, or to finance and operate our business in China.

For example, in the year 2000, the Ministry of Information Industry temporarily halted deployment of our PAS systems and handsets, pending its review of personal handyphone system (PHS)-based telecommunications equipment, a microcellular wireless communications technology. The Ministry of Information Industry later allowed the continued deployment of PHS-based systems, such as our PAS systems and handsets, in China s county-level cities, towns and villages but limited deployments within large and medium-sized cities to very limited areas of dense population, such as campuses, commercial buildings and special development zones. If in the future the Ministry of Information Industry determines to prohibit the sale or deployment of our PAS systems and handsets or our other products, or if it imposes additional limitations on their sale, our business and financial condition could suffer.

In addition to modifying the existing telecommunications regulatory framework, the Chinese government is currently preparing a draft of a standard, national telecommunications law (the Telecommunications Law) to provide a uniform regulatory framework for the telecommunications industry. We do not yet know the final nature or scope of the regulation that would be created if the Telecommunications Law is passed. Accordingly, we cannot predict whether it will have a positive or negative effect on us or on some or all aspects of our business.

China s changing economic environment may impact our ability to do business in China.

Since 1978, the Chinese government has been reforming the economic system in China to increase emphasis placed on decentralization and the utilization of market forces in the development of China s economy. These reforms have resulted in significant economic growth. However, any economic reform policies or measures in China may from time to time be modified or revised by the Chinese government. While we may be able to benefit from the effects of some of these policies, these policies and other measures taken by the Chinese government to regulate the economy could also have a significant negative impact on economic conditions in China, which would result in a negative impact on our business. More recently, China s economic environment has been changing as a result of China s entry into the World Trade Organization (WTO), which was effective in December of 2001. Entry into the WTO requires that China reduce tariffs and eliminate non-tariff barriers, including quotas, licenses and other restrictions, by 2005 at the latest, and we cannot predict the impact of these changes on China s economy. Moreover, although China s entry into the WTO and the related relaxation of trade restrictions may lead to increased foreign investment, it may also lead to increased competition in China s markets from other foreign companies. If China s entry into the WTO results in increased competition or has a negative impact on China s economy, our business could suffer. In addition, although China is increasingly according foreign companies and foreign investment enterprises established in China the same rights and privileges as Chinese domestic companies as a result of its admission into the WTO, special laws, administrative rules and regulations governing foreign companies and foreign investment enterprises in China may still place foreign companies at a disadvantage in relation to Chinese domestic companies and may adversely affect our competitive position.

Uncertainties with respect to the Chinese legal system may adversely affect us.

We conduct our business in China primarily through our wholly-owned subsidiaries incorporated in China. Our subsidiaries are generally subject to laws and regulations applicable to foreign investment in China. Accordingly, our business might be affected by China s developing legal system. Since 1978, many new laws and regulations covering general economic matters have been promulgated in China, and government policies and internal rules promulgated by governmental agencies may not be published in time, or at all. As a result, we may operate our business in violation of new rules and policies without having any knowledge of their existence. In addition, there are uncertainties regarding the interpretation and enforcement of laws, rules and policies in China. The Chinese legal system is based on written statutes, and prior court decisions have limited precedential value. Because many laws and regulations are relatively new and the Chinese legal system is still evolving, the interpretations of many laws, regulations and rules are not always uniform. Moreover, the relative inexperience of China s judiciary in many cases creates additional uncertainty as to the outcome of any litigation, and the interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes. Finally, enforcement of existing laws or contracts based on existing law may be uncertain and sporadic, and it may be difficult to obtain swift and equitable enforcement, or to obtain enforcement of a judgment by a court of another jurisdiction. Any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

We only have trial licenses to sell certain of our network access products in China.

Under China s current regulatory structure, the communications products that we offer in China must meet government and industry standards, and a network access license for the equipment must be obtained. Without a license, telecommunications equipment is not allowed to be connected to public telecommunications networks or sold in China. Moreover, we must ensure that the quality of the telecommunications equipment for which we have obtained a network access license is stable and reliable, and will not lower the quality or performance of other installed licensed products. China s State Council s product quality supervision department, in concert with China s Ministry of Information Industry, performs spot checks to track and supervise the quality of licensed telecommunications equipment and publishes the results of such spot checks.

We have obtained a probationary network access license for our mSwitch product, and after the trial period, we anticipate that an official network access license will be issued if the trial demonstrates that mSwitch satisfies all the applicable government and industry standards. However, we cannot be certain that we will receive this license. Moreover, we only have trial licenses for our PAS systems and handsets. We have applied for, but have not yet received, a final official network access license for our PAS systems and handsets. Based upon conversations with China s Ministry of Information Industry, we understand that our PAS systems and handsets are considered to still be in the trial period and that sales of our PAS systems and handsets may continue to be made by us during this trial period, but that a license will ultimately be required. If we fail to obtain the required licenses, we could be prohibited from making further sales of the unlicensed products, including our PAS systems and handsets, in China, which would substantially harm our business, financial condition and results of operations. The regulations implementing these requirements are not very detailed, have not been applied by a court and may be interpreted and enforced by regulatory authorities in a number of different ways. Our counsel in China has advised us that China s governmental authorities may interpret or apply the regulations with respect to which licenses are required and the ability to sell a product while a product is in the trial period in a manner that is inconsistent with the information received by our counsel in China, and either of these conditions could have a material adverse effect on our business, financial condition and results of operations.

If China Telecom Corporation (China Telecom) or China Netcom International Corporation Ltd. (China Netcom) obtains licenses allowing them to deliver mobile services, our ability to sell our PAS mobile systems and handsets could be impaired.

China Telecom and China Netcom hold and operate the fixed line telephone and data communications assets in China, and currently do not have the licenses necessary to offer mobile services. However, China s media sources have widely reported that China s Ministry of Information Industry may grant mobile licenses to China Telecom or China Netcom, or to both toward the end of 2004. Furthermore, it is anticipated that the mobile license granted by the government will be used for 3G mobile network deployments.

If China Telecom or China Netcom obtain 3G mobile licenses, they may direct capital expenditures to build-out 3G networks, and capital expenditures to build-out PAS networks that utilize our existing products may decline. Moreover, they may elect not to deploy our PAS systems and handsets or other mobile services that we may offer in the future. In addition, it is possible that current PAS frequency bands utilized by PAS networks may be reallocated for use by 3G networks, which would have the effect of restricting or shutting down PAS networks. If this were to occur, we could lose current and potential future customers for our products, and our financial condition and results of operations could be significantly harmed.

Promotional or incentive programs offered by mobile operators such as China Mobile and China Unicom may adversely impact the competitiveness and pricing of our PAS systems and related products.

The official tariffs and per-minute usage rates charged to mobile users in China are generally set by the Ministry of Information Industry and the National Development and Reform Commission, and are usually adhered to by mobile operators. However, from time to time, certain mobile operators such as China Mobile and China Unicom have offered special promotional pricing or incentives to customers, such as free incoming calls or free mobile-to-mobile calls. The continued use of such incentive programs by mobile operators may adversely impact the competitiveness and pricing of our PAS systems and related products and their rollout by the new China Telecom and China Netcom. Such incentive programs may continue or be expanded in the future. We cannot be certain as to what impact such incentive programs may have on our financial condition. However, it is possible that the continuation or expansion of such programs may have a material adverse effect on our business or results of operations.

If tax benefits available to our subsidiaries located in China are reduced or repealed, our business could suffer.

The Chinese government is considering the imposition of a unified corporate income tax that would phase out, over time, the preferential tax treatment to which foreign investment enterprises, such as our company, are currently entitled. While it is not certain whether the government will implement such a unified tax structure or whether our company will be grandfathered into any new tax structure, if a new tax structure is implemented, a new tax structure may adversely affect our financial condition. Moreover, certain of our subsidiaries and joint ventures located in China enjoy tax benefits in China that are generally available to foreign investment enterprises. If these tax benefits are reduced or repealed due to changes in tax laws, our business could suffer. We are currently applying for the ability to share research and development costs among our key worldwide entities. This is a new concept in China, and we are working closely with the China Tax and Regulatory Authorities to gain approval for this cost sharing. If the cost sharing is not approved by China, our effective tax rate may increase.

RISKS RELATED TO OUR STOCK PERFORMANCE AND

CONVERTIBLE DEBT SECURITIES

Our stock price is highly volatile.

The trading price of our common stock has fluctuated significantly since our initial public offering in March of 2000. Our stock price could be subject to wide fluctuations in the future in response to many events or factors, including those discussed in the preceding risk factors relating to our operations, as well as:

actual or anticipated fluctuations in operating results, actual or anticipated gross profit as a percentage of net sales, levels of inventory, our actual or anticipated rate of growth and our actual or anticipated earnings per share;

changes in expectations as to future financial performance or changes in financial estimates or buy/sell recommendations of securities analysts;

changes in governmental regulations or policies in China, such as the temporary suspension of sales of our PAS systems that occurred in May and June of 2000, which caused our stock price to drop;

our, or a competitor s, announcement of new products, services or technological innovations;

the operating and stock price performance of other comparable companies; and

news and commentary emanating from the media, securities analysts or government bodies in China relating to us and to the industry in general.

General market conditions and domestic or international macroeconomic factors unrelated to our performance may also affect our stock price. For these reasons, investors should not rely on recent trends to predict future stock prices or financial results. In addition, following periods of volatility in a company s securities, securities class action litigation against a company is sometimes instituted. This type of litigation could result in substantial costs and the diversion of management time and resources.

In addition, public announcements by China Telecom and China Netcom, each of which exert significant influence over many of our major customers in China, may contribute to volatility in the price of our stock. In 2002, China Telecom completed its initial public offering, which has caused that entity to issue press releases more frequently than in prior years. The price of our stock may react to such announcements. More recently, it has been reported that China Netcom has been restructuring its operations for its own initial public offering. More frequent public announcements from China Netcom relating to or resulting from their initial public offering could cause the price of our stock to become even more volatile.

SOFTBANK CORP. and its related entities, including SOFTBANK America Inc., have significant influence over our management and affairs, which it could exercise against your best interests.

SOFTBANK CORP. and its related entities, including SOFTBANK America Inc. (collectively, SOFTBANK), beneficially owned approximately 12.9% of our outstanding stock as of June 30, 2004. As a result, SOFTBANK has the ability to influence all matters submitted to our stockholders for approval, as well as our management and affairs. Matters that could require stockholder approval include:

- election and removal of directors;
- merger or consolidation of our company; and
- sale of all or substantially all of our assets.

This concentration of ownership may delay or prevent a change of control or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of our company, which could decrease the market price of our common stock.

Delaware law and our charter documents contain provisions that could discourage or prevent a potential takeover, even if the transaction would benefit our stockholders.

Other companies may seek to acquire or merge with us. An acquisition or merger of our company could result in benefits to our stockholders, including an increase in the value of our common stock. Some provisions of our Certificate of Incorporation and Bylaws, as well as provisions of Delaware law, may discourage, delay or prevent a merger or acquisition that a stockholder may consider favorable. These provisions include:

authorizing the board of directors to issue additional preferred stock;

prohibiting cumulative voting in the election of directors;

limiting the persons who may call special meetings of stockholders;

prohibiting stockholder action by written consent;

creating a classified board of directors pursuant to which our directors are elected for staggered three year terms; and

establishing advance notice requirements for nominations for election to the board of directors and for proposing matters that can be acted on by stockholders at stockholder meetings.

The holders of our convertible subordinated notes due in 2008 and we face a variety of risks related to the notes.

Holders of our convertible subordinated notes due 2008 (the notes) and we face a variety of risks with respect to the notes, including the following:

we may be limited in our ability to purchase the notes in the event of a change in control, either for cash or stock, which could result in our defaulting on the notes at the time of the change in control and purchases for stock would be subject to market risk;

an event of default under our senior debt, including one of our subsidiaries, could restrict our ability to purchase or pay any or all amounts due on notes, and after paying our senior debt in full, we may not have sufficient assets remaining to pay any or all amounts due on the notes;

there is no listed trading market for the notes, which could have a negative impact on the market price of the notes;

we have significantly increased our leverage as a result of the sale of the notes which could have an adverse impact on our ability to obtain additional financing for working capital;

hedging transactions related to the notes and our common stock and other transactions, as well as changes in interest rates and our creditworthiness, may affect the value of the notes and of our common stock; and

the notes might not be rated or may receive a lower rating than anticipated by investors, ultimately having a negative affect on the price of the notes and of our common stock.

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to the impact of interest rate changes, changes in foreign currency exchange rates and changes in the stock market.

Interest Rate Risk. Our exposure to market risk for changes in interest rates relates primarily to our investment portfolio. The fair value of our investment portfolio would not be significantly affected by either a 10% increase or decrease in interest rates due mainly to the short-term nature of most of our investment portfolio. However, our interest income can be sensitive to changes in the general level of U.S. interest rates since the majority of our funds are invested in instruments with maturities less than one year. Our policy is to limit the risk of principal loss and ensure the safety of invested funds by generally attempting to limit market risk. Funds in excess of current operating requirements are mostly invested in government-backed notes, commercial paper, floating rate corporate bonds, fixed income corporate bonds and tax-exempt instruments. In accordance with our investment policy, all short-term investments are invested in investment grade rated securities with minimum A or better ratings. Currently, most of our short-term investments have AA or better ratings.

The table below represents carrying amounts and related weighted-average interest rates of our investment portfolio at June 30, 2004:

(in thousands except interest rates)

Cash and cash equivalents	$	484,767
Average interest rate		0.95%
Restricted cash		15,249
Average interest rate		0.51%
Restricted short-term investments		27,384
Average interest rate		1.04%
Short-term investments		76,979
Average interest rate		1.39%
Total investment securities	$	604,379
Average interest rate		1.002%

Concentration of Credit Risk and Major Customers: The table below outlines our sales to, and the accounts receivable balances with respect to our largest customers:

For the three months ended June 30,			For the six months ended June 30,		
2004	**% of Net Sales**	**% of Accounts Receivable**	**2004**	**% of Net Sales**	**% of Accounts Receivable**
B	15%	15%	A	16%	9%
C	10%	14%	B	11%	15%
			C	10%	14%
2003			**2003**		
C	13%	7%	C	13%	7%
D	11%	9%			
E	10%	5%			

The Company extends credit to its customers in China generally without requiring collateral. In global sales outside of China, the Company often requires letters of credit from its customers. The Company monitors its exposure for credit losses and maintains allowances for doubtful accounts.

Foreign Exchange Rate Risk. We are exposed to foreign currency exchange rate risk because most of our sales in China are denominated in Renminbi. Due to the limitations on converting Renminbi, we are limited in our ability to engage in foreign currency hedging activities in China. Beginning in the first quarter of 2004, we hedge certain Japanese Yen-denominated balance sheet exposures against future movements in foreign currency exchange rates by using foreign currency forward contracts. Gains and losses on these fair value hedges are intended to offset gains and losses from the revaluation of our Japanese Yen-denominated recognized liabilities. In accordance with Statement of Financial Accounting Standards No. 133 (SFAS 133   ),   Accounting for Derivative Instruments and Hedging Activities, we recognize derivative instruments and hedging activities as either assets or liabilities on the balance sheet and measure them at fair value. The net result of gains and losses on contracts and revaluation included in interest and other income (expense) was insignificant for the three and six months ended June 30, 2004. Our foreign currency forward contracts generally mature within three months. We do not intend to utilize derivative financial instruments for trading purposes. There were no foreign currency forward contracts held at June 30, 2004. Movements in currency exchange rates could cause variability in our other income (expense).

Although the impact of currency fluctuations of Renminbi to date has been insignificant, fluctuations in foreign currency exchange rates in the future may have a material adverse effect on our results of operations. We maintain a bank account in Japanese Yen for purchasing portions of our inventories and supplies. The balance of this Japanese Yen account as of June 30, 2004 was approximately $36.7 million.

ITEM 4 CONTROLS AND PROCEDURES

During the preparation of the Company's Quarterly Report on Form 10-Q, an equipment sale transaction was identified in a single geographical sales market, outside of China, in the amount of approximately $1.9 million that was initially included as revenue in the Company's proposed internal draft financial statements for the second quarter. Upon further analysis, it was determined that this transaction did not qualify as recognizable revenue and as such, the Company did not include such revenue in the financial statements for the quarter ended June 30, 2004.

Upon identification of this matter, management and the audit committee initiated a full review and analysis of the facts and circumstances surrounding this transaction. No additional discrepancies were noted related to the recording or reporting of revenue. The findings of this review have led management to conclude that certain significant control deficiencies exist related to the review and evaluation of criteria related to revenue recognition, including process deficiencies with respect to obtaining evidence of delivery.

In connection with the above findings and in an effort to address the weaknesses identified in the Company s internal controls, management has determined that it will take immediate corrective actions. Such actions will include:

a centralized review, analysis and control of all non-China revenue recognition by U.S. corporate management, including receipt of 3rd party evidence of delivery and final acceptance certificate issued by the customer;

limitations of local signature approval authority for signing contracts; and

additional reconciliation and review of customer site inventory balances.

Separate from the review, the Company discovered that certain inventory transactions recorded in the quarter ended June 30, 2004 were in error. The Company recorded an adjustment reflected in the Financial Statements to increase inventory and decrease cost of sales by $0.8 million for the three and six months ended June 30, 2004 and to increase earnings per share by $0.01.

In addition, the Company is undertaking a thorough review of its internal controls as part of the Company s preparation for compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002. Rules describing the requirements for the Company's independent auditors to be able to attest to our compliance under Section 404 were adopted in June 2004 and we, along with our external service providers, are currently interpreting compliance requirements under Section 404. As a result of this uncertainty, as well as the significant control deficiencies noted above, the Company cannot be certain that we will be able to comply with the requirements of Section 404 by the December 31, 2004 deadline.

Our management, including the Chief Executive Officer and the Chief Financial Officer, has conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, pursuant to Exchange Act Rule 13a-15(e) and 15d-15(e) as of June 30, 2004. Based on that evaluation, combined with a consideration of the additional procedures described above, the Chief Executive Officer and the Chief Financial Officer concluded that, notwithstanding the significant control weakness described above, our disclosure controls and procedures are effective in ensuring that all material information required to be disclosed in this quarterly report has been made known to them in a timely fashion and no changes are required at this time.

In connection with the evaluation by our management, including the Chief Executive Officer and Chief Financial Officer, of our internal control over financial reporting, except as noted above, no changes during the quarter ended June 30, 2004 were identified that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1 LEGAL PROCEEDINGS

On October 31, 2001, a complaint was filed in United States District Court for the Southern District of New York against us, some of its directors and officers and various underwriters for its initial public offering. Substantially similar actions were filed concerning the initial public offerings for more than 300 different issuers, and the cases were coordinated as *In re Initial Public Offering Securities Litigation*, 21 MC 92. In April 2002, a consolidated amended complaint was filed in the matter against us, captioned *In re UTStarcom, Initial Public Offering Securities Litigation*, Civil Action No. 01-CV-9604. Plaintiffs allege violations of the Securities Act of 1933 and the Securities Exchange Act of 1934 through undisclosed improper underwriting practices concerning the allocation of IPO shares in exchange for excessive brokerage commissions, agreements to purchase shares at higher prices in the aftermarket, and misleading analyst reports. Plaintiffs seek unspecified damages on behalf of a purported class of purchasers our common stock between March 2, 2000 and December 6, 2000. Our directors and officers were dismissed without prejudice pursuant to a stipulation. On February 19, 2003, the Court granted in part and denied in part a motion to dismiss brought by defendants including us. The order dismissed all claims against us except for a claim brought under Section 11 of the Securities Act of 1933, which alleges that our initial public offering registration statement contained untrue statements of material fact and omitted to state material facts required to be stated in the registration statement, or necessary to make the statements therein not misleading.

In June 2004, a stipulation of settlement and release of claims against the issuer defendants, including us, was submitted for preliminary approval by the Court. Under the settlement, the plaintiffs would dismiss and release all claims against participating defendants in exchange for a contingent payment undertaking by the insurance companies collectively responsible for insuring the issuer defendants in the coordinated action, and the assignment or surrender to the plaintiffs of certain claims the issuer defendants may have against the underwriters. Pursuant to the undertaking, the insurers would be required to pay the amount, if any, by which $1.0 billion exceeds the total amount ultimately collected by the plaintiffs from the non-settling defendants in the coordinated action. The settlement is subject to a number of conditions including Court approval.

If the settlement does not occur, and litigation against UTStarcom continues, we believe it has valid defenses and intends to defend the case vigorously. We are unable to currently estimate the loss, if any, associated with the above litigation.

We have filed a patent infringement suit against Starent Networks Corporation (Starent) in the U.S. District Court for the Northern District of California. In its Complaint, we assert that Starent infringes two UTStarcom patents through the manufacture, offer for sale, and sale of Starent s ST-16 Intelligent Mobile Gateway. On June 3, 2004, we served our complaint on Starent. On July 30, 2004, Starent filed and served its answer and counterclaims. In its counterclaims, Starent asserts that the patents are not infringed, are invalid, and are unenforceable and asserts unfair competition against us. The Court is scheduled to hold an initial case management conference on October 12, 2004. Although we cannot reliably predict the outcome of this litigation, it believes that any liability arising from Starent s counterclaims will not have a material adverse effect on the business, financial condition, or results of our operations.

We are a party to other litigation matters and claims that are normal in the course of our operations, and while the results of such litigation matters and claims cannot be predicted with certainty, we believe that the final outcome of such matters will not have a material adverse impact on our financial position or results of operations.

ITEM 2 CHANGES IN SECURITIES, USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITYSECURITIES

(e) Stock repurchased for the quarter ended June 30, 2004 is as follows:

Period	**Total Number of shares purchased (1)**	**Average purchase price per share**	**Total Number of shares purchased as part of a publicly announced program (1)**	**Maximum number of shares that may yet be purchased under the repurchase plan**
April 1, 2004 - April 30, 2004	987,566	$ 29.79	987,566	3,067,434
May 1, 2004 - May 31, 2004				3,067,434
June 1, 2004 - June 30, 2004				3,067,434
Total	987,566		987,566	3,067,434

(1) On March 12, 2004, the Company announced a program to repurchase up to 5,000,000 shares of its outstanding common stock over a period of six months, until September, 2004 (the Repurchase Program).

ITEM 3 DEFAULTS UPON SENIOR SECURITIES

[None.]

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On May 14, 2004, the Company held its annual meeting of stockholders. As of March 29, 2004, the record date for the annual meeting, there were 117,198,949 shares of common stock of the Company issued and outstanding and entitled to vote at the annual meeting. The following proposals were submitted to a vote of the stockholders:

(i) To elect the following two Class I members currently serving on the Board of Directors to serve until the date on which the annual meeting of stockholders is held in the year 2007.

Election of Directors	**Votes for**	**Votes Withheld**
Thomas J. Toy	97,292,989	1,806,649
Ying Wu	84,582,857	14,516,781

As a result, Messrs. Toy and Wu were elected as Directors of the Company.

(ii) To ratify and approve the appointment of PricewaterhouseCoopers LLP as the independent public accountants of the Company for the fiscal year ending December 31, 2004

For	Against	Abstain	Broker Non-votes
97,242,212	1,775,213	82,213	

ITEM 5 OTHER INFORMATION

Our directors, officers, or employees have entered, and may from time to time enter, into good faith trading plans pursuant to SEC Rule 10b5-1(c).

ITEM 6 EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

NUMBER	EXHIBIT DESCRIPTION
10.100	Asset Purchase Agreement among UTStarcom, Inc., Telos Technology, Inc., Telos Technology (Canada), Inc., Telos Technology (Bermuda) Ltd. and Telos Engineering Limited dated April 21, 2004
10.101	Asset Purchase Agreement by and among Audiovox Communications Corp., Quintex Mobile Communications Corporation, Audiovox Communications Canada Co., UTStarcom, Inc., UTStarcom Canada Company and Audiovox Corporation, dated as of June 11, 2004
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K:

1. Report on Form 8-K dated on April 22, 2004 (filed on April 23, 2004) under Item 5, relating to the Company s press release entitled UTStarcom Agrees to Acquire TELOS Technology, Leading Provider of Industry-Proven Packet Core Networks for CDMA 2000.

2. Report on Form 8-K dated and filed on April 27, 2004 under Item 5 and Item 7, relating to the Company announcing its results of operation for the first quarter of 2004.

3. Report on Form 8-K dated and filed on June 14, 2004 under Item 5 and Item 7, relating to the Company s press release entitled UTStarcom Agrees to Acquire Select Assets of Audiovox Handset Division for $165.1 Million.

UTSTARCOM, INC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	UTSTARCOM, INC.	
Date: August 16, 2004	By:	/s/ Hong Liang Lu
		Hong Liang Lu *President, Chief Executive Officer and Director* *(Principal Executive Officer)*
Date: August 16, 2004	By:	/s/ Michael J. Sophie
		Michael J. Sophie *Senior Vice President of Finance and Chief Financial Officer* *(Principal Financial Officer)*

UTSTARCOM, INC.

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